

**THIS OFFICIAL STATEMENT IS DATED MARCH 26, 2021 AND UPDATES THE
OFFICIAL STATEMENT DATED NOVEMBER 19, 2020, RELATING TO THE BONDS**

NEW ISSUE – BOOK ENTRY ONLY

Ratings: See “RATINGS” herein.

This Official Statement has been prepared by the North Carolina Turnpike Authority to provide information on the Series 2021 Bonds. Selected information is presented on this cover page for the convenience of the user. Unless indicated, capitalized terms used on this cover page have the meanings given hereafter in this Official Statement. To make an informed decision regarding the Series 2021 Bonds, a prospective investor should read this Official Statement in its entirety.



\$73,985,000
NORTH CAROLINA TURNPIKE AUTHORITY
Monroe Expressway System
State Appropriation Revenue Refunding Bonds,
Series 2021 (Forward Delivery)



Dated: Date of Delivery

Due: as shown on inside front cover

Tax Treatment:

In the opinion of Bond Counsel, under current law and subject to the conditions described in “TAX TREATMENT” herein, interest on the Series 2021 Bonds (i) is excludable from the gross income of the owners of the Series 2021 Bonds for purposes of federal income taxation, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2021 Bonds is exempt from all present State of North Carolina income taxes. See “TAX TREATMENT” herein regarding other tax considerations.

Redemption:

The Series 2021 Bonds are subject to optional redemption at the times and at the Redemption Prices described herein. See “THE SERIES 2021 BONDS—Redemption Provisions.”

Purpose:

The proceeds of the Series 2021 Bonds will be used to (a) refund the portion of the outstanding Monroe Connector System State Appropriation Revenue Bonds, Series 2011 maturing on July 1, 2022 through 2041 (the “Refunded Bonds”), and (b) pay certain costs incurred in connection with the issuance of the Series 2021 Bonds. See “PLAN OF REFUNDING.”

Security:

The Series 2021 Bonds will be special obligations of the Authority, secured by and payable solely from, the Revenues pledged therefor as herein described. Certain other bonds are secured in parity with the Series 2021 Bonds. “Revenues” primarily consist of an annual appropriation of \$24,000,000 to the Authority by the State of North Carolina from the North Carolina Highway Trust Fund, with such appropriation subject to the discretion of the North Carolina General Assembly. *Neither the credit nor the taxing power of 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 2021 Bonds, and no Owner of the Series 2021 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 2021 Bonds.* See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.”
ACCELERATION IS NOT A REMEDY AVAILABLE TO OWNERS OF THE SERIES 2021 BONDS UPON DEFAULT. THE AUTHORITY HAS NO TAXING POWER.

Interest Payment Dates:

Interest on the Series 2021 Bonds will be paid on January 1 and July 1, commencing July 1, 2021.

Preliminary Closing Date:

December 8, 2020

Closing/Settlement:

April 6, 2021

Bond Counsel:

McGuireWoods LLP, Raleigh, North Carolina

Underwriters’ Counsel:

Hunton Andrews Kurth LLP, Charlotte, North Carolina

Trustee and Paying Agent:

Wells Fargo Bank, N.A., Philadelphia, Pennsylvania

Financial Advisor:

PFM Financial Advisors, LLC, Orlando, Florida

The Series 2021 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 their validity, the tax treatment of interest thereon and certain other matters.

Citigroup

Loop Capital Markets

PNC Capital Markets

Ramirez & Co. Inc.

The date of this Updated Official Statement is March 26, 2021.

NORTH CAROLINA TURNPIKE AUTHORITY

\$73,985,000

Monroe Expressway System

State Appropriation Revenue Refunding Bonds,

Series 2021

(Forward Delivery)

Maturity Schedule

Due July 1	Principal Amount	Interest Rate	Price	Yield	CUSIP**
2022	\$1,390,000	5.00%	105.845%	0.260%	65830W AA6
2023	1,465,000	5.00	110.347	0.350	65830W AB4
2024	2,525,000	5.00	114.740	0.410	65830W AC2
2025	2,655,000	5.00	118.977	0.470	65830W AD0
2026	2,785,000	5.00	122.588	0.610	65830W AE8
2027	2,930,000	5.00	126.053	0.720	65830W AF5
2028	3,075,000	5.00	129.388	0.810	65830W AG3
2029	3,230,000	5.00	132.195	0.930	65830W AH1
2030	3,390,000	5.00	134.785	1.040	65830W AJ7
2031	3,555,000	5.00	137.539	1.110	65830W AK4
2032	3,740,000	5.00	136.498*	1.200	65830W AL2
2033	3,920,000	5.00	135.466*	1.290	65830W AM0
2034	4,120,000	5.00	134.897*	1.340	65830W AN8
2035	4,320,000	5.00	134.443*	1.380	65830W AP3
2036	4,540,000	5.00	133.992*	1.420	65830W AQ1
2037	4,770,000	5.00	133.542*	1.460	65830W AR9
2038	5,005,000	5.00	133.094*	1.500	65830W AS7
2039	5,255,000	5.00	132.648*	1.540	65830W AT5
2040	5,520,000	5.00	132.203*	1.580	65830W AU2
2041	5,795,000	5.00	131.761*	1.620	65830W AV0

*Priced to the first optional redemption date of July 1, 2031.

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NORTH CAROLINA TURNPIKE AUTHORITY

STATE OFFICIALS

Roy Cooper	Governor
J. Eric Boyette	Secretary of NCDOT
Beau Memory*	Chief Operating Officer of NCDOT
Stephanie King	Chief Financial Officer of NCDOT
Ronnie Keeter*	Chief Engineer of NCDOT

AUTHORITY MEMBERS

J. Eric Boyette	Chairman/Ex-Officio Member
Perry R. Safran	Vice Chairman
Robert D. Teer, Jr.	Secretary/Treasurer
Scott Aman	Member
Mary N. Clayton	Member
Sam Hunt, IV	Member
Montell W. Irvin, P.E.	Member
Charles L. Travis, III	Member
James Walker	Member

MANAGEMENT STAFF

James J. "J.J." Eden	Executive Director
Marvin T. Butler	Chief of Staff
David Roy	Director of Finance and Budget
Andy Lelewski, P.E.	Director of Program Development
Manish Chourey	Chief Technology Officer
Rodger D. Rochelle, P.E.	Chief Engineer
Dennis Jernigan, P.E.	Director of Highway Operations

MUNICIPAL ADVISOR

PFM Financial Advisors, LLC, Orlando, Florida

BOND COUNSEL

McGuireWoods LLP, Raleigh, North Carolina

* Updated since the Official Statement dated November 19, 2020.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SERIES 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 2021 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2021 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Series 2021 Bonds implies that the information herein is correct as of any date subsequent to the date hereof.

Neither the Series 2021 Bonds nor the Trust Agreement have been registered or qualified with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended, or Section 304(a)(4) of the Trust Indenture Act of 1939, as amended. The registration or qualification of the Series 2021 Bonds and the Trust Agreement in accordance with applicable provisions of securities laws of the states, if any, in which the Series 2021 Bonds and the Trust Agreement have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information set forth herein has been obtained from the Authority and other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of the date hereof.

Certain statements contained in this Official Statement reflect forecasts and constitute forward-looking statements rather than historical facts. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All such forward-looking statements are expressly qualified by the cautionary statements set forth in this Official Statement.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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 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 or completeness of such information.

The Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information given in this Official Statement or for the recitals contained in the Trust Agreement or for the validity, sufficiency, or legal effect of any of such documents. Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of the proceeds from the sale of the Series 2021 Bonds. The Trustee has no duty to, has not undertaken to evaluate, and has not evaluated, the risks, benefits, or propriety of any investment in the Series 2021 Bonds and makes no representation, and has reached no conclusions, regarding the investment quality of the Series 2021 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

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North Carolina Turnpike Authority Monroe Expressway System



Regional Location Map



State of North Carolina
Department of State Treasurer

DALE R. FOLWELL, CPA
Treasurer

*State and Local Government Finance Division
and the Local Government Commission*

SHARON EDMUNDSON*
Deputy Treasurer

Official Statement
of the North Carolina Local Government Commission

Concerning

NORTH CAROLINA TURNPIKE AUTHORITY

\$73,985,000

Monroe Expressway System
State Appropriation Revenue Refunding Bonds,
Series 2021
(Forward Delivery)

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 its \$73,985,000 Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery) (the "Series 2021 Bonds"). The Series 2021 Bonds are issued pursuant to applicable provisions of law, a bond order adopted by the Authority on May 7, 2020 (the "Bond Order"), and a Trust Agreement dated as of October 1, 2010 (the "Original Trust Agreement"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Agreement dated as of November 1, 2011 (the "First Supplemental Trust Agreement") and a Second Supplemental Trust Agreement dated as of April 1, 2021 (the "Second Supplemental Trust Agreement," and together with the Original Trust Agreement and the First Supplemental Trust Agreement, the "Trust Agreement"). The Trust Agreement and the Bond Order are herein referred to as the "Authority Documents."

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.

This Official Statement updates the Official Statement dated November 19, 2020 with respect to the Series 2021 Bonds. This Official Statement provides updates of financial and operating information, to the extent available, through June 30, 2020, and changes have been footnoted accordingly. Certain portions of the updated information were derived from the State of North Carolina Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020, dated December 4, 2020.

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

* Updated since the Official Statement dated November 19, 2020.

Authorization

The Authority was created under The Public Toll Roads and Bridges Act, Article 6H of Chapter 136 of the North Carolina General Statutes, as amended (the "Authority Act"), and is a part of the North Carolina Department of Transportation ("NCDOT"). See "THE AUTHORITY" herein. The Series 2021 Bonds are issued under the Authority Act and The State and Local Government Revenue Bond Act, Article 5 and Article 9 of Chapter 159 of the North Carolina General Statutes, as amended (the "Revenue Bond Act"), and the Authority Documents.

Purpose and Plan of Refunding

The Series 2021 Bonds are being issued for the purpose of providing funds, together with other available funds, to (a) refund a portion of the outstanding Series 2011 Bonds (as defined below) maturing on July 1, 2022 through 2041 (the "Refunded Bonds"), and (b) pay certain costs incurred in connection with the issuance of the Series 2021 Bonds.

The Series 2011 Bonds were issued for the purpose of providing funds, together with other available funds, to (a) pay the costs of land acquisition, design, construction and equipping of the Monroe Expressway System (formerly known as the Monroe Connector System), a 19.8 mile toll roadway facility in Mecklenburg and Union Counties, North Carolina (the "Monroe Expressway System"), and (b) pay the costs incurred in connection with the issuance of the Series 2011 Bonds. See "PLAN OF REFUNDING" herein.

Parity Debt

To finance a portion of the Monroe Expressway System, the Authority has previously issued its (a) \$233,920,000 Monroe Connector System State Appropriation Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds) (the "Series 2010A Bonds"), pursuant to the Original Trust Agreement and currently outstanding in the principal amount of \$233,920,000 and (b) \$214,505,000 Monroe Connector System State Appropriation Revenue Bonds, Series 2011 (the "Series 2011 Bonds"), issued pursuant to the First Supplemental Trust Agreement and currently outstanding in the principal amount of \$104,850,000. Following the issuance of the Series 2021 Bonds, the Refunded Bonds will be defeased, however, the Series 2011 Bonds maturing on July 1, 2021 will remain outstanding. After the Refunded Bonds are redeemed on July 1, 2021 and the simultaneous payment of the Series 2011 Bonds maturing July 1, 2021, none of the Series 2011 Bonds will remain Outstanding.

Revenue Bonds

In addition to the Series 2010A Bonds and the Series 2011 Bonds, the Authority has (i) issued its (a) \$119,455,000 Monroe Expressway Toll Revenue Bonds, Series 2016A and (b) \$17,596,904.35 Monroe Expressway Toll Revenue Bonds, Series 2016C (Capital Appreciation Bonds) (collectively, the "Revenue Bonds") and (ii) obtained a loan under the Transportation Infrastructure Finance and Innovation Act of 1998 (the "TIFIA Loan") in an amount not to exceed \$166,500,000, to finance a portion of the Monroe Expressway System. The Revenue Bonds were issued pursuant to a separate Trust Agreement dated as of December 1, 2016 (the "General Revenue Bond Trust Agreement") between the Authority and Wells Fargo Bank, N.A., as trustee (the "Revenue Bond Trustee"), which amended and restated the Trust Agreement dated as of November 1, 2011 between the Authority and the Revenue Bond Trustee. The TIFIA Loan was made pursuant to a Loan Agreement dated as of January 31, 2017 between the Authority and the United States Department of Transportation and was evidenced by a revenue bond issued under the General Revenue Bond Trust Agreement that is subordinate to the Revenue Bonds.

The Revenue Bonds and the TIFIA Loan are special obligations of the Authority, secured by and payable under the General Revenue Bond Trust Agreement from "Revenues" (as defined therein) of the Monroe Expressway System, consisting primarily of the tolls, fees, charges and other payments received by the Authority from the ownership and operation of the Monroe Expressway System. As defined under the General Revenue Bond Trust Agreement, "Revenues" also includes a portion of the amounts to be received by the Authority from an annual appropriation of \$24,000,000 to the Authority from the State of North Carolina after payment of debt service on the Appropriation Bonds, as described below under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" herein. **Most of such annual appropriation from the State will be used to pay debt service on the Appropriation Bonds. The Appropriation Bonds are not secured by the tolls or other revenues of the Monroe Expressway System or any funds held under the General Revenue Bond Trust Agreement.**

Security

The Series 2021 Bonds will be special obligations of the Authority, secured by and payable from, on parity with the outstanding Series 2010A Bonds and the remainder of the Series 2011 Bonds (until paid in full on July 1, 2021), the Revenues and, under certain circumstances, the proceeds of the Series 2021 Bonds. "Revenues" consist of an annual appropriation of \$24,000,000 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 "State Appropriated Revenues"), the Interest Subsidy Payments (as defined herein) received from the United States Department of the Treasury with respect to the Series 2010A Bonds under the "Build America Bond" program, and the investment income realized from the investment of amounts held under the Trust Agreement. The annual appropriation is subject to the discretion of the North Carolina General Assembly. Additionally, the Series 2021 Bonds, in parity with the Series 2010A Bonds and the remaining Series 2011 Bonds, will be secured by a Reserve Fund created for the Appropriation Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" herein.

The Authority

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

Details of Series 2021 Bonds

The Series 2021 Bonds will be dated the date of delivery thereof. Interest on the Series 2021 Bonds will be payable on January 1 and July 1, beginning July 1, 2021, at the rates shown on the inside front cover. Principal on the Series 2021 Bonds will be payable, subject to prior redemption as described herein, on July 1 in the years and amounts shown on the inside front cover.

Book-entry-only

The Series 2021 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 2021 Bonds. The Bond Registrar will make payment of principal of and interest on the Series 2021 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 2021 Bonds. Individual purchases of the Series 2021 Bonds by the beneficial owners will be made in denominations of \$5,000 or whole multiples thereof. See Appendix C hereto for more information regarding DTC and the book-entry-only system.

Tax Status

In the opinion of Bond Counsel, interest on the Series 2021 Bonds (a) is excludable from the gross income of the owners of the Series 2021 Bonds for purposes of federal income taxation, and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2021 Bonds is exempt from all present State of North Carolina income taxes. See "TAX TREATMENT" herein regarding other tax considerations.

Professionals

The Underwriters set forth on the cover page of this Official Statement (the "Underwriters"), are underwriting the Series 2021 Bonds. McGuireWoods LLP, Raleigh, North Carolina, is serving as Bond Counsel and Disclosure Counsel. Hunton Andrews Kurth LLP, Charlotte, North Carolina, is serving as counsel to the Underwriters. Ebony Pittman, Esq., an Assistant Attorney General for the State, is acting as counsel to the Authority. Wells Fargo Bank, N.A., Philadelphia, Pennsylvania, is serving as the Trustee and Wells Fargo Bank, N.A., Minneapolis, Minnesota is serving as Bond Registrar. PFM Financial Advisors, LLC, Orlando, Florida, is acting as municipal advisor to the Authority in connection with the issuance of the Series 2021 Bonds.

On March 24, 2021, Wells Fargo Bank, N.A. ("Wells Fargo"), the Trustee and Bond Registrar for the Bonds, announced that it has agreed to sell its corporate trust services business to Computershare ("Computershare"), which specializes in financial services and is headquartered in Australia, in the second half of 2021. The Authority is in the process of determining its legal and contractual obligations in the engagement of a provider for trustee services and its ability to utilize Computershare for trustee services under the Trust Agreement. The Authority will take such steps as may be required under the Trust Agreement to ensure that an entity that meets the requirements of the Trust Agreement and State law is in place as Trustee and Bond Registrar for the Bonds at all times.*

THE AUTHORITY

The Authority is a body politic and corporate and a public agency of the State of North Carolina (the "State") created pursuant to the Authority Act and exists within the North Carolina Department of Transportation ("NCDOT"). The Authority is authorized to design, establish, purchase, construct, operate, and maintain no more than eleven projects, including the Monroe Expressway System.

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, J. Eric Boyette, serves as the Chairman of the Authority Board. The Authority is part of NCDOT, and the executive leadership of both the Authority and NCDOT are involved in all Authority projects. The following is a list of the current members of the Authority Board, their occupations and the expiration of their terms of office.

* Updated since the Official Statement dated November 19, 2020.

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
J. Eric Boyette, Chairman	Secretary, NCDOT	Ex-Officio
Perry R. Safran, Vice Chairman	Attorney, Safran Law Offices	2021
Robert D. Teer, Jr., Secretary/Treasurer	President, Teer Associates	2023
Scott Aman	President, New Dixie Oil Corporation	2021
Mary N. Clayton	Transportation Planner	2023
Sam Hunt, IV	President, Hunt Electric Supply, Co.	2023
Montell W. Irvin, P.E.	President and CEO, Ramey Kemp & Associates, Inc.	2023
Charles L. Travis, III	President, Housing Studio, PA and Former Mayor, Town of Cornelius	2023
James Walker	Attorney/Mediator	2023

The Authority Act authorizes the Authority to issue bonds pursuant to the Revenue Bond Act to finance or refinance the cost of the turnpike projects it undertakes, and to fix, revise, charge, retain, enforce and collect tolls and fees for the use of the turnpike projects. The Monroe Expressway System opened to toll traffic in November 2018. In addition to the Monroe Expressway, the Authority has constructed and operates the Triangle Expressway System, an approximately 18.8 mile toll roadway facility from the interchange of I-40 and NC 147 on the north end to the NC 55 Bypass near Holly Springs, North Carolina in Durham and Wake Counties, North Carolina, and is currently constructing the next phase of the Triangle Expressway System known as Complete 540 – Phase 1, consisting of the extension of the Triangle Expressway for approximately 17.8 miles from NC 55 Bypass in Apex to I-40 (collectively, the "Triangle Expressway System"). In addition, the Authority is proceeding with plans for financing and constructing several additional toll road projects in the State, including a network of express lanes along I-77, I-485 and US 74 in the Charlotte area, and the Mid-Currituck Bridge to connect the North Carolina Outer Banks to the mainland. **None of the toll projects are cross-collateralized with the Monroe Expressway System.**

THE SERIES 2021 BONDS

Authorization

The issuance of the Series 2021 Bonds received the required approval of the North Carolina Local Government Commission (the "LGC") on November 10, 2020. 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 2021 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. If the Chairman, the Secretary, or any designated assistant of the LGC determines that an event or circumstance has occurred or information has become known prior to sale of the Series 2021 Bonds, or the Secretary of the LGC determines that an event or circumstance has occurred or information has become known prior to the closing of the Series 2021 Bonds, that, in his or her judgment, makes such findings and

determinations by the LGC no longer accurate, the matter could be referred back to the LGC for further consideration of its approval in light of such event, circumstance or information.

General

The Series 2021 Bonds will be dated the date of delivery thereof, will bear interest from their date payable on each January 1 and July 1, beginning July 1, 2021, at the rates shown on the inside front cover and will mature, subject to prior redemption as described below for certain Series 2021 Bonds, on July 1 in the years and amounts shown on the inside front cover. The Series 2021 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 2021 Bonds by the beneficial owners will be made in denominations of \$5,000 or whole multiples thereof.

Book-entry-only

The Series 2021 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 2021 Bonds. The Trustee will make payments of principal of and interest on the Series 2021 Bonds to DTC, which will in turn remit such payments to DTC participants for subsequent distribution to the beneficial owners of the Series 2021 Bonds. See [Appendix C](#) hereto for more information regarding DTC and the book-entry-only system.

Redemption Provisions

Optional Redemption

The Series 2021 Bonds maturing on or after July 1, 2032, are subject to redemption prior to their respective maturities, at the option of the Authority, from any moneys that may be available for such purposes, either in whole or in part on any date on or after July 1, 2031, at 100% of the principal amount of Series 2021 Bonds to be redeemed, plus accrued interest to the redemption date.

General Redemption Provisions

At least 30 days, but not more than 60 days, prior to a redemption date for Series 2021 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 2021 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.

The Series 2021 Bonds shall be redeemed only in whole multiples of \$5,000. If less than all the Series 2021 Bonds are called for redemption, the maturities or portions of maturities of Series 2021 Bonds to be so redeemed shall be as determined by the Authority. If less than all of the Series 2021 Bonds of any one maturity are to be called for redemption, and the Series 2021 Bonds are not held in book-entry-only form, the Bond Registrar shall effect the redemption of the Series 2021 Bonds of such maturity on a pro-rata basis among registered owners, subject to \$5,000 minimum denomination requirements, using such method as the Trustee shall deem fair and appropriate. If the Series 2021 Bonds are held in book-entry only form, and less than all of the Series 2021 Bonds of any one maturity are to be called for redemption, the

particular Series 2021 Bonds or portions thereof to be redeemed shall be selected in accordance with the procedures of the Securities Depository.

Upon giving notice and depositing funds or securities with the Trustee or the Bond Registrar as provided in the Trust Agreement, the Series 2021 Bonds or portions thereof so called for redemption shall become due and payable on the redemption date, and interest on such Series 2021 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 2021 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 2021 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 2021 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 REFUNDING

Pursuant to the Original Trust Agreement and the Second Supplemental Trust Agreement, the proceeds of the Series 2021 Bonds will be applied to (a) refund the portion of the outstanding Series 2011 Bonds maturing on July 1, 2022 through 2041 (the "Refunded Bonds"), and (b) pay certain costs incurred in connection with the issuance of the Series 2021 Bonds. The Refunded Bonds will be redeemed on July 1, 2021, at a redemption price of par plus accrued interest.

For this purpose proceeds of the Series 2021 Bonds, together with other available funds, will be transferred to the Trustee and deposited into the Redemption Account of the Debt Service Fund, established under the Trust Agreement, upon issuance of the Series 2021 Bonds, in an amount sufficient to pay principal and interest on the Refunded Bonds when and as due on the date of their redemption. The Authority may invest the proceeds of the Series 2021 Bonds held in the Redemption Account in state and local government securities until such amounts are needed to refund the Refunded Bonds on July 1, 2021.

