<u>NEW ISSUE</u> **Ratings: See "RATINGS" herein.**

This Official Statement has been prepared by the North Carolina Turnpike Authority and the North Carolina Local Government Commission to provide information on the Series 2009B Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 2009B Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in the Official Statement.

$352,675,000
NORTH CAROLINA TURNPIKE AUTHORITY
Triangle Expressway System
State Annual Appropriation Revenue Bonds, Series 2009B
(Federally Taxable - Issuer Subsidy - Build America Bonds)

Dated: Date of Delivery **Due: as shown on inside front cover**

Tax Treatment	**In the opinion of Bond Counsel, interest on the Series 2009B Bonds is <u>not</u> excluded from the gross income of the owners thereof for purposes of federal income taxation.** In the opinion of Bond Counsel, which is based on existing law, interest on the Series 2009B Bonds will be exempt from all State of North Carolina income taxes. See "LEGAL MATTERS--TAX TREATMENT."
Redemption	The Series 2009B Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary optional redemption at the times and at the redemption prices described herein. See "THE SERIES 2009B BONDS—Redemption Provisions."
Security	The Series 2009B Bonds will be special obligations of the Authority, secured by and payable from the Revenues pledged therefor as herein described, under certain circumstances, the proceeds of the Series 2009B Bonds, and a Reserve Fund created for the Series 2009B Bonds and any other Bonds issued under the Trust Agreement that are "Build America Bonds." *Neither the credit nor the taxing power of the State of North Carolina (the "State") or any of the State's political subdivisions is pledged for the payment of principal of, premium, if any, or interest on the Series 2009B Bonds, and no Owner of the Series 2009B Bonds has the right to compel the exercise of the taxing power of the State or any of the State's political subdivisions or the forfeiture of any of their respective properties other than the funds pledged therefor in connection with any default on the Series 2009B Bonds.*
Interest Payment Dates	Interest on the Series 2009B Bonds will be paid on January 1 and July 1, commencing January 1, 2010.
Method of Ownership	Book-entry Only
Closing/Settlement	July 29, 2009
Bond Counsel	Womble Carlyle Sandridge & Rice, PLLC, Raleigh, North Carolina
Co-Underwriters' Counsel	Bode, Call & Stroupe, L.L.P., Raleigh, North Carolina and Rand & Gregory, PA, Fayetteville, North Carolina
Trustee and Paying Agent	Wells Fargo Bank, N.A., Jacksonville, Florida

The Series 2009B Bonds are offered, when, as and if issued and received by the Underwriters, subject to prior sale and the opinion of Bond Counsel as to the validity, the tax treatment of interest on the Series 2009B Bonds and certain other matters.

Merrill Lynch & Co. **Banc of America Securities LLC**

BB&T Capital Markets
Loop Capital Markets, LLC
Wachovia Securities
Citi
RBC Capital Markets
J.P. Morgan
Siebert Brandford Shank & Co., LLC
Southwest Securities, Inc.

The date of this Official Statement is July 15, 2009.

$352,675,000
North Carolina Turnpike Authority
Triangle Expressway System
State Annual Appropriation Revenue Bonds, Series 2009B
(Federally Taxable - Issuer Subsidy - Build America Bonds)

Maturity Schedule

$40,310,000 Serial Bonds

Due January 1	Principal Amount	Interest Rate	Price	Approximate Yield	CUSIP
2017	$ 3,370,000	4.800%	99.835%	4.826%	65830TAA3
2018	7,115,000	4.900	99.818	4.926	65830TAB1
2019	9,615,000	5.000	99.802	5.026	65830TAC9
2020	9,935,000	5.125	99.987	5.126	65830TAD7
2021	10,275,000	5.200	99.774	5.226	65830TAE5

$50,320,000 6.00% Term Bonds Due January 1, 2025, Price 99.735%, Approximate Yield 6.026% CUSIP 65830TAF2
$262,045,000 6.70% Term Bonds Due January 1, 2039, Price 99.763%, Approximate Yield 6.718% CUSIP 65830TAG0

NORTH CAROLINA TURNPIKE AUTHORITY

AUTHORITY MEMBERS

Eugene A. Conti, Jr.	Chairman
Lanny Wilson	Vice Chairman
Perry R. Safran	Secretary/Treasurer
Anthony Fox	Member
Sang J. Hamilton, Sr.	Member
William C. Lackey, Jr.	Member
Robert L. Spencer, Jr.	Member
Robert D. Teer, Jr.	Member
E. David Redwine	Member

MANAGEMENT STAFF

David W. Joyner	Executive Director
James J. Eden	Chief Operating Officer
R. Grady Rankin	Chief Financial Officer
Steven D. DeWitt	Chief Engineer
Carolyn D. Johnson	General Counsel
Reid Simons	Director of Government and Public Affairs

FINANCIAL ADVISOR

Public Financial Management, Inc. - Orlando, Florida

BOND COUNSEL

Womble Carlyle Sandridge & Rice, PLLC - Raleigh, North Carolina

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TRAFFIC CONSULTANT

Wilbur Smith Associates

GENERAL ENGINEERING CONSULTANT

HNTB Corporation

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2009B Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2009B Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Series 2009B Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the Authority and other sources believed to be reliable. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy of completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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State of North Carolina
Department of State Treasurer

JANET COWELL Treasurer	*State and Local Government Finance Division and the Local Government Commission*	T. VANCE HOLLOMAN Deputy Treasurer

Official Statement
of the North Carolina Local Government Commission

Concerning

$352,675,000
NORTH CAROLINA TURNPIKE AUTHORITY
Triangle Expressway System
State Annual Appropriation Revenue Bonds, Series 2009B
(Federally Taxable-Issuer Subsidy-Build America Bonds)

INTRODUCTION

The purpose of this Official Statement, which includes the appendices, is to provide certain information in connection with the issuance by the North Carolina Turnpike Authority (the "Authority") of $352,675,000 Triangle Expressway System State Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds) (the "Series 2009B Bonds"). The Series 2009B Bonds will be issued pursuant to applicable provisions of law, a bond order adopted by the Authority on November 20, 2008, as amended on April 15, 2009 and May 7, 2009, and a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee").

The Series 2009B Bonds are the first issue of Bonds by the Authority under the Trust Agreement.*

This introduction provides certain limited information to serve as a guide to the Official Statement and is expressly qualified by the Official Statement as a whole. Investors should make a full review of the entire Official Statement and the documents summarized or described herein.

For the definition of certain terms used herein and a summary of certain provisions of the Trust Agreement, see APPENDIX B hereto. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Trust Agreement unless otherwise indicated.

Authorization. The Series 2009B Bonds are being issued pursuant to The Public Toll Roads and Bridges Act, Article 6H of Chapter 136 of the North Carolina General Statutes, as amended (the "Authority Act") and The State and Local Government Revenue Bond Act, Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended (the "Revenue Bond Act"), an order adopted by the Authority on November 20, 2008 as amended on April 15, 2009 and May 7, 2009, and the Trust Agreement.

* The Preliminary Official Statement, dated July 1, 2009, provided for the issuance of a second series of Bonds to be designated the "Series 2009A Bonds." The Authority has determined not to issue any Series 2009A Bonds, but has left the designation of the Bonds described herein as the "Series 2009B Bonds."

Security. The Series 2009B Bonds will be special obligations of the Authority, secured by and payable from the Revenues (hereinafter defined) and, under certain circumstances, the proceeds of the Series 2009B Bonds. As defined in the Trust Agreement, "Revenues" consist of an annual appropriation of $25,000,000 to the Authority by the State of North Carolina (the "State") from the North Carolina Highway Trust Fund, a special fund of the State created for the purpose of funding highway construction, the Interest Subsidy Payments received from the United States Department of the Treasury with respect to the Series 2009B Bonds under the "Build America Bond" program, as described below under "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009B BONDS" and the investment income realized from the investment of amounts held under the Trust Agreement. Additionally, the Series 2009B Bonds will be secured by a Reserve Fund created for the Series 2009B Bonds and any other Bonds issued under the Trust Agreement that are "Build America Bonds." The Series 2009B Bonds will be additionally secured by certain funds, accounts and subaccounts held by the Trustee under the Trust Agreement.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009B BONDS" herein.

Purpose and Plan of Finance. The Series 2009B Bonds are being issued for the purpose of providing funds, together with other available funds, (a) to pay the costs of land acquisition, design, construction and equipping of the Triangle Expressway System, a 19-mile toll road facility to be built in Durham and Wake Counties, North Carolina (the "Triangle Expressway System"), (b) to provide funds to pay a portion of the interest on the Series 2009B Bonds until July 1, 2012, (c) to fund the Reserve Fund for the Series 2009B Bonds and (d) to pay the costs incurred in connection with the issuance of the Series 2009B Bonds.

Costs of the Triangle Expressway System will be financed with the proceeds of the Series 2009B Bonds, proceeds of the Authority's Triangle Expressway System Senior Lien Revenue Bonds, Series 2009 in the amount of $270,083,108.85 (the "General Revenue Bonds"), being issued currently with the issuance of the Series 2009B Bonds, disbursements to the Authority from the United States Department of Transportation ("USDOT") under a loan being made by USDOT under the Transportation Infrastructure Finance and Innovation Act (the "TIFIA Loan") and interest earnings on proceeds of the Series 2009B Bonds and the General Revenue Bonds. In addition, certain design and engineering costs, development costs, right-of-way and roadway which will comprise a portion of the Triangle Expressway System and environmental mitigation costs are being provided to the Authority by the NCDOT. The General Revenue Bonds are being issued and the TIFIA Loan is being incurred under a separate Trust Agreement, dated as of June 1, 2009 (the "General Revenue Bond Trust Agreement") between the Authority and Wells Fargo Bank, N.A., as trustee (in such capacity, the "Revenue Bond Trustee").

The Authority. See "THE AUTHORITY" herein for certain information regarding the Authority.

State of North Carolina. Appendix A hereto includes certain information regarding the State that was prepared for inclusion in the Official Statement of the State used in connection with a recent offering of Limited Obligation Bonds of the State. See "STATE OF NORTH CAROLINA" for certain additional information that supplements the information set forth in Appendix A. The Comprehensive Annual Financial Report for the State of North Carolina for the fiscal year ended June 30, 2008 (the "CAFR"), including the State's basic financial statements for such fiscal year, is available at the website of the Office of the State Controller at www.osc.nc.gov and printed copies of the CAFR may be obtained from the Office of the State Controller at 3512 Bush Street; Raleigh, NC 27609. Copies of the CAFR are also available from the municipal securities information repositories to which the State has undertaken to provide continuing disclosure information in certain of the State's bond offerings. The CAFR is hereby incorporated by reference in this Official Statement.

Designation of Series 2009B Bonds as "Build America Bonds." The Authority intends to elect to treat the Series 2009B Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Tax Act of 2009 (the "Recovery Act") and the provisions of the Internal Revenue Code of 1986, as amended (the "Code") enacted by the Recovery Act and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act and the Code, the Authority will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2009B Bonds.

Details of Bonds. The Series 2009B Bonds will be dated the date of delivery thereof. Interest on the Series 2009B Bonds will be payable on January 1 and July 1, beginning January 1, 2010, at the rates shown on the inside front cover. Principal of the Series 2009B Bonds will be payable, subject to prior redemption as described herein, on January 1 in the years and amounts shown on the inside front cover.

The Series 2009B Bonds will be issued as fully registered bonds in book-entry-only form, without physical delivery of bond certificates to the beneficial owners of the Series 2009B Bonds. The Bond Registrar will make payment of principal of and interest on the Series 2009B Bonds to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such payment to its participants for subsequent distribution to the beneficial owners of the Series 2009B Bonds. Individual purchases of the Series 2009B Bonds by the beneficial owners will be made in denominations of $5,000 or whole multiples thereof. See APPENDIX D hereto for more information regarding DTC and the book-entry-only system.

Tax Status. See "TAX TREATMENT" herein.

Professionals. The Underwriters set forth on the cover page of this Official Statement (the "Underwriters"), are underwriting the Series 2009B Bonds. Womble, Carlyle Sandridge & Rice, PLLC, Raleigh North Carolina, is serving as Bond Counsel. Bode, Call and Stroupe, L.L.P., Raleigh, North Carolina and Rand & Gregory, PA, Fayetteville, North Carolina, are serving as co-counsel to the Underwriters. Carolyn Johnson, Esq., Raleigh, North Carolina, is the Authority Attorney. Wells Fargo Bank, N.A., Jacksonville, Florida, is serving as the Trustee and Bond Registrar. Public Financial Management, Inc., Orlando, Florida, is acting as financial advisor to the Authority in connection with the issuance of the Series 2009B Bonds.

THE AUTHORITY

The Authority is a body politic and corporate and a public agency of the State created pursuant to the Authority Act. The Authority is empowered by the Authority Act to design, establish, purchase, construct, operate and maintain the turnpike projects within the State specifically authorized by the North Carolina General Assembly. At present, five potential toll facilities have been identified by the General Assembly for development by the Authority as turnpike projects.

The Authority is governed by a nine member Authority Board, consisting of four members appointed by the General Assembly of North Carolina (two members appointed by the President Pro-Tempore of the Senate and two members appointed by the Speaker of the House of Representatives), four members appointed by the Governor of the State, and the North Carolina Secretary of Transportation. The Chair of the Authority is selected by the Authority Board. Currently, Eugene A. Conti, Jr., the North Carolina Secretary of Transportation, serves as the Chair of the Authority Board. The Authority Board appoints the Executive Director of the Authority, who is the Chief Administrative Officer of the Authority, responsible for the daily administration of the toll projects undertaken by the Authority.

STATE OF NORTH CAROLINA

General

Appendix A hereto includes certain information regarding the State that was prepared for inclusion in the Official Statement, dated April 16, 2009, of the State used in connection with a recent offering of $400,000,000 Capital Improvement Limited Obligation Bonds, Series 2009B of the State.

The Comprehensive Annual Financial Report for the State of North Carolina for the fiscal year ended June 30, 2008 (the "CAFR"), including the State's basic financial statements for such fiscal year, is available at the website of the Office of the State Controller at www.osc.nc.gov and printed copies of the CAFR may be obtained from the Office of the State Controller at 3512 Bush Street; Raleigh, NC 27609. Copies of the CAFR are also available from the municipal securities information repositories to which the State has undertaken to provide continuing disclosure information in certain of the State's bond offerings. The CAFR is hereby incorporated by reference in this Official Statement.

Recent Developments

As the information set forth in Appendix A indicates, the State, like many states, is experiencing the effects of the national recession in the State's economy and the financial performance of the State.

On May 14, 2009, the Office of State Controller of the State released the State's General Fund Monthly Financial Report for the period ended April 30, 2009. Such report indicates that for the fiscal year, when compared to the prior fiscal year through April 30, actual net tax and non-tax revenues decreased by $1.15 billion, or 6.9%, and that tax revenues through April 2009 declined by $1.72 billion, or 10.8%, and non-tax revenues increased by $566.6 million, or 71.0%. During April 2009, Governor Perdue issued an Executive Order that transferred $139.6 million from special fund and trust fund accounts for the purpose of providing cash flow to meet the State's obligations.

On April 28, 2009, the State's Budget Director stated that the shortfall in General Fund Revenue collections for the fiscal year ending June 30, 2009 could be more than $3 billion below the budgeted amount of $20.45 billion. At that time, in order to ensure a balanced budget, Governor Perdue, by Executive Order, directed that all State employees participate in a flexible furlough program, under which State employees were directed to take unpaid time off. Earlier in April 2009, the State's Budget Director issued a memorandum to all State Department Heads and Chief Fiscal Officers announcing other budget management restrictions imposed by Governor Perdue to ensure a balanced budget for the fiscal year. Among other provisions, such restrictions directed that for the balance of the fiscal year ending June 30, 2009, expenditures of State funds would be approved only for mandatory obligations, purchase orders for goods or services that require expenditure of General Fund monies should be suspended if such expenditures are not necessary, most travel by State employees should be suspended and that vacant positions should not be filled. These budgetary restrictions are in addition to those imposed earlier in the fiscal year and described in Appendix A.

As of May 31, 2009, the State's General Fund unreserved fund balance had a negative balance of $344.8 million, as compared to a negative $284.7 million at the end of April, and as compared to $638.3 million at the end of May 2008. During May 2009, the General Fund continued to experience lower tax and non-tax receipts. Tax revenues, net of refunds, declined by $14.6 million, or 1.4 percent for the month of May compared to the previous year. With lower cash balances, investment earnings declined by $12.6 million for May as compared to the prior year. For the year to date through May, net tax revenues reflected a decline of $1.7 billion, or 10 percent, with investment earnings down by $111.2 million, or 49.6 percent. All pending income tax refunds for the 2008 tax year have been paid as of May 31, 2009.

In June 2009, the North Carolina Employment Security Commission announced that the State-wide unemployment rate had increased to 11.1% in May 2009.

A State budget for the fiscal year (and the biennium) beginning July 1, 2009 was not enacted by that date. On June 30, 2009, the General Assembly enacted legislation authorizing the Governor, as Director of the Budget, to expend State funds during the fiscal year beginning July 1, 2009 to continue State government. This legislation is a short-term measure to cover the period from the beginning of the new fiscal year until the budget for the new fiscal period is enacted. This legislation initially expired on July 15, 2009, but on July 15, 2009, the General Assembly enacted additional legislation extending the effective time of the legislation to July 31, 2009. While there can be no assurance that this expiration date would be extended if necessary, historically under these circumstances the General Assembly has enacted legislation to continue the expenditure of funds for periods not covered by an enacted budget.

THE SERIES 2009B BONDS

Authorization

The issuance of the Series 2009B Bonds received the required approval of the North Carolina Local Government Commission (the "LGC") on November 4, 2008 and April 7, 2009. The LGC is a division of the State Treasurer's office charged with general oversight of local government finance in North Carolina, as well as certain matters of finance by selected State Agencies. Its approval is required for the issuance of the Series 2009B Bonds by the Authority. In determining whether to allow bonds to be issued under the Revenue Bond Act, the LGC has been given wide statutory discretion to consider the need for and feasibility of the projects to be financed, the issuing unit's capability to repay the amount financed from the pledged revenue sources and the issuer's general compliance with State budget and finance laws. Under the Revenue Bond Act, the LGC is also responsible, with the Authority's approval, for selling bonds issued pursuant to the Revenue Bond Act.

General

The Series 2009B Bonds will be dated the date of delivery thereof, will bear interest from their date payable on each January 1 and July 1, beginning January 1, 2010, at the rates shown on the inside front cover and will mature, subject to prior redemption as described below, on January 1 in the years and amounts shown on the inside front cover. The Series 2009B Bonds will be issued as fully registered bonds and will be subject to the provisions of the book-entry-only system described below. Individual purchases of the Series 2009B Bonds by the beneficial owners will be made in denominations of $5,000 or whole multiples thereof.

Book-Entry Only

The Series 2009B Bonds will be issued as fully registered bonds in book-entry-only form without physical delivery of bonds to the beneficial owners of the Series 2009B Bonds. The Trustee will make payments of principal of and interest on the Series 2009B Bonds to DTC, which will in turn remit such payments to DTC participants for subsequent distribution to the beneficial owners of the Series 2009B Bonds. See APPENDIX D hereto for more information regarding DTC and the book-entry-only system.

Redemption Provisions

Optional Redemption of the Series 2009B Bonds. The Series 2009B Bonds maturing on January 1, 2025 and 2039 are subject to redemption, at the option of the Authority, either in whole or in part on any date on or after January 1, 2019, at a redemption price equal to 100% of the principal of the Series 2009B Bonds to be redeemed, plus accrued interest to the redemption date.

"Make-Whole" Redemption of the Series 2009B Bonds. The Series 2009B Bonds maturing January 1, 2025 and 2039 are subject to redemption prior to January 1, 2019, and the Series 2009B Bonds maturing January 1, 2017 through 2021 (inclusive) are subject to redemption prior to their respective maturities at the option of the Authority, in whole or in part, on any Business Day, at the "Make-Whole Redemption Price" (as defined herein). The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Series 2009B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2009B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009B Bonds are to be redeemed, discounted to the date on which the Series 2009B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" (defined below) plus thirty basis points (.30%), plus, in each case, accrued and unpaid interest on the Series 2009B Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, the following definitions apply:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2009B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2009B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2009B Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2009B Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2009B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Authority.

"Reference Treasury Dealer" means each of the four firms, specified by the Authority from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2009B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

Extraordinary Optional Redemption of the Series 2009B Bonds. The Series 2009B Bonds are subject to redemption at any time prior to their maturity at the option of the Authority, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of (1) 100% of the principal amount of the Series 2009B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2009B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009B Bonds are to be redeemed, discounted to the date on which the Series 2009B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus one hundred basis points (1.00%); plus, in each case, accrued interest on the Series 2009B Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds") pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. At the request of the Trustee, the redemption price of the Series 2009B Bonds to be redeemed at the option of the Authority will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority at the Authority's expense to calculate such redemption price. The Trustee and the Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

For purposes of determining the Extraordinary Optional Redemption Price, "Treasury Rate," shall have the meanings described above under the caption, "Make-Whole Redemption."

Mandatory Sinking Fund Redemption. The Series 2009B Bonds maturing on January 1, 2025 are subject to mandatory sinking fund redemption, by lot and in such manner as the Trustee may determine, at a price equal to 100% of the principal amount of Series 2009B Bonds to be redeemed, plus accrued interest to the redemption date, on the dates and in the principal amounts as follows:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
January 1, 2022	$11,855,000
January 1, 2023	12,325,000
January 1, 2024	12,815,000
January 1, 2025*	13,325,000

* Final Maturity

The Series 2009B Bonds maturing on January 1, 2039 are subject to mandatory sinking fund redemption, by lot and in such manner as the Trustee may determine, at a price equal to 100% of the principal amount of Series 2009B Bonds to be redeemed, plus accrued interest to the redemption date, on the dates and in the principal amounts as follows:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
January 1, 2026	$13,885,000
January 1, 2027	14,505,000
January 1, 2028	15,150,000
January 1, 2029	15,825,000
January 1, 2030	16,530,000
January 1, 2031	17,265,000
January 1, 2032	18,035,000
January 1, 2033	18,840,000
January 1, 2034	19,675,000
January 1, 2035	20,555,000
January 1, 2036	21,470,000
January 1, 2037	22,425,000
January 1, 2038	23,420,000
January 1, 2039*	24,465,000

* Final Maturity

Other General Redemption Provisions. At least 30 days, but not more than 60 days, prior to the redemption date for Series 2009B Bonds, whether such redemption be in whole or in part, the Bond Registrar will cause a notice of redemption to be mailed first-class, postage prepaid, to all Owners of Series 2009B Bonds to be redeemed in whole or in part; provided, however, that notices to DTC will be sent by registered or certified mail or by other electronic means as may be required by the operation procedures of DTC. Failure to mail any such notice to any Owner or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given. The Bond Registrar will also cause such notice of redemption to be mailed, by registered or certified mail, to one securities depository and at least two national information services that disseminate redemption information; provided, however, that failure to give such notice or any defect therein will not affect the validity of any proceedings for such redemption.

If less than all of the Series 2009B Bonds are called for redemption, the Series 2009B Bonds or portions thereof to be redeemed will be selected by the Authority in its discretion. If less than all the Series 2009B Bonds of any one maturity are called for redemption, the Series 2009B Bonds of such maturity to be redeemed will be selected by the Bond Registrar by lot; provided, however that so long as the only Owner of the Series 2009B Bonds is DTC, such selection will be made by DTC by lot. The Series 2009B Bonds may be redeemed only in whole multiples of $5,000, and in selecting the Series 2009B Bonds for redemption, each $5,000 portion of principal of the Series 2009B Bonds shall be counted as one Series 2009B Bond for such purpose. If a portion of a Series 2009B Bond is called for redemption, a new Series 2009B Bond in principal amount equal to the unredeemed portion thereof will be issued to the Owner upon surrender thereof.

Upon giving notice and depositing funds or securities with the Trustee or the Bond Registrar as provided in the Trust Agreement, the Series 2009B Bonds or portions thereof so called for redemption shall become due and payable on the redemption date, and interest on such Series 2009B Bonds or portions thereof shall cease to accrue from and after such date.

Any notice of optional redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2009B Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2009B Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2009B Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

PLAN OF FINANCE

Costs of the Triangle Expressway System will be financed with the proceeds of the Series 2009B Bonds, proceeds of the General Revenue Bonds, disbursements under the TIFIA Loan and interest earnings on proceeds of the Series 2009B Bonds and the General Revenue Bonds. In addition, certain design and engineering costs, development costs, right-of-way and roadway which will comprise a portion of the Triangle Expressway System and environmental mitigation costs are being provided to the Authority by the North Carolina Department of Transportation ("NCDOT"). The General Revenue Bonds are being issued and the TIFIA Loan is being incurred under the General Revenue Bond Trust Agreement.

The General Revenue Bonds and the TIFIA Loan will be secured by the tolls and other revenues of the Triangle Expressway System as provided in the General Revenue Bond Trust Agreement.