Pursuant to the Trust Agreement, the Authority will provide the Trustee with irrevocable instructions to redeem the Refunded Bonds on July 1, 2021, and the holders of the Refunded Bonds will cease to be secured by Revenues and instead will be secured by the amounts on deposit in the Redemption Account.

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ESTIMATED SOURCES AND USES OF SERIES 2021 BOND PROCEEDS

Sources of Funds

Principal Amount of Series 2021 Bonds	\$73,985,000
Original Issue Premium	22,772,924
Funds under Trust Agreement	<u>1,234,103</u>
Total Sources of Funds	<u><u>\$97,992,027</u></u>

Uses of Funds

Refunding of Refunded Bonds	\$97,343,300
Costs of Issuance ¹	<u>648,727</u>
Total Uses of Funds	<u><u>\$97,992,027</u></u>

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

THE MONROE EXPRESSWAY SYSTEM

The "Monroe Expressway," previously referred to as the Monroe Connector System, extends for approximately 19.8 miles from U.S. 74 at Interstate 485 in Mecklenburg County, North Carolina near the Town of Matthews, to U.S. 74 between the Towns of Wingate and Marshville in Union County, North Carolina (of which approximately 18 miles are tolled). With the Monroe Expressway System in place, travelers have a limited access, four-lane facility from U.S. 74 at 1-485 to U.S. 74 near Marshville, North Carolina, providing an alternate and time saving route for travelers who are currently taking U.S. 74 through the City of Monroe and several other communities. Construction of the Monroe Expressway System began in May, 2015, and opened to toll traffic in November 2018.

The map set forth on page (iv) hereof shows the route of the Monroe Expressway System and the surrounding area.

The Monroe Expressway System follows a generally northwest-southeast orientation parallel to U.S. 74. The availability of this road significantly improves travel between Union County, which, according to the latest United States census data, was the fastest growing county in North Carolina between 2000 and 2010, and Mecklenburg County and the City of Charlotte, which is the economic hub of the region.

The Monroe Expressway System has six full and two partial interchanges, including the entry point at a partial interchange with existing U.S. 74 approximately 1.5 miles southeast of Interstate 485 in Stallings; the interchange at Indian Trail-Fairview Road (SR 1520) in Hemby Bridge; the interchange with Unionville-Indian Trail Road (SR 1367) in Indian Trail; the interchange with North Rocky River Road (SR 1514) in Indian Trail; the interchange with U.S. Highway 601 in Unionville; the interchange with N.C. Highway 200 (also known as Morgan Mill Road) in Monroe; the interchange with Austin Chaney Road (SR 1758) in Wingate; and the entry point from U.S. 74 between Marshville and Wingate. Approximately one mile of existing U.S. 74 from Interstate 485 up to the partial interchange will be improved to consist of an elevated freeway with compressed interchanges and adjacent service roads. This portion is not tolled. Mainline tolling begins just past the entry point onto the new location facility.

The Monroe Expressway System utilizes an all-electronic, non-stop tolling system where vehicles are detected while traveling at highway speeds. All drivers are welcome to use the Monroe Expressway System. Customers may pay their tolls by means of a pre-paid transponder based account. Customers using the Monroe Expressway System that do not have a transponder will be detected at the toll zones and an image of their license plate will be captured. Tolling zones are located between each interchange across the

Monroe Expressway System to ensure that all users pay a toll regardless of their entry and exit locations. Motorists using the Monroe Expressway System from "end to end" pass through seven mainline tolling zones without having to stop to pay tolls.

The Appropriation Bonds are not secured by the tolls or other revenues of the Monroe Expressway System.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be special obligations of the Authority, secured by and payable from the Revenues and, under certain circumstances, the proceeds of the Series 2021 Bonds. Except as described below, the Series 2021 Bonds are secured in parity with outstanding Series 2010A Bonds and the unrefunded Series 2011 Bonds (together, the "Appropriation Bonds").

The Trust Agreement provides that the "Revenues" will primarily consist of (a) the State Appropriated Revenues (as defined below); (b) the Interest Subsidy Payments relating to the Series 2010A Bonds; 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 Appropriation 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 Appropriation Bonds shall not be payable from the general funds of the Authority or any funds of NCDOT and the Appropriation Bonds shall not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the Authority's property or upon any of its income, receipts, or revenues, including any toll revenue from the Monroe Expressway System, except the funds which are pledged under the Authority Documents. 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 Appropriation Bonds, and no Owner of Appropriation 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. Acceleration is not a remedy available to the Owners of the Series 2021 Bonds upon default. The Authority has no taxing power.

State Appropriated Revenues

The General Assembly of North Carolina has enacted legislation, now in Chapter 136, Article 14, Section 136-176 of the North Carolina General Statutes (the "HTF Act"), that creates a continuing annual appropriation of \$24,000,000 designated for the Monroe Expressway System. 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 the Monroe Expressway System or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The annual appropriation for the Monroe Expressway System is defined in the Trust Agreement and herein as the "State Appropriated Revenues." The HTF Act provides that the appropriation is to be made to the Authority as a transfer from the North Carolina Highway Trust Fund. **THE HIGHWAY TRUST FUND IS NOT PLEDGED AS SECURITY FOR THE SERIES 2021 BONDS.** The General Assembly enacted Session Law 2020-91 on

July 6, 2020, which makes appropriations to NCDOT for 2020-2021, including the State Appropriated Funds.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Highway Trust Fund."

The HTF Act 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, 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 Trust Agreement provides that immediately upon receipt of State Appropriated Revenues and the Interest Subsidy Payments, the Authority shall transfer the amount received to the Trustee and the Trustee 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 Interest Account available to pay such interest as described below, will be equal to the amount of interest payable on the Appropriation Bonds, and any additional bonds issued under the Trust Agreement from time to time, on the next Interest Payment Date, or the entire amount of the Revenues if less than the amount so required;

(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 of the Sinking Fund Account, will be equal to the amount of principal payable on the Appropriation Bonds, and any additional bonds issued under the Trust Agreement from time to time, within the 12 month period ending on the next July 1, or the entire amount of the Revenues if less than the amount so required;

(c) to the Reserve Fund to the extent of any deficiencies therein; and

(d) the balance, following the transfers described in (a), (b) and (c), shall be transferred from the Revenue Fund under the Trust Agreement to the General Revenue Bond Trust Agreement Revenue Fund. Any amounts so transferred are transferred free and clear of the lien on and pledge of the Revenues created under the Trust Agreement.

Highway Trust Fund

General

The State has an approximately 80,000-mile highway system, including roadways, rights-of-way, structures, signs, markings, traffic signals and ferry operations. The Highway Trust Fund ("HTF") was created by the General Assembly in 1989 to provide a dedicated funding mechanism for meeting the State's highway construction needs. The HTF is separate from the Highway Fund which accounts for most of the activities of NCDOT, including the maintenance and some construction of the State's primary and secondary road systems. In addition, the Highway Fund supports areas such as the North Carolina Ferry System, the Division of Motor Vehicles, public transportation, and railroad operations. As described below, the cash management of the two funds is coordinated pursuant to legislative directives.

Pursuant to Session Law 2019-15, the North Carolina General Assembly created the Disaster Relief Cash Flow Loan Fund (the "Relief Fund") to be held by NCDOT. The purpose of the Relief Fund is to help NCDOT meet its cash flow needs resulting from expenditures related to disaster relief. Funds received from the federal government for disaster relief will be deposited to the Relief Fund. Moneys therein may only be used for the stated purpose but current legislation provides such fund will terminate no later than June 30, 2021. Upon such termination, NCDOT shall transfer any remaining balance in the Relief Fund to the Highway Fund and close the Relief Fund. Once deposited in the Highway Fund, such funds will then be available to repay loans from the HTF to the Highway Fund. See "Withdrawals from the HTF - Cash Management of the HTF and the Highway Fund" below.

Pursuant to Session Law 2019-251, the North Carolina General Assembly created another fund to be held by NCDOT – the Transportation Emergency Reserve (the "Emergency Reserve"). The General Assembly directed that \$125,000,000 be transferred from the Highway Fund to the Emergency Reserve no later than July 30 of each fiscal year. Notwithstanding the foregoing, total funds in the Emergency Reserve shall not exceed \$125,000,000. If a transfer would cause the Emergency Reserve to exceed \$125,000,000, the amount transferred shall be the difference between \$125,000,000 and the amount of funds in the Emergency Reserve. In addition, the Officer of State Controller was directed to make a one-time transfer of \$64,000,000 from the unreserved balance in the State's General Fund to the Emergency Reserve. NCDOT may use funds in the Emergency Reserve only after the President of the United States issues a declaration under the Stafford Act that a major disaster exists in the State. Session Law 2020-3 directed NCDOT not to transfer additional funds to the Emergency Reserve for the fiscal year ending June 30, 2021.

On June 13, 2019, the State issued its \$300,000,000 State of North Carolina Limited Obligation (Build NC) Bonds, Series 2019A (the "2019 Build NC Bonds"), which are repayable from appropriations by the North Carolina General Assembly from the Highway Trust Fund. The 2019 Build NC Bonds were issued under the State Capital Facilities Finance Act, Article 9 of Chapter 142 of the North Carolina General Statutes, as amended by North Carolina Session Law 2018-16 (collectively, the "Build NC Bond Act"). The Build NC Bond Act authorizes the issuance of up to \$3 billion in bonds for regional and divisional transportation projects contained in the State Transportation Improvement Program ("STIP"). The amount of bonds issued under the Build NC Bond Act is limited to \$300,000,000 per year, and the authorization expires December 31, 2028. Bonds can be issued under the Build NC Bond Act only if certain requirements set forth in such act are met. The State did not issue any Build NC Bonds in fiscal year 2019-2020, but in Session Law 2020-91, the North Carolina General Assembly provided that for the 2020-2021 fiscal year, the Department of the State Treasurer shall authorize the issuance and sale of bonds issued under the Build NC Bond Act in the principal amount of \$700,000,000, with the proviso that all proceeds of such Build NC Bonds be spent on transportation projects that were in the process of design or construction as of June 1, 2020. The State issued its \$700,000,000 State of North Carolina Limited Obligation (Build NC) Bonds, Series 2020B (the "2020 Build NC Bonds") on November 12, 2020 authorized by Session Law 2020-91. For additional information regarding the 2020 Build NC Bonds and the Highway Trust Fund, see the official statement filed with the Electronic Municipal Market Access ("EMMA") with respect to the 2020 Build NC Bonds at <https://emma.msrb.org/P11435637-P11113523-P11523446.pdf>, and related continuing disclosure filed at such site.

The Authority makes no representation (i) that the General Assembly will maintain the HTF or (ii) that the General Assembly will not repeal or materially modify any legislation affecting the HTF.

HTF Sources of Revenue

The authorizing legislation for the HTF specifies as revenue sources: (1) motor fuel, alternative fuel and road tax revenue ("Motor Fuels Tax"), (2) motor vehicle use tax ("Highway Use Tax"), (3) non-

tax revenue from certificate of title fee and other fees payable to the DMV and (4) interest and income earned by the HTF.

Motor Fuels Tax. This tax is 36.1¢ per gallon for the period January 1, 2021*, through December 31, 2021. By State law, the motor fuels tax rate is computed using the amount of the preceding calendar year's tax rate multiplied by a percentage that is plus or minus the sum of the annual percentage change in State population for the applicable calendar year, multiplied by 75% and the annual energy index percentage change in the Consumer Price Index for All Urban Consumers (CPI-E), multiplied by 25%. 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.

Prior to July 1, 2020, twenty-nine percent (29%) of the Motor Fuels Tax was deposited in the HTF with the balance going to the Highway Fund. This amount represented approximately 38% of all State revenue deposited to the HTF as shown in the State's fiscal 2018-19 financial statements. Pursuant to Session Law 2020-19, the allocation will be shifted between the HTF and the Highway Fund in fiscal years ending 2021, 2022 and 2023 (and thereafter), as follows:

<u>Fiscal Year</u>	<u>HTF</u>	<u>Highway Fund</u>
2021	19%	81%
2022	20%	80%
2023 (and thereafter)	25%	75%

For a table showing monthly receipts of the HTF and Highway Fund for April through September 2020, see "Impact of COVID-19 on Revenue Sources" below.

Highway Use Tax. North Carolina collects a use tax on vehicles of 3%, which is levied on the retail value of motor vehicles when purchased or leased when titled in the State instead of a state sales tax. The tax is assessed each time a title is transferred. These collections are all deposited in the HTF. Vehicles titled in the State may be exempt from the Highway Use Tax under certain circumstances such as an insurance company obtaining a salvage title for a vehicle on which a total loss claim was paid, a title being transferred to a manufacturer or retailer for reselling a vehicle and a vehicle being transferred by a will or intestacy. Highway Use Tax receipts amounted to approximately 54% of all State revenue deposited to the HTF as shown in the State's fiscal 2019-20 financial statements.*

Non-Tax Revenue. The General Assembly sets various fees that the DMV collects primarily from licensed drivers and vehicle registrations. Approximately 15% of such amounts are deposited in the HTF. These receipts amounted to approximately 9% of all State revenue deposited to the HTF as shown in the State's fiscal 2019-20 financial statements.*

* Updated since the Official Statement dated November 19, 2020.

The following table shows the amount of tax revenue and non-tax revenue received in the HTF in fiscal year 2014-15 through fiscal year 2019-20 and for the seven-month period ended January 31, 2021:

**Highway Trust Fund
Tax and Non-Tax Revenue
(\$ in Thousands)**

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20^{(1)*}	FY 2020-21^{(2)*}
Highway Use Tax	\$653,931	\$728,580	\$784,549	\$798,314	\$838,571	\$837,919	\$544,624
Motor Fuels Tax	478,847	565,864	554,831	573,949	602,499	561,696	237,532
Fees, Licenses and Fines	102,875	124,668	143,989	142,620	142,275	138,710	86,987
Investment Earnings	6,973	9,298	15,408	22,320	10,670	8,030	1,263
Rental and Lease of Property	2,037	1,713	1,971	1,211	772	723	218
Local Funds	907	606	2,786	897	9,787	12,590	8,009
Interest Earnings on Loans	112	153	229	315	419	538	218
Contributions, Gifts and Grants	52	874	-	96	134	-	103
Sales and Services	-	9	1	-	-	-	-
Miscellaneous	368	3,894	508	2,214	749	321	223
Total:	\$ 1,246,102	\$1,435,659	\$1,504,272	\$1,541,936	\$1,605,876	\$1,560,527	\$879,177

⁽¹⁾ Audited.

⁽²⁾ Unaudited numbers for the period July 1, 2020 through January 31, 2021.

Impact of COVID-19 on Revenue Sources. On January 30, 2020 the World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of the coronavirus.

In response to the COVID-19 pandemic, national and State executive orders were put in place, including Executive Order No. 121, a stay-at-home order (the "Stay-at-Home Order") issued by the Governor of North Carolina on March 27, 2020. The Stay-at-Home Order directed people to stay at home except to visit essential businesses, to exercise outdoors or to help a family member. It stayed in place until May 8, 2020. In addition, many local governments issued similar orders that in some cases were more restrictive than the Stay-at-Home Order. The Governor announced benchmarks the State had to meet in order to enter a three-phase process of incrementally easing restrictions.

During Phase One, the reasons people could leave home were expanded, including allowing people to leave for commercial activity. On May 20, 2020, Governor Cooper issued Executive Order 141, which moved the State to Phase Two on May 22, 2020. Under Phase Two, the State further eased restrictions by, among other things, (1) lifting the Stay-at-Home Order and transitioning to "Safer-at-Home" recommendations, (2) permitting mass gatherings of up to ten people indoors and 25 people outdoors, and (3) allowing personal care businesses to open and restaurants to open for on-premises dining, each at 50% capacity subject to social distancing and cleaning requirements. On September 1, 2020, Governor Cooper issued Executive Order 163 moving the State to Phase 2.5 on September 4. During this interim phase (1) mass gatherings of up to 25 people indoors and 50 people outdoors are allowed, (2) playgrounds may open, (3) museums and aquariums may open at 50% capacity and (4) gyms and indoor exercise facilities may

* Updated since the Official Statement dated November 19, 2020.

open at 30% capacity. Bars, nightclubs, movie theaters, indoor entertainment facilities, amusement parks and dance halls must remain closed. On September 30, 2020 Governor Cooper issued Executive Order 169, which moved the State to Phase Three on October 2, 2020. In Phase Three, large outdoor venues with seating greater than 10,000 may operate with 7% occupancy for spectators. Smaller outdoor entertainment venues, like arenas or amphitheaters, may operate outdoors at 30% of outdoor capacity, or 100 guests, whichever is less. Movie theaters and conference centers may open indoor spaces to 30% of capacity, or 100 guests, whichever is less. Bars may operate outdoors at 30% of outdoor capacity, or 100 guests, whichever is less. Amusement parks may open at 30% occupancy, outdoor attractions only. Under this executive order the limits on mass gatherings remained at 25 people indoors and 50 people outdoors. On November 10, 2020 Governor Cooper issued Executive Order 176, which extended Phase Three to December 4, 2020 and reduced mass gatherings indoors to 10 people.

On February 24, 2021, Governor Cooper issued Executive Order 195, which, among other things, (1) lifted the original Stay-at-Home Order, (2) removed the existing curfew, (3) removed the 100 guest limitation for those businesses previously operating at 30%, (4) permitted museums, personal care businesses, restaurants and retail businesses to operate at 50% of capacity, (5) permitted bars, movie theaters, sporting arenas, meeting spaces and conference centers, and other indoor venues to operate at 30% of capacity, or 250 guests, whichever is less, (6) permitted larger indoor sporting arenas with a capacity of more than 5,000 to operate at 15% of capacity and (7) increased the limits on mass gatherings to 25 people indoors and 50 people outdoors.*

On March 23, 2021, Governor Cooper issued Executive Order 204, which, among other things, (1) increased the capacity for retail businesses, salons and museums to 100%, (2) increased the capacity for restaurants, wineries, breweries, amusement parks, gyms, pools and recreation establishments to 75% capacity indoors and 100% capacity outdoors, (3) increased the capacity for bars, conference centers, reception venues, sports arenas and live performance venues to 50% capacity indoors and outdoors, and (4) increased the limits on mass gatherings to 50 people indoors and 100 people outdoors.*

The Stay-at-Home Order had a direct negative impact on Motor Fuels Tax revenue as a result of people driving less. Based on unaudited year-end numbers, NCDOT experienced a shortfall of approximately \$209.4 million for the fiscal year ended June 30, 2020 with \$197.2 of that amount from reduced Motor Fuels Tax revenue. In addition, as a result of economic conditions arising from the pandemic, the pandemic is expected to continue to have a negative impact on Motor Fuels Tax revenues beyond the fiscal year ended June 30, 2020. An economic downturn is expected to result in lower levels of employment and tourism, for example, resulting in fewer motorists on the road.

Car dealerships and other businesses selling cars were deemed essential businesses under the Stay-at-Home Order. Many businesses selling cars operated in a more restrictive manner than before the pandemic such as by restricting test drives and requiring an appointment for any sales. The Highway Use Tax is collected by license plate agencies that are operated by private contractors or local governments, not NCDOT. COVID-19 negatively affected Highway Use Tax receipts in April and May of 2020 but rebounded in June 2020. As a result of economic conditions arising from the pandemic, Highway Use Tax revenue is expected to decline as a result of fewer car sales and leases.

A smaller portion of the revenue deposited in the HTF is collected by the DMV. As a result of the pandemic the DMV closed about 60 offices with the fewest examiner stations or with office setups that made it difficult to provide customers with the recommended space recommended by the Center for Disease Control. The open offices were transitioned to handle appointment-only visits and limited the number of customers allowed inside at the same time, depending on the office size. The DMV suspended road tests

* Updated since the Official Statement dated November 19, 2020.

except for commercial driver's license and medical reassessments. Although drivers could have their cars inspected while the Stay-at-Home Order was in place, fewer inspections occurred and the General Assembly retroactively suspended deadlines. Although the pandemic has had a negative impact on non-tax revenues, such impact has not been material to date.

In May 2020, the Office of State Budget and Management and the Fiscal Research Division of the General Assembly released a revised consensus revenue forecast in which they reduced previously forecasted consensus revenues for the Highway Fund and HTF for the fiscal year ending June 30, 2021 by \$513 million. Based on this forecast, revenues deposited in the Highway Fund and HTF would be down 4.5% from revenues for the fiscal year ended June 30, 2020 (unaudited and adjusted for certain numbers not included in forecasted revenues). By fund, revenues would be down 2.1% in the Highway Fund and 8.0% in the HTF. This forecast assumed that 29% of the Motor Fuels Tax was to be deposited into the HTF and 71% was to be deposited in the Highway Fund during the fiscal year ending June 30, 2021. Pursuant to Session Law 2020-91, during the fiscal year ending June 30, 2021, the percentage of Motor Fuels Tax revenues to be deposited in the HTF was reduced from 29% to 19% and the percentage of Motor Fuels Tax revenues to be deposited in the Highway Fund was increased from 71% to 81%. In addition, this forecast assumed a motor fuels tax rate of 35.2¢ for the 2021 calendar year based on the statutory formula (the motor fuels tax rate for the 2021 calendar year is 36.1¢)*. Session Law 2020-91, which was passed into law in July 2020, provides that notwithstanding the statutory formula, the rate for calendar year 2021 will not be less than 36.1¢ per gallon. This change is expected to have a \$20.2 million positive effect on revenues for the fiscal year ending June 30, 2021. Uncertainty is inherent in all revenue forecasts but the level of uncertainty in the May 2020 forecast is especially high due to the dependence of the revenues on the future course of the COVID-19 pandemic. The current forecast is contingent upon no major resurgence of COVID-19 cases in North Carolina or the United States.

Because the duration and breadth of the pandemic are not yet known, the total impact on the revenue sources for the HTF cannot be determined at this time; however, the pandemic is expected to have an adverse impact on the financial condition of the HTF, which could be material. For a more general discussion of the impact of the COVID-19 pandemic on NCDOT and the State, see "CERTAIN RISKS OF OWNERS – Economy of the State/Impact of the Coronavirus" and "CERTAIN RISKS OF OWNERS – Impact of the Coronavirus on NCDOT and the HTF" herein.

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* Updated since the Official Statement dated November 19, 2020.

**Highway Trust Fund Receipts
(Unaudited)***

Year	April	May	June	July⁽¹⁾	August
2019	\$133,789,766	\$143,476,668	\$150,895,893	\$136,229,947	\$146,888,244
2020	\$100,860,668	\$101,792,365	\$131,166,872	\$139,349,287	\$124,829,757
	September	October	November	December	
2019	\$137,389,265	\$140,614,977	\$131,419,872	\$129,879,761	
2020	127,297,761	122,761,017	113,909,229	131,783,990	
	January				
2020	\$142,119,484				
2021	118,474,384				

⁽¹⁾ Starting July 1, 2020, the percentage of Motor Fuel Tax revenues deposited in the HTF was reduced from 29% to 19%. In July 2020, NCDOT received in excess of \$80 million representing late filings of Motor Fuel Taxes by businesses allowed to delay filing by the Department of Revenue as a result of the pandemic.