The Series 2009B Bonds are secured solely by the Revenues as herein described and certain funds provided in the Trust Agreement as described herein. **The Series 2009B Bonds will not be secured by the tolls or other revenues of the Triangle Expressway System or any funds held under the General Revenue Bond Trust Agreement.** Under the plan of finance, principal of and interest on the Series 2009B Bonds will be paid from the Revenues and certain investment earnings thereon. Revenues not needed in any fiscal year to make such payments will be withdrawn from the Trust Agreement and deposited to the Revenue Fund under the General Revenue Bond Trust Agreement. Upon such withdrawal from the Trust Agreement, the amounts so transferred shall be transferred free and clear of the lien on and pledge of the Revenues created under the Trust Agreement and such lien and pledge shall thereafter be of no force and effect upon the deposit of such amounts in the Revenue Fund under the General Revenue Bond Trust Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Principal Amount of Series 2009B Bonds	$352,675,000
Less original issue discount	(816,455)
Total Sources of Funds	$351,858,545
Uses of Funds	
Project Costs	$305,784,924
Capitalized Interest	34,216,166
Reserve Fund for Series 2009B Bonds	7,913,790
Costs of Issuance(1)	3,943,665
Total Uses of Funds	$351,858,545

(1) Includes underwriters' discount, initial fees and expenses of the Trustee and rating agency, legal, accounting and other fees and expenses of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009B BONDS

General

The Series 2009B Bonds will be special obligations of the Authority, secured by and payable from the Revenues and, under certain circumstances, the proceeds of the Series 2009B Bonds.

The Trust Agreement provides that the "Revenues" will consist of (a) the State Appropriated Revenues; (b) the Interest Subsidy Payments (except to the extent an Interest Subsidy Payment is to be applied to restore a deficiency in the Reserve Fund as described below under "Application of Revenues"); and (c) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the Authority in the Revenue Fund, the Debt Service Fund or the Reserve Fund. The Revenues are pledged to the payment of the Bonds to the extent and in the manner provided by the Trust Agreement. The Revenue Bond Act provides that the funds so pledged and then held or thereafter received by the Authority shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Authority, without regard to whether such parties have notice thereof.

The principal of and interest on the Series 2009B Bonds shall not be payable from the general funds of the Authority, nor shall they constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of its property or upon any of its income, receipts, or revenues, except the funds which are pledged under the bond order and the Trust Agreement. Neither the credit nor the taxing power of the State or any instrumentality thereof are pledged for the payment of the principal or interest of the Series 2009B Bonds, and no Owner of Series 2009B Bonds has the right

to compel the exercise of the taxing power by the State or any instrumentality thereof or the forfeiture of any of its property other than Revenues and other funds pledged under the Trust Agreement in connection with any default thereon.

State Appropriated Revenues

In July 2008, the General Assembly of North Carolina enacted legislation that included a provision creating a continuing annual appropriation to the Authority of $25,000,000 for the Triangle Expressway System to service debt and fund required reserves in connection with bonds issued to finance the Triangle Expressway System. Pursuant to the legislation, amounts so appropriated may be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of Triangle Expressway System or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The annual appropriation for the Triangle Expressway System, beginning with the annual appropriation for the Authority's fiscal year ending June 30, 2010, is defined in the Trust Agreement and herein as the "State Appropriated Revenues." Pursuant to the Trust Agreement the Authority has provided that the State Appropriated Revenues and Interest Subsidy Payments and any investment income realized therefrom shall constitute "Revenues" under the Trust Agreement.

The legislation states that it is the intention of the General Assembly that the enactment of the annual appropriation and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State of North Carolina, and nothing contained therein shall prohibit the General Assembly from amending the appropriations to decrease or eliminate the amount annually appropriated to the Authority. Thus, the legislation creating the State Appropriated Revenues may be amended or repealed by the General Assembly of North Carolina in any future budget year. To the extent the appropriation legislation is not so repealed or amended, however, the amounts received by the Authority pursuant to the appropriation are pledged to secure the obligations of the Authority under the Trust Agreement.

The legislation providing for the annual appropriation provides that the appropriation is to be made to the Authority as a transfer from the North Carolina Highway Trust Fund. The North Carolina Highway Trust Fund is a separate fund of the State, separate from the State's General Fund and the State's Highway Fund. The North Carolina Highway Trust Fund was established in 1989 to provide a dedicated funding mechanism to meet highway construction needs for North Carolina. Taxes were increased for the specific purpose of improving identified primary transportation corridors within the State and for the completion of urban loops around seven major metropolitan areas. Additionally, the North Carolina Highway Trust Fund provides supplemental allocations for secondary road construction and supplemental assistance to municipalities for local street projects. The fund also makes transfers to the State's General Fund and the Highway Fund. Revenues for the Highway Trust Fund are generated by a 3% highway use tax on the retail value of motor vehicles purchased or titled in North Carolina, 25% of all motor fuel and alternative fuel tax revenues, a portion of a road use tax imposed on all motor carriers using the State's highways, a portion of certain fees shared for the issuance of certificates of title, other fee increases and certain investment earnings. For the fiscal years ended June 20, 2007 and 2008, total revenues of the Highway Trust Fund, excluding federal receipts, were $1,116,192,516 and $1,060,058,225, respectively.

The following table sets forth the major sources of revenue of the Highway Trust Fund for the fiscal year ended June 30, 2008:

Source	Revenue ($000)
Motor Fuels and Alternative Fuels	387,776
Highway Use Tax	566,132
Fees, Licenses and Fines	103,884
Investment Earnings	2,592

The Authority has received the annual appropriation of $25,000,000 for the Authority's fiscal year ending June 30, 2009 and such amount has been deposited with the Trustee under the General Revenue Bond Trust Agreement. This amount will be applied at the time of issuance of the Series 2009B Bonds to fund certain reserves required under the Trust Agreement and the General Revenue Bond Trust Agreement.

While the Series 2009B Bonds will be payable in part from the State Appropriated Revenues as described in this Official Statement, the Series 2009B Bonds are bonds of the Authority and are not bonds of the State. The Authority will be responsible for the collection of the State Appropriated Revenues from the State and the deposit of such amounts with the Trustee upon collection, and for oversight of the application of the State Appropriated Revenues for the purposes set forth in the Trust Agreement. The Department of State Treasurer of the State, which traditionally has had responsibility for the administration of bond issues and other financings by the State, will not be responsible for the administration of the Trust Agreement and the Series 2009B Bonds.

Interest Subsidy Payments

In February 2009, as part of the Recovery Act, Congress added Sections 54AA and 6431 to the Code. These provisions permit state or local governments to obtain certain tax advantages when bonds are issued to as "Build America Bonds." A Build America Bond is a qualified bond under Section 54AA(g) of the Code if it meets certain requirements of the Code and the related Treasury Regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Interest on Build America Bonds is not excluded from gross income for purposes of the federal income taxation, and owners of Build America Bonds will not receive any tax credits as a result of ownership of such Build America Bonds when an issuer has elected to receive the Interest Subsidy Payment.

Under the Code, an issuer of a Build America Bond may apply to receive payments ("Interest Subsidy Payments") directly from the Secretary of the United States Treasury. The amount of an Interest Subsidy Payment is set in the Code at 35% of the corresponding interest payable on the related Build America Bond. To receive a Interest Subsidy Payment, under currently existing procedures, the issuer of the Build American Bond must file a tax return (now designated as Form 8038-CP) between 90 and 45 days prior to the corresponding bond interest payment date, with such issuer to receive the Interest Subsidy Payment contemporaneously with the interest payment date with respect to the Build America Bond. Depending on the timing of the filing and other factors, the Interest Subsidy Payment may be received before or after the corresponding interest payment date.

The Authority intends to elect to treat the Series 2009B Bonds as Build America Bonds and apply for Interest Subsidy Payments from the United States Treasury under the Build America Program." The Interest Subsidy Payments to be received by the Authority constitute Revenues under the Trust Agreement and are pledged under the Trust Agreement to the repayment of the Series 2009B Bonds. No assurances are provided that the Authority will receive the Interest Subsidy Payments. The amount of any

Interest Subsidy Payment is subject to legislative changes by Congress. Interest Subsidy Payments will only be paid if the Series 2009B Bonds are qualified under the federal program.

For the Series 2009B Bonds to be and remain qualified under the federal requirements, the Authority must comply with certain requirements and must establish certain facts and expectations with respect to the Series 2009B Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a Interest Subsidy Payment after the 45th day prior to an interest payment date; therefor, if the Authority fails to file the necessary tax return in a timely fashion, it is possible that the Authority will never receive such Interest Subsidy Payment. In the Trust Agreement, the Authority has covenanted that so long as the Series 2009B Bonds remain Outstanding, it will comply with the procedures and requirements set forth in Sections 54AA(g) and 6431 of the Code and applicable regulations promulgated from time to time thereunder and any applicable guidance relating to Build America Bonds promulgated by the United States Department of the Treasury or Internal Revenue Service relating to Build America Bonds as necessary to allow the Authority to receive Interest Subsidy Payments with respect to the Build America Bonds. In particular, the Authority has covenanted to file IRS Form 8038-CP with the Internal Revenue Service no earlier than 90 pays prior to the next Interest Payment Date for the Series 2009B Bonds and not later than 45 days before such Interest Payment Date. This covenant shall be modified as necessary to comply with future law or further guidance from the Treasury Department or Internal Revenue Service.

Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Authority to an agency of the United States of America.

The issuance of the Series 2009B Bonds is dependent on market conditions, and the Authority, in its sole discretion, may determine not to issue all or part of the Series 2009B Bonds and to instead issue the Series 2009B Bonds in an increased principal amount sufficient to find the purposes for which both the Series 2009B Bonds and the Series 2009B Bonds would have been issued.

Application of Revenues

The Authority and NCDOT have made arrangements for the transfer of the State Appropriated Revenues to the Authority from the North Carolina Highway Trust Fund in four equal quarterly installments of $6,250,000 to be made on each February 16, May 16, August 16 and November 16. The Trust Agreement provides that in the event that the transfer is not made as so arranged, the Authority will make prompt application to the NCDOT to make such transfer and, if the transfer is not then made, shall make application to the North Carolina Director of the Budget to direct that the transfer be made. In so requesting the transfer, the Authority shall provide such information to the NCDOT or the North Carolina Director of the Budget as shall be requested in order to show that the transfer to the Authority of the amounts so appropriated is necessary to enable the Authority to pay the debt service payments to be paid with respect to the Bonds. The Authority expects to receive the Interest Subsidy Payment immediately prior to each interest payment date on the Series 2009B Bonds.

The Trust Agreement provides that immediately upon each receipt of State Appropriated Revenues and the Interest Subsidy Payment, the Authority shall transfer the amount received to the Trustee, which is directed to transfer such amounts as follows, and in the following order of priority:

(a) to the Interest Account of the Debt Service Fund created under the Trust Agreement an amount that, together with the amounts then on deposit in the Interest Account, and amounts in the Capitalized Interest Account available to pay such interest as described below, will be equal to the amount of interest payable on the Series 2009B Bonds on the next Interest Payment Date, or the entire amount of the Revenues if less than the amount required payable on the next Interest Payment Date;

(b) to the Principal Account and the Sinking Fund Account of the Debt Service Fund created under the Trust Agreement an amount that, together with the amounts then on deposit in the Principal Account or the Sinking Fund Account, will be equal to the amount equal to the amount of principal payable on the Series 2009B Bonds on the next Principal Payment Date, or the entire amount of the Revenues if less than the amount required payable on the next Principal Payment Date; and

(c) the balance, following the transfers described in (a) and (b) shall be transferred from the Revenue Fund under the Trust Agreement to the Revenue Fund created under the General Revenue Bond Trust Agreement.

Notwithstanding the foregoing, if there is a transfer from the Reserve Fund to the Interest Account to pay interest on any Build America Bonds as described below under "Reserve Fund for Series 2009B Bonds" and thereafter the Authority receives the Interest Subsidy Payment related to such transfer, such Interest Subsidy Payment, to the extent not then required to pay principal and interest on the Bonds, will be transferred to the Reserve Fund to cure the deficiency therein resulting from the transfer to the Interest Account.

Upon the transfer described in (c), the amounts so transferred shall be free and clear of the lien on and pledge of the Revenues created under the Trust Agreement and such lien and pledge shall thereafter be of no force and effect upon the deposit of such amounts in the Revenue Fund under the General Revenue Bond Trust Agreement.

The Trust Agreement also creates a special account of the Debt Service Fund designated the "Capitalized Interest Account." $42,427,681.37, derived from the proceeds of the Series 2009B Bonds and a portion of the State Appropriation for the fiscal year ended June 30, 2009, will be deposited to the credit of the Capitalized Interest Account at the time of issuance thereof. On each Interest Payment Date, commencing January 1, 2010 and ending July 1, 2012, the Trustee shall apply funds in the Capitalized Interest Account for payment of a portion of the interest due on the Series 2009B Bonds on such Interest Payment Date.

Reserve Fund for Series 2009B Bonds

The Trust Agreement also creates the Reserve Fund with respect to the Series 2009B Bonds and any other "Build America Bonds" issued pursuant to the Trust Agreement. The Trust Agreement establishes the Reserve Fund Requirement for the Reserve Fund to be the amount that is equal to the maximum Interest Subsidy Payments expected to be received in the current or any future fiscal year. In connection with the issuance of the Series 2009B Bonds, $7,913,790 will be deposited to the credit of the Reserve Fund simultaneous with the issuance of the Series 2009B Bonds. If the Authority issues any other Build America Bonds under the Trust Agreement, the Authority shall fund, from the proceeds of such Build America Bonds or from any other available sources such amount as shall be necessary for the Reserve Fund to equal the Reserve Fund Requirement.

The Trustee is directed to use amounts in the Reserve Fund to make transfers to the Interest Account to remedy any deficiency therein arising from the failure of the Authority to receive the anticipated Interest Subsidy Payment as of two Business Days prior to any Interest Payment Date relating to the Authority's Build America Bonds. Any deficiency in the Reserve Fund resulting from the withdrawal of moneys therein to pay interest on Build America Bonds shall be restored from future

Interest Subsidy Payments received by the Authority. Amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be transferred from the Debt Service Fund to the Interest Account and used to pay interest on Build America Bonds.

Additional Bonds

The Trust Agreement provides that the Authority may issue additional Bonds under the Trust Agreement, which Bonds will be payable from the Revenues on a parity with the Series 2009B Bonds, for the purpose of refunding any Series 2009B Bonds or any such refunding Bonds and paying costs incurred in connection therewith. Additional Bonds may not be issued under the Trust Agreement for purposes of paying additional costs of the Triangle Expressway System.

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PROJECTED CASH FLOW

Table of State Appropriated Revenues, Interest Subsidy Payments; Other Revenues, Debt Service and Transfer to General Revenue Bond Trust Agreement

The table below has been compiled by the Authority to show the projections for estimated Revenues, the debt service requirements for the Series 2009B Bonds and remaining deposits to the Revenue Fund under the General Revenue Bond Trust Agreement for each of the fiscal years ending June 30, 2010 through June 30, 2039.

Fiscal Year Ending June 30,	State Appropriated Revenues	Interest Subsidy Payments	Other Revenues[1]	Transfer From Capitalized Interest Account	Debt Service on Series 2009B Bonds	Transfer to Revenue Fund Under General Revenue Bond Trust Agreement
2010	$25,000,000	$7,298,273	$ --	$13,553,936	$20,852,209	$25,000,000
2011	25,000,000	7,913,790	--	14,697,039	22,610,829	25,000,000
2012	25,000,000	7,913,790	--	14,697,039	22,610,829	25,000,000
2013	25,000,000	7,913,790	178,060	--	22,610,829	10,481,022
2014	25,000,000	7,913,790	178,060	--	22,610,829	10,481,022
2015	25,000,000	7,913,790	178,060	--	22,610,829	10,481,022
2016	25,000,000	7,913,790	178,060	--	22,610,829	10,481,022
2017	25,000,000	7,885,482	178,060	--	25,899,949	7,163,594
2018	25,000,000	7,796,163	178,060	--	29,389,751	3,584,472
2019	25,000,000	7,651,021	178,060	--	31,475,059	1,354,022
2020	25,000,000	7,477,785	178,060	--	31,300,099	1,355,746
2021	25,000,000	7,295,178	178,060	--	31,118,365	1,354,873
2022	25,000,000	7,077,198	178,060	--	32,075,565	179,693
2023	25,000,000	6,823,308	178,060	--	31,820,165	181,203
2024	25,000,000	6,559,338	178,060	--	31,555,965	181,433
2025	25,000,000	6,284,868	178,060	--	31,281,765	181,163
2026	25,000,000	5,982,154	178,060	--	30,976,868	183,346
2027	25,000,000	5,649,281	178,060	--	30,645,803	181,539
2028	25,000,000	5,301,576	178,060	--	30,297,360	182,276
2029	25,000,000	4,938,394	178,060	--	29,934,698	181,757
2030	25,000,000	4,559,032	178,060	--	29,555,805	181,287
2031	25,000,000	4,162,785	178,060	--	29,158,673	182,173
2032	25,000,000	3,748,893	178,060	--	28,746,123	180,831
2033	25,000,000	3,316,534	178,060	--	28,315,810	178,784
2034	25,000,000	2,864,945	178,060	--	27,860,558	182,448
2035	25,000,000	2,393,248	178,060	--	27,392,853	178,456
2036	25,000,000	1,900,505	178,060	--	26,900,015	178,551
2037	25,000,000	1,385,836	178,060	--	26,384,533	179,364
2038	25,000,000	848,304	178,060	--	25,843,725	182,639
2039	25,000,000	286,852	89,030	--	25,284,578	91,305

[1] Includes projected investment earnings.

CONTINUING DISCLOSURE

In the Trust Agreement, the Authority will undertake, for the benefit of the beneficial owners of the Series 2009B Bonds, to provide to the Municipal Securities Rulemaking Board:

(a) by not later than seven months from the end of each Fiscal Year of the Authority, beginning with the Fiscal Year ending June 30, 2009, (1) the audited financial statements of the Authority for such Fiscal Year, if available, or, if such audited financial statements of the Authority are not available by seven months from the end of such Fiscal Year, unaudited financial statements of the Authority for such Fiscal Year to be replaced subsequently by audited financial statements of the Authority to be delivered within fifteen (15) days after such audited financial statements become available for distribution and (2) to the extent available to the Authority, the audited financial statements of the State for the State's most recent Fiscal Year, if available, or, if such audited financial statements of the State are not available, unaudited financial statements of the State for such Fiscal Year to be replaced subsequently by audited financial statements of the State to be delivered within fifteen (15) days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the Authority, beginning with the Fiscal Year ending June 30, 2009, the financial and statistical data as of the date not earlier than the end of the preceding Fiscal Year for the information included under the headings "Projected Revenues, Cash Flows and Debt Service" in this Official Statement to the extent such items are not included in the audited financial statements referred to in (a) above.

In a timely manner, notice of any of the following events with respect to the Series 2009B Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on any credit enhancements reflecting financial difficulties;

(5) substitution of any credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009B Bonds;

(7) modification to rights of the beneficial owners of the Series 2009B Bonds;

(8) redemption of any of the Series 2009B Bonds, except for mandatory sinking fund redemption;

(9) defeasances;

(10) release, substitution or sale of any property securing repayment of the Series 2009B Bonds; and

(11) rating changes.

(d) in a timely manner, notice of a failure of the Authority to provide required annual financial information described in (a) or (b) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires the Authority's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The Trust Agreement will also provide that if the Authority fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2009B Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that the Authority's failure to comply with the undertaking will not constitute an Event of Default under the Trust Agreement. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2009B Bonds.

Pursuant to the Trust Agreement, the Authority will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Authority, provided that any such modification will be done in a manner consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934, as it may be amended from time to time ("Rule 15c2-12"), and provided further that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners of the Series 2009B Bonds, as determined either by the Trustee or bond counsel, or by the approving vote of the Owners of a majority in principal amount of the Series 2009B Bonds pursuant to the terms of the Trust Agreement, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2009B Bonds.

LITIGATION

No litigation is now pending or, to the best of the Authority's knowledge, threatened against or affecting the Authority seeking to restrain or enjoin the authorization, execution or delivery of the Series 2009B Bonds, the Trust Agreement or contesting the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2009B Bonds, the Trust Agreement or the Authority's creation, organization or corporate existence, or the title of any of the Authority's present officers to their respective offices, or the Authority's authority to carry out its obligations thereunder.

LEGAL MATTERS

Legal matters related to the authorization, execution, sale and delivery of the Series 2009B Bonds are subject to the approval of Womble Carlyle Sandridge & Rice, PLLC, Raleigh, North Carolina, Bond Counsel. Certain legal matters will be passed upon for the Authority by Carolyn Johnson, Esq., Raleigh, North Carolina, General Counsel to the Authority, and for the Underwriters by Bode Call & Stroupe, L.L.P., Raleigh, North Carolina and Rand & Gregory, PA, Fayetteville, North Carolina, co-counsel to the Underwriters.

TAX TREATMENT

General

The Authority will make an irrevocable election to treat the Series 2009B Bonds as Qualified Build America Bonds. As a result of this election, interest on the Series 2009B Bonds will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2009B Bonds will not be entitled to any tax credits as a result of either ownership of the Series 2009B Bonds or receipt of any interest payments on the Series 2009B Bonds. Holders of the Series 2009B Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2009B Bonds in gross income for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Series 2009B Bonds will be included in gross income for federal income tax purposes and so will be fully subject to federal income taxation. Owners other than those who purchase Series 2009B Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 2009B Bonds and recovery of accrued market discount, if any, will be treated as ordinary income to an owner of Series 2009B Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Bond Counsel is also of the opinion, under existing law, that interest on the Series 2009B Bonds will be exempt from all State of North Carolina income taxes.

Market Discount

Any Owner who purchases a Series 2009B Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2009B Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An Owner who acquires a Series 2009B Bond at a market discount also may be required to defer, until the maturity date of such Series 2009B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2009B Bond in excess of the aggregate amount of interest includable in such owner's gross income for the taxable year with respect to such Series 2009B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2009B Bond for the days during the taxable year on which the owner held the Series 2009B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2009B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the Owner elects to include such market discount in income currently as described above.

Sale or Redemption of Series 2009B Bonds

An Owner's tax basis for a Series 2009B Bond is the price such owner pays for the Series 2009B Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2009B Bond, measured by the difference between the amount realized and the Series 2009B Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2009B Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Series 2009B Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

ERISA

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans should consult their own tax advisors with respect to the consequences of any investment in the Series 2009B Bonds.

IRS Circular 230 Disclosure

The advice under the caption "Tax Treatment" concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2009B Bonds and treatment of the Series 2009B Bonds as Build America Bonds was written to support the marketing of the Series 2009B Bonds. To ensure compliance with the requirements imposed by the Internal Revenue Service, prospective purchasers of the Series 2009B Bonds are advised that (i) any federal tax advice relating to the Series 2009B Bonds contained in this Official Statement (including any appendices) or in writings furnished by Bond Counsel to the Authority (including opinions of Bond Counsel to the Authority, the proposed form of which is included in Appendix C hereto) is not intended to be used, and cannot be used, by any owner of a Series 2009B Bond for the purpose of avoiding penalties that may be imposed on such owner under the Code, and (ii) such owner should seek advice based on such owner's particular circumstances from an independent tax advisor.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina provides that the Series 2009B Bonds are securities in which all public officers and public bodies of the State of North Carolina and its political subdivisions and agencies and all insurance companies, trust companies, investment companies, banks, savings banks, building and loan associations, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State of North Carolina, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, and the Series 2009B Bonds are securities which may properly and legally be deposited with and received by any State of North Carolina or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is now or may hereafter be authorized by law.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and Fitch Ratings ("Fitch"), have given the Series 2009B Bonds the respective ratings of "Aa2", "AA" and "AA-". Further explanation of the significance of such ratings may be obtained from Moody's, S&P and Fitch. The Authority has provided to Moody's, S&P and Fitch certain information that has not been included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the Series 2009B Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, S&P or Fitch. Such action may have an adverse effect on the market price of the Series 2009B Bonds. Neither the Authority nor the Underwriters have undertaken any responsibility after the issuance of the Series 2009B Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

UNDERWRITING

The Underwriters have entered into a Bond Purchase Agreement to purchase all of the Series 2009B Bonds, if any of the Series 2009B Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, less an original issue discount of $816,455.20 and less an underwriters' discount of $3,474,361.35. The obligation of the Underwriters to pay for the Series 2009B Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the Series 2009B Bonds to certain dealers (including dealers depositing the Series 2009B Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Wachovia Securities is a trade name under which Wells Fargo & Company conducts certain of its investment banking, capital markets and institutional securities business through Wachovia Capital Markets, LLC, member NYSE, FINRA, SIPC and through other bank, non-bank and broker-dealer subsidiaries of Wells Fargo & Company, including Wachovia Bank, National Association.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2009B Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009B Bonds.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2009B Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2009B Bonds, at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009B Bonds with UBS Financial Services Inc.

MISCELLANEOUS

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2009B Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement.

The LGC and the Authority have each duly authorized the execution and delivery of this Official Statement.

NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

By: /s/ T. Vance Holloman
Secretary

NORTH CAROLINA TURNPIKE AUTHORITY

By: /s/ Eugene A. Conti, Jr.
Chairman

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APPENDIX A

STATE OF NORTH CAROLINA

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STATE OF NORTH CAROLINA

The State is located on the Atlantic seacoast and is bordered by the states of South Carolina, Georgia, Tennessee and Virginia. The State has a land area, exclusive of waterways and lakes, of 50,000 square miles. The State's estimated population as of July 1, 2008 was 9,270,342. During the period from 2000 to 2008, the State's estimated population increased by approximately 15.2%. The State has seven cities with population in excess of 100,000 and two cities with populations in excess of 250,000.

Economic Characteristics

The State's major industry sectors are services, agriculture, trade, manufacturing and tourism. In December 2008, North Carolina's total nonfarm employment accounted for approximately 4,131,100 jobs (not seasonally adjusted). According to the U.S. Bureau of Labor Statistics, North Carolina ranks ninth nationally in non-agricultural employment, as well as in manufacturing employment. During the period from 1998 to 2008, per capita income in the State grew from $24,473 to $34,439, an increase of 41%. North Carolina's seasonally adjusted labor force grew 14% from 4,011,804 in December 1998 to 4,563,112 in December 2008.