**Highway Fund Receipts
(Unaudited)***

Year	April	May	June	July⁽¹⁾	August
2019	\$352,963,230	\$394,241,760	\$357,741,096	\$234,107,232	\$346,116,216
2020	\$269,431,775	\$278,281,652	\$278,398,009	\$348,832,622	\$354,939,540
	September	October	November	December	
2019	\$398,794,227	\$281,066,818	\$304,413,215	\$265,736,832	
2020	\$355,771,648	305,540,652	298,231,905	353,827,687	
	January				
2020	\$361,170,031				
2021	264,834,060				

⁽¹⁾ Starting July 1, 2020, the percentage of Motor Fuel Tax revenues deposited in the Highway Fund was increased from 71% to 81%. In July 2020, NCDOT received in excess of \$80 million representing late filings on Motor Fuel Taxes by businesses allowed to delay filing by the Department of Revenue as a result of the pandemic.

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* Updated since the Official Statement dated November 19, 2020.

**April - January Receipts
(Unaudited) ***

	Receipts	% Change
Highway Trust Fund		
2019	\$1,392,703,878	
2020 ⁽¹⁾	1,212,225,331	-13%
Highway Fund		
2019	\$3,296,350,658	
2020 ⁽¹⁾	3,108,089,551	-6%
Totals		
2019	\$4,689,054,536	
2020 ⁽¹⁾	4,320,314,882	-8%

⁽¹⁾ Commencing July 1, 2020, the percentage of Motor Fuel Tax revenues deposited in the (i) Highway Trust Fund was reduced from 29% to 19% and (ii) Highway Fund was increased from 71% to 81%.

Withdrawals from the HTF

Funds in the HTF are used for a variety of highway and transportation purposes, including (1) paying debt service on the State's general obligation bonds and Build NC Bonds issued for highway purposes and paying certain debt service or construction costs for the Authority and the North Carolina State Ports Authority; (2) making payments for portions of capital costs of facilities, including providing funding to meet requirements associated with federal loans; (3) making interfund transfers to the General Fund and the Highway Fund of the State for various purposes; and (4) making loans to the Highway Fund for the purposes of cash management (currently expected to be repaid within four years without interest). HTF funds may also be used to pay operating and maintenance costs for certain tolled facilities, if the revenues therefrom are inadequate and Highway Fund moneys are not available.

Debt Service. Funds in the HTF have been used to pay debt service on the State's Build NC Bonds issued for highway purposes. As described in "General" above, the State issued its 2019 Build NC Bonds in the principal amount of \$300,000,000 and its 2020 Build NC Bonds in the principal amount of \$700,000,000. Funds in the HTF have historically been used to pay debt service on the State's general obligation bonds issued for highway purposes. The last general obligation authorization to fund transportation projects occurred in 1996, and were fully retired on June 1, 2020

Statutory Commitments. In addition to the State Appropriated Revenues to the Authority for the Monroe Expressway System, the General Assembly has also committed to an annual transfer to the Authority of \$25,000,000 to be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the Triangle Expressway System. Nothing contained in the General Statutes prohibits the General Assembly from amending the above appropriations at any time to increase, decrease or eliminate the amount annually appropriated to the Authority.

The General Assembly also has committed to an annual transfer to the North Carolina State Ports Authority (the "Ports Authority") in the amount of \$45 million for the purpose of (i) paying debt service or related financing costs and expenses on revenue bonds or notes issued by the Ports Authority and (ii)

* Updated since the Official Statement dated November 19, 2020.

financing capital projects. This amount is funded from the HTF, which began in State fiscal year 2018, and to date has been spent on capital projects.

**Debt Service and Statutory Commitments Paid from the Highway Trust Fund
(\$ in Thousands)**

State Fiscal Year Ended June 30	Total HTF Revenue	Debt Service Paid⁽¹⁾	Coverage Ratio⁽²⁾	Annual Statutory Commitments⁽³⁾	Coverage Ratio⁽⁴⁾
2010	\$914,882	\$77,631	11.785	\$25,000	8.91
2011	977,107	84,263	11.596	49,000	7.33
2012	1,068,826	79,232	13.490	49,000	8.34
2013	1,127,881	81,481	13.842	49,000	8.64
2014	1,180,460	73,092	16.150	49,000	9.67
2015	1,246,102	59,615	20.902	49,000	11.47
2016	1,435,659	48,620	29.528	49,000	14.71
2017	1,504,272	61,012	24.655	49,000	13.67
2018	1,541,936	52,161	29.561	94,000	10.55
2019	1,605,876	50,036	32.094	94,000	11.15
2020*	1,560,527	116,130	13.438	94,000	7.43

*Audited. Updated since the Official Statement dated November 19, 2020.

Source: NCDOT

- (1) Includes debt service on general obligation issues for all fiscal years shown and debt service on the 2019 Build NC Bonds for the fiscal year ended June 30, 2020.
- (2) Total HTF Revenue/Debt Service Paid.
- (3) Includes annual statutory commitments to the Authority in the fiscal years ended June 30, 2010-2020. For the fiscal years ended June 30, 2018-2020, it also includes \$45 million to the State Ports Authority.
- (4) Total HTF Revenue/Debt Service and Annual Statutory Commitments Paid.

**DEBT SERVICE PAYMENTS REMAINING⁽¹⁾
TO BE PAID FROM THE HIGHWAY TRUST FUND
(\$ IN THOUSANDS)**

State Fiscal Year Ending June 30	Debt Service on Other Obligations
2021	\$69,257
2022	93,042
2023	93,048
2024	93,048
2025	93,043
2026	93,046
2027	93,044
2028	93,041
2029	93,040
2030	93,047
2031	93,043
2032	93,045
2033	93,045
2034	93,044
2035	64,864

(1) Debt service on the 2019 Build NC Bonds and 2020 Build NC Bonds.

Operating, Maintenance and Other Expense Contingent Obligations. Operating and maintenance costs of the Authority are also eligible administrative expenses of the HTF if toll revenues and Highway Fund moneys are not available. Any funds allocated to the Authority for such uses are to be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. After the Authority begins collecting tolls on a completed turnpike project, interest accrues on any unpaid balance owed to the HTF at a rate equal to the State Treasurer's average annual yield on its investment of HTF funds pursuant to North Carolina General Statutes Section 147-6.1. No such support for completed Authority projects has been necessary beyond planned minor amounts in initial operating periods.

On the I-77 Express Lane Project (a public-private partnership type project north of Charlotte), NCDOT has committed up to \$75 million of contingent support in the form of the Developer Ratio Adjustment Mechanism ("DRAM") with a \$12 million annual cap. Any required payments would come from the HTF. The DRAM acts as a contingent subsidy during operations to help protect I-77 creditors in case of shortfalls during times of inconsistent or weaker than expected toll revenues. If necessary, the DRAM will be used to return the project to a Total Debt Service Coverage Ratio of 1.0x, covering not only operating costs but also debt service (senior debt service and debt service on a loan from the United States Department of Transportation) and funding reserve accounts to their required balances. The DRAM will be available until the earlier of (1) final maturity of the federal loan (currently scheduled for 2053 but subject to earlier payment in certain events) or (2) refinancing.

Capital Payments to the Authority. Capital costs of Authority projects can also be paid by NCDOT from the HTF. This can occur in four different ways – (1) payments for a project in the amount of a specified percentage of a federal loan for the project (colloquially known as a "State match"), (2) direct payments for a Authority project as a last component of full funding, if necessary, (3) payments pursuant to construction cost guaranty agreements, and (4) advances to the Authority for early project costs (usually land acquisition). Amounts described in (1) and (2) are not subject to repayment by the Authority. Amounts described in (3) are subject to repayment after the Authority begins collecting tolls on the project with interest on any unpaid balance owed to the HTF at a rate equal to the State Treasurer's average annual yield on its investment of HTF funds pursuant to North Carolina General Statutes Section 147-6.1. No payments under construction cost guaranty agreements relating to Authority projects have been required. Amounts described in (4) are also subject to repayment with interest after project completion but it is expected they will be repaid at the time the Authority completes financing of the project. The only Authority project in progress but not completed is the extension of the Triangle Expressway System (known as Complete 540). A State match has been made and construction cost guaranty agreements have been executed by NCDOT with respect to that project.

Transfers. Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management or legislative requirements. Transfers are not loans and no interest is due thereon.

The following table shows transfers, including interfund transfers, in and out of the HTF over the past six fiscal years:

**Transfers In and Out of the Highway Trust Fund
(\$ in Thousands)**

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020^{(1)*}</u>	<u>FY 2021^{(2)*}</u>
<u>Transfers In</u>							
General Fund	-	-	-	-	-	\$626	-
Highway Fund	-	-	-	-	-	-	-
Turnpike Authority ⁽³⁾⁽⁴⁾	-	-	\$88,566	-	-	95,832	-
<u>Transfers Out</u>							
General Fund ⁽⁴⁾	\$430	\$485	\$426	\$433	\$402	\$391	\$104
Highway Fund ⁽⁴⁾	31,701	31,044	29,637	28,717	31,032	\$31,799	18,619
Ports Authority ⁽⁵⁾	-	-	-	45,000	45,000	45,000	-
Turnpike Authority ⁽⁵⁾	49,000	49,000	49,000	49,000	49,000	49,000	24,500
Turnpike Authority ⁽⁶⁾	13,238	10,385	-	1,779	18,808	122,713	1,542
Total Transfers Out	\$94,369	\$90,915	\$79,063	\$ 124,929	\$144,242	\$248,903	\$44,766

Source: NCDOT

- (1) Audited.
- (2) Unaudited numbers for the period July 1, 2020 through January 31, 2021.
- (3) Repayment of amounts spent on the Authority's Monroe Expressway System from GARVEE Bond proceeds when use of proceeds changed to other projects.
- (4) Interfund transfers.
- (5) Annual Statutory Commitments.
- (6) Other funds transferred to the Authority, which includes administrative expenditures and project participation.

Cash Management of the HTF and the Highway Fund.

Target Range. The North Carolina General Assembly has passed laws designed to encourage NCDOT to use cash balances to accelerate transportation projects. Section 143C-6-11(k)(1) requires NCDOT to utilize cash flow financing to the extent possible to fund transportation projects with the goal of reducing the combined average daily cash balance of the Highway Fund and the HTF to an amount equal to between fifteen and twenty percent (15-20%) of the total appropriations for the current fiscal year from those funds. Any federal funds are not considered as cash for purposes of this goal. In 2019 the North Carolina General Assembly amended Section 143C-6-11 to require that no later than the 15th day of the month, if the combined average daily cash balance is outside of this target goal, NCDOT shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the reasons why the cash balance is outside the target range, the actions to be taken by NCDOT to bring the cash balance into the target range and the estimated amount of time it will take for the cash balance to return to the target range.

In addition to a targeted ceiling, Section 143C-6-11(f) requires NCDOT to maintain an available cash balance in the HTF and Highway Fund at the end of each month equal to at least seven and one-half percent (7.5%) of the total appropriation for the current fiscal year from the Highway Fund and HTF (such 7.5% being \$293 million in State fiscal year 2019-2020 and \$267 million in State fiscal year 2020-2021). In the event the cash position is not maintained, no further transportation project commitments may be entered into until the cash balance has been regained. NCDOT may, however, modify or supplement transportation contract commitments for existing transportation projects that (1) result in a savings from the

* Updated since the Official Statement dated November 19, 2020.

total estimated project cost of the existing commitment, based on cost-savings analysis or (2) relate to the needs of an existing transportation project for it to continue. Any federal funds are not considered as cash for purposes of this requirement. The balance in the HTF was below the statutory minimum as of the end of July, August, and September 2020 but was above the statutory minimum as of the end of October 2020 through the end of January 2021. The Highway Fund was below the statutory minimum as of the end of July 2020 but was above the statutory minimum as of the end of August 2020 through the end of January 2021. See "CERTAIN RISKS OF OWNERS – Impact of the Coronavirus on NCDOT and the HTF".

As part of the legislation adopted in 2019, the North Carolina General Assembly established a requirement that NCDOT publish for public review a weekly report of NCDOT's cash position, which is called "Cash Watch Numbers." NCDOT is required to issue a press release and post the report to NCDOT's website. As part of the report, NCDOT includes the cash balances of each of the HTF and Highway Fund. The requirements for the cash watch week report were revised by Session Law 2020-91 but NCDOT must continue to report unreserved cash balances in each of the Highway Fund and HTF.

Loans Between Highway Fund and HTF. In order to allow NCDOT to minimize the amount of working capital needed to fund transportation projects and prevent excessive cash balances, the statutes provide for short-term loans between the Highway Fund and the HTF. Such loans are separate from transfers – see Note 10 of the State's Comprehensive Annual Financial Report, which can be found at www.osc.nc.gov. The current loans from the HTF to the Highway Fund address demands on Highway Fund working capital related to disaster recovery efforts, and the acceleration of transportation projects, particularly projects funded through the federal advance construction process. Such loans are currently expected to be repaid to the HTF within four years without interest.

Session Law 2019-251 directed NCDOT to transfer \$100,000,000 in nonrecurring funds as a loan from the HTF to the Highway Fund. A \$50,000,000 transfer was to be made on or before February 1, 2020 and a \$50,000,000 transfer was to be made on or before May 1, 2020. NCDOT made and repaid a \$100,000,000 loan from the HTF to the Highway Fund in September 2020.

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Cash Balance Table^{(1)*}
(\$ in Thousands)

Month End	Highway Fund	Highway Trust Fund	Total⁽²⁾	HTF Loans to HF (Outstanding Amount)
June 2014	\$400,388	\$ 837,169	\$1,237,557	-
June 2015	373,063	1,121,310	1,494,374	-
June 2016	359,649	1,432,521	1,792,170	-
June 2017	420,658	1,746,773	2,167,432	-
March 2018	157,103	1,711,767	1,868,870	-
April 2018	103,093	1,630,588	1,733,682	\$ 60,000
May 2018	106,794	1,488,527	1,595,321	165,000
June 2018	99,797	1,360,957	1,460,754	275,000
July 2018	98,968	1,254,248	1,353,216	355,000
August 2018	100,766	1,039,225	1,139,991	540,000
September 2018	103,415	918,400	1,021,816	640,000
October 2018	96,945	714,186	811,132	810,000
November 2018	125,753	458,684	584,437	1,010,000
December 2018	95,472	309,174	404,646	1,110,000
January 2019	94,309	383,087	477,397	1,110,300
February 2019	96,840	375,061	471,901	1,110,300
March 2019	137,746	319,166	456,912	1,110,300
April 2019	114,955	285,521	400,476	1,140,300
May 2019	250,897	277,548	528,445	1,140,300
June 2019	255,774	260,352	516,116	1,140,300
July 2019	167,352	330,619	497,971	1,140,300
August 2019	192,573	280,457	473,030	1,140,300
September 2019	272,620	254,436	527,056	1,140,300
October 2019	202,402	268,713	471,115	1,140,300
November 2019	156,543	269,794	426,337	1,140,300
December 2019	244,412	308,480	552,892	1,140,300
January 2020	194,005	289,521	483,526	1,140,300
February 2020	201,438	251,450	452,888	1,140,300
March 2020	272,408	167,867	440,275	1,140,300
April 2020	255,351	108,048	363,399	1,090,300
May 2020	191,572	170,144	361,716	990,300
June 2020	206,363	148,423	354,786	990,300
July 2020	262,520	260,553	523,073	990,300
August 2020	316,880	250,465	567,345	990,300
September 2020	319,874	293,496	613,370	940,300
October 2020	388,837	311,849	700,686	920,300
November 2020	528,605	487,168	1,015,773	920,300
December 2020	592,843	477,794	1,070,637	920,300
January 2021	700,521	563,940	1,264,461	890,300

Source: NCDOT

⁽¹⁾ This is a cash basis table and accordingly the balances shown herein are different from the balances shown below in the tables under "Summary Financial Information" which are on an accrual basis.

⁽²⁾ Totals may differ due to rounding.

* Updated since the Official Statement dated November 19, 2020.

The decline in total cash balance in the two funds is primarily the result of efforts to accelerate construction activities. As between the two funds, the cash balance of the Highway Fund would be significantly lower (and the HTF higher) if the loans for cash management purposes had not occurred. Such loans have no effect on the aggregate cash balance of the funds and therefore have no impact on either the Build NC Bond Act's requirements relating to balances or the limitations discussed below. Without taking into account additional revenue sources for the Highway Fund, it is currently expected such loans will be repaid to the HTF within the next four years without interest.

With the increase in cash management loans noted above, in connection with the 2019 Build NC Bonds, the State Treasurer, NCDOT and the State Office of State Budget and Management determined that a memorandum of understanding concerning the procedures, including reporting and notification provisions, and documentation for such loans and any interfund transfers to or from the HTF, would be entered into prior to the issuance of any additional Build NC Bonds. The Department of State Treasurer, NCDOT, the Office of State Budget and Management and the Office of State Controller have entered into a Memorandum of Agreement Respecting Cash Management of the Highway Fund and the Highway Trust Fund and Cash Management of Build NC Bonds Proceeds, which became effective October 2, 2020.

NCDOT Financial Reviews

McKinsey & Company

In May 2019 the Office of State Budget and Management initiated a third-party diagnostic review of NCDOT's fiscal and project management systems and processes. Consulting firm McKinsey & Company conducted such review, which was completed in July 2019.

The key findings of the report included the following:

- (1) Revenue streams for infrastructure construction are at risk as gas prices remain low and drivers have become less dependent on gas-powered vehicles.
- (2) The increased frequency of natural disasters in recent years has increased costs in an unpredictable manner and impacted cash reserves.
- (3) Construction projects have become more complex. Combined with threats of litigation, projecting costs has become more difficult.

McKinsey's recommendations included the following:

- (1) NCDOT should continue to refine its forecasting methodology to reduce budget overruns.
- (2) Contracting practices should be improved with less reliance on multi-year contracts to provide greater project and budget flexibility.
- (3) Organizational performance metrics and governance should be improved to ensure budget accountability across departmental divisions.
- (4) NCDOT should increase its use of data to improve organizational agility and improve its controls for budget accountability.

Office of State Auditor

In November 2019, the General Assembly passed Session Law 2019-251, which, among other things, directed the Office of State Auditor to conduct a performance audit of NCDOT. Key findings included in the performance audit released in May 2020 were that NCDOT had planned to spend approximately \$5.94 billion in the fiscal year ended June 30, 2019 but had exceeded that amount by \$742 million (12.5%) and that NCDOT was in danger of falling below the statutory floor which requires NCDOT to maintain an available cash balance in the HTF and Highway Fund at the end of each month equal to at least 7.5% of the total appropriation for the current fiscal year from the HTF and Highway Fund. The consequence of falling below the statutory floor is that no further transportation project commitments may be entered into until the statutory floor has been regained. The statutory floor for the fiscal year ended June 30, 2020 was \$293 million. The balance in the HTF and Highway Fund fell below the statutory floor at the end of April, May and June 2020. A copy of the State Auditor's performance audit can be found at <https://www.auditor.nc.gov/EPSTWeb/reports/performance/PER-2020-4200.pdf>.

The audit made certain specific recommendations, as well as certain matters for consideration. The specific recommendations include:

- (1) NCDOT should base its spending plan on specific projects and operations schedule for the fiscal year
- (2) The Chief Engineer's Office should formally monitor each highway division's spending on a regular basis throughout the fiscal year to ensure that highway divisions do not overspend, particularly for operations & maintenance, preliminary engineering, and disasters.
- (3) The Chief Engineer's Office should delay contract approvals, implement mid-year budget reductions or take other corrective actions whenever highway divisions are overspending budgeted allocations. The Chief Engineer should consider requiring any necessary corrections on a quarterly basis.

Recent Developments

Spend Plan

Session Law 2020-91 requires NCDOT to develop a comprehensive cash-spending plan (the "Spend Plan") to spend money from any source, including federal funds and Build NC Bond proceeds. NCDOT is required to present the Spend Plan to the BOT, the newly created position of Transportation Oversight Manager at the Office of State Budget and Management and the State Budget Director for approval. Within 30 days of receipt of the Spend Plan, the BOT, the Transportation Oversight Manager and the State Budget Director shall either approve the Spend Plan or report any objections to the Spend Plan with specificity and reasons for objections to various members of the General Assembly and the Fiscal Research Division if the General Assembly is not in session.

Spending Controls

NCDOT continues to examine the mechanisms it has in place to ensure that spending stays within the Spend Plan and budgeted levels. Starting in fall 2019, expenditures for each highway division greater than \$500 require the approval of the Chief Engineer's Office, and commencing at the end of 2020, this amount was increased to \$2,500. Starting in December 2019, NCDOT began implementing a plan whereby the 14 highway divisions submit quarterly expenditure forecasts with sufficient project detail to allow the Chief Engineer's Office and the respective Highway Division Engineer to compare and monitor actual spending versus the forecasted spending plan. Each Highway Division Engineer is tasked with reviewing

their division's spend plan dashboard more frequently. The Chief Engineer conducts monthly meetings with Division Engineers to discuss operations and maintenance program budgets and expenditures. Adjustments to spending plans will be made on a quarterly basis. Starting with the fiscal year ended June 30, 2020, each highway division receives a six-month allocation, which allows the Chief Engineer to adjust the allocation for the second six months of the fiscal year based on available revenue and expenditure forecasts.

Since August 2020 NCDOT's cash dashboard is updated daily. The Secretary and Chief Financial Officer receive a daily email reporting cash balances and accounts payable.

Session Law 2020-91 also established the position of Transportation Oversight Management within the Office of State Budget and Management. The duties for this position include, but are not be limited to: monitoring and assisting NCDOT in developing the NCDOT budget and Spend Plan, monitoring NCDOT's finances and spending, collaborating on assessing risks to NCDOT finances, and making revenue and cash projections, and ensuring the NCDOT budget is executed consistent with the State Budget Act and other statutes governing NCDOT finances. The position of Transportation Oversight Management was filled in January 2021.*

Among other things, Session Law 2020-91 also requires the Office of State Auditor to conduct a performance audit of NCDOT each year. The performance audit shall include an examination of the following: (1) budget adherence by department, division and highway division; (2) timeliness of federal reimbursement requests and timeliness of NCDOT's responses to any federal requests for additional information or action; (3) NCDOT controls and oversight of divisions and highway divisions as to cash management, project coordination and delivery and budget adherence; (4) efficacy of communication and coordination within NCDOT; (5) efficacy of cash management by NCDOT; and (6) other items the State Auditor deems relevant to study, including implementation of the provisions of Session 2020-91.