Services. – The services industry sector is the single largest job segment of the State's economy and constituted approximately 82% (seasonally adjusted) of the State's total non-farm employment in December 2008. This industry includes a broad base of occupations throughout the State, including banking, accounting, legal services, educational services, health services and technology services. Total employment in the service industry decreased by 62,000 between December 2007 and December 2008.

The Research Triangle Park (the "Park"), located within Wake and Durham Counties, is one of the largest planned research parks in the world, covering over 7,000 acres of rolling, wooded landscape. Founded in 1959, it is approximately equidistant from Duke University in Durham, the University of North Carolina at Chapel Hill, and North Carolina State University in Raleigh. The Parks' primary objective is to attract research-related institutions to the area. The Park currently contains approximately 170 organizations, including International Business Machines corporation, Nortel Networks, GlaxoSmithKline, Cisco Systems, MCNC (formerly Micro Electronics Center), RTI International (formerly Research Triangle Institute), United States Environmental Protection Agency, and National Institute of Environmental Health Services. The research institutions of the Park employ over 40,000 fulltime knowledge workers and an estimated 10,000 contract employees.

Agriculture. – Agriculture is another basic element of the State's economy. In calendar year 2007 North Carolina's agricultural industry, including food, fiber and forest, contributed over $70.8 billion to the State's economy, and accounted for 15% of the State's income. Gross agricultural income was in excess of $8.6 billion in 2007, placing the State eighth in the nation in gross agricultural income and seventh in the nation in net farm income. The poultry industry is the leading source of agricultural income in the State, accounting for approximately 38.8% of gross agricultural income in 2007, followed by the pork industry at approximately 22%, nursery and greenhouse products at approximately 10% and the tobacco industry at approximately 7%. According to the State Commissioner of Agriculture, the State ranks first in the nation in the production of all tobacco, flue-cured tobacco, Christmas trees, and sweet potatoes, second in hog production, turkeys and trout sold, and third in processing cucumbers and strawberries.

Trade. – The trade sector is an integral part of the State's economy, employing more than 18.5% of the State's total non-farm employment in December 2008. This industry includes wholesale and retail trade, transportation, warehouse, activities and utilities.

Manufacturing. – The State's economy has historically enjoyed a strong manufacturing base. As of December 2007, employees of manufacturing firms constituted 12.2% of the total non-farm employment. The State has continued to experience significant investment within the State by international firms and is ranked fifteenth largest among the states in export trade volume as of April 2008. As of December 2008, year-to-date exports for the State totaled $25.1 billion, representing a 7.36% increase over the same period for the prior year.

Manufacturing jobs in the traditional sectors of textiles and apparel have declined due to competition in international markets. These sectors, however, accounted for only 2.1% of total non-farm employment in December 2008. While North Carolina remains the national leader in the textile sector, textile and apparel sector employment has declined from 28% of total goods-producing sector in January 1990 to 11.9% as of December 2008, reflecting the growing diversification of the State's economy.

Tourism. – Travel and tourism are increasingly important to the State's economy. Travel and tourism revenues contributed over $17.1 billion to the State's economy in 2007, an increase of 7.4% over 2006. The North Carolina travel and tourism industry supports more than 198,900 jobs, which directly and indirectly represent 4.6% of average total non-farm employment for 2007.

Other. – A significant military presence in North Carolina contributes further to the diversity of the State's economic base, as evidenced by research findings conducted by the East Carolina University Regional Development Services & Regional Economic Models, Inc. This model determined that 7% of the State's 2007 Gross State Product (total goods and services), or $23.4 billion, is attributed to the military sector in North Carolina. The major military installations in North Carolina are Camp Lejeune Marine Corps Base, New River Air Station, Fort Bragg Army Base, Pope Air Force Base, Cherry Point Marine Corps Air Station, and Seymour Johnson Air Force Base.

The North Carolina economy is supported by a good utility infrastructure. Prior to the enactment of the Clean Water and Natural Gas Critical Needs Bond Act of 1998 Act, 34 counties in the State were unserved by natural gas pipelines. The Clean Water and Natural Gas Critical Needs Bond Act of 1998 included G.S. § 62-159, which in part authorizes the Utilities Commission to provide funding through the proceeds of general obligation bonds for construction of natural gas facilities in unserved areas that would otherwise not be economically feasible. At present, primarily due to the issuance of $200 million of State general obligation bonds financing gas transmission facilities, there are only four unserved counties, located in the western portion of the State. Those counties that presently do not have natural gas service are Alleghany, Cherokee, Clay, and Graham.

Housing Starts

Although showing absolute declines from the previous year, authorization of privately owned housing units remains strong in North Carolina. During the last two years, North Carolina has ranked among the top states with respect to authorization of new housing units.

Total Units Authorized by State
Year Ending

December 31, 2006		December 31, 2007	
State	**Total Units**	**State**	**Total Units**
1. Texas	216,755	1. Texas	176,992
2. Florida	205,711	2. California	110,073
3. California	155,419	3. Florida	102,551
4. North Carolina	101,018	4. North Carolina	85,777
5. Georgia	98,843	5. Georgia	73,165
6. Arizona	65,752	6. New York	54,059

Source: U.S. Department of Commerce, Bureau of the Census.

State Government Organization and Major Responsibilities

State governmental powers are divided among the legislative, executive and judicial branches.

The General Assembly, the legislative branch, is composed of the 50-member Senate and 120-member House of Representatives and has three major functions: to enact general and local laws governing the affairs of the State, to provide and allocate funds for operating State government by enacting revenue and appropriation laws, and to study regulation and funding aspects of State operations. The main work of the General Assembly is the enactment of legislation. The General Assembly is required by law to meet on a biennial basis, a budget being adopted for each biennium. However, for the past 30 years the General Assembly has met annually for the purpose of reviewing the State budget and financial condition.

The Governor, elected for a four-year term, is the chief officer of the executive branch. The Governor functions as director of the budget, with responsibilities for all phases of budgeting from initial preparation to final execution. The Governor is commander-in-chief of the State military and is chairman of the Council of State, which is composed of the elected officials of the executive branch. The Constitution of the State permits the Governor and Lieutenant Governor to serve two consecutive terms. The Governor has the power to veto budgetary and certain other legislative matters.

The judicial branch administers, through a unified system of courts, the judicial powers of the State in the areas of civil and criminal law.

The largest cost items in the State's budget relate to the State's significant responsibilities in the areas of education, health and human services, public safety/corrections and transportation. The first three of these areas are discussed below. See "REVENUE STRUCTURE – Highway Fund and Highway Trust Fund" below for a discussion of the transportation area.

Education

Public School System

The State is primarily responsible for the supervision, administration and funding of the State's public school system. The general cost of operating the system of public schools is paid from the State's General Fund rather than locally levied ad valorem property taxes. State appropriations are allotted in accordance with various formulae, primarily based upon average daily membership. The State pays a substantial portion of current operating expenses such as salaries of teachers and other staff, instructional supplies, textbooks and transportation. These current operating expenditures are supplemented by the counties. Counties are generally responsible for capital improvements, plant maintenance, insurance and energy costs. The State has also assisted counties in their responsibility for capital outlay expenditures. General Fund appropriations for public schools in fiscal year 2008-2009 comprise 36.6% of the State's General Fund budget. In addition to other appropriations for school purposes, $245,020,388 was set aside by the fiscal 2008-2009 budget to supplement funding for small and low-wealth counties, primarily based upon average daily membership.

The Charter Schools Act of 1996, as amended by the General Assembly in 1997, provides the opportunity for individuals or groups to create public schools through a private non-profit organization. Charter schools are designed to give significant autonomy to individual schools and in turn to hold these schools accountable for results. Charter school receive funding based on the average per pupil allocation in the local education agency from which a student comes. Ninety-seven charter schools are operating in the State in the 2008-2009 school year.

The following tables summarize the average daily membership ("ADM") (including charter schools) and the number of public schools (including charter schools) for the State in the school years presented:

Average Daily Membership

School Year	Elementary (K-5) ADM	Middle (6-8) ADM	Secondary (9-12) ADM	Total ADM
2004-05	639,585	326,480	395,605	1,361,670
2005-06	656,470	329,644	409,133	1,395,247
2006-07	674,968	329,443	419,372	1,434,162
2007-08	690,210	329,984	424,773	1,444,867
2008-09	698,074	329,642	426,003	1,453,719

Source: North Carolina Department of Public Instruction first-month ADM.

Number of Public Schools

	Number of Schools				
School Year	Elementary (K-5)	Middle (6-8)	Secondary (9-12)	Various[1]	Total Number of Schools
2004-05	1,168	410	359	342	2,279
2005-06	1,181	409	398	358	2,346
2006-07	1,190	414	440	432	2,407
2007-08	1,383	423	472	179	2,457
2008-09	1,231	430	491	349	2,501

[1]Schools that contain other grade configurations (e.g., K-6, 4-8, 9-12)

Community College System

North Carolina has a system of 58 community colleges dedicated to providing technical and vocational training in over 2,655 curriculum programs. The State currently provides approximately 69% ($1.016 billion in the fiscal 2008-2009 budget) of the system's funding, with the remaining funds coming from federal sources, tuition and fees and local funding sources.

In fiscal year 2007-08, 829,146 people took one or more courses at a local community college, including 287,215 enrolled in curriculum programs leading toward an associate degree, certificate or diploma. Another 293,382 individuals enrolled in occupational extension programs. In addition, all 58 community colleges are approved to offer the college transfer curriculum program, allowing students to take the first two years toward a baccalaureate degree at a community college. In fiscal year 2007-2008, the system was also the State's primary provider of adult literacy training, providing training for approximately 3,488 workplace literacy students.

The community college system has three programs designed to respond to the multiple needs of the State's business and industrial community. North Carolina began the nation's first program specifically designed to train the initial workforce of a new industry relocating to the State or an already existing industry in an expansion mode. The system also operates 58 Focused Industrial Training Centers designed to assist employees of established North Carolina industries in upgrading their workforce skills. At present, all 58 community colleges have Small Business Centers providing technical and managerial assistance and counseling to small business owners, would-be owners and their employees. Of the $3.1 billion general obligation bonds authorized by the Michael K. Hooker Higher Education Facilities Financing Act and approved by the voters in November 2000 (the "Higher Education Bonds"), $600 million is dedicated to improvements to the State's community college system. The State has issued all of the bonds pursuant to this authorization.

University of North Carolina System

The University of North Carolina (the "University") includes the State's 16 public institutions, commonly referred to as the constituent institutions, offering education at the baccalaureate level and above. It is governed by a 32-member Board of Governors elected by the General Assembly. In addition, each constituent institution is governed by a board of trustees. Fall 2008 headcount enrollment, which grew 38% from 1998 to 2008, totaled 215,962. Only five states have higher enrollments in state systems of higher education. The University's constituent institutions offer more than 200 degree programs.

Five of the University's constituent institutions are historically African American institutions, and another was founded as a training school for Native Americans. From 1998 to 2008, the number of African American and Native Americans attending the University grew 49% from 33,776 to 50,274.

The University's fiscal year 2008-2009 operating budget totaled $4,255,212,756 of which $2,894,181,487 was appropriated from the State's General Fund, with the rest being budgeted from revenues generated by the constituent institutions. Appropriations to the University account for approximately 13.0% of the State's General Fund appropriations in fiscal year 2008-2009.

Since it was chartered in 1789, the University has followed a State constitutional mandate to make higher education accessible and affordable to all North Carolinians. For the 2008-2009 school year, annual tuition and required fees for in-state undergraduate students ranged from $2,920 to $5,228. For non-resident undergraduates, annual tuition and required fees ranged from $11,934 to $22,126.

In addition to its teaching mission, the University is committed to academic and scientific research. Annual sponsored project awards to the University institutions were in excess of $1.1 billion for fiscal year 2007-2008. Sponsored program funding has experienced substantial growth over the past decade (100% in current dollars). The large majority of the University sponsored program funds are awarded to the flagship research universities, North Carolina State University ("NCSU") and UNC-Chapel Hill, and are derived from federal sources. The upward funding trends are an indication that the existence of high quality faculty at the University has steadily improved its position among all university systems nationally with respect to federal funds received for research and development. Between 2006 and 2008 the University realized nearly a 10% increase in federal sponsored research. Both UNC-Chapel Hill and NCSU continue to rank high among their peers in various national comparisons.

The University has a long-standing commitment to public service programs that extend the knowledge and expertise of its faculty to North Carolina residents not enrolled at the constituent institutions. These services include patient care and laboratory services (in teaching hospitals and other health service centers), agricultural extension services, the delivery of public television programming throughout the State and a wide variety of specialized services to governmental and private community groups.

The Higher Education Bonds approved by the voters in November 2000 included $2.5 billion of general obligation bonds to fund improvements to the University and its affiliated institutions. The State has issued all of the bonds pursuant to this authorization.

At the 2008 Legislative Session, the North Carolina General Assembly enacted legislation providing $124.1 million in State appropriations for capital improvements, $69.8 million in State appropriations for repairs and renovations for statewide use, with $32.1 million allocated to the University, and the use of $623.1 million from non-appropriated funding sources for capital improvements at certain campuses of the University system.

Health and Human Services

The Department of Health and Human Services ("DHHS") is responsible for administering a broad range of health and human services programs, including medical assistance (Medicaid), public health services, mental health services, social services, services for children, services for the aged, blind, and disabled, and vocational rehabilitation. In all, DHHS is responsible for the management and coordination of approximately 15 programmatic divisions and offices. The services and aid provided by DHHS are designed to assist individuals, families, and communities across the State in achieving adequate levels of physical, mental, social, and economic well-being. Programs are financed through a combination of state, local, and federal funds. Counties and regional agencies are often required to match a percentage of State and/or federal funds. Beginning October 1, 2007, the

State began a phase-in of a State and local swap of Medicaid and local sales tax. This phase-in will be completed by July 1, 2009 when the State will assume 100% of the former County non-federal share and capture a portion of the local sales tax. Programs often provide grants to counties and regional agencies using formulas based on population, poverty level, population age and other needs-related bases.

Expenditures for health care and health-related costs make up over 84% of the State appropriations allocated to the DHHS. These programs include Medicaid mental health, public health, and North Carolina's insurance program for children ("Health Choice"). For fiscal year 2008-2009, the State's General Fund budget allocated approximately $4.91 billion in State appropriations to DHHS. The total DHHS budget, combined with federal and other receipts, for fiscal year 2008-2009 was $16.6 billion, over 70% of which is for the Medicaid program. Of the non-healthcare services, social services reflects almost 10% of the total DHHS operating budget, with State appropriations of $222.4 million for fiscal year 2008-2009, and total funding, including federal receipts, of over $1.51 billion.

Department of Correction

The Department of Correction has continued to build new, more efficient correctional facilities across the State and to expand and renovate existing correctional facilities. This has allowed for the effective implementation of sentencing reform, resulting in substantial increases in time served by offenders. Since 2003 the State has financed and acquired or constructed eight correctional facilities around the State. The State's correctional facility population has more than doubled since 1980 to approximately 40,300 inmates as of February 2009.

REVENUE STRUCTURE

The State has three major operating funds that receive revenues and from which moneys are expended: the General Fund; the Highway Fund; and the Highway Trust Fund. The taxes described below produce a majority of the State's tax revenue. All revenues are collected by the Department of Revenue, except the highway use tax on motor vehicle sales and motor vehicle license tax and fees, which are collected by the Department of Transportation. These are no prohibitions or limitations in the North Carolina Constitution on the State's power to levy taxes, except the income tax rate limitation of 10% and a prohibition against a capitation or "poll" tax.

General Fund

The proceeds of the taxes and non-tax revenue hereinafter described are deposited in the General Fund. Appendix B includes financial statements showing such tax revenue and non-tax revenue for fiscal years 2003-2004 through 2007-2008.

Tax Revenue

Individual Income Tax – State taxable income is determined by making certain statutory adjustments to federal taxable income. State income tax due is computed under a multi-tiered bracket system with tax rates of 6%, 7%, and 7.75%; the breaking points for the higher marginal tax rates vary according to filing status. The North Carolina Constitution limits the maximum individual tax rate to 10% of net income.

Corporation Income Tax – A tax is levied at the rate of 6.90% on net income of both foreign and domestic corporations. Net income is derived by making certain adjustments to the federal taxable net income of corporations, such as taxes on income and excess profits and interest on obligations of the United States. Corporations having income both within and without the State apportion their income according to a three-factor formula based on payroll, sales (double weighted) and value of property. Alternative formulas may be utilized with the approval of the Secretary of Revenue. The North Carolina Constitution limits the maximum corporate tax rate to 10% of net income.

Sales and Use Tax – A State general tax rate of 4.5% is levied on sales, use or rental of tangible personal property and selected services such as the rental of hotel and motel rooms and laundry and dry cleaning services. A combined general rate of 7% applies to sales of telecommunications service, ancillary service, video programming services (direct-to-home satellite and cable), and to sales of spirituous liquor other than mixed beverages. The combined general rate is the State's general rate plus the sum of the rates of local tax authorized for every county in the State. Preferential tax rates are also levied on sales, use or rental of specific types of property and services as follows: boats and aircraft, 3% (maximum of $1,500 per boat or aircraft); manufactured/mobile homes, 2% (maximum of $300 per section); modular homes, 2.5%; electricity, 3% sales of electricity to commercial laundries or to pressing and dry cleaning establishments for use in machinery used in direct performance of the laundering or the pressing and cleaning service, 2.83%. Sales of electricity to farmers, manufacturing industries and manufacturing plants are taxed at 1.8%. This rate decreased to 1.4%. The rates for farmers and manufacturers are on a phase out schedule. Principal items exempt from the tax include raw materials, containers, labels, packaging and shipping materials, baler twine, fertilizer and seed sold to farmers, feed, certain farm products and prescription medicines. Food purchased for home consumption, with a few narrowly-defined exceptions, is exempt from the State sales tax. Motor vehicle sales and rentals and motor fuels are taxed under different schedules. Refunds of the tax are granted to the federal and local governments and other specified governmental entities; nonprofit religious, educational and charitable organizations; nonprofit hospitals; and eligible businesses for qualifying machinery and equipment purchased for use in low income counties. State agencies are granted refunds of local sales taxes paid. Local sales and use taxes of 2.25% (2.5% for the eight counties that levy an additional sales tax) are collected on transactions taxed at the 4.25% general State rate. Food is subject to a local sales and use tax of 2%. Local sales and use taxes are distributed to counties and local units within the county.

Privilege Tax on Manufacturing Fuel and Certain Machinery and Equipment – A privilege tax at the rate of 0.3% of sales price is imposed on manufacturers purchasing fuel used in manufacturing, other than electricity or natural gas. A privilege tax at the rate of 1% of sales price is imposed on manufacturers purchasing machinery, parts and accessories; major recycling facilities purchasing cranes, port and dock facilities, and rail and material handling equipment; research and development companies in the physical, engineering, and life sciences purchasing certain research and development equipment; software publishing companies purchasing certain equipment to include associated attachments and repair parts; and certain data centers purchasing computer equipment, cooling systems, or electrical equipment. The maximum tax on a single article is $80. Items subject to these privilege taxes are not subject to sales and use taxes.

Gross Receipts Tax on Motor Vehicle Rentals and Highway Use Tax on Motor Vehicle Sales – Gross receipts from long-term lease or rental of motor vehicles (at least 365 continuous days to the same person) are taxed at the rate of 3%; gross receipts from short-term lease or rental of motor vehicles are taxed at the rate of 8%. For both short and long-term rentals, the maximum tax for a vehicle leased continuously to the same person is $1,000 for Class A and B commercial vehicles and $1,500 for other recreational vehicles. A 3% highway use tax is levied on the retail sale of motor vehicles with a maximum ceiling of $1,000 for Class A and B commercial vehicles. A 3% highway use tax is levied on the retail sale of motor vehicles with a maximum ceiling of $1,000 for Class A and B commercial vehicles and $1,500 for other recreational vehicles. A retailer engaged in the business of leasing or renting motor vehicles may elect to pay the 3% highway use tax on the retail value of motor vehicles (same maximums per vehicle as described above) purchased for lease or rental rather than the 3% or 8% tax on gross receipts from renting or leasing the vehicles. Collections of the 8% tax from short-term rentals are credited to the General Fund and all collections of the two 3% levies are credited to the Highway Trust Fund.

Corporation Franchise Tax – A franchise tax is levied on business corporations at the rate of $1.50 per $1,000 of the largest of three alternate bases. These bases are (a) the amount of the capital stock, surplus and undivided profits apportionable to the State; (b) 55% of the appraised value of property in the State subject to local taxation or (c) the book value of real and tangible personal property in the State less any debt outstanding which was created to acquire or improve real property in the State. A tax of 3.22% is levied on the gross receipts of electric power and light companies. Municipalities (with minor adjustments) receive quarterly distributions equal to 3.09% of taxable gross receipts from sales of electric power within their jurisdictions during the preceding calendar quarter.

Piped Natural Gas Excise Tax – An excise tax is levied on piped natural gas on a declining block rate based on the number of therms of gas consumer in a month. The rate starts at 4.7¢ for the first 200 therms received and declines to 0.3¢ for the number of therms received in excess of 500,000. For sales of piped natural gas to manufacturers or to farmers, the rate starts at 2.5¢ for the first 200 therms received and declines to 0.2¢ for the number of therms received in excess of 500,000 (effective until July 1, 2009). The rates for farmers and manufacturers are on a phase out schedule. Municipalities receive quarterly distributions equal to one-half of the tax proceeds collected from customers within their jurisdictions during the previous calendar quarter.

Alcoholic Beverage Taxes – Liquor is sold in stores owned and operated by local ABC Boards where such stores are permitted by local governments. A tax at the rate of 25% of the sales price is levied by the State. Profits from operation of the stores are distributed to the county or municipality where the store is located. Beer is taxed at the rate of 53.177¢ per gallon. Wine is taxed at per liter rates as follows: fortified wine - 24¢; unfortified wine - 21¢. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of malt beverages and wine during the 12-month period ending March 31 each year: 23.75% of beer tax revenue; 62% of unfortified wine tax revenue; and 22% of fortified wine tax revenue. Local elections may be held on the question of permitting the sale of liquor by the drink by qualified restaurants and clubs. An additional tax of $20 per four liters is levied on liquor purchased by restaurants and clubs for resale as mixed beverages, of which $9 remains with the local jurisdiction, $10 is distributed to the General Fund and $1 is dedicated to DHHS for alcohol or substance abuse rehabilitation.

Insurance Tax – A tax is levied on insurance companies based on gross premiums from business in the State at the following rates: (a) 2.50% for workers' compensation; (b) 1.9% for all other policies including those of health maintenance organizations; (c) and an additional 0.74% for fire and lightning coverage. Out-of-state insurers are also subject to a premium tax and must pay the higher of the rates that would apply to North Carolina insurers doing business in the home state or North Carolina tax rates. In addition to the gross premiums tax, various license taxes are levied on insurance companies and agents. In addition, a regulatory charge against the gross premiums tax liability is levied with proceeds used to finance operations of the Department of Insurance. The rate for the regulatory charge, which is set annually, is currently set at 5.5% of the gross premiums tax liability.

Estate Tax – The North Carolina estate tax is equal to the State death tax credit that was allowable under the Internal Revenue Code as it existed prior to 2002 and may not exceed the amount of the federal estate tax due under the Code. The amount of the North Carolina estate tax is limited to the federal estate tax that would be payable if the federal estate tax was computed without regard to the deduction for State death taxes.

Tobacco Products Tax – A 1 3/4¢ tax is levied on each cigarette (35¢ for each pack of 20, 43.75¢ for each pack of 25). Tobacco products other than cigarettes are subject to a tax of 10% of the cost of the products.

Other Taxes – Other taxes levied for support of the General Fund include a freight car tax, and various privilege taxes. The gift tax was repealed for gifts made on or after January 1, 2009.

Non-Tax Revenue

Institutional and Departmental Receipts – The State receives various items of institutional and departmental receipts which are deposited with the State Treasurer. The most important of these are fees, tuition payments and federal funds collected by State agencies.

Disproportionate Share Hospital Receipts – Like most states, North Carolina receives Medicaid Disproportionate Share Hospital ("DSH") payments from the federal government for its public hospitals that serve disproportionate share of indigent patients. DSH payments to State-owned public hospitals are returned to the State and the General Assembly appropriates a specified amount of these receipts as non-tax revenue.

A portion of DSH payments to local qualified public hospitals are retained by the hospital and the remainder is retained by the State and used only when appropriated by the General Assembly. Currently the State has started to reimburse the federal government $151.5 million resulting from 1) an April 2004 audit report in which the State Auditor questioned some DSH expenditures, and 2) from the cost settlement of DSH payments to hospitals dating back to 1996. In September 2006, $91.5 million of the reimbursement was paid by the local qualified public hospitals and $15 million was paid from State resources in September 2006 and 2008. $15 million was paid in September 2008 and $15 million will be paid in September 2009 from State resources currently available or anticipated to be received in the near future.

Tobacco Fund Settlement – On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a settlement agreement that, among other things, reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. The maximum that North Carolina could receive is approximately $4.6 billion over the first 25 years pursuant to the settlement agreement; provided, however, that the formulation of the actual amounts payable each year depends upon various factors, including the market share of such companies. Under the general framework established for the application of the proceeds of the national tobacco settlement funds, one-half of the receipts for each year are to be transferred to the Golden L.E.A.F. Foundation, a special non-profit corporation dedicated to assisting economic development in tobacco dependent regions of the State. The remaining half of the annual settlement receipts is deposited equal to two trust funds, the Tobacco Trust Fund, a special trust fund created to foster the vitality and solvency of the tobacco-related segment of the State's agricultural economy, and the Health and Wellness Trust Fund, a special trust fund created to address the health needs of North Carolina. In certain years, tobacco settlement receipts ear-marked for the two Trust Funds have been diverted to the General Fund to fund a part of the budgetary deficits in those years.

The following table set forth the tobacco settlement funds received to date, the amounts transferred to the General Fund and the balance paid to the two Trust Funds and the Golden L.E.A.F. Foundation.

Fiscal Year	Settlement Proceeds Received	Settlement Proceeds Transferred to General Fund	Settlement Proceeds Paid to Trust Funds and Golden L.E.A.F.
2000-01	$ 140,273,653.02	$ 0.00	$140,273,653.02
2001-02	175,835,881.98	(64,009,022.21)	111,826,859.77
2002-03	169,200,688.26	(78,000,000.00)	91,200,688.26
2003-04	150,507,203.64	(63,046,734.06)	87,460,469.58
2004-05	148,640,948.78	(60,000,000.00)	88,640,948.78
2005-06	136,453,087.12	(32,134,175.77)	104,318,911.35
2006-07	142,825,077.79	(30,000,000.00)	112,825,077.78
2007-08	159,953,561.72	0.00	159,953,561.72
Total	$1,223,690,102.30	($327,189,932.04)	$896,500,170.26

The State intends to fund the payments with respect to certain installment financings that provided University-related projects and youth development centers from a portion of the amounts received under the national tobacco settlement funds and deposited to the Tobacco Trust Fund and the Health and Wellness Trust Fund.

The Federal government is currently suing the major tobacco companies to recoup costs of the Federal government related to smoking. Any award to the Federal government in such lawsuit could have an impact on the tobacco companies' ability to make payments under the settlement with the State.

Disputed Payments under the Master Settlement Agreement – A number of tobacco manufacturers that participate in the Tobacco Fund Settlement described above have determined to dispute a portion of their 2003 payment. Approximately $755 million of their total expected payments of $6.5 billion due in April 2006 was placed in a disputed payments account pending determination as to whether the participating states have diligently enforced the terms required by the settlement as contained in each state's Model Statute. The State believes that its share of the disputed payment amount is approximately $18 million. (See "Litigation" below for more information).

Other Non-Tax Revenue – The State receives other non-tax revenue that is deposited in the General Fund. The most important sources are interest earned by the State Treasurer on investments of General Fund moneys and revenues from the judicial branch. Various fees and other charges and receipts are also classified as "other non-tax revenue."

State Lottery – North Carolina approved an education lottery in 2005. The net proceeds of the North Carolina Educational Lottery provide enhanced educational opportunities, support public school construction, and fund college and university scholarships. Lottery ticket sales began on March 3, 2006. Gross sales for the fiscal year ended June 30, 2006 totaled $229.5 million. For the fiscal years ended June 30, 2007 and June 30, 2008, gross sales totaled $885.6 million and $1,078 million, respectively. The North Carolina Educational Lottery provided over $350 million for educational programs in fiscal year 2007-2008 compared to $315 million in the 2006-2007 fiscal year.

Tax and Non-Tax Revenue

The following table shows the amount of tax revenue and non-tax revenue (excluding federal and departmental receipts) reported in the General Fund in each fiscal year 2003-2004 through 2007-2008 with the annual percentage increases for each of such fiscal years:

Tax and Non-Tax Revenue
(Expressed in Millions)

Fiscal Year	Tax Revenue	Percent Increase From Previous Year	Tax and Non-Tax Revenue	Percent Increase (Decrease) From Previous Year
2003-04	$13,880.5	2.4%	$14,377.9	2.4%
2004-05 [1]	15,765.3	13.6	16,133.3	12.2
2005-06 [1]	17,472.1	10.8	17,903.8	11.0
2006-07	19,148.3	9.6	19,676.3	9.9
2007-08	19,147.5	0.0	19,761.2	0.4

Sources: Office of the State Controller and the State's Comprehensive Annual Financial Reports (GAAP basis).

[1] For fiscal year June 30, 2006, the State changed its methodology for applying GASB Standard No. 33, Accounting and Financial Reporting for Nonexchange Transactions to individual income tax. The 2005 amounts have been restated for this change.

Highway Fund and Highway Trust Fund

The State has an approximately 79,261-mile highway system, including roadways, rights-of-way, structures, signs, markings, traffic signals and ferry operations. The maintenance and preservation of the highway system absorbs a major portion of the State Highway Fund.

The North Carolina Highway Trust Fund was created by the General Assembly in 1989. Revenues for the Highway Trust Fund are generated by a 3% highway use tax on the retail value of motor vehicles purchased or titled in North Carolina, 25% of motor fuel tax revenues, increases in fees charged for the issuance of certificates of title, other fee increases, and all investment income earned by the Highway Trust Fund. The amount of the transfer by the General Assembly to the General Fund is shown below for fiscal years 2004-2005 through 2008-2009 is shown below:

Fiscal Year	Transfer to General Fund From Highway Trust Fund (Expressed in Millions)
2004-05	$242.5[1]
2005-06	252.6
2006-07	57.5[2]
2007-08	172.5
2008-09	147.5

[1]Reflects a one-time reimbursement of approximately $10 million from the General Fund to the Highway Trust Fund.

[2]The decrease reflects a one-time reimbursement from the General Fund to the Highway Trust Fund of $115 million, as well as a one-time reduction in the transfer from the General Fund to the Highway Trust Fund of $80 million.

Moneys in the Highway Trust Fund are being used for a variety of highway and transportation purposes, including paying debt service on State general obligation bonds issued for highway purposes.

The proceeds of the taxes hereinafter described are deposited in the Highway Fund and the Highway Trust Fund. The Highway Fund and the Highway Trust Fund revenues for fiscal years 2004-2005 through 2007-2008 are shown in Appendix B.

Motor Fuels Tax – The tax on motor fuels is 17.5¢ per gallon plus the greater of 3.5¢ per gallon or 7% of the average wholesale price determined semiannually by the Secretary of Revenue and stated as cents per gallon. In the 2007 Session of the North Carolina General Assembly, the variable component of the motor fuels tax was capped at the January 2006 rate of 12.4¢ per gallon. The current tax rate, based on the average wholesale price for the six months ended March 2008, is 29.9¢ per gallon. Refunds or exemptions are granted to the federal government, State and local governments and selected non-profit organizations. An amount equal to collections from 0.5¢ per gallon is transferred to funds created to pay the cost of certain environmental cleanup programs, 75% of the remaining net collections are deposited in the Highway Fund for highway purposes; the balance is deposited in the Highway Trust Fund for highway and other road construction purposes.

Highway Use Tax – For the privilege of using the highways, a tax of 3% is levied on the retail value of motor vehicles when purchased or titled in North Carolina. Collections, along with the 3% portion of the tax on gross receipts from motor vehicle rentals described under **"REVENUE STRUCTURE – General Fund** – *Tax Revenue-Gross Receipts Tax on Motor Vehicle Rentals and Highway Use Tax on Motor Vehicle Sales*" above are deposited in the Highway Trust Fund.

Motor Vehicle License Tax – An annual license tax is levied at the rate of $28 per private passenger vehicle. The tax imposed on vehicles of common carriers of passengers and on property-hauling vehicles is based on weight. The tax on farm trucks is approximately one-half of the rate levied on private and contract haulers. Collections are deposited in the Highway Fund.

Non-Tax Revenue – The State places non-tax revenue from various sources in the Highway Fund. The most important source is federal aid. Other sources are interest on the investment of Highway Fund moneys and a gasoline inspection fee of 1/4¢ per gallon. In addition, the Highway Trust Fund receives non-tax revenues generated by increases in fees charged for the issuance of certificates of title and other fee increases and all interest and income earned by the Highway Trust Fund. Amounts earned on investments in the Highway Fund and the Highway Trust Fund for fiscal years 2003-2004 through 2007-2008 are as follows:

	Investment Earnings[1] (millions)	
Fiscal Year	**Highway Fund**	**Highway Trust Fund**
2003-04	$14.4	$11.3
2004-05	35.7	11.8
2005-06	38.3	3.0
2006-07	49.0	6.5
2007-08	67.9	2.6

Sources: Office of State Budget and Management, Office of the State Controller and the State's Comprehensive Annual Financial Reports (GAAP basis).

[1]Total fund balances in the Highway Fund and the Highway Trust Fund have declined over the five year period. See Appendix B – "FINANCIAL STATEMENTS OF THE STATE OF NORTH CAROLINA" for the five year balance sheets of the Highway Fund and the Highway Trust Fund.

The following table shows the amount of tax revenue and non-tax revenue received in the Highway Fund in each fiscal year 2003-2004 through 2007-2008 and the annual percent increases for each of such fiscal years:

Highway Fund
Tax and Non-Tax Revenue
(Expressed in Millions)

Fiscal Year	Motor Fuels Tax Revenue[1]	Other State Revenue	Federal Funds	Other Funds	Total Revenue	Percent Increase (Decrease)
2003-04	$ 935.4	$483.0	$ 983.1	$ 4.2	$2,405.7	11.7%
2004-05	972.6	540.5	1,134.6	15.1	2,662.8	10.7
2005-06	1,114.7	665.1	993.9	14.8	2,788.5	4.7
2006-07	1,179.1	738.2	793.6	30.8	2,741.7	(1.7)
2007-08	1,163.5	770.2	904.4	21.0	2,859.1	4.3

[1]Motor Fuels Tax Revenue includes the Motor Fuels Tax and the Highway Use Tax. The gasoline tax rate is adjusted each January 1 and July 1 based upon consumption during the preceding six months. The purpose of this adjustment is to assure a constant revenue stream regardless of consumption amounts.

Source: Office of the State Controller and the State's Comprehensive Annual Financial Reports (GAAP basis).

The following table shows the amount of tax revenue and non-tax revenue received in the Highway Trust Fund in fiscal years 2003-2004 through 2007-2008 and the annual percent increases for each of such fiscal years:

Highway Trust Fund
Tax and Non-Tax Revenue
(Expressed in Millions)

Fiscal Year	Motor Fuels Tax Revenue	Other State Revenue	Other Funds	Total Revenue	Percent Increase (Decrease)
2003-04	$ 889.1	$106.8	$ .3	$ 996.2	5.7%
2004-05	904.4	114.4	1.0	1,019.8	2.4
2005-06	949.3	113.7	2.0	1,065.0	4.4
2006-07	1,001.2	123.4	5.3	1,129.9	6.1
2007-08	953.9	111.0	5.5	1,070.4	(5.3)

Sources: Office of the State Controller and the State's Comprehensive Annual Financial Reports (GAAP basis).

STATE GOVERNMENT EXPENDITURES

The State receives the tax and non-tax revenue discussed above, as well as various funds from the federal government. The financial statements of the State included in Appendix B to this Official Statement show the total receipts and expenditures from both sources for the General Fund, the

Highway Fund, and the Highway Trust Fund for the five fiscal years ended June 30, 2003 to 2008. unless otherwise indicated, the information set forth below covering the State's recent and current financial status and budgets excludes federal receipts and expenditures.

REQUIREMENTS FOR BALANCED BUDGET

Constitutional Provision

The State Constitution in Article III, Section 5 details the duties of the Governor to prepare and recommend to the General Assembly a comprehensive budget of anticipated revenue and proposed expenditures of the State for the ensuing fiscal period. Furthermore, once a budget is enacted the General Assembly the Governor is required to administer this budget and insure that the State does not incur a deficit during any fiscal period. To comply with this mandate the Governor must survey the collection of revenue and shall effect the necessary economies in the State expenditures whenever she determines that receipts during the fiscal period in question, when added to the beginning unreserved General Fund balance, will not be sufficient to meet budgeted expenditures.

State Budget Act

The State Budget Act ("SBA") sets out the procedures by which the State's budget is prepared, adopted and administered. The SBA requires the adoption of a balanced budget and G.S. 143C-4-1 provides guidance as to what constitutes a balanced budget. A budget for a fund is balanced when the beginning unreserved fund balance for a fiscal year, together with the projected receipts to the fund during the fiscal year, is equal to or greater than the sum of appropriations from the fund for that fiscal year. If the Governor finds that revenues to any fund, when added to the beginning unreserved fund balance in that fund, will be insufficient to support appropriations, the Governor shall immediately notify the General Assembly that a deficit is anticipated. Furthermore, the Governor shall report in a timely manner to the General Assembly a plan containing the expenditure reductions and other lawful measures that are to be implemented to avert a deficit. However, the North Carolina Constitution provides that any such reduction in appropriations to avert a deficit shall be made "after first making adequate provision for the prompt payment of the principal of and interest on bonds and notes of the State according to their terms."

BUDGETS

State Budget

The total State budget is supported from four primary sources of funds: (1) General Fund tax and non-tax revenue; (2) Highway Fund and Highway Trust Fund tax and non-tax revenue; (3) federal funds and (4) other receipts, generally referred to as departmental receipts. Federal funds comprise approximately 26.8% of the total State budget. The largest share of federal funds is designated to support programs of the Department of Health and Human Services. The other major recipients of federal funds are public schools, universities, community colleges and transportation, including highway construction and safety.

Departmental receipts consist of revenues that are received directly by a department and are not tax or non-tax revenue as designated by the General Assembly. Departmental receipts consist of tuition at the universities and community colleges, patient receipts at the hospitals and institutions, sales of goods and services, grants, and various other receipts. These receipts represent approximately 18.5% of the total State budget.

All funds presented to and reviewed by the General Assembly and approved in accordance with its procedures are considered "appropriated" or authorized by the General Assembly.

2008-2009 General Fund Budget and Actual Revenues and Expenditures

The following table sets forth the fiscal year 2008-2009 General Fund budgeted revenues and appropriations, excluding federal and departmental receipts and expenditures, as approved by the General Assembly during the 2007 Regular Session, and the actual performance on the budgetary cash basis (which is not subject to audit) for the 2008-2009 fiscal year (in millions). The table also sets forth comparative results for the first eight months of the preceding fiscal year.

$ Millions	Authorized Budget 2008-09 [1]	Actual for Eight Months Ended February 2009	Actual for Eight Months Ended February 2008	Percentage of Budget Realized/ Expended for Eight Months Ended February 2009
Beginning Fund Balance, July 1				
Unreserved	$ 599.0	$ 599.0	$ 1,221.2	
Reserved	1,350.2	1,350.2	1,082.1	
Total Beginning Fund Balance	**$ 1,949.2**	**$ 1,949.2**	**$ 2,303.3**	
Revenues:				
Tax Revenues:				
Individual Income	11,386.2	6,606.9	6,709.2	58.0%
Corporate Income	1,248.5	335.7	514.2	26.9%
Less: Net Transfers	(57.0) [2]	(56.2) [2]	(72.7) [2]	98.7%
Sales and Use	5,374.3	3,241.6	3,474.8	60.3%
Franchise	587.0	376.2	351.4	64.1%
Insurance	522.2	134.6	163.3	25.8%
Beverage	233.8	152.5	148.5	65.2%
Other:				
Inheritance	161.7	73.7	105.2	45.6%
Privilege	56.0	22.4	36.8	40.0%
Tobacco Products	236.2	155.3	160.6	65.7%
Real Estate Conveyance Excise	-	1.5	4.2	N/A
Gift	16.5	2.5	2.4	15.2%
Solid Waste	-	4.6	-	N/A
White Goods Disposal	-	0.6	0.9	N/A
Scrap Tire Disposal	-	2.1	2.6	N/A
Freight Car Lines	-	-	-	N/A
Piped Natural Gas	35.7	29.7	30.2	83.2%
Mill Machinery	38.3	22.2	25.6	58.0%
Processed Refunds Pending	-	(294.1)	-	N/A
Other	-	0.1	(0.1)	N/A
Total Tax Revenues	**19,839.4**	**10,811.9**	**11,657.1**	**54.5%**
Nontax Revenues:				
Treasurer's Investments	248.1	102.4	175.8	41.3%
Judicial Fees	204.8	127.7	131.2	62.4%
Insurance	63.5	39.8	22.0	62.7%
Disproportionate Share Receipts	100.0	-	-	0.0%
Total Nontax Revenues	**616.4**	**269.9**	**329.0**	**43.8%**
Total Tax and Nontax Revenues	**20,455.8**	**11,081.8**	**11,986.1**	**54.2%**

$ Millions	Authorized Budget 2008-09 [1]	Actual for Eight Months Ended February 2009	Actual for Eight Months Ended February 2008	Percentage of Budget Realized/ Expended for Eight Months Ended February 2009
Transfers In:				
Highway / Highway Trust Fund	147.5	119.4	143.0	80.9%
Other transfers	201.1	324.9 [3]	488.3 [4]	161.6%
Total Transfers In	**348.6**	**444.3**	**631.3**	**127.5%**
Total Revenues and Transfers In	**20,804.4**	**11,526.1**	**12,617.4**	**55.4%**
Debt Proceeds	**707.0**	**200.0**	**275.0**	**28.3%**
Total Available Funds	**23,460.6**	**13,675.3**	**15,195.7**	**58.3%**
Expenditures				
Current Operations	$20,483.8	$12,548.6	$12,191.7	61.3%
Capital Improvements:				
Funded by General Fund	129.1	-	115.4	0.0%
Funded by Debt Proceeds [5]	707.0	200.0	275.0	28.3%
Debt Service	643.1	192.8	197.2	30.0%
Total Budgetary Expenditures	**21,963.0**	**12,941.4**	**12,779.3**	**58.9%**
Additional Expenditures/Transfers from/to Reserves	**100.0** [6]	**152.3** [7]	**82.4** [8]	**152.3%**
Total Expenditures	**22,063.0**	**13,093.7**	**12,861.7**	**59.3%**
Ending Fund Balance				
Unreserved	92.7	(680.6)	845.9	
Reserved	1,304.9	1,262.2 [9]	1,488.1 [10]	
Total Ending Fund Balance	**$ 1,397.6**	**$ 581.6**	**$ 2,334.0**	

Source: Office of the State Controller

[1] As authorized by the 2007 Session (SL 2008-107) of the General Assembly.

[2] Transfers to Public School Building Capital Fund based on corporate income tax forecast.

[3] Includes Other Non-tax Revenues of $279.6 million and Transfer from Reserves of $45.3 million.

[4] Includes $6.7 million Job Development Incentive Grants and $74.9 million of Other Non-Tax Revenue Transfers and $406.7 million Non-Reverting Departmental Funds.

[5] Represents debt issuances in the fiscal year.

[6] Includes $100 million Clean Water Trust Fund Expenditures.

[7] Includes $64.3 million Clean Water Trust Fund Expenditures, $6.7 million Job Development Incentive Grants Reserve, $45.1 million Disaster Relief Reserve, $19.3 Disproportionate Share Reserve and $16.9 Non-Reverting Departmental Funds.

[8] Includes expenditures of $7.4 million for the Disaster Relief Budget Shortfall and $75 million Clean Water.

[9] Includes $786.6 million "Rainy Day" Savings Reserve, $69.8 million for Repairs and Renovations Reserve, $52.1 million Disaster Relief Reserve, $5.1 Job Development Incentive Grant, $1.1 million NC ONE Fund, and $347.5 million Non-Reverting Departmental Funds.

[10] Includes $786.6 million "Rainy Day" Savings Reserve, $19.3 million for Disproportionate Share Hospital Reserve, $106.6 million Disaster Relief Reserve, $22.8 Job Development Incentive Grant and $1.1 million NC ONE Fund, $145.0 million Repairs and Renovations Reserve and $406.7 Non-Reverting Departmental Funds.

2008-2009 General Fund Budget Commentary

Early in the State's 2008-2009 fiscal year a substantial General Fund budget shortfall was anticipated due to recessionary economic conditions in the nation and North Carolina. Therefore, as the North Carolina economy declined it became imperative that a plan be prepared to insure that the State not incur a deficit for fiscal year 2008-2009. Article III, Section 5(3) of the Constitution requires the Governor to continually survey the collection of revenue. If, as a result of the Governor's surveys, the Governor determines that actual receipts for the fiscal period, when added to the surplus remaining in the Treasury at the beginning of the fiscal period, will not be sufficient to pay budgeted expenditures, the Governor, after first making adequate provisions for the prompt payment of the principal and interest on the State's outstanding bonds and notes, must effect the necessary economies in State expenditures to keep a deficit from occurring. Because the Governor found as a fact that the actual receipts for fiscal year 2008-2009 would not meet the expenditures anticipated and budgeted by the 2008 General Assembly, Executive Order Number 6 was issued on January 13, 2009 to insure that a deficit is not incurred.

The Executive Order Number 6 ordered the Office of State Budget and Management under the Governor's direction to do the following:

(1) Reduce State expenditures from funds appropriated to operate State departments and institutions (approximately $930 million reductions/reversions anticipated),

(2) Halt expenditures for capital improvement projects for which State funds have been appropriated but not placed under State contract (approximately $177 million reductions/reversions from Capital Improvement direct appropriations and Repair and Renovation Reserve),

(3) Transfer, as necessary, non-General Fund and non-Highway Fund receipts into the General Fund to support appropriation expenditures ($200 million transferred through March 20, 2009, and an additional $100 million identified to be transferred when needed by the General Fund),

(4) Borrow, as necessary, receipts from non-General Fund State receipts and non-Highway Fund State receipts for support of General Fund appropriation expenditures.

The remaining item to be utilized by the State to address the $2.2 billion projected shortfall for fiscal year 2008-2009 is the Federal Medicaid Assistance Program funds. These funds are a portion of the Federal Recovery Funds, anticipated to total $751.1 million, and are related to disbursements made in the time period of October 1, 2008 through June 30, 2009.

2009-2011 Biennium General Fund Budget

As discussed above under **"REQUIREMENTS FOR BALANCED BUDGET – State Budget Act,"** the General Assembly is required to adopt a balanced budget. The **Governor's Recommended** budget for the 2009-2011 biennium is summarized below:

Description	2009-2010 (millions)	2010-2011 (millions)
Beginning Unreserved Fund Balance	$ 0	$ 0
Revenues Based on Existing Tax Structure	18,030.5	19,072.8
Non-tax Revenues	704.9	740.2
Highway Trust Fund Transfer	108.5	73.5
Highway Fund Transfer	17.6	17.6
Revenue Adjustments:		
Cigarette Tax (Increase from$.35/pack to $1.35/pack)	311.3	415.0
Other Tobacco Products (Increase from 10% to 28% of Wholesale price)	31.6	42.1
Alcohol Tax (Addition of 5% Surcharge)	157.5	210.0
Small Business Relief	(12.0)	(24.0)
Sales Tax Holiday for WaterSense Products (No Fiscal Impact for FY 2009-11	0	0
IRC Update	(10.4)	(20.1)
Founder's Credit (No Fiscal Impact for FY 2009-11)	0	0
Expand Earned Income Tax Credit (EITC)	0	(21.0)
Adjust Fees	27.4	30.6
Disproportionate Share	25.0	0
Improve Enforcement	50.0	75.0
Caregiver Tax Credit	0	(.8)
Subtotal Adjustments to Availability: 2009 Session	580.4	706.8
Federal Recovery Funds:		
Federal Medical Assistance Percentages	1,003.7	500.7
Fiscal Stabilization – Education	581.0	581.0
Fiscal Stabilization – General Purpose	129.3	129.3
Subtotal Federal Recovery Funds	1,713.9	1,210.9
Total General Fund Revenues/Other Availability	$21,155.8	$21,821.8

Commentary on Recommended Budget.

Similar to many other states, the financial sector problems and rapid decline in economic conditions have led to historic revenue declines in North Carolina. In light of this sluggish economy, in preparing her budget recommendations, the Governor projected baseline General Fund to grow only by 0.1% in fiscal year 2009-2010. The Governor projected that the economy will improve in fiscal year 2010-2011, resulting in baseline General Fund revenues rebounding to a 5.4% growth rate for fiscal year 2010-2011. Substantive tax and revenue adjustments included by the Governor in the recommend budget are as follows:

(1) Increase tobacco tax on cigarettes from $.35 per pack to $1.35 per pack and increase taxes on other tobacco products 10% to 28% of the wholesale price. These two tobacco tax increases would generate $350.4 million in fiscal year 2009-2010 and $467.1 million in fiscal year 2010-2011.

(2) Increase taxes on alcohol sales by adding a 5% tax surcharge to all sales leading to $157.5 million and $210 million in fiscal years 2009-2010 and 2010-2011, respectively.

(3) Increase annual licensing fees on professionals from $50 to $200. This change and various smaller fee increases are expected to generate $27.4 million in fiscal year 2009-2010 and $30.6 million in fiscal year 2010-2011.

(4) Increase audits by the North Carolina Department of Revenue, which is expected to improve enforcement, leading to increased amounts of Individual and Corporate Income taxes of $50 million and $75 million in fiscal years 2009-2010 and 2010-2011, respectively.

(5) Targeted tax relief for small businesses, exempting the first $25,000 from net income for those companies with profits below $100,000 and $15,000 for those companies with profits between $100,000 and $200,000. These exemptions are expected to save small businesses $12 million in fiscal year 2009-2010 and $24 million in fiscal year 2010-2011.

American Recovery and Reinvestment Act (ARRA)

The American Recovery and Reinvestment Act was enacted on February 17, 2009. The ARRA funds will provide aid to states and the public in the current economic crisis by creating jobs, retaining jobs, and assisting states with their budget shortfalls. The bill provides that funds be distributed over three years: 2009, 2010 and 2011. Federal agencies have not yet issued specific regulations for the administration and use of these funds, therefore, the exact amounts to be distributed to North Carolina and the processes that state will need to follow for reporting and disbursements are still unknown. The issuance of specific rules may take up to 60 days from the signing of the ARRA on February 17, 2009. On this same date, Governor Perdue established the North Carolina Office of Economic Recovery and Investment to coordinate the State's handling of ARRA funds and state-level economic recovery initiatives. By establishing this office, the Governor has ensured that ARRA funds (estimated to be $6.1 billion) are to be fully accounted for in accordance with federal law and future regulation.