NC First Commission

The NC First Commission was created in March 2019. This 14-member commission was tasked with evaluating the State's current and future transportation investment needs and advising the Secretary of new or better ways to ensure that critical financial resources are available in the future. The NC First Commission submitted its final report to the Secretary on January 8, 2021. The report includes a series of revenue and finance options that will modernize and diversify how transportation is funded.*

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* Updated since the Official Statement dated November 19, 2020.

Summary Financial Information

A summary, prepared by NCDOT, excluding federal and departmental receipts and expenditures, of the actual revenues and expenditures for the 2018-19 and 2019-2020 fiscal years and the authorized budget amounts for the 2020-21 fiscal year is presented below:

Highway Trust Fund (\$ in Millions)

	<u>Actual 2018-19</u>	<u>Actual 2019-20*</u>	<u>Authorized 2020-21</u>
Beginning Balance, July 1	\$1,659.2	\$ 1,732.2	\$1,222.6
Revenue	1,606.2	1,561.2	1,230.9
Interfund Transfer ⁽¹⁾	(31.4)	(31.6)	(35.6)
Interfund Transfer (NC Turnpike Authority GAP Funds) ⁽²⁾	(49.0)	(49.0)	(49.0)
Interfund Transfer (NC Turnpike Authority Project Participation)	(18.8)	(26.9)	-
Total Available Funds	\$3,166.22	\$3,185.9	\$2,368.9
Expenditures and Obligations			
Current Operations	\$1,434.0	\$1,963.3	\$1,146.3
Ending Fund Balance, June 30	\$1,732.2	\$1,222.6	\$1,222.6

* Audited. Updated since the Official Statement dated November 19, 2020.

Source: North Carolina Office of State Budget and Management (OSBM).

⁽¹⁾ Includes transfers to the General Fund and the Highway Fund.

⁽²⁾ The General Assembly has committed to an annual transfer to the Authority from the HTF in the amount of \$49 million. \$24,000,000 is to be used for the Monroe Expressway System (referred to herein as the State Appropriated Revenues), and \$25,000,000 of which is to be used with respect to the Triangle Expressway System.

Highway Fund (\$ in Millions)

	<u>Actual 2018-19</u>	<u>Actual 2019-20*</u>	<u>Authorized 2020-21</u>
Beginning Balance, July 1	\$(390.0)	\$(595.6)	\$(330.2)
Revenue	2,439.9	2,353.4	2,333.4
GARVEE Bond Proceeds	719.0	-	-
Energy Savings Loan	-	-	-
Interfund Transfer ⁽¹⁾	117.1	287.6	-
Total Available Funds	\$2,886.0	\$2,045.4	\$2,003.2
Expenditures and Obligations			
Current Operations	\$3,270.1	\$2,131.6	\$2,314.9
GARVEE Bond Expenditures	71.8	182.5	-
Interfund Transfer (General Fund)	116.9	43.2	18.5
Capital Improvements	22.8	18.3	-
Total Expenditures and Obligations	\$3,481.6	\$2,375.6	\$2,333.4
Ending Fund Balance, June 30	\$(595.6)	\$(330.2)	\$(330.2)

* Audited. Updated since the Official Statement dated November 19, 2020.

Source: North Carolina Office of State Budget and Management (OSBM).

⁽¹⁾ Includes transfers to the HTF and other small funds.

Litigation

The Transportation Corridor Official Map Act (Map Act) was enacted in 1987 to provide the NCDOT with the authority to record corridor maps that imposed restrictions on a landowner's rights to improve, develop, and subdivide property within the corridor, which restrictions may remain indefinitely. The Map Act did not require NCDOT to purchase the property at the time of the filing of a future corridor map. Starting in 1989, NCDOT filed 27 separate maps that affected approximately 8,500 parcels of land. In June of 2016, the North Carolina Supreme Court ruled that the filing of a transportation corridor map pursuant to the Map Act resulted in a taking of the property owners' rights to improve, develop and subdivide their property. Under State law, whether a property owner should be paid for the property -- and how much -- are determined on a case-by-case basis. NCDOT completed 15 road projects involving approximately 3,500 of these parcels more than two years ago, which should bar any claims for damages due to the statute of limitations. Of the 5,000 parcels that remained vulnerable to an inverse condemnation claim due to Map Act restrictions, NCDOT has acquired approximately 3,900* parcels through either direct acquisition of the property or settlement of inverse condemnation lawsuits at a total cost of approximately \$730* million. Of the remaining Map Act parcels, approximately 176* parcels are subject to active litigation. At this time, it is not possible to project the amount of the total Map Act liability; however, NCDOT currently estimates that it will cost approximately \$165* million to settle the remaining filed claims. The acquisition of additional parcels through the normal right of way process and the settlement of any additional claims that may be filed are not accounted for within that estimate. To date, Map Act acquisitions have been paid from the HTF.

Other than as described herein, in the opinion of NCDOT, none of the legal proceedings, individually or in the aggregate, currently pending, or to the knowledge of NCDOT threatened against NCDOT, will result in a material adverse effect on the financial condition of the HTF.

Interest Subsidy Payments

In 2009, Congress added Sections 54AA and 6431 to the Code to permit state or local governments to obtain certain tax advantages when bonds are issued as "Build America Bonds." An issuer of a Build America Bond could apply to receive payments ("Interest Subsidy Payments") directly from the Secretary of the United States Treasury. The amount of an Interest Subsidy Payment was set in the Code at 35% of the corresponding interest payable on the related Build America Bond, subject to sequestration under federal budget rules. The Authority elected to treat the Series 2010A Bonds as Build America Bonds. The Interest Subsidy Payments received by the Authority constitute Revenues under the Trust Agreement and are pledged under the Trust Agreement to the repayment of the Appropriation 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; compliance by the Authority with certain requirements (which it has covenanted to do) and offset against certain amounts that may, for unrelated reasons, be owed by the Authority or the State to an agency of the United States of America.

In no event shall there be any acceleration of payment of principal of or interest on the Series 2021 Bonds as a result of the occurrence of any Event of Default under the Trust Agreement.

Reserve Fund

The Trust Agreement created the Reserve Fund with respect to the Appropriation Bonds issued pursuant to the Trust Agreement. Such Reserve Fund, upon issuance of the Series 2010A Bonds, was funded to the extent of the Reserve Fund Requirement, which is the amount that is equal to the maximum Interest

* Updated since the Official Statement dated November 19, 2020.

Subsidy Payments expected to be received in the current or any future fiscal year. The amount currently on deposit in the Reserve Fund is approximately \$4,386,500, and such amount is expected to decline each fiscal year as the amount of the remaining Interest Subsidy Payments reduces, thus reducing the Reserve Fund Requirement, since such requirement is calculated as the maximum annual remaining Interest Subsidy Payments.

The Trustee is directed to use amounts in the Reserve Fund to make transfers to the Interest Account to remedy any deficiency therein. Amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be transferred from the Reserve Fund to the Interest Account and used to pay interest on Appropriation 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 Appropriation Bonds, (a) for the purpose of refunding any Appropriation Bonds or any such refunding bonds and paying costs incurred in connection therewith, or (b) for purposes of paying additional costs of the Monroe Expressway System. Additional Appropriation Bonds may only be issued upon compliance with certain conditions including the delivery to the Trustee of a certificate of the chief financial officer of the Authority to the effect that during the term of the Appropriation Bonds and any such additional Appropriation Bonds, the amount of expected State Appropriated Revenue is expected to be at least 100% of the net debt service, after Interest Subsidy Payments, on all outstanding Appropriation Bonds and additional Appropriation Bonds.

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Annual Debt Service Requirements

The following table shows the debt service total for the unrefunded Series 2011 Bonds, the Series 2010A Bonds, and the Series 2021 Bonds. All of such obligations are payable from the State Appropriated Revenues.

Fiscal Year Ending June 30 ⁽¹⁾	Series 2021 Bonds		Series 2010A Bonds Debt Service ⁽²⁾	Series 2011 Bonds Debt Service ⁽³⁾	Total ⁽⁴⁾
	Principal	Interest			
2021		\$873,434	\$8,238,380	\$13,909,653	\$23,021,467
2022	\$1,390,000	3,699,250	16,494,150		21,583,400
2023	1,465,000	3,629,750	16,486,501		21,581,251
2024	2,525,000	3,556,500	16,476,406		22,557,906
2025	2,655,000	3,430,250	16,469,221		22,554,471
2026	2,785,000	3,297,500	16,460,370		22,542,870
2027	2,930,000	3,158,250	16,447,807		22,536,057
2028	3,075,000	3,011,750	16,438,220		22,524,970
2029	3,230,000	2,858,000	16,426,163		22,514,163
2030	3,390,000	2,696,500	16,416,191		22,502,691
2031	3,555,000	2,527,000	16,407,770		22,489,770
2032	3,740,000	2,349,250	16,391,557		22,480,807
2033	3,920,000	2,162,250	16,381,790		22,464,040
2034	4,120,000	1,966,250	16,366,597		22,452,847
2035	4,320,000	1,760,250	16,355,432		22,435,682
2036	4,540,000	1,544,250	16,337,752		22,422,002
2037	4,770,000	1,317,250	16,323,011		22,410,261
2038	5,005,000	1,078,750	16,310,485		22,394,235
2039	5,255,000	828,500	16,294,538		22,378,038
2040	5,520,000	565,750	16,279,534		22,365,284
2041	5,795,000	289,750	16,259,839		22,344,589
TOTAL	<u>\$73,985,000</u>	<u>\$46,600,434</u>	<u>\$336,061,713</u>	<u>\$13,909,653</u>	<u>\$470,556,800</u>

⁽¹⁾ Debt service amounts for each Fiscal Year reflect payments due on the following July 1.

⁽²⁾ Net of Interest Subsidy Payments with sequestration at the current percentage assumed.

⁽³⁾ Excludes the Refunded Bonds.

⁽⁴⁾ Any State Appropriated Revenues remaining after payment of debt service on the Appropriation Bonds, and any additional bonds issued under the Trust Agreement from time to time, are transferred to the General Revenue Bond Trust Agreement Revenue Fund.

RISK FACTORS

Nature of the State's Payment Obligation to the Authority

North Carolina General Statutes Section 136-176 provides for a continuing annual appropriation of \$24,000,000 from the HTF to the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Monroe Expressway System. Such transferred funds are the "Revenues" from which debt service on the Series 2021 Bonds must be paid under the Trust Agreement. The North Carolina General Assembly has the right to amend the statute to reduce or eliminate the appropriation. The State's obligation to make such transfer to the Authority is not a general obligation of the State, and the taxing power of the State is not pledged directly or indirectly to secure any Bonds issued by the Authority under the Trust Agreement.

The General Assembly passed a budget on June 27, 2019, which was vetoed by the Governor on June 28, 2019. The General Assembly has not had sufficient votes to override the veto. Accordingly, the State is operating under Section 143C-5-4 of the North Carolina General Statutes which authorizes and appropriates funds to continue operations at a level not to exceed the level of recurring expenditures from the prior fiscal year. In addition, the General Assembly has passed a series of "mini budget bills."

Limitation and Enforceability of Remedies

The remedies available to Owners of the Series 2021 Bonds upon an Event of Default under the Trust Agreement are limited to the seeking of specific performance or a writ of mandamus or other suit, action or proceeding compelling and requiring the Authority and its officers to observe and perform any covenant, condition or obligation prescribed in the Agreement. ACCELERATION IS NOT A REMEDY AVAILABLE TO OWNERS OF THE SERIES 2021 BONDS. See Appendix A – "Definitions of Certain Terms and Summary of the Trust Agreement – The Trust Agreement – Default Provisions - Remedies."

If at any time the money in the Interest Account, the Principal Account and the Sinking Fund Account of the Debt Service Fund or money in the Reserve Fund is not sufficient to pay the interest on or the principal of the Appropriation Bonds, and any additional bonds issued under the Trust Agreement from time to time, as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purposes whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, will be applied 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, second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that will have become due and payable in the order of their due dates.

The remedies available under the Trust Agreement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2021 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Economy of the State/Impact of the Coronavirus

The availability of revenues in the HTF is dependent on a number of economic factors. The revenues deposited to the HTF may fluctuate based on, among other things, the condition of the State and national economies, population growth, income and employment levels, levels of tourism, fuel prices, vehicle fuel efficiency, road conditions and the availability of other modes of transportation. In addition, in most of the years since creation of the HTF, the General Assembly made significant transfers from the HTF to the General Fund. Effective fiscal year 2013-2014, significant transfers were eliminated. A downturn in the economy could result in the General Assembly again making significant transfers from the HTF to the General Fund. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the availability of revenues in the HTF to make payments on the Series 2021 Bonds.

The COVID-19 pandemic, the measures taken to reduce it and the reactions to it, are anticipated to adversely impact state, national and global economic activities and, accordingly, adversely impact the financial condition of the State and such impact could be material. Because the effects of the pandemic and the duration and breadth are not yet known, the total economic impact on the State cannot be determined at this time.

Impact of the Coronavirus on NCDOT and the HTF

Prior to the pandemic, NCDOT was experiencing challenges managing its cash flow that raised concerns that the balance in the HTF and Highway Fund would fall below the statutory floor. As a result of COVID-19, these challenges became more severe. The pandemic is expected to have an adverse impact on the financial condition of the HTF, which could be material. NCDOT experienced a shortfall of approximately \$209.4 million for the fiscal year ended June 30, 2020, with \$197.2 million of that a result of reduced Motor Fuels Tax revenue. See "THE HIGHWAY TRUST FUND – Revenue Sources – Impact on COVID-19 on Revenue Sources." As a result of economic conditions arising from the pandemic, COVID-19 is expected to continue to have a negative impact on Motor Fuels Tax and Highway Use Tax revenues beyond the fiscal year ended June 30, 2020. Lower levels of employment and tourism, for example, result in fewer motorists on the road and fewer car sales and leases.

In May 2020, the Office of State Budget and Management and the Fiscal Research Division of the General Assembly released a revised consensus revenue forecast in which they reduced previously forecasted consensus revenues for the Highway Fund and HTF for the fiscal year ending June 30, 2021 by \$513 million. Based on this forecast, revenues deposited in the Highway Fund and HTF would be down 4.5% from revenues for the fiscal year ended June 30, 2020 (unaudited and adjusted for certain numbers not included in forecasted revenues). By fund, revenues would be down 2.1% in the Highway Fund and 8.0% in the HTF. This forecast assumed that 29% of the Motor Fuels Tax was to be deposited into the HTF and 71% was to be deposited in the Highway Fund during the fiscal year ending June 30, 2021. Pursuant to Session Law 2020-91, during the fiscal year ending June 30, 2021, the percentage of Motor Fuels Tax revenues to be deposited in the HTF was reduced from 29% to 19% and the percentage of Motor Fuels Tax revenues to be deposited in the Highway Fund was increased from 71% to 81%. This forecast assumed a motor fuels tax rate of 35.2¢ for the 2021 calendar year based on the statutory formula. Session Law 2020-91, which was passed into law in July 2020, provides that notwithstanding the statutory formula, the rate for calendar year 2021 will not be less than 36.1¢ per gallon. This change is expected to have a \$20.2 million positive effect on revenues for the fiscal year ending June 30, 2021.

In a press release from April 21, 2020, NCDOT leaders said they are taking immediate steps to reduce expenses, including laying off around 300 temporary and embedded consultants, suspending or decreasing many programs and services and instituting a hiring freeze for any positions that do not affect public safety. On May 18, 2020, NCDOT announced plans for furloughs of permanent workers. In addition, all but about 50 major projects scheduled to start in the 12 months following April 2020 were delayed.

In February 2021, the Office of State Budget and Management and the Fiscal Research Division of the General Assembly released a revised consensus revenue forecast in which they reduced previously forecasted consensus revenues for the Highway Fund and HTF for the fiscal year ending June 30, 2021 by \$31.1 million. In May 2020 the Office of State Budget and Management was forecasting a \$513 million drop in total revenues from the original budget. The improvement in the forecast is in part due to the Motor Fuels Tax and DMV revenues shifting from Fiscal Year 2020 into Fiscal Year 2021 and Highway Use Tax performing better than anticipated as a result of federal stimulus, low interest rates, favorable financing and a shift in consumer spending away from non-taxable services to taxable goods, like vehicles. This revised

consensus revenue forecast has an increase in revenue from the May 2020 forecast of 4.0% for Fiscal Year 2022 and an increase of 2.4% in Fiscal Year 2023.*

Uncertainty is inherent in all revenue forecasts but the level of uncertainty in the May 2020 forecast was especially high due to the unknown future course of the COVID-19 pandemic. The current forecast is contingent upon no major resurgence of COVID-19 cases in North Carolina or the United States.

Even prior to the pandemic, NCDOT experienced challenges managing its cash flow. In 2020, NCDOT expected these challenges to become more severe as a result of the pandemic. In order to maintain the statutory minimum amount of cash, NCDOT has generally paid the oldest accounts payable first based on when invoices were received. For a discussion of the statutory minimum, see "THE HIGHWAY TRUST FUND – Revenue Sources – Cash Management of the HTF and the Highway Fund." As of January 31, 2021, the Highway Trust Fund has experienced positive growth due to revenues greater than estimates and the impact of lower expenses. NCDOT has delayed certain projects to ensure funds are managed and will continue to do so as needed.*

CONTINUING DISCLOSURE

In the Second Supplemental Trust Agreement, the Authority will undertake, for the benefit of the beneficial owners of the Series 2021 Bonds, to provide to the Municipal Securities Rulemaking Board (the "MSRB"):

(a) by not later than seven months from the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2021*, audited financial statements of the Authority for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, 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;

(b) by not later than seven months from the end of each fiscal year of the State, commencing with the fiscal year ending June 30, 2021, financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the tables in this Official Statement under the section "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2021 BONDS – Highway Trust Fund" listed below, to the extent such items are not included in the financial statements referred to in (a) above:

- (i) "Highway Trust Fund Tax and Non-Tax Revenue"
- (ii) "Debt Service and Statutory Commitments Paid from the Highway Trust Fund"
- (iii) "Debt Service Payments Remaining to be Paid from the Highway Trust Fund"
- (iv) "Transfers In and Out of the Highway Trust Fund"
- (v) "Cash Balance Table"

* Updated since the Official Statement dated November 19, 2020.

* The Authority's audited financial statements for the fiscal year ended June 30, 2020 are available at <https://www.ncdot.gov/divisions/turnpike/investor/Documents/2020-ncta-cafr.p75.df>.

(vi) "Highway Trust Fund"

(vii) "Highway Fund"

(c) in a timely manner not in excess of ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the Series 2021 Bonds:

(i) principal and interest payment delinquencies;

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

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

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

(v) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issues (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Series 2021 Bonds, or other material events affecting the tax status of the Series 2021 Bonds;

(vi) defeasances;

(vii) rating changes;

(viii) tender offers;

(ix) bankruptcy, insolvency, receivership or similar proceeding by the Authority; and

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Authority, any of which reflect financial difficulties;

(d) within ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the Series 2021 Bonds, if material:

(i) non-payment related defaults;

(ii) modification to the rights of the beneficial owners of the Series 2021 Bonds;

(iii) bond calls, other than bond calls relating to mandatory sinking fund redemption;

(iv) release, substitution or sale of any property securing repayment of the Series 2021 Bonds;

(v) mergers, consolidations, acquisition and sales of assets (other than in the ordinary course of business);

(vi) appointment of a successor or additional trustee or a change in the name of the trustee;

(vii) legislation shall be filed with the North Carolina General Assembly by the Governor of North Carolina or legislation is reported out of a committee in either body of the

General Assembly which, if adopted in the form so filed or reported, would result in a reduction or delay in the receipt of \$24 million in State Appropriated Revenues in any Bond Year; and

(viii) an administrative action is taken by the Governor of North Carolina, NCDOT or any other agency or authority of the State which will result in a reduction or delay in the receipt of \$24 million in State Appropriated Revenues in any Bond Year; and

(ix) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; and

(e) within ten Business Days following the occurrence of a failure, 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.

For purposes of (c)(x) and (d)(ix) above, "financial obligation" means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 (as defined below).

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 Second Supplemental 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 2021 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 for the benefit of all beneficial owners of the Series 2021 Bonds.

Pursuant to the Second Supplemental 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:

(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 issued under the Securities Exchange Act of 1934, as it may be amended from time to time ("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 2021 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 2021 Bonds then outstanding 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 2021 Bonds.

During the previous five years, the Authority has not failed to comply, in all material respects, with its other undertakings relating to continuing disclosure of information pursuant to Rule 15c2-12 except as described in the following sentences. Although audited financial statements of the State were otherwise publicly available, the Authority did not link the audited financial statements of the State to certain of its issues for the Fiscal Year ended June 30, 2015, as required under certain of its prior undertakings, and did not file a notice of failure to file such audited financial statements of the State. In addition, the Authority was approximately 20 days late in filing such audited financial statements of the State under the requisite CUSIP numbers for the Fiscal Year ended June 30, 2016. For the Fiscal Year ended June 30, 2015, the Authority failed to file certain required operating data with respect to its outstanding bonds for the Triangle Expressway System, and did not file a notice of failure to file such operating data. For the Fiscal Years ended June 30, 2016 and 2017, the Authority failed to file certain required operating data with respect to the 2009 State Appropriation Bonds. The Authority has made notice filings with EMMA with respect to such failures to file and has filed the missing audited financial statements of the State and the missing operating data for each applicable Fiscal Year. The Authority has procedures in place to ensure timely filings pursuant to Rule 15c2-12, and has engaged Digital Assurance Certification, LLC ("DAC") to assist it in its continuing disclosure filings.

CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGMENTS AND RISKS WITH RESPECT TO THE SERIES 2021 BONDS

The following is a summary description of certain provisions of the Bond Purchase Agreement (Forward Delivery) (the "Forward Purchase Agreement") for the Series 2021 Bonds entered into on November 19, 2020 (the "Sale Date") among the Authority, the LGC and Citigroup, on behalf of itself and the other underwriters named therein. Subject to the terms of the Forward Purchase Agreement, the Authority is to issue and deliver the Series 2021 Bonds on April 6, 2021 (the "Delivery Date").