The Governor's Recommended General Fund budget for expenditures fiscal year 2009-2010 is $20,981.1 million and $21,649.1 million for fiscal year 2010-2011. Major catagories for expenditures are as follows:

Category	FY 2009-10 Amount[1]	% of Total	FY 2010-11 Amount[1]	% of Total
Education	$11,832.9	56.4	$12,106.0	55.9
Health and Human Services	5,284.6	25.1	5,549.2	25.6
Justice and Public Safety	2,202.1	10.4	2,222.6	10.2
General Gov't/Nat'l Economic Resources	906.6	4.3	895.8	4.1
Debt Service	664.6	3.1	737.5	3.4
Statewide Reserves/Capital	90.3	0.4	138.0	0.6
Total General Fund Appropriation	$20,981.1	100.0	$21,649.1	100.0

[1]Amounts may not be exact due to rounding.

In preparing the recommended budget, the Governor established as the budgetary priorities improving public education, accessibility and affordability of higher education, protecting the State's most vulnerable citizens and community safety, as well as governmental efficiency, accountability and fiscal responsibility. The Governor's recommended budget has been proposed to the General Assembly for consideration. The final budget will be enacted by the General Assembly, which is not bound by the Governor's recommendations.

Highway Fund and Highway Trust Fund
Prior Years (2006-07 Actual), (2007-08 Actual) and (2008-09 Authorized)

A summary, prepared by the North Carolina Department of Transportation, excluding federal and departmental receipts and expenditures, of the actual revenues and expenditures for the 2006-07 and 2007-08 fiscal years and the authorized budget amounts for the 2008-09 fiscal year is presented below (in millions):

Highway Fund
(Expressed in Millions)

	Actual 2006-07	Actual 2007-08	Authorized 2008-09
Beginning Balance, July 1	$ 89.81	$ 131.57	$ 51.74
Revenue	1,825.53	1,827.66	1,822.55
Interfund Transfer (Highway Trust Fund)	14.72	18.70	-
Total Available Funds	$1,930.06	$1,977.93 **	$1,874.29
Expenditures and Obligations			
Current Operations	$1,794.74	$1,886.50	$1,856.68
Interfund Transfer (General Fund)	-	18.19	17.61
Capital Improvements	3.75	21.50	-
Total Expenditures and Obligations	$1,798.49	$1,926.19	$1,874.29
Ending Fund Balance, June 30	$ 131.57	$ 51.74	$ -

** Excludes Garvee proceeds.

Highway Trust Fund
(Expressed in Millions)

	Actual 2006-07	Actual 2007-08	Authorized 2008-09
Beginning Balance, July 1	$ 226.56	$ 373.46	$ 320.88
Revenue	1,115.00	1,060.06	1,073.16
Interfund Transfer (General Fund)	(57.49)	(172.54)	(147.53)
Interfund Transfer (NC Turnpike Authority)	-	-	(25.00)
Total Available Funds	$1,284.07	$1,260.98	$1,221.51
Expenditures and Obligations			
Current Operations	$ 910.61	$ 940.10	$1,221.51
Ending Fund Balance, June 30	$ 373.46	$ 320.88	$ -

ASSESSED VALUATION OF PROPERTY

The following table and chart show the assessed valuation of real property, tangible personal property and property of public service companies for the last ten fiscal years. Exempt property is excluded from the table. Counties are required by statute to assess property at 100% of its appraised value. Real property must be revalued every 8 years but counties may elect to revalue more frequently. The State does not levy an ad valorem tax on real property and tangible personal property.

	Assessed Valuation			
Fiscal Year	Real Property	Tangible Personal Property	Public Service Company Property	Total
1998-99	$314,949,315,291	$ 97,834,758,018	$20,244,024,631	$433,028,097,940
1999-00	345,704,989,165	105,984,739,896	20,874,178,731	472,563,907,792
2000-01	382,422,908,009	112,992,132,642	21,952,438,541	517,367,479,192
2001-02	421,831,969,378	116,740,143,820	23,355,586,210	561,927,699,408
2002-03	448,370,864,967	118,788,285,500	22,602,081,344	589,761,231,811
2003-04	486,461,699,574	117,944,792,111	22,997,034,378	627,403,526,063
2004-05	528,533,828,510	117,683,367,201	23,258,360,938	669,475,556,649
2005-06	572,381,845,957	122,599,101,419	23,633,784,744	718,614,732,120
2006-07	614,693,874,746	130,271,584,966	24,343,997,001	769,309,456,713
2007-08	704,351,774,474	134,254,054,069	24,292,362,350	862,898,190,893

Source: Compiled by Department of Revenue from reports submitted by counties and municipalities.

PER CAPITA INCOME

North Carolina Compared to United States

	Population(1)				Per Capita Income(2)		
Year	United States Population	U.S. Increase from Prior Period	North Carolina Population	N.C. Increase from Prior Period	United States	North Carolina	N.C. as a Percentage of U.S.
1950	151,868,000		4,061,929		$ 1,496	$ 1,037	69.32%
1960	179,979,000	18.51%	4,556,155	12.17%	2,254	1,615	71.65
1970	203,849,000	13.26	5,084,411	11.59	4,072	3,255	79.94
1980	226,546,000	11.13	5,880,095	15.65	10,062	8,090	80.40
1990	248,791,000	9.82	6,632,448	12.79	19,588	17,295	88.29
2000	282,125,000 (3)	13.46	8,049,313(3)	21.30	29,770(4)	27,055(4)	90.88
2001	284,797,000 (3)	0.95	8,186,268(3)	1.70	30,472(4)	27,514(4)	90.29
2002	288,368,698 (3)	1.25	8,320,146(3)	1.64	30,832(4)	27,566(4)	89.41
2003	290,809,777 (3)	0.85	8,407,248(3)	1.05	31,632(4)	28,235(4)	89.26
2004	293,655,404 (3)	0.98	8,541,221(3)	1.59	32,937(4)	29,246(4)	88.79
2005	296,410,404 (3)	0.94	8,683,242(3)	1.66	34,586(4)	30,553(4)	88.34
2006	299,398,484 (3)	1.01	8,856,505(3)	2.00	36,629(4)	32,338(4)	88.29
2007	301,621,157 (3)	0.74	9,061,032(3)	2.31	38,564(4)	33,663(4)	87.29
2008	303,853,154 (5)	0.74	9,270,342(5)	2.31	40,605(6)	35,444(6)	87.29

Source:
1. U.S. Department of Commerce, Bureau of the Census.
   N.C. Office of State Planning.
2. U.S. Department of Commerce, Bureau of Economic Analysis.
   N.C. Office of State Budget and Management.
3. U.S. Census Bureau estimate.
4. U.S. Bureau of Economic Analysis estimate.
5. Since the 2008 population estimates are not available, the Office of State Controller used the growth rate of the previous year to project the 2008 amounts.
6. Since the 2008 per capita income estimates are not available, the Office of State Controller used the U.S. Per Capita Income growth rate of the previous year to project the 2008 “U.S. Per Capita Income” and the previous year “N.C. as a Percentage of U.S.” was used to project the “2008 Per Capita Income for North Carolina”.

NORTH CAROLINA EMPLOYMENT INFORMATION

The following table sets forth the State's labor force and the number of non-agricultural jobs by major sector from 2005-2008. Statistics with respect to the labor force are based upon actual laborers available in the workforce; while statistics with respect to jobs relate to actual jobs established (one member of the labor force may maintain more than one job).

EMPLOYMENT DATA
FOR THE CALENDAR YEARS 2005 THROUGH 2008

	2005	2006	2007	2008**
Labor Force Data (People)				
Civilian Labor Force:	4,343,559	4,459,642	4,519,186	4,562,465
Employed	4,114,893	4,248,490	4,308,624	4,271,814
Unemployed	228,666	211,152	210,562	290,651
Unemployment Rate (%)*	5.3	4.7	4.7	6.4
Jobs (Establishment Data):				
NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM INDUSTRY TITLE				
Total Nonfarm	3,914,800	4,040,600	4,145,700	4,157,000
Total Private	3,252,000	3,361,200	3,450,700	3,454,600
Goods Producing	802,400	805,600	800,300	779,100
Service Providing	3,112,400	3,235,000	3,345,400	3,379,300
Natural Resources & Mining	6,700	6,800	7,000	6,900
Construction	231,100	245,700	254,900	253,600
Manufacturing	564,600	553,200	538,500	518,700
Durable Goods	295,500	294,900	289,300	278,800
Non Durable Goods	269,100	258,200	249,100	239,800
Trade, Trans, Warehousing & Utilities	740,300	758,800	778,300	776,200
Wholesale Trade	170,500	176,100	182,300	183,100
Retail Trade	441,600	451,700	465,100	465,000
Transportation, Warehouse & Utilities	128,100	131,000	130,900	128,100
Information	71,400	73,100	72,700	72,400
Finance	197,300	205,600	211,200	210,700
Professional and Business Services	449,300	478,600	499,900	498,700
Educational and Health Services	465,100	489,100	514,200	533,000
Leisure and Hospitality Services	356,400	376,600	393,800	400,500
Other Services	169,900	173,800	180,400	182,400
Government	662,800	679,400	695,000	704,000

*Averaged Annual Data.

**Preliminary.

Sources: North Carolina Employment Security Commission; Labor Market Information (LMOR); LAUS (Labor Area Unemployment Statistics), 2005-2008; and QCEW (Quarterly Census Employment & Wages) Annual 2005-2008, December 2008.

North Carolina's seasonally adjusted unemployment rate of 8.7% in December 2008 increased 11.5% from November 2008 (7.8%). The national rate of 7.2% in December 2008 was 47% higher than the 4.9% rate reported in January 2008. The State's labor force was 4,563,112 in December

2008, a decrease of 1,666 from the previous month. During December 2008, 4,166,266 North Carolinians were employed and 396,846 were unemployed.

As of December 2008, the preliminary estimate of total nonfarm seasonally-adjusted employment was 4,067,500 jobs. This is a decrease of 34,900 jobs between November and December, 2008 and a significant loss of 120,200 jobs since December 2007. Industry gains in jobs occurred in Educational and Health Services (+1,000); Information (+100); Financial Activities (+300); and Other Services (+400).

For December 2008, significant job losses occurred in the following industries: Manufacturing (-5,600); Construction (-7,000); Trade, Transportation, Warehousing and Utilities (-8,300); Leisure and Hospitality (-1,500); Public Sector (-2,800); and Professional and Business (-11,400). All other industries reported minor decreases.

In February 2009, the North Carolina Employment Security Commission preliminarily estimated the Seasonably Adjusted Civilian Labor Force unemployment rate for the State to be 10.7%.

MAJOR EMPLOYERS

The State's largest major private sector employers, ranked in order according to employment as of the first quarter of 2008 are listed below:

2008 Rank	Employer	Type of Industry
1	Wal-Mart Associates Inc.	Retail Trade
2	Duke University	Educational Services/Health Services
3	Food Lion LLC	Retail Trade
4	Wachovia Bank	Finance Activities
5	Lowes Home Centers Inc.	Retail Trade
6	Bank of America Corporation	Finance Activities
7	International Business Machines	Manufacturing
8	Harris Teeter Inc.	Retail Trade
9	Branch Banking & Trust Co.	Finance Activities
10	United Parcel Post Service	Transportation
11	Hanesbrands, Inc.	Manufacturing
12	North Carolina Baptist Hospital	Health Services
13	Lowes Food Stores	Retail Trade
14	US Airways Inc.	Transportation
15	Moses H. Cone Mem. Hospital	Health Services
16	Target Corporation	Retail Trade
17	Duke Energy Corporation	Utilities
18	Smithfield Packing Co. Inc.	Manufacturing
19	GlaxoSmithKline	Manufacturing
20	Belk Inc.	Retail Trade
21	Adecco USA Inc.	Administrative Services
22	Memorial Mission Hospital Inc.	Health Services
23	Mega Force Staffing Group	Administrative Services
24	Home Depot USA Inc.	Retail Trade
25	Ingles Markets Inc.	Retail Trade

Source: North Carolina Employment Security Commission.

STATE INDEBTEDNESS

Outstanding General Obligation Indebtedness[1]

As of 6/30	Bonds (General)	Bonds (Highway)	Bonds (Total)
2004	$4,426,199,379	$549,950,000	$4,976,149,379
2005	4,881,651,426	811,430,000	5,693,081,426
2006	4,977,910,995	756,755,000	5,734,665,995
2007	5,197,445,272	702,080,000	5,899,525,272
2008	4,885,609,403	648,025,000	5,533,634,403
Outstanding GO Debt At April 30, 2009	$4,601,229,403	$631,935,000	$5,233,164,403

[1]Table includes refunding debt but not refunded debt since sufficient funds have been placed with an escrow agent to pay all principal and interest and any premium on the debt refunded to and including their respective maturities or dates of redemption.

Bonds Issued fiscal year 2001-2002 through fiscal year 2007-2008 –

2001-02
$204,400,000 Public Improvement Bonds, Series 2002A (Tax-Exempt), 6.32 years average maturity, 4.0583% true interest cost.
$35,000,000 Public Improvement Bonds, Series 2002B (Taxable), 1.5 years average maturity, 3.6317% true interest cost.
$10,600,000 Public Improvement Bonds, Series 2002C (Tax-Exempt), 2.89 years average maturity, 3.4911% true interest cost.
$355,000,000 Variable Rate General Obligation Bonds, Series 2002 D-G issued at a weekly rate.

2002-03
$18,800,000 Clean Water Bonds, Series 2002A, 13.02 years average maturity, 4.4516% true interest cost.
$50,000,000 Natural Gas Bonds, Series 2002A – Federally Taxable Interest 3.5 years average maturity, 3.3733% true interest cost.
$56,480,000 Refunding bonds, Series 2002A, 5.45 years average maturity, 3.2460% true interest cost.
$499,870,000 Variable Rate General Obligation Refunding Bonds issued at weekly rate, rates fixed (pursuant to interest rate swap agreements with Goldman Sachs Mitsue Marine Derivative Products, L.P. and Bank of America, N.A.) at 3.089% and 3.283% to maturity.
$2,900,000 Clean Water Bonds, Series 2003A, 3.35 years average maturity, 2.7516% net interest cost.
$320,000,000 Public Improvement Bonds, Series 2003A, 15.07 years average maturity, 4.3415% true interest cost.
$283,255,000 Public Improvement Bonds, Series 2003B, 13.41 years average maturity, 4.3094% true interest cost.
$33,000,000 Natural Gas Bonds, Series 2003-Federally Taxable Interest, 3.0 years average maturity, 2.8471% true interest cost.
$3,645,000 Clean Water Bonds, Series 2003B, 2.94 years average maturity, 2.8190% net interest cost.

2003-04
$91,000,000 Refunding Bonds, Series 2003D, 2.66 years average maturity, 2.3396% true interest cost.
$235,710,000 Refunding Bonds, Series 2003E, 5.49 years average maturity, 3.2991% true interest cost.

	$400,000,000 General Obligation Bonds, Series 2003, 10.14 years average maturity, 3.8298% true interest cost.
	$707,900,000 Public Improvement Bonds, Series 2004A, 14.13 years average maturity, 3.928491% true interest cost.
	$36,000,000 Natural Gas Bonds, Series 2004A, 3.00 years average maturity, 2.4798% true interest cost.
	$15,255,000 Clean Water Bonds, Series 2004A, 2.957 years average maturity, 2.2783% net interest cost.
2004-05	$300,000,000 Highway Bonds, Series 2004, 8.67 years average maturity, 3.5837% true interest cost.
	$382,260,000 Refunding Bonds, Series 2004, 5.63 years average maturity, 2.9429% true interest cost.
	$705,500,000 Public Improvement Bonds, Series 2005A, 12.84 years average maturity, 3.9753% true interest cost.
	$106,985,000 Refunding Bonds, Series 2005A, 9.96 years average maturity, 3.4900% true interest cost.
	$16,000,000 Natural Gas Bonds, Series 2005, 3.17 years average maturity, 3.5758% true interest cost.
	$470,510,000 Refunding Bonds, Series 2005B, 8.74 years average maturity, 3.5386% true interest cost.
2005-06	$70,000,000 Clean Water Bonds, Series 2006A, 11.17 years average maturity, 4.0859% true interest cost.
	$300,000,000 Higher Education Bonds, Series 2006A, 10.5 years average maturity, 4.2434% true interest cost.
2006-07	$502,745,000 Public Improvement Bonds, Series 2007A, 10.55 years average maturity, 4.0824% true interest cost.
	$84,385,000 Refunding Bonds, Series 2007B, 15.4 years average maturity, 4.3520% true interest costs.

General Obligation Bonds Authorized and Unissued

The 2008 General Assembly authorized the issuance of $107 million of general obligation indebtedness pursuant to provisions in the State Constitution that permit the issuance of general obligation debt without voter approval to the extent of two-thirds of the net reduction of outstanding general obligation debt over the previous biennium. Currently none of the $107 million so authorized has been issued.

Annual Debt Service Requirements for General Obligation Indebtedness and Special Indebtedness

Fiscal Year	General Obligation (including Highway) Existing Debt Principal	General Obligation (including Highway) Existing Debt Principal & Interest	Special Indebtedness Existing Debt Principal	Special Indebtedness Existing Debt Principal & Interest	Total Existing Debt[1,2] Principal	Total Existing Debt[1,2] Principal & Interest	Special Indebtedness Now Offered Principal Only
2008-09	$ 364,369,402.81	$ 624,427,881.10	$ 56,295,000	$ 120,467,913.49	$ 420,664,402.81	$ 744,895,794.59	$
2009-10	364,385,000.00	606,777,021.10	63,035,000	127,728,205.02	427,420,000.00	734,505,226.12	13,245,000
2010-11	364,550,000.00	588,934,296.10	64,090,000	125,857,267.52	428,640,000.00	714,791,563.62	13,610,000
2011-12	365,575,000.00	571,620,131.10	65,220,000	123,901,925.64	430,795,000.00	695,522,056.74	14,040,000
2012-13	367,510,000.00	555,313,785.28	66,395,000	122,140,651.88	433,905,000.00	677,454,437.16	14,565,000
2013-14	367,685,000.00	537,903,285.44	67,640,000	120,191,002.50	435,325,000.00	658,094,287.94	15,090,000
2014-15	366,940,000.00	519,684,248.06	68,965,000	118,230,168.75	435,905,000.00	637,914,416.81	15,670,000
2015-16	366,970,000.00	502,175,466.52	70,355,000	116,173,962.51	437,325,000.00	618,349,429.03	16,360,000
2016-17	364,635,000.00	481,565,254.18	71,815,000	114,122,331.27	436,450,000.00	595,687,585.45	17,060,000
2017-18	368,430,000.00	468,888,416.80	73,365,000	112,093,912.51	441,795,000.00	580,982,329.31	17,835,000
2018-19	369,525,000.00	453,537,999.84	74,990,000	110,091,075.00	444,515,000.00	563,629,074.84	18,610,000
2019-20	335,175,000.00	402,967,199.84	91,705,000	122,766,675.00	426,880,000.00	525,743,874.84	19,455,000
2020-21	254,785,000.00	307,225,866.52	90,210,000	116,792,437.50	344,995,000.00	424,018,304.02	20,415,000
2021-22	235,795,000.00	276,561,550.00	91,440,000	113,674,187.50	327,235,000.00	390,235,737.50	21,435,000
2022-23	228,760,000.00	258,134,750.00	92,755,000	110,467,087.50	321,515,000.00	368,601,837.50	22,470,000
2023-24	203,000,000.00	221,943,162.50	94,925,000	108,089,581.25	297,925,000.00	330,032,743.75	23,590,000
2024-25	123,400,000.00	133,743,162.50	57,955,000	67,160,000.00	181,355,000.00	200,903,162.50	24,770,000
2025-26	61,400,000.00	66,282,412.50	46,595,000	53,021,750.00	107,995,000.00	119,304,162.50	26,010,000
2026-27	44,245,000.00	46,414,162.50	43,135,000	47,285,125.00	87,380,000.00	93,699,287.50	27,255,000
2027-28	16,500,000.00	16,995,000.00	34,755,000	36,997,325.00	51,255,000.00	53,992,325.00	28,565,000
2028-29			15,285,000	15,972,825.00	15,285,000.00	15,972,825.00	29,950,000
	$5,533,634,402.81	$7,641,095,051.88	$1,400,925,000	$2,103,235,409.84	$6,934,559,402.81	$9,744,330,461.72	$ 400,000,000

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[1]Table includes refunding debt but not refunded debt since sufficient funds have been placed with an escrow agent to pay all principal and interest and any premium on the debt refunded to and including their respective maturities or dates of redemption.

[2]The table above includes $355,000,000 Variable Rate General Obligation Bonds issued in spring 2002. These bonds bear interest on a variable interest rate basis, initially in a weekly mode, which may not exceed 12% per annum. The table reflects interest on these bonds calculated at a 4% interest rate. The table above includes $499,870,000 Variable Rate General Obligation Refunding Bonds issued in December 2002. The State entered into two separate interest rate swap agreements with respect to these bonds. The table reflects the interest on these bonds calculated at a rate of 4% which includes the swap rates and associated costs. (See **"Swap Agreements Relating to General Obligation Bonds"** below). See also Note 7.E. "Interest Rate and Basis Swaps" in the Notes to the Financial Statements included in Appendix B hereto.

Outstanding Special Indebtedness Subject to Annual Appropriation

As of 6/30	Total Debt Subject to Annual Appropriation
2002	$ -0-
2003	17,500,000
2004	519,570,000
2005	740,215,000
2006	709,105,000
2007	972,685,000
2008	1,200,925,000
Outstanding Special Indebtedness at April 30, 2009 Includes Series 2009A Bonds to be offered hereby[1]	$ 1,765,535,000

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[1]The total also takes into account principal payments made through April 30, 2009 of the 2008-09 fiscal year.

Debt Issued fiscal year 2002-2003 through fiscal year 2008-2009 –

2002-03 $17,500,000 Certificates of Participation, Series 2003A (Wildlife Projects), 12.38 years average maturity, 4.6816% all-in true interest cost.

2003-04 $218,405,000 Lease-Purchase Revenue Bonds (North Carolina Correctional Facilities Projects), Series 2003, 12.8 years average maturity, 4.3219% all-in true interest cost.

$158,955,000 Certificates of Participation (State of North Carolina Correctional Facilities Project), Series 2004A, 10.47 years average maturity, 4.0861% all-in true interest cost.

$125,000,000 Certificates of Participation (Repair and Renovation Project), Series 2004B, 10.87 years average maturity, 4.3519% all-in true interest cost.

2004-05 $53,640,000 Lease-Purchase Revenue Bonds (North Carolina Facilities Projects), Series 2004, 12.1 years average maturity, 4.24% all-in true interest cost.

2005-06 $188,385,000 Certificates of Participation (2005 Capital Improvements), Series 2005A, 10.95 years average maturity, 4.1756% all-in true interest cost.

2006-07 $100,000,000 Certificates of Participation (2006 Repairs and Renovations), Series 2006A, 10.292 years average maturity, 4.437805% all-in true interest cost.

2006-07 $200,000,000 Certificates of Participation (2006 Capital Improvements), Series 2006A, 10.7861 years average maturity, 4.167624% all-in true interest cost.

2007-08 $200,000,000 Certificates of Participation (Capital Improvements), Series 2007A, 12.97 years average maturity, 4.412% all-in true interest cost.

$75,000,000 Certificates of Participation (Repair and Renovation), Series 2007B, 11.1 years average maturity, 4.346% all-in true interest cost.

2008-09 $200,000,000 Limited Obligation Bonds (Capital Improvements), Series 2008A, 12.75 year average maturity, 4.3227% all-in true interest cost.

Authorized and Unissued Special Indebtedness Subject to Annual Appropriation as of April 30, 2009.

Purpose	Date Approved	Balance Authorized and Unissued[1]	Series 2009A Bonds Offered Hereby[2]	Remaining Balance Authorized and Unissued
Guaranteed Energy Savings Contracts	2002/06	$ 67,788,236	$ -	$ 67,788,236
Psychiatric Hospitals	2003/06	294,775,000	1,040,000	293,735,000
Correctional Facilities	2003/06/07/08	269,694,950	51,477,708	218,217,242
University Projects	204/06/07/08	1,111,023,575	147,260,000	963,763,575
Youth Facilities	2004/06	6,781,900	2,122,292	4,659,608
Parks & Land	2004/06/07/08	145,000,000	105,000,000	40,000,000
State Projects & Other	2006/07/08	209,120,244	93,100,000	116,020,244
		$2,104,183,905	$ 400,000,000	$1,704,183,905

[1]Some of the projects financed with the proceeds of special indebtedness subject to annual appropriation are authorized by projects costs, instead of by par amount. These amounts are subject to change based on actual expenditure for various projects.

[2]Preliminary, subject to change.

Per Capita State Indebtedness

As of 6/30	Population	Outstanding General Obligation Debt and Special Indebtedness Subject to Annual Appropriation	Per Capita
2004	8,541,221 [1]	$5,495,719,379	$643.43
2005	8,683,242 [1]	6,433,296,426	740.89
2006	8,856,505 [1]	6,443,770,995	727.57
2007	9,061,032 [1]	6,874,464,474	758.68
2008	9,270,342 [2]	6,734,539,403	726.46
After Series 2009A Bonds now offered are issued	9,270,342 [2]	6,998,699,403	754.96

[1]U.S. Census Bureau estimate.

[2]Since the 2008 population estimates are not available, the Office of State Controller used the growth rate of the previous year to project the 2008 amounts.

Ratio of Annual General Obligation and Subject to Annual Appropriation Debt Service to General Expenditures

Fiscal Year Ended June 30	Debt Service (Principal and Interest)[1]	Total General Governmental Expenditures[2]	Ratio
2004	$425,972,000	$30,267,635,000	1.41%
2005	553,208,000	33,207,069,000	1.67
2006	657,679,000	33,785,856,000	1.95
2007	726,673,000	37,119,507,000	1.96
2008	759,504,000	38,935,704,000	1.95

Source: Comprehensive Annual Financial Report, N.C. Office of the State Controller.

[1]Debt service on special indebtedness subject to appropriation and general obligation indebtedness.

[2]Includes General Fund appropriations, Federal funds, funds from Highway Fund and Highway Trust Fund, and other departmental receipts.

Debt Service Requirements and Maturities for Special Indebtedness Subject to Annual Appropriation:

	Existing Debt Debt Subject to Annual Appropriation		Series 2009A Bonds Offered Hereby		Total	
Fiscal Year	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
2008-09	$ 56,295,000	$ 120,467,913.49	$	$	$ 56,295,000	$ 120,467,913.49
2009-10	63,035,000	127,728,205.02	13,245,000	31,356,004.55	76,280,000	159,084,209.57
2010-11	64,090,000	125,857,267.52	13,610,000	31,356,043.76	77,700,000	157,213,311.28
2011-12	65,220,000	123,901,925.64	14,040,000	31,355,743.76	79,260,000	155,257,669.40
2012-13	66,395,000	122,140,651.88	14,565,000	31,353,943.76	80,960,000	153,494,595.64
2013-14	67,640,000	120,191,002.50	15,090,000	31,355,931.26	82,730,000	151,546,933.76
2014-15	68,965,000	118,230,168.75	15,670,000	31,354,381.26	84,635,000	149,584,550.01
2015-16	70,355,000	116,173,962.51	16,360,000	31,355,718.76	86,715,000	147,529,681.27
2016-17	71,815,000	114,122,331.27	17,060,000	31,352,268.76	88,875,000	145,474,600.03
2017-18	73,365,000	112,093,912.51	17,835,000	31,354,568.76	91,200,000	143,448,481.27
2018-19	74,990,000	110,091,075.00	18,610,000	31,351,693.76	93,600,000	141,442,768.76
2019-20	91,705,000	122,776,675.00	19,455,000	31,352,218.76	111,160,000	154,128,893.76
2020-21	90,210,000	116,792,437.50	20,415,000	31,354,718.76	110,625,000	148,147,156.26
2021-22	91,440,000	113,674,187.50	21,435,000	31,353,968.76	112,875,000	145,028,156.26
2022-23	92,755,000	110,467,087.50	22,470,000	31,355,018.76	115,225,000	141,822,106.26
2023-24	94,925,000	108,089,581.25	23,590,000	31,351,518.76	118,515,000	139,441,100.01
2024-25	57,955,000	67,160,000.00	24,770,000	31,352,018.76	82,725,000	98,512,018.76
2025-26	46,595,000	53,021,750.00	26,010,000	31,353,518.76	72,605,000	84,375,268.76
2026-27	43,135,000	47,285,125.00	27,255,000	31,353,418.76	70,390,000	78,638,543.76
2027-28	34,755,000	36,997,325.00	28,565,000	31,350,668.76	63,320,000	68,347,993.76
2028-29	15,285,000	15,972,825.00	29,950,000	31,355,118.76	45,235,000	47,327,943.76
	$1,400,925,000	$2,103,235,409.84	$400,000,000	$627,078,485.99	$1,800,925,000	$2,730,313,895.83

Swap Agreements Relating to General Obligation Bonds

The State has previously entered into various interest rate swap agreements. See Note 7.E. "Interest Rate and Basis Swaps" in the notes to the Financial Statements included in Appendix B hereto for a more complete description of such interest rate swap agreements and the State's obligations thereunder.

Legal Debt Limit

The State Constitution provides in substance that the State shall not contract a debt, other than refunding debt, by borrowing money in any biennium and pledge its faith and credit to the payment thereof for an amount in excess of two-thirds of the amount by which the outstanding debt of the State shall have been reduced in the preceding biennium unless the proposed debt is submitted to and approved by the voters at an election. Exceptions to this requirement, arising either from specific language in the State Constitution or court cases, include refunding bonds, notes or other obligations issued in anticipation of revenues, moral obligation bonds, revenue bonds and obligations as to which the State's payments are subject to annual appropriation.

Refunding Bonds

The State is authorized to issue general obligation refunding bonds from time to time as determined by the State Treasurer, without voter approval or action by the General Assembly, to refund any general obligation bonds of the State then outstanding. If favorable market conditions occur, the State may issue bonds to refund any of its existing general obligation bonds if such issuance will result in desirable debt service savings to the State.

Moral Obligation Bonds

There are no outstanding bonds of the State which contemplate the appropriation by the General Assembly of such amount as may be necessary to make up any deficiency in a debt service reserve thereof. Furthermore, no legislation has been enacted by the General Assembly which would authorize the issuance of any such bonds.

Revenue Bonds

Pursuant to Section 136-18(12b) of the North Carolina General Statutes and the State and Local Government Revenue Bond Act, the State issued $287.57 million of Grant Anticipation Revenue Vehicle (GARVEE) Bonds in 2007. The bonds were issued for the purpose of accelerating various transportation projects across the State and to pay certain costs incurred in connection with the Bonds. The GARVEE Bonds are payable solely from certain federal aid revenues received on behalf of the State and do not create a debt, liability or obligation of the State or any political subdivision of the State. Such federal aid revenues consist of amounts derived from the National Highway System and other federal surface transportation programs.

Guaranteed State Energy Contracts

The State is authorized to finance up to $100 million for projects that provide energy cost savings that are sufficient to pay the debt service on the projects' financing. On August 19, 2005 the Department of Administration entered into an installment financing contract for $5 million of energy conservation improvements at the North Carolina Museum of Art. On November 21, 2005, the Department of Administration entered into an installment financing contract for $18.9 million of energy conservation improvements at the Downtown State Government Complex which was increased by $2.6 million in December 2006 to $21.5 million. On March 14, 2007, the Department of Administration entered into an installment financing contract for $5.8 million of energy conservation improvements at The University of North Carolina at Greensboro.

General Obligation Bonds Authorized and Unissued

The 2008 General Assembly authorized the issuance of $107 million of general obligation indebtedness pursuant to provisions in the State Constitution that permit the issuance of general obligation debt without voter approval to the extent of two-thirds of the net reduction of outstanding general obligation debt over the previous biennium. Currently none of the $107 million so authorized has been issued.

Capital Financing Outlook

After the Series 2009A Bonds offered hereby, the State has authorized but unissued debt subject to annual appropriation of approximately $1,704,183,905, and the State anticipates that all or a large portion of this debt subject to annual appropriation will be issued from time to time over the next several years. The timing and size of additional future issues will depend upon a number of factors, including the cash flow requirements of the State for the programs and projects to be financed with the debt proceeds, the State's financial condition at the time the debt is proposed to be issued, and capital market conditions. The amount and timing of these sales has not been established.

North Carolina Turnpike Authority

The General Assembly has created the North Carolina Turnpike Authority (the "Turnpike Authority") as a State Agency authorized to construct and operate toll roads within the State, and has authorized the Turnpike Authority to issue toll road revenue bonds to finance such costs. At present, the Turnpike Authority is planning the financing and construction of five toll facility projects within the State.

In 2008 the General Assembly enacted legislation authorizing the transfer of funds from the Highway Trust Fund to the Turnpike Authority, with the proceeds of such transfer to be used to pay debt service on bonds issued by the Authority for its Turnpike Projects and for certain related purposes. The legislation establishes an appropriation to the Turnpike Authority of $25,000,000 for the fiscal year ending June 30, 2009 and $64,000,000 for the fiscal year ending June 30, 2010, and a continuing appropriation of $99,000,000 for fiscal years thereafter. The legislation provides that the General Assembly may amend such appropriations or decrease or eliminate the amount of such appropriations by future legislation. The Authority has expressed its intention to proceed with bond issues in which all or some source of repayment of the Turnpike Authority's bonds will be the proceeds of such future appropriations. A bond issue obligating the first $25,000,000 of appropriations to be received annually is planned for the spring of 2009.

REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE AUTHORITIES AND INSTITUTIONS AT JUNE 30, 2008

The following chart outlines the revenue bonds and other indebtedness of State authorities and institutions at June 30, 2008. The State is not responsible for debt service on any of the revenue bonds and other indebtedness represented in this chart.

Appalachian State University	$ 178,446,842
East Carolina University	97,094,667
Elizabeth City State University	18,306,439
Fayetteville State University	6,110,535
North Carolina A & T State University	17,285,000
North Carolina Central University	28,337,982
North Carolina School of the Arts	10,805,000
North Carolina State University at Raleigh	259,725,000
University of North Carolina at Asheville	22,925,000
University of North Carolina at Chapel Hill	1,145,364,791
University of North Carolina at Charlotte	159,531,550
University of North Carolina at Greensboro	114,330,486
University of North Carolina at Pembroke	46,266,429
University of North Carolina at Wilmington	139,733,746
Western Carolina University	66,604,836
Winston-Salem State University	73,255,000
North Carolina Capital Facilities Finance Agency	2,635,503,888
North Carolina Eastern Municipal Power Agency	2,569,410,000
North Carolina Housing Finance Agency	1,549,998,000
North Carolina Municipal Power Agency No. 1	1,752,700,000
North Carolina State Education Assistance Authority	3,694,937,000
North Carolina State Ports Authority	97,844,043
Total	$14,684,516,234

Source: Chief fiscal officer of each authority or institution.

RETIREMENT AND PENSION PLANS

The State provides retirement benefits to its employees through the following contributory, defined benefit plans:

Teachers' and State Employees' Retirement System – Membership is comprised of employees of State agencies and institutions, including teachers and employees of the local boards of education, university and community college faculty and employees, and State-employed law enforcement officers. Total active member accounts estimated at December 31, 2007 amounted to 338,490, and in addition, there were 69,420 inactive members. Annuitants for December 31, 2007 totaled 145,855. Benefits accrue at the rate of 1.82% of the 4-year average compensation for each year of service. For the fiscal year beginning July 1, 2008, the system is funded by a member contribution of 6% of compensation and an employer contribution of 3.36%, in addition to investment income. The State's future contributions to the system will depend upon the needs of the system to remain actuarially sound.

Consolidated Judicial Retirement System – Membership is comprised of judges, district attorneys and clerks of court. Total active member accounts estimated at December 31, 2007 amounted to 548 and in addition, there were 54 inactive members. Annuitants for December 31, 2007 totaled 482. Benefits accrue at the rates of 3.02%, 3.52% or 4.02% of final compensation for each year of service, depending on the status of members. For the fiscal year beginning July 1, 2008 the system is funded by a member contribution of 6% of compensation and an employer contribution of 13.21% of covered payroll, in addition to investment income. The State's future contributions to the system will depend upon the needs of the system to remain actuarially sound.

Legislative Retirement System – Membership is comprised of members of the General Assembly. Total active member accounts estimated at December 31, 2007 amounted to 170, and in addition, there were 86 inactive members. Annuitants for December 31, 2007 totaled 265. Benefits accrue at the rate of 4.02% of final compensation for each year of service. For the fiscal year beginning July 1, 2008 the system is funded by a member contribution of 7% of compensation, in addition to investment income. No contribution was made by the State for the fiscal year beginning July 1, 2008 because the plan had a market value in excess of its liabilities. The State's future contributions to the system will depend upon the needs of the system to remain actuarially sound.

The following financial and statistical data represent a consolidation of the three retirement systems for the four years ended December 31, 2007.

RETIREMENT SYSTEMS
RECEIPTS AND DISBURSEMENTS

	2004	2005	2006	2007
Receipts:				
Employee Contribution	$ 676.7	$ 709.3	$ 749.7	$ 803.5
Employer Contribution	168.4	281.2	371.2	396.7
Investment Earnings	4,933.0	3,439.4	5,833.2	4,639.0
Other	2.0	2.2	1.9	4.6
Total	$ 5,780.1	$ 4,432.1	$ 6,956.0	$ 5,843.8
Disbursements:				
Benefit	$ 2,283.7	$ 2,474.7	$ 2,656.9	$ 2,835.5
Refunds	93.9	79.7	83.2	76.9
Other	9.8	14.7	9.1	15.2
Total	$ 2,387.4	$ 2,569.1	$ 2,749.2	$ 2,927.6
Excess of Income over Disbursements	$ 3,392.7	$ 1,863.0	$ 4,206.8	$ 2,916.2
Net Assets	$50,127.4	$51,990.3	$56,066.3	$59,112.0
Actuarial Value of Assets[1]	$47,774.1	$50,081.1	$52,856.4	$55,744.2
Actuarial Value of Accrued Liabilities	(44,182.8)	(47,001.7)	(49,792.0)	($53,256.1)
Difference	3,591.3 [2]	3,079.4 [2]	3,064.4	2,488.1
Ration of Assets to Liabilities	1.08	1.07	1.07	1.05

[1]Actuarial Value of Assets is 5 year smoothed market.

[2]Indicates the System is more than 100% funded.

Source: North Carolina Retirement System Financial Statements; Consulting Actuary – Buck Consultants.

In addition to the above-defined benefit retirement plans, the State administers the following pension and retirement plans.

Firemen and Rescue Squad Pension Fund – Membership is comprised of both volunteer, State and locally employed firemen and certified rescue squad personnel who elect, membership. Estimated membership totaled 36,160 at June 30, 2008. Pensioners for June 2008 totaled 10,509. Benefits are $170 per month payable at age 55 with a minimum of 20 years of service. The plan is funded by a $10 monthly contribution by the member, investment income and a State appropriation.

National Guard Pension Fund – Membership is established at age 60 for former members of the North Carolina National Guard who have 20 or more years active duty with the National Guard. Benefits are $95 per month for the first 20 years of service and $9.50 per month for each additional year of service to a maximum of $190.00 per month. Pensioners at December 31, 2007 totaled 3,130. The plan is funded by State appropriation and investment income.

Legislative Retirement Fund – The law creating this fund was repealed in 1973. Membership is comprised of members and former members of the General Assembly. Accrued rights were preserved for members at the date of repeal. Benefits totaling $30,425 were being paid to 19 annuitants for the calendar year ended December 2007. The State appropriates annually the amount necessary to pay benefits due for each year.

Sheriffs' Supplemental Pension Fund – This plan was created to provide supplemental retirement benefits to retired county sheriffs who are at least age 55 with 10 or more years of service as a sheriff. The plan is funded by $1.25 from each cost of court assessed in criminal cases. The amount of the benefit is equal to one share amount for each year as a sheriff not to exceed 75% of a retired sheriff's final rate of pay offset by benefits from the Local Government Employees' Retirement System, to a maximum of $1,500 per month from the plan. As of January 1, 2008, there were 87 retired sheriffs in receipt of benefits at an annual cost of $1,125,764.

Local Governmental Employees' Retirement System – Membership is comprised of general employees and local law enforcement officers of participating local governmental entities. Benefits are nearly identical to the benefits that accrue to members of the Teachers' and State Employees' Retirement System described above. The system is funded by an employee contribution of 6% and an employer contribution at varying rates by the participating local governments. As of July 1, 2008 the normal employer contribution rate was 4.80% while the contribution rate for employers of law enforcement members was 5.27%. The State's responsibility is administrative.

Registers of Deeds' Supplemental Pension Fund – This plan was created to provide supplemental retirement benefits to retired elected county Registers of Deeds who have 10 or more years of service as a Register. The plan is funded by monthly remittances to the Department of State Treasurer, by each county, equal to 1.5% of the receipts collected pursuant to Article 1 of Chapter 161 of the General Statutes. The amount of the benefit is 75% of a retired Register of Deeds' final rate of pay offset by benefits from the Local Governmental Employees' Retirement System, to a maximum of $1,500 per month from the plan. As of February 1, 2008 there were 76 retired Registers of Deeds in receipt of benefits at an annual cost of $1,375,000.

OTHER POST-EMPLOYMENT BENEFITS

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (effective for fiscal year 2006-2007) and in June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (effective for fiscal year 2007-2008), collectively termed "OPEB".

The actuarial data is disclosed in the notes to the State's CAFR, based on the disclosure requirements for a cost-sharing, multiple-employer plan, and are also presented as required supplementary information (RSI). The unfunded actuarial liability is not recorded as an accounting liability but is disclosed in the notes to the financial statements, and as required supplementary information.

Beginning with fiscal year 2007-2008, the State's CAFR present the required disclosures as an employer under GASB Statement No. 45. GASB Statement No. 45 requires the presentation of the State's OPEB costs.

Retiree Health Benefits

Aon Consulting completed the second actuarial valuation of retiree health benefits plan as of December 31, 2007. The State retiree healthcare benefit is currently funded on a pay-as-you-go basis, with minimal additional accumulation of funds to pay the retiree health benefit. Based on the current funding method with limited accumulation of funds, the actuarial assumptions reflect a short-term discount rate of 4.25%. The projected unit credit method indicated an accrued liability of $28.890 billion for the retiree healthcare plan ($28.593 billion unfunded), with an annual required contribution (ARC) of $2.71 billion for the 2007-2008 fiscal year. In the aggregate for the 2007-2008 fiscal year, the participating employers in the retiree healthcare plan funded OPEB costs of $597.1 million.

For the fiscal year 2007-2008, the State, as one employer in the cost-sharing, multiple employer plan, funded OPEB costs of $286.8 million for the retiree healthcare plan, its statutorily required contribution.

Participating employers in the retiree health care benefit plan include the primary government State agencies, local education agencies (LEAs), the University of North Carolina, community colleges, and several local governments.

In 2006 Session of the General Assembly ratified Senate Bill 837 establishing that for employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees or members of the General Assembly with less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis.

The 2007 Session of the General Assembly ratified House Bill 1529 (presented to the Governor) which established the Committee on Actuarial Valuation of Retired Employees' Health Benefits. This committee consist of five members serving ex officio, as follows:

State Budget Officer, who shall serve as the chair;
State Auditor;
State Controller;
State Treasurer; and
Executive Administrator for the Teachers' and the State Employees' Comprehensive Major Medical Plan (the "State Health Plan").

The Committee will oversees the production of an annual actuarial valuation of the State's OPEB liability. The State's next statutorily mandated valuation is currently in process and will be dated as of December 31, 2008.

Disability Income Plan of North Carolina

The latest actuarial valuation of disability income benefits plan was done by Buck Consulting and dated December 31, 2007 (Buck report). The Buck report was released on October 7, 2008.

The Buck report employed the aggregate actuarial cost method, which does not identify or separately amortize unfunded liabilities. Information about the plan's funded status and funding progress was prepared using the entry-age actuarial cost method as an approximation. Using the entry-age method, The Buck report indicated an accrued liability of $474.6 million for the Plan of which ($147.9 million unfunded), with an ARC of $73.5 million for the 2007-2008 fiscal year

In aggregate for the 2007-2008 fiscal year, the participating employers in the disability income plan funded OPEB costs of $74.9 million.

For the fiscal year 2007-2008, the State, as one employer in the cost-sharing multiple employer plan, funded OPEB costs of $36.4 million for the disability income plan, its statutorily required contribution.

Participating employers in the Disability Income Plan of North Carolina include the primary government, State agencies, local education agencies (LEAs), the University of North Carolina, and Community Colleges.

LITIGATION

According to the North Carolina Attorney General, no litigation of any kind is now pending (either in State or federal courts) or, to the knowledge of the Department of State Treasurer, threatened, to restrain or enjoin the issuance or delivery of the Series 2009A Bonds or in any manner questioning the proceedings or authority under which the Series 2009A Bonds are issued or affecting the validity of the Series 2009A Bonds.

Litigation

The following are cases pending in which the State faces the risk of either a loss of revenue or an unanticipated expenditure. Although an adverse result in any of the cases could have negative budgetary consequences, in the opinion of the Department of State Treasurer after consultation with the Attorney General, an adverse decision in any of these cases would not materially adversely affect the State's ability to meet its financial obligations.

Hoke County et al. v. State of North Carolina and State Board of Education **– Right to a Sound Basic Education (formerly *Leandro*)**. In 1994, students and boards of education in five counties in the State filed suit in Superior Court requesting a declaration that the public education system of North Carolina, including its system of funding, violates the State constitution by failing to provide adequate or substantially equal educational opportunities, by denying due process of law, and by violating various statutes relating to public education. Five other school boards and students therein intervened, alleging claims for relief on the basis of the high proportion of at-risk and high-cost students in their counties' systems.

The suit is similar to a number of suits in other states, some of which resulted in holdings that the respective systems of public education funding were unconstitutional under the applicable state law. The State filed a motion to dismiss, which was denied. On appeal, the North Carolina Supreme Court upheld the present funding system against the claim that it unlawfully discriminated against low wealth counties, but remanded the case for trial on the claim for relief based on the Court's conclusion that the constitution guarantees every child the opportunity to obtain a sound basic education. Trial on the claim of one plaintiff-county was held in the fall of 1999. On October 26, 2000 the trial court, in Section Two of a projected three-part ruling, concluded that at-risk children in North Carolina are constitutionally entitled to such pre-kindergarten educational programs as may be necessary to prepare them for higher levels of education and the "sound basic education" mandated by the Supreme Court. On March 26, 2001, the Court issued Section Three of the three-part ruling, in which the judge ordered all parties to investigate certain school systems to determine why they are succeeding without additional funding. The State filed a Notice of Appeal to the Court of Appeals, which resulted in the Court's decision to re-open the trial and call additional witnesses. That proceeding took place in the fall of 2001. On April 4, 2002 the Court entered Section Four of the ruling, ordering the State to take such actions as may be necessary to remedy the constitutional deficiency for those children who are not being provided with access to a sound basic education and to report to the Court at 90-day intervals remedial actions being implemented. On July 30, 2004, the North Carolina Supreme Court affirmed the majority of the trial court's orders, thereby directing the executive and legislative branches to take corrective action necessary to ensure that every child has the opportunity to obtain a sound, basic education. The Supreme Court did agree with the State that the trial court exceeded its authority in ordering pre-kindergarten programs for at-risk children. The State is now undertaking measures to respond to the trial court's directives. The magnitude of State resources which may ultimately be required cannot be determined at this time, however, the total cost could exceed $100 million.

N.C. School Boards Association, et al. v. Richard H. Moore, State Treasurer, et. al. **– Use of Administration Payments**. On December 14, 1998, plaintiffs, including county school boards of Wake, Durham, Johnston, Buncombe, Edgecombe and Lenoir Counties, filed suit in Superior Court requesting a declaration that certain payments to State administrative agencies must be distributed to the public schools on the theory that such amounts are civil penalties which under the North Carolina Constitution must be paid to the schools.

On December 14, 2001, the Superior Court of Wake County granted summary judgment in favor of the plaintiffs on all issues, concluding that the funds in dispute are civil fines or penalties required by Article IX, Section 7 of the Constitution to be remitted to the public schools in the county where the violation occurred. The court further determined a three-year statute of limitations to be applicable, making the order retroactive to December 1995. This case was argued in the Court of Appeals in February, 2003. The North Carolina Court of Appeals rendered a decision in September 2003 substantially favorable to the State. On July 1, 2005 the Supreme Court reversed the Court of Appeals in part, concluding that a majority of the funds in dispute are civil penalties required to be paid into the Civil Penalty and Forfeiture Fund for the benefit of public schools. The case was remanded to Superior Court and on August 8, 2008 the Superior Court entered a judgment in the amount of $749.886 million. The court acknowledged, however, that the judicial branch did not have the power to force the State to satisfy the judgment and that any decision to do so would have to come from the legislature.

Southeast Compact Commission **– Disposal of Low-level Radioactive Waste.** North Carolina and seven other southeastern states created the Southeast Interstate Low-level Radioactive Waste Management Compact to plan and develop a site for the disposal of low-level radioactive waste generated in the member states. North Carolina was assigned responsibility for development of the first disposal site, with costs to be distributed equitably among the Compact members. In 1997 the Compact Commission discontinued funding of the development of the North Carolina site, alleging that the State was not actively pursuing the permitting and development of the proposed site. North Carolina withdrew from the Compact in 1999. The Compact subsequently asked the United States Supreme Court to accept its Complaint against North Carolina demanding the repayment, with interest, of $80 million of Compact payments expended on the permitting of the site, plus $10 million of future lost income, interest and attorney fees. The Supreme Court denied this motion in August 2001. On August 5, 2002 the Compact, with the addition of four member states as plaintiffs, filed a new motion requesting the United States Supreme Court to accept the claim under its original jurisdiction. On June 16, 2003, the Court accepted jurisdiction of the case and the State filed an answer and motion to dismiss on August 21, 2003. On November 17, 2003, the motion to dismiss was denied, and the U.S. Supreme Court appointed a Special Master with authority to determine when additional pleadings will be filed in the case. The Special Master heard oral arguments on dispositive motions filed by both sides on September 3, 2004 and in September, 2006 allowed the State's motions as to several claims. The parties will continue to litigate the remaining claims. Additional dispositive motions are pending before the Special Master who has indicated that orders favorable to the State will be recommended to the Supreme Court in the near future.