The obligation of the Underwriters to purchase the Series 2021 Bonds from the Authority is subject to the satisfaction of certain conditions on the Delivery Date. The conditions to be satisfied during the period from and including the Sale Date to and including the Delivery Date are, in general, comparable to those in connection with bond closings that utilize a standard two to three-week period between sale dates and settlement dates. Because of the forward delivery in connection with the sale and settlement of the Series 2021 Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond transactions that do not involve a forward delivery, and certain of those additional rights and conditions are summarized below. All of the conditions and termination rights with respect to the sale and settlement of the Series 2021 Bonds are set forth in the Purchase Contract for Forward Delivery Bonds, the form of which is attached as Appendix D (the "Forward Delivery Contract"), and all of the discussion under this caption is qualified by reference to such contract. ***Investors in the Series 2021 Bonds must execute and deliver to the Underwriters a Forward Delivery Contract.***

Delivery Date

The Underwriters' obligations under the Forward Purchase Agreement to purchase, accept delivery of and pay for the Series 2021 Bonds on the Delivery Date are conditioned upon the performance by the

Authority of its obligations thereunder, the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Delivery Date. The Underwriters may terminate the Forward Purchase Agreement without liability at any time after December 8, 2020 (the "Preliminary Closing Date") and on or prior to the delivery of and payment for the Series 2021 Bonds if any of the following shall occur during such period (the "Delayed Delivery Period"):

(a) any event occurring, or information becoming known which, in the judgment of Citigroup, has the effect that, this Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the Authority refuses to permit this Official Statement to be supplemented to supply such statement or information, or the effect of this Official Statement as so supplemented is to, in the judgment of Citigroup, materially adversely impact the market price or marketability of the Series 2021 Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering price, of the Series 2021 Bonds;

(b) as a result of a Change in Law or for any other reason, Bond Counsel does not expect to be able to issue an opinion as of the Delivery Date either (i) substantially in the form and to the effect set forth in Appendix B hereto or (ii) notwithstanding a Change in Law that prevents Bond Counsel from issuing an opinion substantially in the form and to the effect set forth in Appendix B hereto, that interest on the Series 2021 Bonds is not subject to any then currently imposed federal income tax and is not included as a specific preference item for purposes of federal alternative minimum tax;

(c) for any other reason, Bond Counsel does not expect to be able to issue an opinion substantially in the form and to the effect set forth in Appendix B hereto;

(d) as a result of a Change in Law that involves the enactment of federal legislation that applies only to "state or local bonds" (such as the Series 2021 Bonds) that are issued and delivered on or after the Preliminary Closing Date, the holder of a Series 2021 Bond is not able to utilize the full benefit of the exclusion from gross income for federal income tax purposes of interest payable on the Series 2021 Bonds;

(e) for any reason, including a Change in Law, the issuance, offering, or sale of the Series 2021 Bonds as contemplated by the Forward Purchase Agreement or by the Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended;

(f) an event of default has occurred and is continuing, technical or otherwise, under the Trust Agreement; or

(g) as of the Delivery Date, the Series 2021 Bonds are not rated (or any rating is suspended) by either Moody's Investors Service ("Moody's"), S&P Global Ratings, a division of S&P Global Inc. ("S&P") or Fitch Ratings ("Fitch").

If the holder of a Series 2021 Bond is not able to utilize the full benefit of the exclusion from gross income for federal income tax purposes of interest payable on the Series 2021 Bonds as a result of a change that applies to all "state or local bonds," regardless of when issued, the Underwriters will not have a right to terminate their obligation to purchase the Series 2021 Bonds under the Forward Purchase Agreement and the purchasers will be required to accept delivery of the Series 2021 Bonds.

"Change in Law" shall mean any of the following, which occur at any time after the Preliminary Closing Date and on or prior to the Delivery Date:

- (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies;
- (ii) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has an effective date which is on or before the Delivery Date);
- (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (whether or not such proposed or enacted law, rule or regulation has an effective date which is on or before the Delivery Date);
- (iv) any judgment, ruling or order issued by any court or administrative body,

which with respect to clauses (i) through (iv) hereof would (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from (1) accepting delivery of and paying for the Series 2021 Bonds in accordance with the provisions of the Forward Purchase Agreement or (2) selling the Series 2021 Bonds or beneficial ownership interests therein to the public, (B) as to the Authority, make the sale or issuance or delivery of the Series 2021 Bonds by the Authority illegal (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized), (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized), or (D) require the Series 2021 Bonds to be registered under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, or require the Trust Agreement or the Second Supplemental Trust Agreement to be qualified under the Trust Indenture Act of 1939, as amended, (or have the retroactive effect of requiring such registration or qualification if enacted, adopted, passed or finalized); or

- (v) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Series 2021 Bonds, is or would be, in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended.

NONE OF THE UNDERWRITERS (NOR, IN TURN, THE PURCHASERS OF THE SERIES 2021 BONDS FROM THE UNDERWRITERS) MAY REFUSE TO PURCHASE THE SERIES 2021 BONDS BY REASON OF "GENERAL MARKET OR CREDIT CHANGES," INCLUDING, BUT NOT LIMITED TO, (A) CHANGES IN THE RATINGS ASSIGNED TO THE SERIES 2021 BONDS ON THE PRELIMINARY CLOSING DATE OR (B) CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE AUTHORITY PRIOR TO THE DELIVERY DATE.

Additional Risks Related to the Delayed Delivery Period

DURING THE DELAYED DELIVERY PERIOD, CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY CHANGE IN A MATERIAL RESPECT. ANY CHANGES IN SUCH INFORMATION WILL NOT PERMIT THE UNDERWRITERS TO TERMINATE THE

FORWARD PURCHASE AGREEMENT OR RELEASE THE PURCHASERS FROM THEIR COMMITMENTS TO PURCHASE THE SERIES 2021 BONDS UNLESS THE CHANGE REFLECTS AN EVENT DESCRIBED UNDER "- DELIVERY DATE" ABOVE. IN ADDITION TO THE RISKS SET FORTH BELOW, PURCHASERS OF THE SERIES 2021 BONDS ARE SUBJECT TO CERTAIN ADDITIONAL RISKS, SOME OF WHICH ARE DESCRIBED BELOW, AND WHICH WILL NOT CONSTITUTE GROUNDS FOR PURCHASERS TO REFUSE TO ACCEPT DELIVERY OF AND PAY FOR THE SERIES 2021 BONDS.

Ratings Risk

Issuance of the Series 2021 Bonds and the Underwriters' obligations under the Forward Purchase Agreement are not conditioned upon the assignment of any particular ratings for the Series 2021 Bonds or the maintenance of the ratings assigned to the Series 2021 Bonds as of the Preliminary Closing Date. A change in ratings does not entitle the Underwriters to terminate the Forward Purchase Agreement or release the Underwriters from their obligations to purchase the Series 2021 Bonds. Notwithstanding the foregoing, the Underwriters' obligations under the Forward Purchase Agreement are conditioned upon the Series 2021 Bonds being rated by S&P, Moody's or Fitch on the Delivery Date.

Secondary Market Risk

The Underwriters are not obligated to make a secondary market in the Series 2021 Bonds and no assurances can be given that a secondary market will exist for the Series 2021 Bonds during the Delayed Delivery Period. Purchasers of the Series 2021 Bonds should assume that the Series 2021 Bonds will be illiquid throughout the Delayed Delivery Period.

Market Value Risk

The market value of the Series 2021 Bonds as of the Delivery Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Series 2021 Bonds, and the financial condition and business operations of the Monroe Expressway System. The market value of the Series 2021 Bonds as of the Delivery Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Series 2021 Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the Series 2021 Bonds if the Delivery Date conditions in the Forward Purchase Agreement are satisfied. Neither the Authority nor the Underwriters make any representation as to the expected market price of the Series 2021 Bonds as of the Delivery Date. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the Series 2021 Bonds as of the Delivery Date or thereafter or not have a materially adverse impact on any secondary market for the Series 2021 Bonds.

Tax Law Risk

Subject to the additional conditions of settlement described above, the Forward Purchase Agreement obligates the Authority to deliver and the Underwriters to purchase and accept delivery of the Series 2021 Bonds if the Authority delivers an opinion of Bond Counsel with respect to the Series 2021 Bonds substantially in the form and to the effect as set forth in Appendix B hereto. During the Delayed Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, delivered, or promulgated, or existing law, including regulations adopted pursuant thereto, may be interpreted in a manner that might prevent Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion. On the other hand, if any such action only diminishes the value, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on "state or local bonds" regardless of when issued, the Underwriters would not have the right to terminate their

obligations under the Forward Purchase Agreement. In the latter case, the Underwriters (and purchasers of the Series 2021 Bonds from the Underwriters) would be required to accept delivery of the Series 2021 Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood that legislation affecting the treatment of interest on the Series 2021 Bonds may be enacted and the consequences of such enactment for the purchasers.

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 2021 Bonds or the Second Supplemental Trust Agreement or contesting the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2021 Bonds 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.

VERIFICATION OF MATHEMATICAL ACCURACY

On the date of delivery and payment, proceeds of the Series 2021 Bonds and funds released from the Debt Service Fund allocable to the Refunded Bonds will be held in trust by the Trustee to provide for payment of the principal of and interest on the Refunded Bonds on July 1, 2021. The Authority may direct the Trustee to use all or a portion of such funds to purchase non-callable direct obligations of the United States of America (the "Investment Securities"), which obligations will mature on or before they are needed on July 1, 2021.

The arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the Authority relating to computation of anticipated receipts of principal and interest on the Investment Securities to redeem the Refunded Bonds on the redemption date will be verified by BondResource Partners, LP, Harrisburg, Pennsylvania. Such computations are based solely upon assumptions and information supplied by or on behalf of the Authority. BondResource Partners, LP, Harrisburg, Pennsylvania, has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used or the reasonableness of the assumptions.

CERTAIN RELATIONSHIPS

McGuireWoods LLP is serving as Bond Counsel and Disclosure Counsel in connection with the issuance of the Series 2021 Bonds. McGuireWoods LLP also represents the Trustee and the Underwriters and their affiliates in unrelated matters. McGuireWoods LLP serves as underwriter's counsel on other bond issues of the Authority. Hunton Andrews Kurth LLP is serving as counsel to the Underwriters in connection with the issuance of the Series 2021 Bonds, and also represents the Trustee and the Underwriters and their affiliates in unrelated matters. In addition, Hunton Andrews Kurth LLP provides bond counsel services on other bond issues of the Authority.

LEGAL MATTERS

Legal matters related to the authorization, execution, sale and delivery of the Series 2021 Bonds are subject to the approval of McGuireWoods LLP, in its capacity as Bond Counsel. See the form of the Bond Counsel opinion (the "Bond Opinion") attached hereto as Appendix B. The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2021 Bonds and to the tax status of interest thereon, as described in the section "TAX TREATMENT." In McGuireWoods LLP's role as Bond

Counsel, it has not been engaged to investigate the financial resources of the Authority or the Authority's ability to provide for payment of the Series 2021 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Series 2021 Bonds.

Certain legal matters will be passed upon for the Authority by Ebony Pittman, Esq., an Assistant Attorney General for the State, for the Authority by McGuireWoods, LLP, in its capacity as Disclosure Counsel, and for the Underwriters by Hunton Andrews Kurth LLP, North Carolina, counsel to the Underwriters.

TAX TREATMENT

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Series 2021 Bonds (i) is excludable from the gross income of the owners of the Series 2021 Bonds for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax.

Bond Counsel's opinion speaks as of its date, is based on current provisions of the Code, and other current legal authority and precedent, and covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Series 2021 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS") or the courts. The Authority has covenanted, however, to comply with the requirements of the Code.

Although Bond Counsel is of the opinion that interest on the Series 2021 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds may otherwise affect the federal tax liability of an owner of the Series 2021 Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Series 2021 Bonds should consult their own tax advisors with respect thereto.

See "Proposed Form of Opinion of Bond Counsel" in Appendix B.

Delivery of the Series 2021 Bonds, and the delivery of Bond Counsel's opinion with respect to the Series 2021 Bonds, is subject to the satisfaction of certain terms and conditions provided in the Forward Delivery Agreement as described under the heading "CERTAIN FORWARD DELIVERY CONSIDERATIONS, ACKNOWLEDGEMENTS AND RISKS WITH RESPECT TO THE SERIES 2021 BONDS".

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the tax treatment of interest on the Series 2021 Bonds, Bond Counsel is relying upon certifications of representatives of the Authority, the underwriters of such Bonds, the financial advisor to the Authority and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the Authority. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2021 Bonds in order for interest on the Series 2021 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2021 Bonds and the use of the property financed by such Bonds, limitations on the source of the payment of and the security for such Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such Bonds to the United States Treasury. The Tax Certificate to be entered into by the Authority (the "Tax Certificate") with respect to the Series 2021 Bonds contains covenants (the "Covenants") under which the Authority has agreed to comply with such requirements. Failure by the Authority to comply with the Covenants could cause interest on the Series 2021 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure occurs, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2021 Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2021 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2021 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Bond Premium

In general, a Bond purchased at a price (excluding accrued interest) producing a tax basis in excess of the principal amount payable at maturity is a "Premium Bond" and the amount of the excess constitutes the "Bond Premium" on the Premium Bond. Under the Code, the Bond Premium is amortized based on the owner's yield over the remaining term of the Premium Bond (or, in the case of certain callable Premium Bonds, to an earlier call date that results in a lowest yield on the Premium Bond). The owner of a Premium Bond must amortize the Bond Premium by offsetting the qualified stated interest allocable to each interest accrual period against the Bond Premium allocable to that period. No deduction is allowed for such amortization of Bond Premium and the owner is required to decrease the adjusted basis in the Premium Bond by the amount of the amortizable Bond Premium properly allocable to the owner.

Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of Bond Premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of Bond Premium on, such Premium Bond.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2021 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2021 Bonds.

Prospective purchasers of the Series 2021 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Information Reporting and Backup Withholding

Prospective purchasers should be aware that the interest on the Series 2021 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2021 Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Series 2021 Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2021 Bonds, the IRS will, under its current procedures, treat the Authority as the taxpayer. As such, the beneficial owners of the Series 2021 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2021 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2021 Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2021 Bonds, regulatory interpretation of the Code or actions by a court involving either the Series 2021 Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2021 Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2021 Bonds.

Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – North Carolina Income Tax Status of Interest

Bond Counsel's opinion will also state that, under existing law, the interest on the Series 2021 Bonds is exempt from all present State of North Carolina income taxes. Bond Counsel will express no opinion regarding (a) other North Carolina tax consequences arising with respect to the Series 2021 Bonds or (b) any consequences arising with respect to the Series 2021 Bonds under the tax laws of any state or local jurisdiction other than North Carolina. Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2021 Bonds in a particular state or local jurisdiction other than North Carolina.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina provides that the Series 2021 Bonds are securities in which all public officers and public bodies of the State 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, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, and the Series 2021 Bonds are securities which may properly and legally be deposited with and received by any State 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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has given the Series 2021 Bonds the rating of "AA+" (Stable outlook). Fitch Ratings ("Fitch") has given the Series 2021 Bonds the rating of "AA+" (Stable outlook). Moody's Investors Service ("Moody's") has given the Series 2021 Bonds the rating of "Aa1" (Stable outlook).

Further explanation of the significance of such ratings may be obtained from S&P, Fitch and Moody's. The Authority has provided to S&P, Fitch and Moody's, as applicable, certain information not included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the Series 2021 Bonds and should be evaluated independently. The ratings reflect only the view of the particular rating agency, and neither the Authority nor the LGC makes any representation as to the appropriateness of the ratings. There is no assurance that such ratings will not be withdrawn or revised downward by S&P, Fitch or Moody's. Such action may have an adverse effect on the market price of the Series 2021 Bonds. Neither the Authority, the LGC nor the Underwriters have undertaken any responsibility after the issuance of the Series 2021 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2021 Bonds, subject to certain conditions, at a purchase price of \$96,597,293.09, equal to 100% of the principal amount thereof, plus original issue premium of \$22,772,923.80, and less an underwriters' discount of \$160,630.71. The Underwriters will be obligated to purchase all of the Series 2021 Bonds, if any of the Series 2021 Bonds are purchased. The obligation of the Underwriters to pay for the Series 2021 Bonds is subject to certain terms and conditions set forth in the Forward Purchase Agreement as described in the section "CERTAIN FORWARD

DELIVERY CONSIDERATIONS, ACKNOWLEDGEMENTS AND RISKS WITH RESPECT TO THE SERIES 2021 BONDS".

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters may offer and sell the Series 2021 Bonds to certain dealers (including dealers depositing the Series 2021 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Series 2021 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

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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 2021 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/ Sharon Edmundson
Secretary

NORTH CAROLINA TURNPIKE AUTHORITY

By: /s/ J. Eric Boyette
Chairman

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT

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Definitions of Terms

"*Act*" means, collectively, Article 6H of Chapter 136 of the General Statutes of North Carolina, as amended, and Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended.

"*Additional Bonds*" means Bonds issued pursuant to Section 208 of the Trust Agreement or Section 209 of the Trust Agreement.

"*Additional Project*" means any addition, acquisition, improvement, betterment, extension or equipping of or relating to the Initial Project as authorized by the Act, or any previous Additional Project that has become part of the Monroe Connector System.

"*Annual Budget*" means the Authority's budget for the Monroe Connector System for a Fiscal Year adopted pursuant to the Authority's bylaws, rules and regulations as in effect from time to time.

"*Appropriation Bonds*" means the Series 2010A Bonds, the Series 2011 Bonds, Series 2021 Bonds and any Additional Bonds.

"*Authority*" means the North Carolina Turnpike Authority created by the Act and transferred to NCDOT, and any successor thereto.

"*Authority Board*" means the Board of Directors of the Authority.

"*Authority Documents*" means the Bond Order and 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 2010A Bonds, the Series 2011 Bonds, the Series 2021 Bonds and any Additional Bonds.

"*Bond Order*" means the bond order of the Authority with respect to the Series 2021 Bonds adopted on May 7, 2020, pursuant to the Act.

"*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.

"*Bond Year*" means the 12 months ending on each July 1 or if such July 1 is not a Business Day, on the next succeeding Business Day.

"*Business Day*" means a day on which the Trustee, the applicable Bond Registrar and the New York Stock Exchange are open for the purpose of conducting their businesses.

"*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 elected to treat all of the Series 2010A Bonds as Build America Bonds.

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

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

"*Debt Service Fund*" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds Debt Service Fund by Section 501 of 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 Bonds during such period, calculated net of Interest Subsidy Payments.

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

"*Defaulted Interest*" means Defaulted Interest as defined in "Terms of Bonds – Interest Payments on Bonds" below.

"*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 shall 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, shall 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 shall 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.

"*Depository*" 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 depository of moneys under the Trust Agreement.

"*Eminent Domain*" means the eminent domain or condemnation power by which all or any part of the Monroe Connector System may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

"*Event of Default*" means each of those events of default set forth in Section 802 of the Trust Agreement.

"*First Supplemental Trust Agreement*" means the First Supplemental Trust Agreement dated as of November 1, 2011, between the Authority and the Trustee.

"*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 shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall 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 December 1, 2016 between the Authority and Wells Fargo Bank, N.A., as trustee, which amended and restated the Trust Agreement dated as of November 1, 2011, between the Authority and Wells Fargo Bank, N.A., as trustee, pursuant to which the Authority issues Revenue Bonds, for the purpose of paying the costs of the Initial Project not being funded with proceeds of the Appropriation Bonds or Additional Bonds, or if such instrument shall be defeased by debt issued under a successor instrument, such successor instrument.

"*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.

"*Initial Project*" means the land, easements, rights of way, capital improvements and equipment which are part of the Monroe Connector System and financed with the proceeds of the Series 2010A Bonds and the Series 2011 Bonds.

"*Interest Account*" means the account in the Debt Service Fund created and so designated as described in "Funds Generally – Establishment of Funds" below.

"*Interest Payment Date*" means, with respect to the Series 2021 Bonds, any January 1 or July 1, commencing July 1, 2021, and the comparable dates for any Additional Bonds.

"*Interest Subsidy Payment*" means, with respect to any Build America Bond, payments provided directly from the Treasury Secretary in an amount equal to 35% (or a lower percentage if pursuant to a change in law) 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, provided if there is more than one Series of Bonds Outstanding, "Maximum Debt Service Requirement" means the aggregate Debt Service Requirement for the Fiscal Year for all Series in which such aggregate number is the highest while there are any Bonds Outstanding.

"*Monroe Connector System*" or "Monroe Expressway System" means the turnpike project of the Authority known as the "Monroe Connector System" and generally consisting of an approximately 19.7 mile roadway extending from US Highway 74 at Interstate 485 in eastern Mecklenburg County, North

Carolina, near the Town of Matthews to US 74 near the Town of Marshville in Union County, North Carolina, as it may hereafter exist.

"*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 shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"*NCDOT*" means the North Carolina Department of Transportation, a department of the State, and any successor to its functions.

"*NCGS*" means the North Carolina General Statutes, as amended, the official codification of the general and public laws of the State.

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

"*Original Trust Agreement*" means the Trust Agreement dated as of October 1, 2010, between the Authority and the Trustee.

"*Other Revenue Bonds*" means bonds of the Authority issued under the Act for an Other Revenue Project which are payable from the toll and other revenues thereof.

"*Other Revenue Bond Trust Agreement*" means a trust agreement between the Authority and a corporate trustee pursuant to which Other Revenue Bonds are issued.

"*Other Revenue Project*" means a "turnpike project" described in NCGS Section 136-89.183 which is also the subject of an appropriation allocation under NCGS Section 136-176(b2), but does not include the Triangle Expressway System or the Monroe Connector System.

"*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 as described below under "Redemption";
- (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 as described below under "Defeasance".

"*Owner*" means a Person in whose name a Bond is registered in the registration books provided for in "Terms of Bonds – Transfer and Registration of Transfer of Bonds."

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

"*Predecessor Bonds*" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond

authenticated and delivered in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"*Principal Account*" means the account in the Debt Service Fund created and so designated as described in "Funds Generally – Establishment of Funds" below.

"*Principal Payment Date*" means any date established for the payment of principal of Bonds, whether at maturity or pursuant to Sinking Fund Requirements or otherwise, and the comparable dates for any Additional Bonds.

"*Project*" means the Initial Project and any Additional Project constituting a part of the Monroe Connector System; provided such term is subject to redefinition as described in "General Covenants – Payment of Principal, Interest, Premium and Other Amounts".

"*Project Fund*" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds Project Fund; provided the name of such fund may be changed by the Authority if the term "Project" is redefined as described in "General Covenants – Payment of Principal, Interest, Premium and Other Amounts".

"*Redemption Account*" means the account in the Debt Service Fund created and so designated as described in "Funds Generally – Establishment of Funds" below.

"*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 Monroe Connector System State Appropriation Revenue Bonds Reserve Fund as described in "Funds Generally – Establishment of Funds" below.

"*Reserve Fund Requirement*" means the amount, determined from time to time, that is equal to the maximum Interest Subsidy Payment expected to be received in the current or any future fiscal year to the extent such amount does not exceed the least of (i) the Maximum Debt Service Requirement for all Bonds secured by the Reserve Fund, (ii) 125% of the average aggregate annual Debt Service Requirement for all Bonds secured by the Reserve Fund and (iii) 10% of the stated principal amount of all Bonds secured by the Reserve Fund; provided, however, that if any Series of Bonds secured by the Reserve Fund has original issue discount or premium that exceeds 2% of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriter's compensation, the initial offering prices to the public shall be used in lieu of the stated principal amount for purposes of the 10% limitation. The Reserve Fund Requirement may be composed of cash or Investment Obligations, or any combination of the foregoing, as the Authority may determine.

"*Revenue Bonds*" means bonds issued to finance the Monroe Connector System which are secured by a pledge of the toll and related revenues of the Monroe Connector System.

"*Revenue Fund*" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds Revenue Fund as described in "Funds Generally – Establishment of Funds" below.