Goldston v. State of North Carolina **– Highway Trust Fund Transfers.** On November 14, 2002, a lawsuit was filed in Wake County Superior Court demanding that $80 million transferred by the Governor from the Highway Trust Fund to the General Fund for purposes of balancing the State budget be returned to the Highway Trust Fund. The suit further alleges that actions of the General Assembly regarding the transfer of funds from the Highway Trust Fund to the General Fund constitute a borrowing by the State of Highway Trust Fund cash surplus and are unlawful and unconstitutional. The lawsuit requests a declaration that taxes collected for purposes of Highway Trust Fund expenditures cannot be used for other purposes. Summary Judgment was granted in favor of the State on all issues and Plaintiff has filed a notice of appeal. On September 20, 2005, the North Carolina Court of Appeals upheld the trial court's order. The plaintiff filed a petition for discretionary review with the North Carolina Supreme Court, and the Court agreed on March 2, 2006 to review a portion of the Court of Appeals' decision and oral argument was heard on October 16, 2006. In an opinion filed December 15, 2006, the Supreme Court reversed the Court of Appeals, concluding that plaintiffs have standing to pursue their claims. On remand to Wake County Superior Court, the court ruled in favor of the State on both the standing argument and merits of the case. Plaintiffs appeal was argued in the Court of Appeals on January 28, 2009.

Lessie J. Dunn, et al. v. The State of North Carolina, et al. – Tax on Municipal Bonds On February 9, 2004, Plaintiffs, on behalf of a class of all others similarly situated, filed suit in Forsyth County Superior Court alleging that the State's imposition and collection of State income tax on interest received by taxpayers on municipal bonds issued by non-North Carolina state and local governments constitutes a violation of the Commerce Clause of the United States Constitution and seeking class certification. An order certifying a class has been entered by the superior court. The State appealed the scope of the class certification to the North Carolina Court of Appeals. On October 17, 2006, the Court of Appeals unanimously affirmed the order certifying the class. The State's Petition for Discretionary Review has been granted by the North Carolina Supreme Court. On December 7, 2007, the North Carolina Supreme Court ruled that its earlier grant of discretionary review was improvidently allowed, which means that the Court of Appeals' decision upholding class certification will stand. The United States Supreme Court, however, has now rejected plaintiff's argument in *Kentucky v. Davis*. The State will therefore now move to have the case dismissed.

State of North Carolina v. Phillip Morris, Inc., et al., 98 CVS 14377 – Master Settlement Agreement ("MSA") Payments. On April 20, 2006, the State of North filed a Motion for Declaratory Order in the North Carolina Business Court against defendants Phillip Morris, Inc., R. J. Reynolds Tobacco Company, and Lorillard Tobacco Company. The Motion is seeking a declaration that (1) In 2003, North Carolina continuously had a Qualifying Statute in full force and effect and "diligently enforced" its provisions throughout that year in accordance with the MSA; (2) North Carolina is not subject to a Non-Participating Manufacturers' Adjustment for 2003; and (3) defendants are obligated not to withhold or pay into a disputed payments account any payments due, or seek any offset of any payments made, on the basis that North Carolina is subject to a Non-Participating Manufacturers' Adjustment for 2003. If the State is unable to ultimately prevail in the diligent enforcement litigation, the State may be unable to recover a portion of this year's MSA payment. On December 4, 2006, Judge Tennille allowed the defendant's motion to compel arbitration of these issues. The Court of Appeals has upheld the order, and on March 19, 2009, the State's appeal to the North Carolina Supreme Court was denied. The State will therefore now be required to participate in a national arbitration process with the tobacco companies and all other MSA States.

Wal-Mart Stores East, Inc. v. Tolson and Sam's East, Inc. v. Tolson **– Refund of Corporate Income Tax.** On March 17, 2006, the Plaintiffs filed complaints seeking a refund of over $33.5 million in corporate income taxes in Wake County Superior Court (06 CVS 3928 and 06 CVS 3929). Plaintiffs are challenging the Secretary's authority to require them to file a "combined return" on various statutory and constitutional grounds. Defendant has filed a motion to dismiss under Rule 12(b)(6) and Plaintiff has filed a motion for summary judgment. On October 31, 2006, Defendant's Motion to Dismiss was denied by Judge Horton who has been assigned to hear the actions as exceptional cases. Judge Horton granted summary judgment in favor of the State and Wal-Mart has appealed. Arguments were heard in the Court of Appeals on October 22, 2008.

Other Litigation. The State is involved in numerous other claims and legal proceedings, many of which are normal for governmental operations. A review of the status of outstanding lawsuits involving the State by the North Carolina Attorney General did not disclose other proceedings that are expected to have a material adverse effect on the financial position of the State.

APPENDIX B

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE TRUST AGREEMENT

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APPENDIX B

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE TRUST AGREEMENT

DEFINITIONS

In addition to the defined terms set forth in the Official Statement to which this Appendix B is attached, the following is a summary of certain definitions set forth in the Trust Agreement and used in this Official Statement. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Trust Agreement.

"Authorized Officer" means the Executive Director, the Chief Financial Officer and any other person authorized by resolution of the Authority Board to perform the duties imposed on an Authorized Officer by the Trust Agreement whose name and specimen signature is filed pursuant to an Officer's Certificate with the Trustee for such purpose.

"Bond" or "Bonds" means, collectively, the Series 2009B Bonds and any Bonds issued under and pursuant to the Trust Agreement.

"Bond Registrar" means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Trust Agreement, whether the original or a successor Bond Registrar.

"Build America Bond" means Bonds with respect to which, pursuant to Sections 54AA and 6431 of the Code, the Authority has made an irrevocable election to bear interest that is subject to federal income taxation of gross income and treat as "Build America Bonds" pursuant to Section 54AA of the Code, and that are eligible to receive the Interest Subsidy Payment directly from the Treasury Secretary in an amount equal to 35% of the corresponding interest payable on the related Build America Bond and for which the Authority has filed the required Internal Revenue Service forms. Initially, the Authority has elected to treat the Series 2009B Bonds as Build America Bonds.

"Capitalized Interest Account" means the account in the Debt Service Fund created and so designated by the Trust Agreement.

"Chief Financial Officer" means the person appointed or employed by the Authority to perform the duties imposed on the Chief Financial Officer by the Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Cost," as applied to the Project, means, without intending thereby to limit or restrict any proper definition of such word under the provisions of the Act or the Trust Agreement, all items of cost which are set forth in the Trust Agreement.

"Debt Service Fund" means the fund created and designated the North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Debt Service Fund by the Trust Agreement.

"Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the required deposits to be made in respect of

Principal and Interest (whether or not separately stated) on Outstanding Build America Bonds during such period.

"Default" means any Event of Default and any event that, after notice or lapse of time or both, would become an Event of Default.

"Defaulted Interest" means any interest on any Bond of any Series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

"Defeasance Obligations" means noncallable (a) Government Obligations and (b) Defeased Municipal Obligations.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers which are rated the highest rating category by S&P, Fitch or Moody's, respectively, provision for the payment of the principal of, premium, if any, and interest on which will have been made by deposit with a trustee or escrow agent of Government Obligations, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers. References in this definition to state or local government bond issuers will mean the State of North Carolina and North Carolina local government bond issuers, and, to the extent permitted by law, states other than the State of North Carolina and local government bond issuers other than North Carolina local government bond issuers.

"Depositary" means the State Treasurer of the State and one or more banks or trust companies or other institutions, including the Trustee, duly authorized by law to engage in the banking business and designated by the Authority as a depositary of moneys under the Trust Agreement.

"Event of Default" means each of those events of default set forth in the Trust Agreement and described in "THE TRUST AGREEMENT – Events of Default" below.

"Fiscal Year" means the period commencing on the first day of July of any year and ending on the last day of June of the following year.

"Fitch" means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"General Revenue Bond Trust Agreement" means the Trust Agreement, dated as of June 1, 2009, between the Authority and Wells Fargo Bank, N.A., as trustee, pursuant to which the Authority is issuing or incurring its Turnpike Revenue Bonds and Indebtedness (Triangle Expressway System) for the purpose of paying the costs of the Initial Project not being funded with proceeds of the Series 2009B Bonds, or if such instrument will be defeased by debt issued under a successor instrument, such successor instrument.

"General Revenue Bond Trust Agreement Revenue Fund" means the Revenue Fund created under the General Revenue Bond Trust Agreement.

"Government Obligations" means direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America in either certificated or book-entry form, including (a) stripped Government Obligations stripped by the United

States Treasury itself and (b) interest only portions of obligations issued by the Resolution Funding Corporation.

"Interest Account" means the account in the Debt Service Fund created and so designated by the Trust Agreement.

"Interest Payment Date" means any January 1 or July 1, commencing January 1, 2010.

"Interest Subsidy Payment" means, with respect to any Build America Bond, payments provided directly from the Treasury Secretary in an amount equal to 35% of the corresponding interest payable on the related Build America Bond.

"Investment Obligations" means, to the extent permitted by law, any investment authorized by Section 159-30 of the General Statutes of North Carolina, as such statute may be amended from time to time, or any successor statute.

"Local Government Commission" means the Local Government Commission, a division of the Department of the State Treasurer of the State.

"Maximum Debt Service Requirement" means the highest Debt Service Requirement for the present and any succeeding Fiscal Year.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"Outstanding" when used with reference to Bonds means, as of a particular date, all Bonds theretofore authenticated and delivered under the Trust Agreement, except:

(a) Bonds theretofore canceled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(b) Bonds deemed to be no longer Outstanding pursuant to the redemption provisions set forth in the Trust Agreement and described in this Official Statement;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Trust Agreement; and

(d) Bonds deemed to have been paid in accordance with the Trust Agreement and described under "THE TRUST AGREEMENT – Defeasance" below.

"Owner" means a Person in whose name a Bond is registered in the registration books provided for in the Trust Agreement.

"Person" includes corporations, firms, associations, partnerships, joint ventures, joint stock companies, trusts, unincorporated organizations, and public bodies, as well as natural persons.

"Principal Account" means the account in the Debt Service Fund created and so designated by the Trust Agreement.

"Principal Payment Date" means any date established under the Trust Agreement for the payment of principal of Bonds, whether at maturity pursuant to the Trust Agreement or pursuant to Sinking Fund Requirements or otherwise.

"Project Fund" means the fund created and designated the North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Project Fund by the Trust Agreement.

"Redemption Account" means the account in the Debt Service Fund created and so designated by the Trust Agreement.

"Redemption Price" means, with respect to any Bonds or portion thereof, the principal amount of such Bonds or portion called for redemption plus the applicable premium, if any, payable upon redemption thereof.

"Reserve Fund" means the fund created and designated the North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Reserve Fund by the Trust Agreement.

"Revenue Fund" means the fund created and designated the North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Revenue Fund by the Trust Agreement.

"Revenues" means:

(a) the State Appropriated Revenues;

(b) the Interest Subsidy Payments; provided, however, that any Interest Subsidy Payments required to restore a deficiency in the Revenue Fund pursuant to the Trust Agreement will not be deemed to be Revenues; and

(c) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the Authority in the Revenue Fund, the Debt Service Fund or the Reserve Fund.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, and if such entity will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"Securities Depository" means the Depository Trust Company, New York, New York, or any other recognized securities depository selected by the Authority, which maintains a book-entry system in respect of a Series of Bonds, and will include any substitute for or successor to the securities depository initially acting as Securities Depository.

"Securities Depository Nominee" means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there will be registered on the registration books maintained by the Bond Registrar the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

“Serial Bonds” means the Bonds of any Series that are stated to mature in consecutive annual installments.

“Series”, whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series.

“Sinking Fund Account” means the account in the Debt Service Fund created and so designated by the provisions of the Trust Agreement.

“Sinking Fund Requirement” means, with respect to the Term Bonds and for any Bond Year, the principal amount fixed or computed for retirement by purchase or redemption on or prior to January 1 of the following Bond Year.

The Sinking Fund Requirements for the Term Bonds will be initially the respective principal amounts of such Term Bonds for retirement on each January 1 as fixed in the Trust Agreement.

If during any Bond Year, the total principal amount of Term Bonds retired by purchase or redemption under the provisions of the Trust Agreement will be greater than the amount of the Sinking Fund Requirement for such Term Bonds, the subsequent Sinking Fund Requirements for such Term Bonds will be reduced in such amount aggregating the amount of such excess as will be specified in an Officer’s Certificate filed with the Trustee on or prior to January 15 of the next ensuing Bond Year.

“State” means the State of North Carolina.

“State Appropriated Revenues” means any funds appropriated by the State pursuant to G.S. 136-176 or other legislation enacted by the General Assembly of the State providing for the annual appropriation of funds to the Authority to pay debt service on Bonds issued to finance the Triangle Expressway System or to fund debt service reserves, operating reserves or similar reserves. The initial State Appropriated Revenues are in the annual amount of $25,000,000 pursuant to G.S. 136-176.

“Supplemental Agreement” means an order or resolution of the Authority authorizing any particular Series of Bonds, together with a supplemental trust agreement executed and delivered by the Authority in connection with the issuance of such Series of Bonds that is required to be executed and delivered by the Trust Agreement prior to the issuance of any such Series.

“Term Bonds” means the Series 2009B Bonds maturing January 1, 2025 and 2039.

“Triangle Expressway System” means the “Triangle Expressway System” as defined in the General Revenue Bond Trust Agreement.

“Trust Agreement” means the Trust Agreement, dated as of July 1, 2009, between the Authority and the Trustee, and any supplements and amendments thereto permitted thereby; provided, however, that the Trust Agreement will not include any Supplemental Agreement executed and delivered by the Authority and the Trustee with respect to a particular Series of Bonds to the extent provided in the Trust Agreement and described in “THE TRUST AGREEMENT – Supplemental Trust Agreements” below.

“Trust Estate” means (i) all Revenues (subject to the release provisions set forth in the Trust Agreement); (ii) all money and securities held by or on behalf of the Trustee in the Project Fund (to the extent provided in the Trust Agreement), the Revenue Fund and the Debt Service Fund established pursuant to the Trust Agreement, and (iii) solely with respect to Build America Bonds, all money and securities held by or on behalf of the Trustee in the Reserve Fund.

"Trustee" means the Trustee serving as such under the Trust Agreement, whether original or successor.

THE TRUST AGREEMENT

Project Fund

A special fund is established with the Trustee and designated the "North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Project Fund". The proceeds of the Series 2009B Bonds to be used for payment of the Costs of the Project will be deposited by the Trustee in the Project Fund.

The money in the Project Fund will be held by the Trustee in trust and, pending application to the payment of the refinancing of, the reimbursement for or the Costs of the Project, as the case may be, or transfer as provided in the Trust Agreement to the extent permitted by law, be subject to a lien and charge in favor of the Owners of Bonds issued with respect to the Project and Outstanding under the Trust Agreement and will be held for the security of such Owners.

Establishment of Funds

In addition to the Project Fund, there are established under the Trust Agreement the following funds and accounts:

(a) North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Revenue Fund;

(b) North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Debt Service Fund, in which there are established five special accounts to be known as the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account; and

(c) North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Reserve Fund, which will be for the sole benefit of the owners of Build America Bonds.

The Revenue Fund, the Debt Service Fund and the Reserve Fund will be established with and held by the Trustee. The money in all of the funds, accounts and subaccounts established pursuant to the Trust Agreement will be held in trust and applied as provided in the Trust Agreement and, pending such application, the money in the Debt Service Fund and any accounts and subaccounts therein will be subject to a pledge, charge and lien in favor of the Owners of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such Owners, except as otherwise provided therein. The money in the Reserve Fund and any accounts therein will be subject to a pledge, charge and lien in favor of the Owners of the Build America Bonds issued and Outstanding under the Trust Agreement, except as otherwise provided therein.

Application of Money in Interest Accounts and Capitalized Interest Accounts

Not later than 10:00 A.M. on each Interest Payment Date, date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed, the Trustee will withdraw from the Interest Account and wire transfer to the Bond Registrar, in federal reserve or other immediately available funds, the amounts required for paying interest on the respective Bonds on such Interest Payment Date. The Bond Registrar will remit or otherwise set aside the amount due and payable to the Owners.

The Authority has caused to be deposited to the Capitalized Interest Account, the amount of $42,427,681.37. On the Business Day prior to each Interest Payment Date, commencing January 1, 2010 and ending July 1, 2012, the Trustee will apply such funds in the Capitalized Interest Account for payment of interest due on the Series 2009B Bonds on such Interest Payment Date.

If the Authority fails to deposit with the Trustee the amounts required to be deposited in the Interest Account as provided in the Trust Agreement, or if the balance in the Interest Account on the Business Day next preceding an Interest Payment Date is insufficient to pay interest coming due on the Bonds on such Interest Payment Date, the Trustee will notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency.

Application of Money in Principal Account

Not later than 10:00 A.M. on each Principal Payment Date, the Trustee will withdraw from the Principal Account and wire transfer to the Bond Registrar, in federal reserve or other immediately available funds, the amount necessary to pay the principal of the respective Bonds at their respective maturities. The Bond Registrar will remit or otherwise set aside the amount due and payable to the Owners.

If on any date there is money in the Principal Account and no Serial Bonds are then Outstanding or if on any Principal Payment Date money remains therein after the payment of the principal of Serial Bonds then due, the Trustee will withdraw such money therefrom and will apply the same in the following order: (a) deposit into the Sinking Fund Account the amount then required to be paid thereto by the Authority pursuant to the Trust Agreement, and (b) otherwise make the deposits required by the Trust Agreement.

If the Authority fails to deposit with the Trustee the amounts required to be deposited in the Principal Account as provided in the Trust Agreement, or if the balance in the Principal Account on the Business Day next preceding a Principal Payment Date is insufficient to pay the principal coming due on the Bonds on such Principal Payment Date, the Trustee will notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency.

Application of Money in Sinking Fund Account

Money held for the credit of the Sinking Fund Account will be applied to the retirement, purchase, redemption or payment of Term Bonds.

(a) To the extent funds have been deposited to the Sinking Fund Account and are available, the Trustee will, at the request of the Authority, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Sinking Fund Account or maturing on the next ensuing January 1 at the direction of an Authorized Officer. The purchase price of each such Term Bond will not exceed par plus accrued interest to the date of purchase. The Trustee will pay the interest accrued on such Term Bonds to the date of settlement therefor from the Interest Account and the purchase price from the Sinking Fund Account. No such purchase will be made by the Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding any January 1 on which such Term Bonds are subject to redemption. If in any Bond Year the sum of the amount on deposit in the Sinking Fund Account for the payment of any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of the Trust Agreement described in this paragraph (a) or delivered during such Bond Year to the Trustee by the Authority exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee will endeavor to purchase Outstanding Term Bonds with such excess money.

(b) The Trustee will call for redemption on January 1 the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired since the prior January 1 by purchase pursuant to the Trust Agreement as described in paragraph (a) above or delivered during such Bond Year to the Trustee by the Authority. If the amount available in the Sinking Fund Account on a January 1 is not equal to the Sinking Fund Requirement for the Term Bonds for the corresponding Bond Year less the principal amount of any such Term Bonds so delivered or purchased and retired, the Trustee will apply the amount available in the Sinking Fund Account to the redemption of Term Bonds then subject to redemption so as to exhaust, to the extent practicable, the amount available. On each redemption date the Trustee will withdraw from the Sinking Fund Account the amount required to pay the Redemption Price of the Term Bonds so called for redemption. The amount of interest on the Term Bonds so called for redemption will be paid from the Interest Account. If such date is the stated maturity date of any Term Bonds, the Trustee will not call those Term Bonds for redemption but, on such maturity, will withdraw the amount required for paying the principal of such Term Bonds when due and payable.

Upon execution by the Authority of the Trust Agreement, the provisions described under this clause will be deemed to be sufficient written notice required to be provided by the Authority to the Trustee pursuant to the Trust Agreement, for any and all redemptions pursuant to the provisions described under this clause.

If on any date there is money in the Sinking Fund Account and no Term Bonds are then Outstanding or if on any payment date money remains therein after the mandatory redemption of Term Bonds in accordance with the Sinking Fund Requirement therefor, the Trustee will withdraw such money therefrom and will apply the same as follows and in the following order: (a) deposit in the Interest Account and the Principal Account, the amounts, if any, required to be paid thereto in such month and (b) deposit all remaining amounts to the Revenue Fund.

If, in any Bond Year, by the application of money in the Sinking Fund Account, the Trustee should purchase or receive from the Authority and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee will file with the Authority not later than the twentieth (20th) day prior to the next January 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Fiscal Year and the amount of such excess. The Authority will thereafter cause an Officer's Certificate to be filed with the Trustee not later than January 15 of the following Bond Year setting forth with respect to the amount of such excess the Fiscal Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Upon the retirement of any Term Bonds by purchase and redemption pursuant to the provisions of the Trust Agreement, the Trustee will file with the Authority a statement identifying such Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Term Bonds, and the amount paid as interest thereon. The expenses incurred in connection with the purchase or redemption of any such Term Bonds will be paid by the Authority from the Revenue Fund or from any other available moneys.

If the Authority fails to deposit with the Trustee the amounts required to be deposited in the Sinking Fund Account as provided in the Trust Agreement, or if the balance in the Sinking Fund Account on the Business Day next preceding a Principal Payment Date is insufficient to pay the principal coming due on the Bonds on such Principal Payment Date, the Trustee will notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency.

Application of Money in the Redemption Account

The Trustee will apply money in the Redemption Account for the purchase or redemption of Bonds as follows:

(a) Subject to the provisions of the Trust Agreement described in paragraph (c) below, and if instructed to do so by an Authorized Officer, the Trustee will endeavor to purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof are then subject to redemption, at the direction of an Authorized Officer, provided that the purchase price of each Bond, plus accrued interest to the date of purchase, will not exceed the Redemption Price that would be payable on the next redemption date to the Owners of such Bonds plus accrued interest to the redemption date if such Bond or such portion thereof were called for redemption on such redemption date from the money in the Redemption Account. The Trustee will pay the interest accrued on such Bonds or portions thereof to the date of settlement from the Interest Account and the purchase price from the Redemption Account, but no such purchase will be made by the Trustee from money in the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Bonds or portions thereof are to be redeemed except from moneys other than the moneys set aside in the Redemption Account for the redemption of Bonds.

(b) Subject to the provisions of the Trust Agreement described in paragraph (c) below, the Trustee will call for redemption on a date permitted by the Trust Agreement such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust the moneys then held in the Redemption Account as nearly as may be; provided, however, that not less than Fifty Thousand Dollars ($50,000) principal amount of Bonds will be called for redemption at any one time unless the Trustee is so instructed by the Authority. The Trustee will pay the accrued interest on the Bonds or portions thereof to be redeemed to the date of redemption from the Interest Account or any other available funds of the Authority and the Redemption Price of such Bonds or portions thereof from the Redemption Account. On or before the redemption date, the Trustee will withdraw from the Redemption Account and the Interest Account, as applicable, and transfer to the Bond Registrar the respective amounts required to pay the Redemption Price and accrued interest to the redemption date of the Bonds or portions thereof so called for redemption.

(c) Money in the Redemption Account may be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Bonds of any one or more Series then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee (i) designating such Bonds to be purchased or redeemed, (ii) setting forth the aggregate principal amount of Bonds to be purchased or redeemed, and (iii) designating the Bonds to be redeemed, and if such Bonds are Term Bonds, the years in which future Sinking Fund Requirements are to be reduced as a result of such redemption and the amount of such reduction in each such year.

Money held for the credit of the Redemption Account will be applied to the purchase or redemption of Bonds in the manner provided in the Trust Agreement.

Security

As security for the payment of the Bonds, the Authority grants to the Trustee for the benefit of the Owners of the Bonds, a pledge, charge and lien upon the Trust Estate.

The pledge, charge and lien upon the Trust Estate will be effective and operate immediately, and the Trustee will have the right to collect and receive the Revenues in accordance with the provisions of the Trust Agreement at all times during the period from and after the date of delivery of the Series 2009B Bonds issued thereunder until all Bonds have been fully paid and discharged, including, without limitation, at all times after the institution and during the pendency of bankruptcy or similar proceedings.

The aforementioned pledge, charge and lien upon the Trust Estate will not inhibit the sale or disposition of any portion of the Triangle Expressway System in accordance with the Trust Agreement and will not impair or restrict the ability of the Authority to invest in securities and other forms of investment, subject to the provisions of the Trust Agreement.

Security for Deposits

Any and all money received by the Authority under the provisions of the Trust Agreement will be deposited as received with the Trustee or one or more other Depositaries as provided in the Trust Agreement, and all money so deposited with the Trustee will be trust funds under the terms thereof, and, to the extent permitted by law in the case of the Project Fund, will not be subject to any lien or attachment by any creditor of the Authority.

All money deposited with the Trustee or any Depositary will be credited to the particular fund, account or subaccount to which such money belongs.

Investment of Money

Money held for the credit of all funds, accounts and subaccounts will be continuously invested and reinvested by the Trustee or the Depositaries, whichever is applicable, in Investment Obligations or held as cash to the extent investment or reinvestment in Investment Obligations is not practicable.

Investment Obligations will mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such funds, accounts and subaccounts will be required for the purposes intended.

Notwithstanding the forgoing, no Investment Obligations pertaining to any Series in any fund, account or subaccount will mature on a date beyond the latest maturity date of the respective Series of Bonds Outstanding at the time such Investment Obligations are deposited. For purposes of this clause, the maturity date of any repurchase agreement will be deemed to be the stated maturity date of such agreement and not the maturity dates of the underlying obligations.