"Revenues" means:

- (a) the State Appropriated Revenues;
- (b) the Interest Subsidy Payments; 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 Standard & Poor's Financial Services LLC business and its successors and assigns, and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"Second Supplemental Trust Agreement" means the Second Supplemental Trust Agreement dated as of April 1, 2021, between the Authority and 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 shall 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 shall 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.

"Series 2010A Bonds" means the North Carolina Turnpike Authority \$233,920,000 Monroe Connector System State Appropriation Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds), issued pursuant to the Original Trust Agreement.

"Series 2011 Bonds" means the North Carolina Turnpike Authority \$214,505,000 Monroe Connector System Appropriation Revenue Bonds, Series 2011.

"Series 2021 Bonds" means the North Carolina Turnpike Authority \$73,985,000 Monroe Expressway System Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery).

"Sinking Fund Account" means the account in the Debt Service Fund created and so designated as described in "Funds Generally – Establishment of Funds" below.

"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 July 1 of such Bond Year. The Sinking Fund Requirements for the Term Bonds shall be initially the respective principal

amounts of such Term Bonds for retirement on each July 1 as described in "Mandatory Redemption" in the Section "THE SERIES 2021 BONDS – Redemption Provisions" in the Official Statement. If during any Bond Year, the total principal amount of Term Bonds retired by purchase or redemption under the provisions of the Trust Agreement shall be greater than the amount of the Sinking Fund Requirement for such Term Bonds, the subsequent Sinking Fund Requirements for such Term Bonds shall be reduced in such amount aggregating the amount of such excess as shall be specified in an Officer's Certificate filed with the Trustee on or prior to November 15 of the next ensuing Bond Year.

"*Special Record Date*" means a date fixed by the Trustee for determining the Owner of Bonds for the payment of Defaulted Interest as described in "Terms of Bonds – Interest Payments on Bonds".

"*State*" means the State of North Carolina.

"*State Appropriated Revenues*" means any funds appropriated by the State pursuant to NCGS 136-176(b2) 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 Monroe Connector System, or to fund debt service reserves, operating reserves or similar reserves. The current State Appropriated Revenues are in the annual amount of \$24,000,000.

"*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 with respect to any Additional Bonds, any Bonds so designated as Term Bonds in the Supplemental Trust Agreement.

"*Trust Agreement*" means the Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement and any other supplements and amendments hereto permitted by the Trust Agreement; provided, however, that the Trust Agreement shall 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 "Supplemental Trust Agreements – Not a Supplemental Trust Agreement.

"*Trust Estate*" has the meaning set forth in "Security Provisions – Security."

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

Terms of Bonds

Interest Payments on Bonds. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated upon an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) authenticated prior to the first Interest Payment Date, in which event it shall bear interest from its date or such later date as is specified in the Supplemental Agreement providing for its issuance; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

The principal of and the interest and premium, if any, on the Bonds shall be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The payment of interest on each Bond shall be made (a) by the

Bond Registrar on each Interest Payment Date to the person appearing on the registration books of the Bond Registrar as the registered owner thereof as of the Regular Record Date by check mailed to the registered owner at his address as it appears on such registration books, or (b) by such additional or alternative means as is provided in any Supplemental Agreement providing for the issuance of such Bond. Unless otherwise provided in a Supplemental Agreement, payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds at the designated corporate trust office of the Bond Registrar as the same become due and payable (whether at maturity, by redemption or otherwise).

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 ("*Defaulted Interest*") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such Defaulted Interest may be paid by the Authority, at its election in each case, as provided in subsection (a) or (b) below:

(a) The Authority may elect to make payment of any Defaulted Interest on the Bonds of any Series to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence), and at the same time, the Authority shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, such expense to be paid solely from Revenues, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner at his address as it appears in the registration books maintained by the Bond Registrar, as described in "Terms of Bonds - Transfer and Registration of Transfer of Bonds" below, not less than ten (10) days prior to such Special Record Date.

(b) The Authority may make payment of any Defaulted Interest on the Bonds of any Series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the Authority to the Trustee of the proposed payment pursuant to this subsection, such method of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of the Trust Agreement, each Bond delivered under the Trust Agreement upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date, that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Exchange of Bonds. Bonds, upon surrender thereof at the designated corporate trust office of the Bond Registrar, together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or

denominations authorized by the Supplemental Agreement pursuant to which such Bonds were issued, bearing interest at the same rate and in the same form as the Bonds surrendered for exchange.

The Authority shall make provision for the exchange of Bonds at the designated corporate trust office of the Bond Registrar.

Transfer and Registration of Transfer of Bonds. The Bond Registrar shall keep books for the registration and the registration of transfer of the Series of Bonds as to which it is Bond Registrar as provided in the Trust Agreement. The registration books shall be available at all reasonable times for inspection by the Authority and any Owner of such Bonds and may be copied by either of the foregoing and their agents or representatives.

The Bond Registrar shall evidence acceptance of the duties, responsibilities and obligations of the Bond Registrar under the Trust Agreement by the execution of the certificate of authentication on the related Series of Bonds.

The transfer of any Bond may be registered only upon the books kept for the registration and registration of transfer of Bonds upon presentation thereof to the Bond Registrar together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar. No transfer of any Bond shall alter the ownership of such Bond for purposes of the Trust Agreement unless such transfer is registered with the Bond Registrar. Upon any such registration of transfer, the Authority shall, if necessary, execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Supplemental Agreement pursuant to which such Bond was issued, in the aggregate principal amount equal to the principal amount of such Bond surrendered or exchanged, of the same maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered, the Authority shall, if necessary, execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of the Trust Agreement. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Bond Registrar. No service charge shall be made for any registration, transfer or exchange of Bonds, but the Authority and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. Neither the Authority nor the Bond Registrar shall be required (a) to issue, transfer or exchange Bonds during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond so selected for redemption in whole or in part.

The Authority, the Trustee, the Bond Registrar and any agent of the Authority, the Trustee or the Bond Registrar, may treat the person in whose name any Bond is registered, including, without limitation, any Securities Depository Nominee, as the Owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest on such Bond, and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, neither the Authority, the Trustee, the Bond Registrar nor any such agent shall be affected by notice to the contrary.

Cancellation of Bonds. Upon receipt of the same, the Bond Registrar shall cancel all Bonds paid, redeemed or purchased by the Trustee or purchased by the Authority and delivered to the Bond Registrar, and all Bonds delivered to the Bond Registrar in exchange for other Bonds or delivered to the Bond Registrar upon the transfer of any Bond if a new Bond is delivered upon such transfer. The Bond Registrar

shall certify to the Authority the details of all Bonds so canceled. All Bonds canceled under any of the provisions of the Trust Agreement either shall be delivered to the Authority or destroyed by the Bond Registrar, as the Authority directs. Upon destruction of any Bonds, the Bond Registrar shall execute a certificate in duplicate, describing the Bonds so destroyed; and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Bond Registrar.

Additional Bonds

Terms and Conditions for Issuance of Refunding Bonds. The Authority may from time to time issue refunding Bonds to refund Bonds or any such refunding Bonds. Before any Bonds shall be issued, the Authority shall adopt and execute and deliver a Supplemental Agreement authorizing the issuance of such refunding Bonds, fixing the amount and the details thereof as described in "Terms of Bonds – Interest Payments on Bonds" above and describing in brief and general terms the purpose for issuing such Bonds.

Unless named otherwise in the Supplemental Agreement, the Bonds of each Series shall be designated "Monroe Connector System State Appropriation Revenue Refunding Bonds, Series ____" (inserting the year such Bonds are issued and any other distinctive letter or number), shall be stated to mature, subject to the right of prior redemption as therein set forth, on the date or dates specified therein, in such year or years not later than forty (40) years from their date, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law, shall be numbered and shall have such redemption provisions (subject to the provisions described below under "Redemption"), all as provided in the Supplemental Agreement. Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption, all such Bonds shall be payable on a parity with the Outstanding Bonds and with each other and shall be entitled to the same benefit and security of the Trust Agreement, including, in particular, the pledge, charge and lien upon the State Appropriated Revenues and Interest Subsidy Payments in manner provided in the Trust Agreement.

The Bonds shall be executed substantially in the form and in the manner in the Trust Agreement set forth and shall thereafter be deposited with the Bond Registrar for authentication, but before the Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Trustee the following:

- (i) an executed copy of the Trust Agreement;
- (ii) an executed copy of the Supplemental Agreement adopted or executed and delivered by the Authority for the particular Series of Bonds;
- (iii) evidence of the approval of the Bonds by the Local Government Commission as required by NCGS 159-86;
- (iv) a certified copy of the resolution of the Authority (which resolution may be incorporated in the Supplemental Agreement for the particular Series of Bonds), approving the award of the Bonds and directing the authentication and delivery of such Bonds to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth plus the accrued interest thereon;
- (v) an Officer's Certificate is delivered to the Trustee (i) stating that the proceeds of such refunding Bonds, together with interest earnings on the Defeasance Obligations to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Bonds to be refunded to the redemption or maturity date or dates and the expenses incident to the refunding, and (ii) stating that after the issuance of the refunding Bonds, the anticipated State

Appropriated Revenues and Interest Subsidy Payments are expected to be sufficient to provide for the payment of debt service on all Bonds that will be Outstanding following such issuance at the times and in the amounts provided in the Trust Agreement; and

(vi) such other documents as are required to be delivered to the Trustee pursuant to the Supplemental Agreement.

When the documents mentioned in subsections (i) to (vi), inclusive, of the Trust Agreement shall have been filed with the Trustee and when the Bonds shall have been executed and authenticated as required by the Trust Agreement, the Trustee shall deliver the Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in subsection (iv), but only upon payment to the Trustee of the purchase price of the Bonds and the accrued interest, if any, thereon to the date of delivery. The Trustee shall be entitled to rely upon the resolutions and documents mentioned in subsections (i) to (vi) above as to all matters stated therein.

If the Authority issues any refunding Bonds as Build America Bonds, it 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.

Terms and Conditions for Issuance of Additional Bonds Other than Refunding Bonds. The Authority may from time to time issue Bonds to finance costs of the Initial Project or any Additional Project, as well as the costs of issuance thereof and the funding of any reserves therefor. Before any Bonds shall be issued, the Authority shall adopt and execute and deliver a Supplemental Agreement authorizing the issuance of such Additional Bonds, fixing the amount and the details thereof as described in "Terms of Bonds – Interest Payments on Bonds" above and describing in brief and general terms the purpose for issuing such Additional Bonds.

Unless named otherwise in the Supplemental Agreement, the Bonds of each Series shall be designated "Monroe Connector System State Appropriation Revenue Bonds, Series ___", (inserting the year such Bonds are issued and any other distinctive letter or number), shall be stated to mature, subject to the right of prior redemption as therein set forth, on the date or dates specified therein, in such year or years not later than forty (40) years from their date, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law, shall be numbered and shall have such redemption provisions (subject to the provisions of Trust Agreement), all as provided in the Supplemental Agreement. Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption, all such Bonds shall be payable on a parity with the Outstanding Bonds, and other Additional Bonds and with each other and shall be entitled to the same benefit and security of the Trust Agreement, including, in particular, the pledge, charge and lien upon the State Appropriated Revenues and Interest Subsidy Payments in manner provided in the Trust Agreement.

The Bonds shall be executed substantially in the form and in the manner set forth in the Trust Agreement and shall thereafter be deposited with the Bond Registrar for authentication, but before the Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Trustee the following:

- (i) an executed copy of the Trust Agreement;
- (ii) an executed copy of the Supplemental Agreement adopted or executed and delivered by the Authority for the particular Series of Bonds;

(iii) evidence of the approval of the Bonds by the Local Government Commission as required by NCGS 159-86;

(iv) a certified copy of the resolution of the Authority (which resolution may be incorporated in the Supplemental Agreement for the particular Series of Bonds), approving the award of the Bonds and directing the authentication and delivery of such Bonds to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth plus the accrued interest thereon;

(v) an Officer's Certificate is delivered to the Trustee stating that after the issuance of such Additional Bonds, the anticipated State Appropriated Revenues and Interest Subsidy Payments are expected to be sufficient to provide for the payment of debt service on all Bonds that will be Outstanding following such issuance at the times and in the amounts provided in the Trust Agreement; and

(vi) such other documents as are required to be delivered to the Trustee pursuant to the Supplemental Agreement.

When the documents mentioned in subsections (i) to (vi), inclusive, shall have been filed with the Trustee and when the Bonds shall have been executed and authenticated as required by the Trust Agreement, the Trustee shall deliver the Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in subsection (iv), but only upon payment to the Trustee of the purchase price of the Bonds and the accrued interest, if any, thereon to the date of delivery. The Trustee shall be entitled to rely upon the resolutions and documents mentioned in subsections (i) to (vi) as to all matters stated therein.

If the Authority issues any other Build America Bonds under this provision, it 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.

Certain Redemption Matters

Redemption Notice. At least forty-five (45) days prior to the redemption date of any Bonds to be redeemed, the Authority shall notify the Trustee and the Bond Registrar in writing of its intention to redeem such Bonds. The Authority, the Bond Registrar and the Trustee may mutually agree to a shorter time period for such notice to the Trustee and the Bond Registrar. At least thirty (30) days but not more than sixty (60) days prior to the redemption date of any Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by registered or certified mail and provided further that failure to mail any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Bonds of any other Owner to whom notice was properly given. The Bond Registrar shall also deliver a copy of any such notice to the Local Government Commission.

Each such notice shall set forth the designation, date and Series of the Bonds, the CUSIP numbers of the Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the Redemption Notice, the maturities of the Bonds to be redeemed and, if less than all of the Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the

redemption date, upon surrender of such Bond, a new Bond in principal amount equal to the unredeemed portion of such Bond will be issued.

Any notice of redemption, except a notice of redemption in respect of a Sinking Fund Requirement, 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 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Bond 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 Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall 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.

Effect of Calling for Redemption. On or before the date upon which Bonds are to be redeemed, the Authority shall deposit with the Trustee or Bond Registrar money or Defeasance Obligations, or a combination of both, that will be sufficient to pay on the redemption date the Redemption Price of and interest accruing on the Bonds to be redeemed on such redemption date.

On the date fixed for redemption, notice having been given in the manner and under the conditions provided in the Trust Agreement, the Bonds or portions thereof called for redemption shall be due and payable at the Redemption Price provided therefor, plus accrued interest to such date, and if moneys sufficient to pay the Redemption Price of the Bonds or portions thereof to be redeemed plus accrued interest thereon to the date of redemption are held by the Trustee or Bond Registrar in trust for the Owners of Bonds to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue; such Bonds or portions thereof shall cease to be entitled to any benefits or security under the Trust Agreement or to be deemed Outstanding; and the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest to the date of redemption.

Bonds and portions of Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption on anyone or more dates as determined by the Authority have been given to the Trustee or Bond Registrar in form satisfactory to it shall not thereafter be deemed to be Outstanding under the Trust Agreement and shall cease to be entitled to the security of or any rights under the Trust Agreement, and the Owners shall have no rights in respect of the same other than to receive payment of the principal or Redemption Price thereof and accrued interest thereon, to be given notice of redemption in the manner provided in "Certain Redemption Matters – Redemption Notice" above, and to the extent otherwise provided in the Trust Agreement, to receive Bonds for any unredeemed portions of Bonds if money or Defeasance Obligations (that have maturity dates or redemption dates which, at the option of the holder of such Defeasance Obligations, shall not be later than the date or dates on which moneys will be required to effect such payment or redemption), or a combination of both, sufficient to pay the principal or Redemption Price of such Bonds or portions thereof, together with accrued interest thereon to the date upon which such Bonds are to be paid or redeemed, are held in separate accounts by the Trustee or Bond Registrar in trust for the Owners of such Bonds.

Any Supplemental Agreement may provide that any notice of redemption, except a notice of redemption in respect of a Sinking Fund Requirement, 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 Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys or Defeasance Obligations sufficient to pay the Redemption Price and interest on such Bonds are not received by the

Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Trustee or Bond Registrar shall 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. The Supplemental Agreement may also provide for the giving of notice of insufficient money prior to the redemption date and such other provisions as the Authority may determine.

Redemption of a Portion of Bonds. If less than all of an Outstanding Bond is selected for redemption, the Owner thereof or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, shall present and surrender such Bond to the Bond Registrar for payment of the principal amount thereof so called for redemption, and the redemption premium, if any, on such principal amount, and the Authority shall, if necessary, execute and the Bond Registrar shall authenticate and deliver to or upon the order of such Owner or his attorney or legal representative, without charge, for the unredeemed portion of the principal amount of the Bond so surrendered, a new Bond of the same Series and maturity, bearing interest at the same rate and of any denomination or denominations authorized by Supplemental Agreement for such Bond.

Funds Generally

Establishment of Funds. In addition to the Project Fund, there are established the following funds;

(a) North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds Revenue Fund;

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

(c) North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds Reserve Fund.

The Revenue Fund, the Debt Service Fund and the Reserve Fund shall be established with and held by the Trustee. The money in all of the funds, accounts and subaccounts established pursuant to the Trust Agreement shall 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 shall 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 in the Trust Agreement. The money in the Reserve Fund and any accounts therein shall be subject to a pledge, charge and lien in favor of the Owners of the Bonds issued and Outstanding under the Trust Agreement, except as otherwise provided in the Trust Agreement.

Funds Received by the Authority. All Revenues shall be deposited on a daily basis when received in the Revenue Fund.

The NCDOT has made arrangements for the transfer of the State Appropriated Revenues to the Authority from the North Carolina Highway Trust Fund in four quarterly installments of \$6,000,000 which occurs on each November 16, February 16, May 16, and August 16. In the event that the transfer is not made as so arranged, the Authority will make prompt application to the Secretary of the NCDOT to make such transfer, providing such information as may be necessary to the Secretary of the NCDOT 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 shall comply with the requirements of the Code to qualify and continue the qualification of all the Series 2010A Bonds as Build America Bonds under the Code and will make all filings and provide such information with the Treasury Secretary as shall be necessary to assure the timely receipt by the Authority and payment to the Trustee of the Interest Subsidy Payments to enable the Authority to pay the debt service payments to be paid with respect to the Bonds.

Application of Money in Revenue Fund. Immediately upon each receipt of State Appropriated Revenues, Interest Subsidy Payments or other Revenues to be deposited to the Revenue Fund, the Trustee shall immediately transfer such amounts as follows, and in the following order of priority:

(a) to the Interest Account of the Debt Service Fund an amount that, together with the amounts then on deposit in the Interest Account, will be equal to the amount of interest payable on the Bonds and any Additional 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 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 Bonds and any Additional Bonds within the current Bond Year, or the entire amount of the Revenues if less than the amount required for principal on the Bonds and any Additional Bonds payable within the current Bond Year;

(c) to the Reserve Fund to the extent of any deficiencies therein; and

(d) the balance shall be transferred from the control of the Trustee to the trustee under the General Revenue Bond Trust Agreement Revenue Fund or to the trustee under an Other Revenue Bond Trust Agreement, as directed by the Authority.

Upon the transfer described in (d), 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 such amounts after the transfer thereof to the trustee under the General Revenue Bond Trust Agreement or an Other Revenue Bond Trust Agreement.

The Authority shall be permitted to retain from the amount to be transferred to the General Revenue Bond Trust Agreement or an Other Revenue Bond Trust Agreement, such amounts as shall be needed to pay arbitrage rebate payments to the federal government as needed in order to comply with the provisions of "Investment Provisions – Covenant as to Arbitrage."

The Authority shall provide to the Trustee such certifications, documentation, agreements and other information as may be necessary for the Trustee to determine the amounts required to be deposited or paid as provided above in the Trust Agreement.

There shall be credited against the amounts required to be deposited or paid as provided in subsection (a) above any amounts set aside for payment of interest on Bonds.

On or before the 45th day next preceding any date on which Serial Bonds are to mature or Term Bonds are to be redeemed pursuant to Sinking Fund Requirements therefor or are to mature, the Authority may satisfy all or a portion of its obligation to make the payments required by subsections (a) and (b) by delivering to the Trustee Serial Bonds maturing or Term Bonds maturing or required to be redeemed on such date. The price paid to purchase any such Bond, including accrued interest to the date of purchase, shall not exceed the principal or Redemption Price plus accrued interest to the date of purchase. Upon such

delivery, the Authority shall receive a credit against amounts required to be deposited into the Interest Account, the Principal Account or Sinking Fund Account, as the case may be, on account of such Bonds with respect to all interest payments for the remainder of the Fiscal Year and in the amount of 100% of the principal amount of any such Serial Bonds or Term Bonds so delivered.

Application of Money in Interest Account. On each Interest Payment Date, date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed, the Trustee shall withdraw from the Interest Account and transfer to the Bond Registrar, if the Bond Registrar is a separate entity than the Trustee, or pay to the Owners, 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 shall remit or otherwise set aside the amount due and payable to the Owners.

If the Authority fails to deposit with the Trustee the amounts required to be deposited in the Interest Account as provided in "Funds Generally – Application of Money in Revenue Fund", 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 shall notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency.

Application of Money in Principal Account. On each Principal Payment Date, the Trustee shall withdraw from the Principal Account and transfer to the Bond Registrar, if the Bond Registrar is a separate entity than the Trustee, or pay to the Owners, 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 shall 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 shall withdraw such money therefrom and shall 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, and (b) otherwise make the deposits required as described in "Funds Generally – Application of Money in Revenue Fund" above.

If the Authority fails to deposit with the Trustee the amounts required to be deposited in the Principal Account as described in "Funds Generally – Application of Money in Revenue Fund" above, 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 shall 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 shall 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 shall, 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 July 1 at the direction of an Authorized Officer. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall 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 shall be made by the Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding any July 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 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 shall endeavor to purchase Outstanding Term Bonds with such excess money.

(b) The Trustee shall call for redemption on July 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 July 1 by purchase pursuant to paragraph (a) of the Trust Agreement or delivered during such Bond Year to the Trustee by the Authority. If the amount available in the Sinking Fund Account on a July 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 shall 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 shall 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 shall be paid from the Interest Account. If such date is the stated maturity date of any Term Bonds, the Trustee shall not call those Term Bonds for redemption but, on such maturity, shall withdraw the amount required for paying the principal of such Term Bonds when due and payable.

The Trust Agreement shall be deemed to be sufficient written notice required to be provided by the Authority to the Trustee for any and all redemptions pursuant to this subsection.

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 shall withdraw such money therefrom and shall 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 shall file with the Authority not later than the twentieth (20th) day prior to the next July 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 shall thereafter cause an Officer's Certificate to be filed with the Trustee not later than November 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 shall 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 shall 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 "Funds Generally – Application of Money in Revenue Fund", 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 shall 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 shall apply money in the Redemption Account for the purchase or redemption of Bonds as follows:

(a) Subject to the provisions of subsection (c) below, and if instructed to do so by an Authorized Officer, the Trustee shall 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, shall 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 shall 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 shall 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 subsection (c) below, the Trustee shall 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 shall be called for redemption at anyone time unless the Trustee is so instructed by the Authority. The Trustee shall 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 shall 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 maybe applied by the Trustee in each Fiscal Year to the purchase or the redemption of Bonds of anyone 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 shall be applied to the purchase or redemption of Bonds in the manner provided in the Trust Agreement.

Deposit and Application of Money in the Reserve Fund. (a) Upon issuance of the Series 2010A Bonds, the Authority funded the Reserve Fund in an amount equal to the Reserve Fund Requirement.

(b) The Trustee shall use amounts in the Reserve Fund to make transfers to the Interest Account to pay interest on Bonds at any time there is a deficiency in the Interest Account.

(c) Any deficiency in the Reserve Fund resulting from the withdrawal of moneys therein shall be restored by the Authority as provided in "Funds Generally – Application of Money in Revenue Fund" above.

(d) Investment earnings from the investment of the Reserve Fund shall be transferred upon receipt to the Revenue Fund. Amounts in the Reserve Fund in excess of the Reserve Fund Requirement shall be deposited to the Revenue Fund.

Escheat. All money that the Trustee has withdrawn from the Debt Service Fund or received from any other source and set aside or delivered to the Bond Registrar for the purpose of paying any of the Bonds secured by the Trust Agreement, either at maturity or by purchase or call for redemption, shall be held in trust solely for the respective Owners of such Bonds.

Any money that is so set aside and that remains unclaimed by the Owners for a period of five (5) years after the date on which such Bonds have become payable shall be treated as abandoned property pursuant to the provisions of NCGS 116B-53, and the Trustee or the Bond Registrar shall report and remit this property to the Escheat Fund established by, according to the requirements of NCGS Chapter 116B, and thereafter the Owners shall look only to the Escheat Fund for payment and then only to the extent of the amounts so received, without any interest thereon, and the Trustee, the Bond Registrar and the Authority shall have no responsibility with respect to such money.

Disposition of Fund Balances. After provision is made for the payment of all Bonds, including the interest thereon, and all other obligations, expenses and charges required to be paid under or in connection with the Trust Agreement, and receipt by the Trustee of an Officer's Certificate to the effect that there are no other indentures, resolutions, bond orders or other agreements that impose a continuing lien on the balances hereinafter mentioned, the Trustee shall pay all amounts in any fund, account or subaccount then held by it under the Trust Agreement to the Authority. If a continuing lien has been imposed on such balance by another resolution, bond order, any other agreement, by court order or decree, or by law, the Trustee shall pay such balance to such person as is entitled to receive the same by law or under the terms of such resolution, bond order, agreement, court order, or decree.

Security Provisions

Security. As security for the payment of the Bonds, the Authority grants in the Trust Agreement to the Trustee for the benefit of the Owners of the Bonds, a pledge, charge and lien upon (i) all Revenues (subject to the release provisions set forth in "Funds Generally – Application of Money in Revenue Fund" above); (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) all money and securities held by or on behalf of the Trustee in the Reserve Fund (collectively, the "*Trust Estate*").

The pledge, charge and lien upon the Trust Estate shall be effective and operate immediately, and the Trustee shall 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 Bonds issued under the Trust Agreement 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 shall not inhibit the sale or disposition of any portion of the Monroe Connector System in accordance with the Trust Agreement and shall 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 shall be deposited as received with the Trustee or one or more other Depositories as provided in the Trust Agreement, and all money so deposited with the Trustee shall be trust funds under

the terms of the Trust Agreement, and, to the extent permitted by law in the case of the Project Fund, shall not be subject to any lien or attachment by any creditor of the Authority.

All money deposited with the Trustee or any Depository under the Trust Agreement in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Authority and the Owners of Bonds, either (a) by lodging with a bank or trust company chosen by the Trustee or Depository or, if then permitted by law, by setting aside under control of the trust department of the bank or trust company holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee or any Depository to give security for the deposit of any money with it for the payment of the principal of or the redemption premium or the interest on any Bonds, or for the Trustee or any Depository to give security for any money that shall be represented by Investment Obligations purchased under the provisions of the Trust Agreement as an investment of such money.

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

Investment Provisions

Investment of Money. Money held for the credit of all funds, accounts and subaccounts shall be continuously invested and reinvested by the Trustee or the Depositories, whichever is applicable, in Investment Obligations, as directed by an Authorized Officer as described below, or held as cash to the extent investment or reinvestment in Investment Obligations is not practicable.

Investment Obligations shall 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 sub accounts will be required for the purposes intended.

Notwithstanding the forgoing, no Investment Obligations pertaining to any Series in any fund, account or subaccount shall 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 the Trust Agreement, the maturity date of any repurchase agreement shall 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 shall give to the Trustee or any Depository 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 Depository shall then invest such money as so directed. The Trustee or any Depository 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 Depository shall 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 shall 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 Depository shall have no liability for investments made in accordance with the Trust Agreement.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Trust Agreement shall 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 shall 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 shall be credited to the particular fund, account or subaccount to which such Investment Obligation relates.

The Trustee shall 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 shall 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 Depository 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 Depository without any actual transfer of funds or liquidation of investments. Investment Obligations purchased with consolidated funds shall 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 Depository through its own investment division or other bank facilities established for such purpose.

Covenant as to Arbitrage. The Authority covenants that so long as any of the Bonds remain Outstanding, money on deposit in any fund, account or subaccount maintained in connection with the Bonds, regardless of whether such money was derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner that would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and applicable regulations promulgated from time to time thereunder, except for moneys on deposit in such funds, accounts or subaccounts with respect to any Bonds not intended to be tax-exempt under the provisions of the Code (except with respect to Build America Bonds to which such covenants do apply). The Authority further covenants and agrees to comply with the requirements of Section 148 of the Code and applicable regulations promulgated from time to time thereunder with respect to any Bonds intended to be tax-exempt under the provisions of the Code and with respect to Build America Bonds.

General Covenants

Payment of Principal, Interest, Premium and Other Amounts. The Authority shall 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 shall be secured as provided in Section 512 of the Trust Agreement. The Bonds shall 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 shall be payable solely from the Revenues and other income or assets pledged under the Trust Agreement. The Authority shall 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.

The Authority and NCDOT covenant that they will prepare all proposed and actual budgets including, and submit as necessary to all parties for, the continuance of State Appropriated Revenues in an annual amount of at least \$24,000,000.

Acquisition, Construction and Equipping of the Project. The Authority shall acquire, construct and equip the Project for which Bonds are issued or for which money repayable from the proceeds of Bonds are advanced by the Authority for such purpose. The Authority covenants to acquire, construct and equip the Project in conformity with applicable law and all other requirements of all governmental authorities having jurisdiction thereover, and that the Authority will complete the acquisition, construction and equipping of the Project and with all expedition practicable.

The Authority shall require each person, firm or corporation with whom it may contract for such construction to (i) furnish a payment and performance bond in the full amount of any contract or (ii) deposit with an Authorized Officer marketable securities that are eligible as security for the deposit of trust funds as provided in the Trust Agreement in the full amount of any contract. The proceeds of any such payment or performance bond or securities shall be deposited in the applicable account or subaccount of the Project Fund and applied toward the completion of the Project in connection with which such payment or performance bond or securities are furnished.

Budgets. The Authority shall adopt an Annual Budget for the Monroe Connector System for each Fiscal Year. To the extent possible, the Authority shall prepare its Annual Budget so that it will be possible to determine from such Annual Budget (a) the amount of State Appropriated Revenues and Interest Subsidy Payments budgeted for deposit in the Revenue Fund during such Fiscal Year, (b) the amount of Revenues budgeted for deposit in the Revenue Fund during such year and (c) the amounts to be deposited or paid under "Funds Generally – Application of Money in Revenue Fund" above.

Records, Accounts and Audits. The Authority shall keep the funds, accounts, sub accounts, money and investments of the Monroe Connector System separate from all other funds, accounts, money and investments, if any, of the Authority and shall keep accurate records and accounts of all items of costs and of all expenditures relating to the Monroe Connector System and of the revenues collected and the application of such revenues. Such records and accounts shall be open to the inspection of the Trustee.

Compliance with Applicable Law. So long as any Bond is Outstanding, the Authority shall comply or cause there to be compliance with all applicable laws, orders, rules, regulations and requirements of any municipal or other governmental authority relating to the construction, use and operation of the Monroe

Connector System. Nothing contained in the Trust Agreement shall prevent the Authority from contesting in good faith the applicability or validity of any law, ordinance, order, rules regulation, or requirement so long as its failure to comply with the same during the period of such contest will not materially impair the operation or revenue producing capability of the Monroe Connector System.

Further Instruments and Actions. The Authority shall, from time to time, execute and deliver such further instruments or take such further actions as may be required to carry out the purposes of the Trust Agreement.

Use of Revenues and Inconsistent Actions. The Authority covenants and agrees that, so long as any of the Bonds secured by the Trust Agreement are Outstanding, none of the Revenues will be used for any purpose other than as provided in the Trust Agreement, and that no contract or contracts will be entered into or any action taken by which the rights of Owners of Bonds might be impaired or diminished.

Covenant as to Build America Bonds. The Authority covenants that so long as any Build America 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 covenants to file IRS Form 8038-CP with the Internal Revenue Service, and to provide the Trustee with a copy of any such filing, as follows: (i) for fixed rate Build America Bonds, the form must be filed no earlier than 90 days prior to the next Interest Payment Date and not later than 45 days before such Interest Payment Date, and (ii) for variable rate Build America Bonds, the form must be filed for a reimbursement on a regular basis for the aggregate interest payments within 45 days after the last Interest Payment Date that is within the reimbursement period. The covenant set forth in the prior sentence shall be modified as necessary to comply with future law or further guidance from the Treasury Department or Internal Revenue Service. The Authority shall provide the Trustee with a copy of each such IRS Form 8038-CP filed with the Internal Revenue Service within 7 days of such filing.

Default Provisions

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 shall 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 shall 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 shall not have been extended.

Events of Default. Each of the following events is declared by the Trust Agreement an Event of Default:

- (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) the failure of the State to appropriate the State Appropriated Revenues in the annual amount of \$24 million;

(d) final judgment for the payment of money in excess of \$1,000,000 is rendered against the Monroe Connector System, as a result of the ownership, control or operation of the Monroe Connector 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 shall 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

(e) 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 thirty day period the Authority institutes action reasonably designed to cure such default, no "Event of Default" shall be deemed to have occurred upon the expiration of such thirty day period for so long as the Authority pursues such curative action with reasonable diligence.

No Acceleration of Maturities. Notwithstanding anything in the Trust Agreement, in no event shall 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 "Default Provisions – Events of Default" above or otherwise.

Remedies. Upon the happening and continuance of any Event of Default specified in "Default Provisions – Events of Default" above 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 shall, proceed (subject to the provisions set forth in "Trustee Matters – Indemnification of Trustee as Condition for Remedial Action") 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, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Trust Agreement, the Trustee shall 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 under the Trust Agreement 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 in the Trust Agreement 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 shall occur and be continuing, then, unless the same shall 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 shall 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 shall occur or shall 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 shall 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 shall not, by itself, constitute a separate Event of Default under "Default Provisions – Events of Default" above.

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 "Funds Generally – Application of Money in Revenue Fund"), whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, shall be applied, after payment of the reasonable fees and expenses of the Trustee in exercising its rights and remedies under the Trust Agreement:

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 shall 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 shall have become due and payable (other than Bonds deemed to have been paid pursuant to the provisions of "Defeasance – Release of Trust Agreement"), 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 shall 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 shall be applied by the Trustee at such times and from time to time as the Trustee in its sole discretion shall 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 in the Trust Agreement in trust for the proper purpose shall constitute proper application by the Trustee and (c) the Trustee shall 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 shall fix the date (which shall be an Interest Payment Date unless the Trustee shall 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 shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date and shall 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.

For purposes of the Section, the calculation of "installments of interest then due and payable" on Build America Bonds is not reduced by the amount of any expected Interest Subsidy Payments relating thereto.

Effect of Discontinuance of Proceedings. If any proceeding taken by the Trustee or Owners of Bonds on account of any Event of Default is discontinued or abandoned for any reason, then and in every such case, the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Trust Agreement, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceedings had been taken.

Control of Proceedings. Anything in the Trust Agreement to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds at any time Outstanding shall have the right, subject to the provisions of Section 902 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 under the Trust Agreement, provided that such direction shall be in accordance with law and the provisions of the Trust Agreement.

Restrictions Upon Action. Except as provided in "Default Provisions – Right to Enforce Payment of Bonds Unimpaired", no Owner of Bonds shall 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 under the Trust Agreement 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, shall have accrued, (c) has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted 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 shall 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 thereunder. 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 shall 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 shall 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.

Enforcement of Rights of Action. All rights of action (including the right to file proof of claim) under the Trust Agreement or under any Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of Bonds, and any recovery of judgment shall be for the equal benefit of the Owners of Bonds, subject to the provisions of the Trust Agreement.

No Remedy Exclusive. No remedy conferred in the Trust Agreement upon or reserved to the Trustee or to the Owners of Bonds is intended to be exclusive of any other remedy or remedies therein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity.

Delay Not a Waiver. No delay or omission by the Trustee or of any Owner of Bonds in the exercise of any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein, and every power or remedy given by the Trust Agreement to the Trustee and to the Owners of Bonds may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any Event of Default which in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Trust Agreement or before the completion of the enforcement of any other remedies' under the Trust Agreement, but no such waiver shall extend to or affect any other existing or subsequent Event of Default or impair any rights or remedies consequent thereon.

Notice of Default. The Trustee shall 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 under "Trustee Matters – Notice of Default" that any such Event of Default shall have occurred; provided, however that, except upon the happening of an Event of Default specified in clauses (a) and (b) of "Default Provisions – Events of Default", the Trustee may withhold such notice to the Owners if in its opinion such withholding is in the interest of such Owners. The Trustee shall not be subject to any liability to any such Owner by reason of its failure to mail any such notice.

Right to Enforce Payment of Bonds Unimpaired. Nothing in the Trust Agreement shall affect or impair the right of any Owner of Bonds to enforce the payment of the principal of and interest on his Bond or the obligation of the Authority to pay the principal of and interest on each Bond to the Owner thereof at the time and place specified in said Bond.

Trustee Matters

Acceptance of Trusts. The Trustee by execution of the Trust Agreement accepts and agrees to fulfill the trusts imposed upon it by the Trust Agreement, but only upon the terms and conditions set forth in the Trust Agreement and subject to the provisions of the Trust Agreement, to all of which the Authority, the Trustee and the respective Owners of the Bonds agree. 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 shall 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 shall 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 shall 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 shall be determined solely by the express provisions of the Trust Agreement, and the Trustee shall 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 shall be read into the Trust Agreement against the Trustee and no permissive right of the Trustee under the Trust Agreement shall 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 of the Trust Agreement is specifically required to be furnished to the Trustee, the Trustee shall 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 shall exist the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

None of the provisions contained in the Trust Agreement shall 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.

Indemnification of Trustee as Condition for Remedial Action. The Trustee shall 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 shall 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, shall 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 shall fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Trust Agreement and shall be entitled to a preference therefor over any Bonds Outstanding.

Limitations on Obligations and Responsibilities of Trustee. The Trustee shall 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 shall 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 shall be under no obligation to see that any duties in the Trust Agreement imposed upon the Authority, any Bond Registrar, any consultant, any Depositary (other than a Depositary in which money shall 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, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Trustee Not Liable for Failure of Authority to Act. The Trustee shall 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 shall have been deposited by the Trustee under the provisions of the Trust Agreement). The Trustee shall 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 shall be made in accordance with the provisions of the Trust Agreement. The immunities and exemptions from liability of the Trustee under the Trust Agreement shall extend to its directors, officers, employees and agents.

Compensation and Indemnification of Trustee and Bond Registrar. Subject to the provisions of any contract between the Authority and the Trustee or any Bond Registrar relating to the compensation of the Trustee or such Bond Registrar, the Authority shall pay to the Trustee and each Bond Registrar from Revenues reasonable compensation for all services performed by them under the Trust Agreement and also all their reasonable expenses, charges and other disbursements and those of their attorneys, agents and employees incurred in and about the administration and the performance of their powers and duties under the Trust Agreement and, to the extent permitted by law, shall indemnify and save the Trustee and each Bond Registrar harmless against any liabilities that they may incur in the proper exercise and performance of such powers and duties. If the Authority shall fail to cause any payment required by the Trust Agreement to be made, the Trustee and each Bond Registrar may make such payment from any money in its possession under the provisions of the Trust Agreement and shall be entitled to a preference therefor over any Bonds Outstanding thereunder. The Authority covenants that it shall promptly deposit or cause to be deposited to the credit of the respective fund or account the amount withdrawn therefrom by the Trustee to make any such payment.

Monthly Statements from Trustee. It shall be the duty of the Trustee, on or before the 10th day of each month, to file with the Authority a statement setting forth in respect of the preceding calendar month:

- (a) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund, account or subaccount held by it under the provisions of the Trust Agreement,
- (b) the amount on deposit with it at the end of such month in each such fund, account or subaccount,
- (c) a brief description of all obligations held by it as an investment of money in each such fund, account or subaccount,
- (d) the amount applied to the payment, purchase or redemption of Bonds under the provisions of "Funds Generally" and a description of the Bonds or portions thereof so paid, purchased or redeemed, and
- (e) any other information that the Authority may reasonably request.

All records and files pertaining to Bonds and the Monroe Connector System in the custody of the Trustee not otherwise restricted or excluded from disclosure by the terms of the Trust Agreement, including, without limitation, the terms described in "Trustee Matters – Preservation of Information; Communications", shall be open at all reasonable times to the inspection of the Authority and its agents and representatives.

Trustee May Rely on Certificates. If at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which the Trust Agreement provides for permitting or taking any action, the Trustee may rely upon any certificate required or permitted to be filed with it under the provisions of the Trust Agreement, and any such certificate shall be evidence of such fact or protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in absence of willful misconduct, by reason of the supposed existence of such fact. Except as otherwise provided in the Trust Agreement, any request, notice, certificate or other instrument from the Authority to the Trustee

shall be deemed to have been signed by the proper party or parties if signed by any Authorized Officer, and the Trustee may accept and rely upon a certificate signed by any Authorized Officer as to any action taken by the Authority.

Notice of Default. Except upon the happening of any Event of Default specified in subsections (a) or (b) of "Default Provisions –Events of Defaults", the Trustee shall 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.

Trustee Not Responsible for Recitals. The recitals, statements and representations contained in the Trust Agreement and in the Bonds shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

Trustee Protected in Relying on Certain Documents. The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in absence of willful misconduct, reasonably and in according with the terms of the Trust Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. The Trustee shall not be under any obligation to see to the recording or filing of the Trust Agreement or otherwise to the giving to any person of notice of the provisions of the Trust Agreement.

Trustee May Pay Taxes and Assessments. In case the Authority shall fail to pay or cause to be paid any lawful tax, assessment or governmental charge or other charge upon any part of the Authority to the extent, if any, that the Authority may be deemed by the Trustee liable for same, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or the Owners of Bonds arising in consequence of such failure; and any amount at any time so paid under the Trust Agreement shall be repaid upon demand by the Trustee by the Authority, but the Trustee shall be under no obligation to make any such payment from sources provided in the Trust Agreement unless it shall have available or be provided with adequate funds for the purpose of such payment.

Resignation and Removal of Trustee Subject to Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Trust Agreement shall become effective until the acceptance of appointment by the successor Trustee under the provisions of "Trustee Matters – Appointment of Successor Trustee."

Resignation of Trustee. Subject to the provisions set forth in "Trustee Matters – Resignation and Removal of Trustee Subject to Appointment of Successor," 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 shall take effect immediately upon the appointment of a new Trustee under the Trust Agreement if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts of the Trust Agreement.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, (i) executed by the Owners of not less than a majority in aggregate principal amount

of Bonds then Outstanding and filed with the Authority, or (ii) executed by an Authorized Officer, so long as no Event of Default shall have occurred and be continuing, in either case not less than sixty (60) days before such removal is to take effect as stated in said instrument of instruments. A photographic copy of any order, instrument or instruments filed with the Authority under the provisions of this paragraph, duly certified by an officer of the Authority as having been received by the Authority, shall be delivered promptly by the Authority to the Trustee.

The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Authority or the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding.

Appointment of Successor Trustee. Subject to the provisions set forth in "Trustee Matters – Resignation and Removal of Trustee Subject to Appointment of Successor," if at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the positions of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, the Authority shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is (i) a bank or trust company within or without the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, (ii) of good standing, and (iii) having a combined capital, surplus and undivided profits aggregating not less than One Hundred Million Dollars (\$100,000,000). The Authority shall mail notice of any such appointment made by it, postage prepaid, to all Owners of Bonds.

At any time within sixty (60) days after any such vacancy shall have occurred, the Owners of not less than 25% in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the Authority, may nominate a successor Trustee, which the Authority shall appoint and which shall supersede any Trustee theretofore appointed by the Authority. Photographic copies, duly certified by an officer of the Authority as having been received by the Authority, of each such instrument shall be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by such Owners.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Trust Agreement, any Owner of Bonds or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any successor Trustee hereafter appointed shall be (i) a bank or trust company within or without the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, (ii) of good standing and (iii) having a combined capital, surplus and undivided profits aggregating not less than One Hundred Million Dollars (\$100,000,000).

Vesting of Duties in Successor Trustee. Every successor Trustee appointed under the Trust Agreement shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument in writing accepting such appointment thereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities and powers, and subject to all the duties and obligations, of its predecessor; but such predecessor shall nevertheless, on the written request of its successor or of the Authority and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of "Trustee Matters –

Compensation and Indemnification of Trustee and Bond Registrar", execute and deliver an instrument transferring to such successor Trustee all the rights, immunities and powers of such predecessor; and every predecessor Trustee shall deliver all property and money held by it under the Trust Agreement to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts vested by the Trust Agreement or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Authority.

Removal and Resignation of Bond Registrar. A Bond Registrar may be removed at anytime, with or without cause, by the Authority upon forty-five (45) days' written notice by the Authority to such Bond Registrar. A copy of such written notice shall be delivered promptly by the Authority to the Trustee. Upon receipt of such notice, the Trustee shall cause notice of such removal to be mailed, postage prepaid, to the Owners not less than thirty (30) days before such removal is to take effect. All costs in connection with such notice shall be borne by the Authority.