An Authorized Officer or his designee will give to the Trustee or any Depositary written directions respecting the investment of any money required to be invested under the Trust Agreement, subject, however, to the provisions of the Trust Agreement, and the Trustee or such Depositary will then invest such money as so directed. The Trustee or any Depositary may request additional direction or authorization from the Authorized Officer or his designee in writing with respect to the proposed investment of money under the provisions of the Trust Agreement. Upon receipt of such directions, the Trustee or any Depositary will invest, subject to the provisions of the Trust Agreement, such money in accordance with such directions. If no such directions are given, then any uninvested funds will be invested by the Trustee in Government Obligations having the shortest maturity available, but in no event exceeding a maturity of thirty (30) days from the date of investment in the case of funds held in the Project Fund, and the date funds are required to be used to pay debt service on Bonds in the case of funds held in the Debt Service Fund. The Trustee or any Depositary will have no liability for investments made in accordance with this clause.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Trust Agreement will be deemed at all times to be part of such fund, account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations will be charged against such funds, accounts or subaccounts. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations will be credited to the particular fund, account or subaccount to which such Investment Obligation relates.

The Trustee will upon written direction from the Authority sell or reduce to cash a sufficient amount as specified by the Authority of such Investment Obligations whenever it is necessary to do so to provide money to make any payment from any such fund, account or subaccount. The Trustee will not be liable or responsible for any loss resulting from any such action.

Whenever a transfer of money between two or more of the funds, accounts or subaccounts established under the Trust Agreement is permitted or required, such transfer may be made as a whole or in part by transfer of one or more Investment Obligations at a value determined at the time of such transfer in accordance with the Trust Agreement, provided that the Investment Obligations transferred are those in which money of the receiving fund, account or subaccount could be invested at the date of such transfer.

For purposes of making any investment under the Trust Agreement, the Trustee or any Depositary may consolidate money held by it in any fund, account or subaccount with money in any other fund, account or subaccount. Transfers from any fund, account or subaccount to the credit of any other fund, account or subaccount provided for in the Trust Agreement may be effectuated on the books and records of the Trustee, the Authority or any Depositary without any actual transfer of funds or liquidation of investments. Investment Obligations purchased with consolidated funds will be allocated to each fund, account or subaccount on a pro rata basis in accordance with the initial amount so invested from each such fund, account or subaccount.

Unless otherwise directed by the Authority, Investment Obligations may be purchased by the Trustee or any Depositary through its own investment division or other bank facilities established for such purpose.

Payment of Principal, Interest, Premium and Other Amounts

The Authority will cause to be paid, when due, the principal of (whether at maturity, by redemption or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided in the Trust Agreement and in the Bonds and the documentation authorizing and securing such Bonds, according to the true intent and meaning thereof.

The Bonds are special obligations of the Authority payable solely from the Revenues, the Authority's right to receive the same, and money and Investment Obligations held in the applicable funds, accounts and subaccounts created under the Trust Agreement for the Bonds and the income from Investment Obligations in such funds, accounts and subaccounts. The Bonds will be secured as provided in the Trust Agreement and described in "THE TRUST AGREEMENT – Security" above. The Bonds will not be deemed to be a debt, liability or obligation of the State or of any other public body in the State secured by a pledge of the faith and credit of the State or of any other public body in the State, respectively, but will be payable solely from the Revenues and other income or assets pledged under the Trust Agreement. The Authority will not be obligated to pay the principal of, premium, if any, or interest on the Bonds except from the Revenues and other income or assets pledged under the Trust Agreement, and neither the faith and credit nor the taxing power of the State or of any other public body in the State, including the Authority, is pledged for the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

Covenant as to Build America Bonds

In the Trust Agreement, the Authority covenants that so long as any Build America Bonds remain Outstanding, it will comply with the procedures and requirements set forth in the Code and applicable regulations promulgated from time to time thereunder and any applicable guidance relating to Build America Bonds promulgated by the United States Department of the Treasury or Internal Revenue Service relating to Build America Bonds as necessary to allow the Authority to receive Interest Subsidy Payments with respect to the Build America Bonds.

Extension of Interest Payment

If the time for the payment of the interest on any Bond is extended, whether or not such extension is by or with the consent of the Authority, such interest so extended will not be entitled in case of default under the Trust Agreement to the benefit or security of the Trust Agreement and in such case the Owner of the Bond for which the time for payment of interest was extended will be entitled only to the payment in full of the principal of all Bonds then Outstanding and of interest for which the time for payment will not have been extended. The time for the payment of the interest on any Bond will not be extended in respect of any Bond covered by a Bond Insurance Policy without the consent of the Bond Insurer.

Events of Default

Each of the following events is an Event of Default under the Trust Agreement:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds, is not made when the same are due and payable, either at maturity or by redemption or otherwise;

(b) payment of the interest on any of the Bonds is not made when the same is due and payable;

(c) final judgment for the payment of money in excess of $1,000,000 is rendered against the Triangle Expressway System as a result of the ownership, control or operation of the Triangle Expressway System, and any such judgment is not discharged within one hundred twenty (120) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(d) the Authority defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Trust Agreement, and such default continues for thirty (30) days after receipt by the Authority of a written notice from the Trustee specifying such default and requesting that it be corrected, provided that if prior to the expiration of such 30-day period the Authority institutes action reasonably designed to cure such default, no "Event of Default" will be deemed to have occurred upon the expiration of such 30-day period for so long as the Authority pursues such curative action with reasonable diligence.

Acceleration

Notwithstanding anything in the Trust Agreement, in no event will there be any acceleration of payment of principal of or interest on any Bonds as a result of the occurrence of any Event of Default under the Trust Agreement or otherwise.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding will, proceed (subject to the provisions of the Trust Agreement) to protect and enforce its rights and the rights of the Owners of the Bonds under applicable laws and under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, chosen by the Trustee, will deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Trust Agreement, the Trustee will be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default becoming, and at any time remaining, due from the Authority for principal, interest or otherwise under any of the provisions of the Trust Agreement or of the Bonds and unpaid, with interest on overdue payments of principal at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the Owners of the Bonds (except to the extent provided in the Trust Agreement), and to recover and enforce any judgment or decree against the Authority, but solely as provided therein and in such Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the funds and accounts pledged to secure the Bonds under the provisions of the Trust Agreement and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

If an Event of Default will occur and be continuing, then, unless the same will then be prohibited under applicable law, a court of competent jurisdiction may appoint a receiver, with full power to pay and to provide for the payment of principal of and interest on the Bonds as the same will become due, whether at maturity, pursuant to mandatory sinking fund redemption or otherwise, out of the funds and accounts available therefor, to apply Revenues derived from such operation in accordance with the provisions of the Trust Agreement, and to take such action to the extent permitted by law to cause to be remedied any Event of Default which will occur or will have occurred and be continuing; and with such other powers, subject to the direction of said court, as are accorded to receivers in general equity cases and under the applicable provisions of the laws of North Carolina; provided, that the power of such receiver to make provisions for the payment of principal of and interest on Bonds as aforesaid will not be construed as including the power to pledge the general credit of the Authority to such payments. Any appointment of a receiver under the foregoing provision will not, by itself, constitute a separate Event of Default under the Trust Agreement.

Pro Rata Application of Funds

Anything in the Trust Agreement to the contrary notwithstanding, if at any time the money in the Interest Account, the Principal Account and the Sinking Fund Account of the Debt Service Fund is not sufficient to pay the interest on or the principal of the Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purposes (except for such money that has already been deposited in the Interest Account, Principal Account or Sinking Fund Account for a the Bonds pursuant to the provisions of the Trust Agreement), whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, will be applied, after payment of the reasonable fees and expenses of the Trustee in exercising its rights and remedies thereunder:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that will have become due and payable (other than Bonds deemed to have been paid pursuant to the provisions of the Trust Agreement described in "THE TRUST AGREEMENT – Defeasance" below), in the order of their due dates, with interest on the overdue principal at a rate equal to the rate on such Bonds, and, if the amount available will not be sufficient to pay in full all of the amounts due on the Bonds on any date, together with such interest, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of the Trust Agreement.

Whenever money is to be applied by the Trustee pursuant to the provisions of the Trust Agreement, (a) such money will be applied by the Trustee at such times and from time to time as the Trustee in its sole discretion will determine, having due regard for the amount of money available for such application and the likelihood of additional money becoming available for such application in the future, (b) setting aside such money as provided therein in trust for the proper purpose will constitute proper application by the Trustee and (c) the Trustee will incur no liability whatsoever to the Authority, to any Owner or to any other person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such money, it will fix the date (which will be an Interest Payment Date unless the Trustee will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date and will not be required to make payment to the Owner of any Bond until such Bond is surrendered to the Trustee for appropriate endorsement or for cancellation if fully paid.

Control of Proceedings; Restrictions Upon Action; Notice of Default

Anything in the Trust Agreement to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds at any time Outstanding will have the right, subject to the provisions of the Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee thereunder, provided that such direction will be in accordance with law and the provisions of the Trust Agreement.

Except as provided in the Trust Agreement, no Owner of Bonds will have any right to institute any suit, action or proceeding in equity or at law on any Bonds or for the execution of any trust thereunder or for any other remedy thereunder unless such Owner of Bonds previously (a) has given to the Trustee written notice of the Event of Default on account of which suit, action or proceeding is to be instituted, (b) has requested the Trustee to take action after the right to exercise such powers or right of action, as the case may be, will have accrued, (c) has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Trust Agreement or to institute such action, suit or proceedings in its or their name, and (d) has offered to the Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or to any other remedy under the Trust Agreement Notwithstanding the foregoing provisions of the Trust Agreement and without complying therewith, the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Owners of Bonds. It is understood and intended that, except as otherwise above provided, no one or more Owners of Bonds will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right thereunder except in the manner provided, that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Trust Agreement and for the benefit of all Owners of Bonds and that any individual rights of action or other right given to one or more of such Owners by law are restricted by the Trust Agreement to the rights and remedies therein provided.

The Trustee will mail to all Owners of Bonds at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default within thirty (30) days after the Trustee has notice of the same pursuant to the provisions of the Trust Agreement that any such Event of Default will have occurred; provided, however that, except upon the happening of an Event of Default described in clauses (a) and (b) of "THE TRUST AGREEMENT – Events of Default" above, the Trustee may withhold such notice to the Owners if in its opinion such withholding is in the interest of such Owners. The Trustee will not be subject to any liability to any such Owner by reason of its failure to mail any such notice.

Concerning the Trustee

Prior to the occurrence of any Event of Default and after the curing of all such Events of Default that may have occurred, the Trustee will perform such duties and only such duties of the Trustee as are specifically set forth in the Trust Agreement. Upon the occurrence and during the continuation of any Event of Default, the Trustee will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of the Trust Agreement will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to any such Event of Default under the Trust Agreement, and after the curing of any Event of Default that may have occurred:

> (i) the duties and obligations of the Trustee will be determined solely by the express provisions of the Trust Agreement, and the Trustee will not be liable except for the performance of such duties and obligations of the Trustee as are specifically set forth in the Trust Agreement, and no implied covenants or obligations will be read into the Trust Agreement against the Trustee and no permissive right of the Trustee under the Trust Agreement will impose any duty on the Trustee to take such action, and
>
> (ii) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of the Trust Agreement, but in the case of any such certificate or opinion by which any provision thereof is specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not on its face it conforms to the requirements of the Trust Agreement; and

(b) at all times, regardless of whether or not any such Event of Default will exist:

(i) the Trustee will not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(ii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than 25% or a majority, as the Trust Agreement will require, in aggregate principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under the Trust Agreement.

None of the provisions contained in the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the appointment of a receiver) or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts created by the Trust Agreement or in the enforcement of any rights and powers thereunder, until it will be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority, at the request of the Trustee, will reimburse the Trustee from Revenues for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority fails to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Trust Agreement and will be entitled to a preference therefor over any Bonds Outstanding.

The Trustee will be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts under the Trust Agreement, the Trustee will have no responsibility in respect of the validity or sufficiency of the Trust Agreement, or in respect of the validity of Bonds or the due issuance or execution and delivery thereof. The Trustee will be under no obligation to see that any duties imposed upon the Authority, any Bond Registrar, any consultant, any Depositary (other than a Depositary in which money will have been deposited by the Trustee under the provisions of the Trust Agreement) or any party other than itself, or any covenants therein contained on the part of any party other than itself to be performed, will be done or performed, and the Trustee will be under no obligation for failure to see that any such duties or covenants are so done or performed.

The Trustee will not be liable or responsible because of the failure of the Authority or of any of its employees or agents to make any collections or deposits or to perform any act in the Trust Agreement required of the Authority or because of the loss of any money arising through the insolvency or the act or default or omission of any Depositary (other than the Trustee or a Depositary in which such money will have been deposited by the Trustee under the provisions of the Trust Agreement). The Trustee will not be responsible for the application of any of the proceeds of Bonds or any other money deposited with it and invested, paid out, withdrawn or transferred under the Trust Agreement if such application, investment, payment, withdrawal or transfer will be made in accordance with the provisions of the Trust Agreement.

The immunities and exemptions from liability of the Trustee under the Trust Agreement will extend to its directors, officers, employees and agents.

Except upon the happening of any Event of Default specified in clauses (a) or (b) described in "THE TRUST AGREEMENT – Events of Default" above, the Trustee will not be obliged to take notice or be deemed to have notice of any Event of Default under the Trust Agreement unless specifically notified in writing of such Event of Default by the Authority or the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding.

Subject to the acceptance of appointment by a successor Trustee, the Trustee may resign and thereby become discharged from the trusts created by the Trust Agreement, by notice in writing given to the Authority, and mailed, postage prepaid, at the Trustee's expense, to each Owner of Bonds, not less than sixty (60) days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee under the Trust Agreement if such new Trustee will be appointed before the time limited by such notice and will then accept the trusts under the Trust Agreement.

Supplemental Trust Agreements

The Authority and the Trustee may, from time to time and at any time, execute and deliver supplemental trust agreements (which supplemental trust agreements will thereafter form a part of the Trust Agreement) as will be substantially consistent with the terms and provisions of the Trust Agreement and, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, will not materially and adversely affect the interest of the Owners:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Trust Agreement that may be inconsistent with any other provision therein, to make any other provisions with respect to matters or questions arising under the Trust Agreement, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Trust Agreement, or

(b) to grant or to confer upon the Trustee, for the benefit of the Owners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or

(c) to add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the Authority in the Trust Agreement other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power therein reserved to or conferred upon the Authority, or

(e) to permit the qualification of the Trust Agreement under any federal statute now or hereafter in effect or under any state blue sky law, and, in connection therewith, if the Authority so determines, to add to the Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or blue sky law.

At least thirty (30) days prior to the execution and delivery of any supplemental trust agreement for any of the purposes set forth above, the Trustee will cause a notice of the proposed execution and delivery of such supplemental trust agreement to be mailed, postage prepaid, to all Owners of Bonds. Such notice will briefly set forth in the nature of the proposed supplemental trust agreement and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners of Bonds. A failure on the part of the Trustee to mail such notice will not affect the validity of such supplemental trust agreement.

The Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding will have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution and delivery of such supplemental trust agreements as are deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any supplemental trust agreement; provided, however, that nothing therein contained will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bonds without the consent of the Owner of such Bonds, (b) a reduction in the principal amount of any Bonds or the redemption premium or the rate of interest on any Bonds without the consent of the Owner of such Bonds, (c) the creation of a pledge, charge and lien upon the Revenues other than the pledge, charge and lien created by the Trust Agreement without the consent of all of the Owners of the Bonds then Outstanding, (d) a preference or priority of any Bonds over any other Bonds except as expressly provided by the Trust Agreement without the consent of all of the Owners of the Bonds then Outstanding or (e) a reduction in the aggregate principal amount of the any Bonds required for consent to such supplemental trust agreement without the consent of all of the Owners of the Bonds then Outstanding. For purposes of clauses (a) through (e) of this paragraph, notwithstanding any provisions in the Trust Agreement to the contrary, a Bond Insurer will not be deemed to be the Owner of the Bonds.

Nothing contained in the Trust Agreement, however, will be construed as making necessary the approval by Owners of Bonds of the execution and delivery of any supplemental trust agreement as authorized in the Trust Agreement. Furthermore, notwithstanding the foregoing provisions, to the extent that the Owners of Bonds are not “affected” by the proposed supplemental trust agreement as provided in the Trust Agreement, the consent of such Owners of not less than a majority in aggregate principal amount of Bonds will not be required as provided in the preceding paragraph.

If at any time the Authority and the Trustee determines that it is necessary or desirable to execute and deliver any supplemental trust agreement for any of the purposes of this Section, the Trustee will cause notice of the proposed supplemental trust agreement to be mailed, postage prepaid, to all Owners of Bonds affected thereby at their addresses as they appear on the registration books. Such notice will briefly set forth the nature of the proposed supplemental trust agreement and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all such Owners of Bonds. The Trustee will not, however, be subject to any liability to any Owner of Bonds by reason of its failure to cause the notice required by the Trust Agreement to be mailed, and any such failure to cause such notice to be mailed and any such failure will not affect the validity of such supplemental trust agreement when consented to and approved as provided in the Trust Agreement.

Whenever, at any time within three (3) years after the date of the mailing of such notice, the Authority delivers to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding that are affected by a proposed supplemental trust agreement, which instrument or instruments will refer to the proposed supplemental trust agreement described in such notice and will specifically consent to and approve the execution and delivery thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Authority and the Trustee may execute and deliver such supplemental trust agreement in substantially such form, without liability or responsibility to any Owner of any Bonds whether or not such Owner will have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of any Bonds then Outstanding at the time of the execution and delivery of such supplemental trust agreement and that are affected by a proposed supplemental trust agreement have consented to and approved the execution and delivery thereof as provided in the Trust Agreement, to the extent permitted by law, no Owner of any Bonds will have any right to object to the execution and delivery of such supplemental trust agreement, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority and the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Defeasance

When:

(a) the Bonds secured under the Trust Agreement will have become due and payable in accordance with their terms or otherwise as provided in the Trust Agreement, and the whole amount of the principal and the interest and premium, if any, and other amounts so due and payable thereon will be paid; and

(b) if the Bonds will not have become due and payable in accordance with their terms, the Trustee or any Bond Registrar will hold, sufficient (i) money or (ii) Defeasance Obligations or a combination of (i) and (ii) of this clause (b), the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, as verified by a verification agent acceptable to the Trustee; and

(c) if Bonds are to be called for redemption or prepayment, irrevocable instructions to call the Bonds for redemption or prepayment will have been given by the Authority to the Trustee; and

(d) sufficient funds will also have been provided or provision made for paying all other obligations payable under the Trust Agreement by the Authority;

then and in that case the right, title and interest of the Trustee in the funds, accounts and subaccounts mentioned in the Trust Agreement will thereupon cease, determine and become void and, upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Trust Agreement have been satisfied, the Trustee will release the Trust Agreement and will execute such documents to evidence such release as may be required by such counsel, and the Trustee will turn over to the Authority any surplus in, and all balances remaining in, all funds, accounts and subaccounts other than money held for the redemption or payment of Bonds. Otherwise, the Trust Agreement will be, continue and remain in full force and effect; provided, however, that in the event Defeasance Obligations will be deposited with and held by the Trustee or the Bond Registrar as described above, (i) in addition to the requirements set forth in the Trust Agreement with respect to the redemption of Bonds, the Trustee, within thirty (30) days after such Defeasance Obligations will have been deposited with it, will cause a notice signed by the Trustee to be mailed, postage prepaid, to all Owners of Bonds, setting forth (a) the date or dates, if any, designated for the redemption of the Bonds, (b) a description of the Defeasance Obligations so held by it, and (c) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement, and (ii) (a) the Trustee will nevertheless retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited and (b) each Bond Registrar will retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds; provided, however, that failure to mail such notice to any Owner or to the Owners or any defect in such notice so mailed, will not affect the validity of the release of the Trust Agreement.

All money and Defeasance Obligations held by the Trustee or any Bond Registrar pursuant to the Trust Agreement will be held in trust and applied to the payment, when due, of the obligations payable therewith.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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WOMBLE CARLYLE SANDRIDGE & RICE
A PROFESSIONAL LIMITED LIABILITY COMPANY

150 Fayetteville Street
Suite 2100
Raleigh, NC 27601

Telephone: (919) 755-2100
Fax: (919) 755-2150
www.wcsr.com

July 29, 2009

Board of Directors of the
North Carolina Turnpike Authority

We have examined, as bond counsel to the North Carolina Turnpike Authority (the "Authority"), (i) the Constitution and laws of the State of North Carolina, including The State and Local Government Revenue Bond Act, as amended (the "Act"), (ii) certified copies of the proceedings of the Authority showing the adoption of an order authorizing the issuance by the Authority of its $352,675,000 Triangle Expressway System State Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy - Build America Bonds), dated July 29, 2009 (the "Series 2009B Bonds") and (iii) other proofs submitted relative to the issuance and sale of the Series 2009B Bonds. The Series 2009B Bonds are being issued under and pursuant to a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Trust Agreement.

The Series 2009B Bonds bear interest from their date and mature, subject to redemption prior to their maturities, as provided in the Trust Agreement. Interest on the Series 2009B Bonds is payable on each January 1 and July 1, beginning January 1, 2010.

The Series 2009B Bonds are being issued to provide funds, together with other available funds, to (a) to pay the costs of land acquisition, design, construction and equipping of the Triangle Expressway System, an approximately 19-mile toll road facility to be built in Durham and Wake Counties, North Carolina (the "Project"), (b) to provide funds to pay a portion of the interest on the Series 2009B Bonds until July 1, 2012 and (c) to pay certain costs incurred in connection with the issuance of the Series 2009B Bonds.

The Trust Agreement provides for the issuance, under the conditions, limitations and restrictions therein set forth, of additional Bonds on a parity as to the pledge of Revenues with the Series 2009B Bonds, to provide funds for paying the cost (including financing costs) of refunding the Series 2009B Bonds or any such refunding bonds (the Series 2009B Bonds and any refunding bonds are herein collectively called the "Bonds"). The Trust Agreement also creates a Reserve Fund with respect to the Series 2009B Bonds and any other "Build America Bonds" issued pursuant to the Trust Agreement. The Series 2009B Bonds will be secured by the Reserve Fund.

As to matters of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination, we are of the opinion, as of the date hereof and under existing law, that:

1. The Series 2009B Bonds have been duly authorized, executed and delivered.

2. The Trust Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, is a valid and binding agreement enforceable against the Authority in accordance with their terms.

3. The Series 2009B Bonds and any other Bonds issued by the Authority under the Trust Agreement and any Senior Lien Parity Debt incurred by the Authority are, to the extent provided in the Trust Agreement, secured by a first priority pledge, charge and lien upon the Revenues.

4. The Series 2009B Bonds are valid and binding special obligations of the Authority secured by a pledge, charge and lien upon, and the principal of, and the premium, if any, and interest on which are payable from, the funds and the income from the investment thereof and in the Senior Lien Debt Service Fund. The Series 2009B Bonds are additionally secured by the Reserve Fund.

5. The Authority is not obligated to pay the principal of, premium, if any, or the interest on the Series 2009B Bonds except as provided in the Trust Agreement. The principal of and interest on the Series 2009B Bonds are not payable from the general funds of the Authority, nor do the Series 2009B Bonds constitute a legal or equitable pledge, charge, lien or encumbrance upon the income, receipts or revenues of the Authority except for the Revenues to the extent provided in the Trust Agreement. Neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2009B Bonds, and no holder of the Series 2009B Bonds has the right to compel the exercise of the taxing power by the State of North Carolina or any political subdivision thereof, or the forfeiture of its property other than the Revenues, in connection with any default with respect to the Series 2009B Bonds. The Authority has no taxing power.

6. Interest on the Series 2009B Bonds is <u>not</u> excluded from gross income for Federal income tax purposes and will be fully subject to Federal income taxation. This opinion is not intended or provided by bond counsel to be used and cannot be used by an owner of the Series 2009B Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Series 2009B Bonds. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Series 2009B Bonds. Each owner of the Series 2009B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

7. Interest on the Series 2009B Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 2009B Bonds or the inclusion in certain computations of interest that is exempt from North Carolina income taxation.

The rights of the owners of the Series 2009B Bonds and the enforceability thereof and of the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2009B Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

WOMBLE CARLYLE SANDRIDGE & RICE
A Professional Limited Liability Company

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APPENDIX D

DTC'S BOOK-ENTRY-ONLY SYSTEM

DTC's Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009B Bonds. The Series 2009B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009B Bond will be issued for each maturity of the Series 2009B Bonds, each in the aggregate principal amount of such maturity of such Series 2009B Bond, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2009B BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE REGISTERED OWNERS OR OWNERS OF THE SERIES 2009B BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2009B BONDS.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009B Bonds, except in the event that use of the book-entry system for the Series 2009B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the Revenue Bond Actual Beneficial Owners of the Series 2009B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2009B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2009B Bonds may wish to ascertain that the nominee holding the Series 2009B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009B Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2009B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority, the Trustee or the Bond Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee, the Bond Registrar or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, the Trustee and the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009B Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009B Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2009B Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, a source the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The Authority, the Trustee and the Bond Registrar cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2009B Bonds (a) payments of principal of, premium, if any, and interest on the Series 2009B Bonds, (b) confirmations of their ownership interests in the Series 2009B Bonds or (c) prepayment or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Series 2009B Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

NEITHER THE AUTHORITY, THE TRUSTEE, NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009B BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE SERIES 2009B BONDS UNDER THE TERMS OF THE TRUST AGREEMENT OR THE FIRST SUPPLEMENTAL TRUST AGREEMENT; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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610 copies of this public document were printed at a cost of $3,235, or $5.33 per copy.

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www.fsc.org Cert no. BV-COC-960893
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Printed by: ImageMaster, Inc.