A Bond Registrar may resign and thereby become discharged from the duties, obligations and responsibilities of Bond Registrar under the Trust Agreement, by written notice delivered to the Authority and the Trustee. Upon receipt of such notice the Trustee shall cause notice of such resignation to be mailed, postage prepaid, at such Bond Registrar's expense, to the Owners not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Bond Registrar if such new Bond Registrar shall be appointed before the time limited by such notice and shall then accept the duties, obligations and responsibilities of Bond Registrar under the Trust Agreement. If at any time thereafter a Bond Registrar shall resign, be removed, be dissolved or otherwise become incapable of acting, or the entity acting as Bond Registrar shall be taken over by any governmental official, agency, department or board, the position of Bond registrar shall thereupon become vacant. If the position of Bond Registrar shall become vacant for any reason, the Authority shall appoint a Bond Registrar to fill such vacancy. A successor Bond Registrar shall not be required if a Bond Registrar shall sell or assign substantially all of its business and the vendee or assignee shall be qualified in the sole judgment of the Authority to carry out the duties, obligations and responsibilities of Bond Registrar under the Trust Agreement. The Authority shall promptly deliver written notice of any such appointment by it to the Trustee and mail such notice, postage prepaid, to all Owners of the applicable Bonds.

Co-Trustee. At any time, but subject to compliance with all applicable regulations, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the trust estate may at the time be located, the Authority and the Trustee shall have power to appoint an additional institution or individual as a co-trustee or separate trustee, and upon the request of the Trustee or of 10% in aggregate principal amount of Bonds then Outstanding the Authority shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint such institution or individual to act as co-trustee jointly with the Trustee or as a separate trustee of all or any part of the trust estate, and to vest in such person or institution, in such capacity, such title to the trust estate, or any part thereof, and such rights, powers, duties, trusts or obligations as the Authority and the Trustee may consider necessary or desirable, subject to the remaining provisions of the Trust Agreement.

If the Authority shall not have made such appointment within 30 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have the power to make such appointment.

The Trustee and the Authority shall execute, acknowledge and deliver all such instruments as may be reasonably required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) Bonds shall be authenticated and delivered, if applicable, and all rights, powers, trusts, duties and obligations by the Trust Agreement conferred upon the Trustee in respect of the custody, control or management of money, papers, securities and other personal property shall be exercised solely by the Trustee;

(b) all rights, powers, trusts, duties and obligations conferred or imposed upon the Trustee by the Trust Agreement shall be conferred or imposed upon or exercised or performed by the Trustee, or by the Trustee and such co-trustee, or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or separate trustee;

(c) any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action under the Trust Agreement shall be sufficient warrant for the taking or the refraining from taking of such action by such co-trustee or separate trustee;

(d) any co-trustee or separate trustee to the extent permitted by law may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise;

(e) the Trustee at any time by an instrument in writing with the concurrence of the Authority may accept the resignation of or remove any co-trustee or separate trustee appointed under the Trust Agreement and in case an event of default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of or remove any such co-trustee or separate trustee without the concurrence of the Authority, and upon the request of the Trustee, the Authority shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in the Trust Agreement;

(f) no Trustee shall be personally liable by reason of any act or omission of any other trustee under the Trust Agreement;

(g) any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by the Owners of Bonds and delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee; and

(h) any money, papers, securities or other items of personal property received by any such co-trustee or separate trustee shall forthwith, so far as may be permitted by law, be turned over to the Trustee,

Upon the acceptance in writing of such appointment, any such co-trustee or separate trustee shall be vested with such title to the trust estate or any part thereof, and with such rights, powers, duties, trusts or obligations as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of the Trust Agreement. Every such acceptance shall be filed with the Trustee and the Authority.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the trust estate and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner provided in the Trust Agreement.

Execution of Instruments. Any request, direction, consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by any Owners of Bonds may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or their attorneys or legal representatives or legal representative of his estate if the Owner is deceased. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of the Trust Agreement and shall be conclusive in favor of the Trustee and the Authority with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification, by any officer in any jurisdiction who by the laws thereof has power to take affidavits within such jurisdictions, to the effect that such instrument was subscribed and sworn to before him or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of the Trust Agreement.

Nothing contained in the Trust Agreement shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters therein stated which it may deem sufficient. Any request or consent of any Owner of Bonds shall bind every future Owner of the same in respect of anything done by the Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of the Trust Agreement, the Trustee shall not be required to recognize any person as an Owner of Bonds or to take any action at such an Owner's request unless such Bonds shall be deposited with it.

Preservation of Information: Communications. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Owners received by the Trustee from the Bond Registrar.

(b) If an Owner which is a Securities Depository Nominee or three or more Owners which are not Securities Depository Nominees ("*applicants*") apply in writing to the Trustee and furnish reasonable proof that each such applicant has owned a Bond for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Owners with respect to their rights under the Trust Agreement or under the Bonds and such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with subsection (a), or

(ii) inform such applicants as to the approximate number of Owners whose names and addresses appear in the information preserved at the time by the Trustee in accordance with subsection (a), and as to the approximate cost of mailing to such Owners the form of communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Owner whose name and address appears in the information preserved at the time by the Trustee in accordance with subsection (a) a copy of the form of communication which is specified in such request, with reasonable promptness after a tender to the Trustee

of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing.

(c) Every Owner, by receiving and holding one or more Bonds, agrees with the Authority and the Trustee that neither the Authority nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Owners in accordance with subsection (b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under such subsection.

Supplemental Trust Agreements

Supplemental Trust Agreement Without Consent. The Authority and the Trustee may, from time to time and at any time, execute and deliver supplemental trust agreements hereto (which supplemental trust agreements shall thereafter form a part of the Trust Agreement) as shall 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, shall 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 reserved to or conferred upon the Authority, or

(e) to make revisions to conform with a pledge of the balance in the Revenue Fund described in subsection (d) of "Funds Generally – Application of Money in Revenue Fund" to the Revenue Bonds, or

(f) 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, or

(g) to make any other change in the Trust Agreement which, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, shall not materially and adversely affect the interest of the Owners.

At least thirty (30) days prior to the execution and delivery of any supplemental trust agreement for any of the purposes of the Trust Agreement, the Trustee shall 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 shall briefly set forth in the nature of the proposed supplemental trust agreement and shall 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 the notice required by the Trust Agreement shall not affect the validity of such supplemental trust agreement.

Supplemental Trust Agreement with Consent. Subject to the terms and provisions contained in the Trust Agreement, and not otherwise, the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall 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 contained in the Trust Agreement shall 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, or a pledge, charge and lien permitted 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.

Nothing contained in the Trust Agreement, however, shall be construed as making necessary the approval by Owners of Bonds of the execution and delivery of any supplemental trust agreement as authorized in "Supplemental Trust Agreements – Supplemental Trust Agreement without Consent" above. Furthermore, notwithstanding the foregoing provisions of the Trust Agreement, to the extent that the Owners of Bonds are not "affected" by the proposed supplemental trust agreement as provided in "Supplemental Trust Agreements – Bonds Affected" below, the consent of such Owners of not less than a majority in aggregate principal amount of Bonds shall not be required as provided in the preceding paragraph.

If at any time the Authority and the Trustee determine that it is necessary or desirable to execute and deliver any supplemental trust agreement for any of the purposes of the Trust Agreement, the Trustee shall 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 shall briefly set forth the nature of the proposed supplemental trust agreement and shall 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 shall 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 the notice required by the Trust Agreement to be mailed and any such failure shall 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 shall refer to the proposed supplemental trust agreement described in such notice and shall 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 shall 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, as defined in "Supplemental Trust Agreements – Bonds Affected" below, 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 shall 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.

Bonds Affected. For purposes of the Trust Agreement, Bonds shall be deemed to be affected by a supplemental trust agreement if the same adversely affects or diminishes the rights of the Owners of such Bonds against the Authority or the rights of such Owners in the security for such Bonds. The Trustee may in its discretion determine whether any Bonds would be affected by any supplemental trust agreement, and any such determination shall be conclusive upon the Owners of all Bonds, whether theretofore or thereafter issued or incurred. The Trustee shall not be liable for any such determination made in good faith.

Supplemental Trust Agreements Part of Trust Agreement. Any supplemental trust agreement executed and delivered in accordance with the provisions of the Trust Agreement shall thereafter form a part of the Trust Agreement, and the Trust Agreement shall be and be deemed to be modified and amended in accordance therewith. Thereafter the respective rights, duties and obligations under the Trust Agreement of the Authority, the Trustee and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of the Trust Agreement as so modified and amended. If any supplemental trust agreement is executed and delivered, Bonds issued thereafter may contain an express reference to such supplemental trust agreement, if deemed necessary or desirable by the Authority.

Not a Supplemental Trust Agreement. For purpose of the Trust Agreement, a supplemental agreement that relates only to the issuance of Bonds for the purpose of refunding all or a portion of the Bonds and paying the costs of issuance associated therewith as provided in "Additional Bonds - Terms and Conditions for Issuance of Refunding Bonds" shall not be deemed or considered to be a supplemental trust agreement for purposes of the Trust Agreement and may be executed without complying with the provisions of the Trust Agreement.

Supplements to Supplemental Agreement. Under the Second Supplemental Trust Agreement, provisions similar to those set forth in the subsection "Supplemental Agreements" apply to supplements to the Second Supplemental Trust Agreement.

Defeasance

Release of Trust Agreement. When:

(a) the Bonds secured by the Trust Agreement shall 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 shall be paid; and

(b) if the Bonds shall not have become due and payable in accordance with their terms, the Trustee or any Bond Registrar shall 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 (assuming for this calculation that no subsequent Interest Subsidy Payments are to be received) 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 shall have been given by the Authority to the Trustee; and

(d) sufficient funds shall 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 shall 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 shall release the Trust Agreement and shall execute such documents to evidence such release as may be required by such counsel, and the Trustee shall turn over to the Authority any surplus in, and all balances remaining in, all funds, accounts and sub accounts other than money held for the redemption or payment of Bonds. Otherwise, the Trust Agreement shall be, continue and remain in full force and effect; provided, however, that in the event Defeasance Obligations shall be deposited with and held by the Trustee or the Bond Registrar, (i) in addition to the requirements set forth in "Redemption" above, the Trustee, within thirty (30) days after such Defeasance Obligations shall have been deposited with it, shall 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 shall 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 shall 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, shall 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 shall be held in trust and applied to the payment, when due, of the obligations payable therewith.

Miscellaneous Provisions

Parties, Bond Registrar and Owners Alone Have Rights under Trust Agreement. Except as therein otherwise expressly provided, nothing in the Trust Agreement, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, each Bond Registrar, the Authority, the Owners of Bonds any right, remedy or claim, legal or equitable, under or by reason of the Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the Authority, each Bond Registrar, the Owners of Bonds.

Effect of Covenants: Governing Law. All covenants, stipulations, obligations and agreements of the Authority contained in the Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent permitted by the Constitution and laws of the State. The

Trust Agreement is executed and delivered with the intent that the laws of the State shall govern its construction.

No Recourse Against Members, Officers or Employees of Authority or NCDOT. No recourse under, or upon, any statement, obligation, covenant or agreement contained in the Trust Agreement, or in any Bond secured by the Trust Agreement, or in any document or certification whatsoever, or under any judgment obtained against the Authority, or by the enforcement of any assessment, or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee of the Authority or NCDOT, either directly or through the Authority for the payment for or to, the Authority or any receiver of the Authority, or for, or to, any Owner of Bonds or otherwise, of any sum that may be due and unpaid upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Authority or any receiver of the Authority, or for, or to, any Owner of Bonds or otherwise, of any sum that may remain due and unpaid upon the Bonds secured by the Trust Agreement or any of them, is expressly waived and released as an express condition of, and in consideration for, the adoption of the Trust Agreement and the issuance of Bonds.

Payment Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right as provided in the Trust Agreement is not a Business Day, such payment may be made or act performed or right exercised on the next Business Day with the same force and effect as if done on the date provided in the Trust Agreement.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

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[Letterhead of McGuireWoods LLP]

April 6, 2021

Board of Directors
North Carolina Turnpike Authority
Raleigh, North Carolina

\$73,985,000
North Carolina Turnpike Authority
Monroe Expressway System State Appropriation Revenue
Refunding Bonds, Series 2021 (Forward Delivery)

Ladies and Gentlemen:

We have served as bond counsel to the North Carolina Turnpike Authority (the "Authority") in connection with the issuance and sale of the Authority's \$73,985,000 Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery) (the "Series 2021 Bonds") dated the date of their delivery.

The Series 2021 Bonds are being issued for the purpose of providing funds, together with any other available funds, to (a) refund the portion of the outstanding Monroe Connector System State Appropriation Revenue Bonds, Series 2011 maturing on July 1, 2022 through 2041 and (b) pay certain costs incurred in connection with the issuance of the Series 2021 Bonds.

In connection with this opinion, we have examined (i) the Constitution of the State of North Carolina (the "Constitution"), (ii) the applicable laws of (A) the State of North Carolina (the "State"), including without limitation Article 6H of Chapter 136, as amended, of the General Statutes of North Carolina (the "Authority Act") and The State and Local Government Revenue Bond Act, Article 5 of Chapters 159 of the North Carolina General Statutes, as amended (the "Revenue Bond Act", and together with the Authority Act, the "Acts") and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code"), (iii) a bond order of the Authority adopted on May 7, 2020, authorizing the issuance of the Series 2021 Bonds (the "Bond Order"), (iv) a Trust Agreement dated as of October 1, 2010 (the "Original Trust Agreement"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as previously supplemented by a First Supplemental Trust Agreement dated as of November 1, 2011 (the "First Supplemental Trust Agreement") and as supplemented by a Second Supplemental Trust Agreement dated as of April 1, 2021 (the

"Second Supplemental Trust Agreement", and together with the Original Trust Agreement and the First Supplemental Trust Agreement, the "Trust Agreement") and (v) copies of proceedings and other documents relating to the issuance and sale of the Series 2021 Bonds by the Authority as we have deemed necessary to render this opinion.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon (i) representations of the Authority, including, without limitation, representations as to the use of proceeds of the Series 2021 Bonds, (ii) certifications of public officials furnished to us and (iii) certifications and representations contained in certificates of the Authority, the North Carolina Department of Transportation, the Local Government Commission of North Carolina and others delivered at closing, without undertaking to verify them by independent investigation. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by PFM Financial Advisors, LLC, financial advisor to the Authority, relating to the yield on the Series 2021 Bonds.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the Authority, and we have further assumed the due organization, existence, and powers of all parties other than the Authority.

Based on the foregoing, in our opinion, under current law:

1. The Series 2021 Bonds have been authorized and issued in accordance with the Constitution and laws of the State, including the Acts and constitute valid and binding obligations of the Authority, payable as to principal, premium and interest from Revenues. The Series 2021 Bonds do not create or constitute a debt or pledge of the faith and credit of the State or any political subdivision thereof, including the Authority.

2. The Bond Order has been duly adopted. The Trust Agreement has been duly executed and delivered by the Authority and constitutes a valid and legally binding agreement of the Authority, enforceable against the Authority in accordance with its terms. The Trust Agreement assigns and pledges the Revenues to the Trustee.

3. Interest on the Series 2021 Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax. We express no opinion regarding other federal tax consequences arising with respect to the Series 2021 Bonds.

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the Authority as to facts material to the

opinion, and (ii) assuming continuing compliance with the Covenants, as hereinafter defined, by the Authority, so that interest on the Series 2021 Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2021 Bonds in order for interest on the Series 2021 Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2021 Bonds and the use of the property financed or refinanced by the Series 2021 Bonds, limitations on the source of the payment of and the security for the Series 2021 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2021 Bonds to the United States Treasury. The tax certificate and related documents for the Series 2021 Bonds (the "Tax Certificate") delivered at closing by the Authority contain covenants (the "Covenants") with which it has agreed to comply. Failure to comply with the Covenants could cause interest on the Series 2021 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2021 Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date the Series 2021 Bonds are issued.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Series 2021 Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Under current law, interest on the Series 2021 Bonds is exempt from State of North Carolina income taxes. We express no opinion regarding other tax consequences arising with respect to the Series 2021 Bonds under (i) the laws of the State or (ii) the laws of any state or local jurisdiction other than the State.

The rights of the holders of the Series 2021 Bonds and the enforceability of such rights, including enforcement by the Trustee of the obligations of the Authority under the Trust Agreement, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and (b) principles of equity, which considered at law or in equity.

Our services as bond counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to opine on the validity of the Series 2021 Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or

information that may have been relied upon by any owner of the Series 2021 Bonds in making a decision to purchase the Series 2021 Bonds. This opinion is given as of the date hereof, and we assume no obligation to 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.

Very truly yours,

APPENDIX C

DTC'S BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered bonds 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 2018 Bond for each maturity in the aggregate principal amount of such maturity will be deposited with DTC, or with the Trustee on DTC's behalf.

DTC 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 issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 rating of AA+. 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.

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2021 Bonds ("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 Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 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 the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 the Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance 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 of the Series 2021 Bonds 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 the Series 2021 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 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 registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all the Series 2021 Bonds 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 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC will mail an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy will assign Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2021 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 or the Trustee on each 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 Participants and not of DTC, the Authority, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments 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 and the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bonds 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 2021 Bonds are required to be printed and delivered.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from DTC, and the Authority takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF PURCHASE CONTRACT FOR FORWARD DELIVERY BONDS

_____, 2020

Citigroup Global Markets Inc.
As Representative of the Underwriters

\$73,985,000
NORTH CAROLINA TURNPIKE AUTHORITY
MONROE EXPRESSWAY SYSTEM
STATE APPROPRIATION REVENUE REFUNDING BONDS,
SERIES 2021 (FORWARD DELIVERY)

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby agrees (this "Contract") to purchase from Citigroup Global Markets Inc. (the "Representative"), as representative of itself and the Underwriters set forth in the Bond Purchase Agreement, as hereinafter defined (collectively with the Representative, the "Underwriters"), when, as, and if issued and delivered to the Underwriters by the North Carolina Turnpike Authority (the "Authority"), and the Representative agrees to sell to the Purchaser the following bonds of the Authority's Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery):

<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield (%)</u>	<u>Price(\$)</u>
----------------------	-------------------	----------------------	---------------------	------------------	------------------

Total

Total

(the "Bonds" or the "Purchased Obligations") offered by the Authority under the Preliminary Official Statement dated November 12, 2020, and the final Official Statement relating to the Purchased Obligations dated November 19, 2020 (the "Official Statement"), at the aggregate purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in the Bond Purchase Agreement (Forward Delivery) dated November 19, 2020, among the Authority, the Representative, acting on its own behalf and on behalf of the Underwriters, and the North Carolina Local Government Commission (the "Bond Purchase Agreement"), wherein the Purchased Obligations are being purchased by the Underwriters. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Bond Purchase Agreement or the Official Statement.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled "CERTAIN FORWARD DELIVERY

CONSIDERATIONS, ACKNOWLEDGEMENTS AND RISKS WITH RESPECT TO THE SERIES 2021 BONDS"), has considered the risks associated with purchasing the Purchased Obligations and is duly authorized to purchase the Purchased Obligations. The Purchaser further acknowledges and agrees that the Purchased Obligations are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Obligations from the Underwriters on or about April 6, 2021 (the "Settlement Date").

Payment for the Purchased Obligations shall be made to the Representative or upon its order on the Settlement Date upon delivery to the Purchaser of the Purchased Obligations through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Authority does not for any reason issue and deliver the Purchased Obligations.

Upon the Settlement Date, the obligation of the Purchaser to take delivery of the Purchased Obligations hereunder shall be unconditional. The Purchaser may terminate its obligation to purchase the Purchased Obligations in the event that between the date of this Contract and the Settlement Date, one of the following events shall have occurred and the Purchaser has notified the Representative in writing as provided herein:

(1) the Bonds are not rated (or any such rating is suspended or withdrawn which results in the Bonds having no rating) by any of S&P, Moody's or Fitch on the Settlement Date;

(2) as a result of a Change in Law (as defined below) that involves the enactment of federal legislation that applies only to "state or local bonds" (such as the Bonds) that are issued and delivered on or after the Preliminary Closing Date, the owner of a Bond is not able to utilize the full benefit of the exclusion from gross income for federal income tax purposes of interest payable on the Bonds;

(3) as a result of a Change in Law or for any other reason, Bond Counsel notifies the Authority that it does not expect to be able to issue an opinion substantially in the form and to the effect set forth in Appendix B to the Official Statement;

(4) an event of default has occurred and is continuing, technical or otherwise, under the Trust Agreement; or

(5) an event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or Updated Official Statement or which is not reflected in the Official Statement or Updated Official Statement but should be reflected therein in order to make the statements contained therein in light of the circumstances under which there were made, not misleading in any material respect and in either such event, (a) the Authority refused to permit the Official Statement or Updated Official Statement, as the case may be to be supplemented to supply such statement or information in a manner satisfactory to the Underwriters or ((b) the effect of the Official Statement or Updated Official Statement as so supplemented is, in the judgment of the Representative, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds.

A "Change in Law" means:

(i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies;

(ii) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has an effective date which is on or before the Settlement Date);

(iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (whether or not such proposed or enacted law, rule or regulation has an effective date which is on or before the Settlement Date);

(iv) any judgment, ruling or order issued by any court or administrative body,

which with respect to clauses (i) through (iv) hereof would (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from (1) accepting delivery of and paying for the Bonds in accordance with the provisions of the Bond Purchase Agreement or (2) selling the Bonds or beneficial ownership interests therein to the public, (B) as to the Authority, make the sale or issuance or delivery of the Bonds by the Authority illegal (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized), (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized), or (D) require the Bonds to be registered under the 1933 Act or under the 1934 Act, or require the Trust Agreement or the Second Supplemental Trust Agreement to be qualified under the 1939 Act (or have the retroactive effect of requiring such registration or qualification if enacted, adopted, passed or finalized); or

(v) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, is or would be, in violation of any provision of the federal securities laws, including the 1933 Act, the 1934 Act, or the 1939 Act.

The Purchaser acknowledges and agrees that the Purchased Obligations are being sold on a "forward" or "forward delivery" basis for delivery on the Settlement Date and that the Purchaser is obligated to take up and pay for the Purchased Obligations on the Settlement Date unless the Underwriters terminate the Bond Purchase Agreement, or the Purchaser terminates its obligation to purchase the Purchased Obligations as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of its termination to the Representative before the Settlement Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after the Settlement Date. The Purchaser is not a third-party beneficiary under the Bond Purchase Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Obligations on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Purchased Obligations or changes in the credit associated with the Purchased Obligations generally, and (b) changes in the financial condition and operations of the Authority. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Obligations in accordance with the terms hereof, even if the Purchaser decides to sell such Purchased Obligations following the date hereof, unless the Purchaser sells Purchased Obligations to another institution with the prior written consent of the Representative and such institution provides a written acknowledgment of confirmation of purchase order and a forward delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date hereof, the Purchaser is not prohibited from purchasing the Purchased Obligations hereby agreed to be purchased by it under the laws of the jurisdiction(s) to which the Purchaser is subject.

This Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

[If applicable to the Purchaser add:

The Purchaser agrees that it will at all times satisfy the minimum initial and maintenance margin requirements of Regulation T of the Board of Governors of the Federal Reserve System, Rule 431 of the New York Governors of the Federal Reserve System, Rule 431 of the New York Stock Exchange, Inc., and any other margin regulations applicable to the Representative.]

This Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the State of New York.

It is understood that the acceptance by the Representative of any forward delivery contract (including this one) is in the Representative's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a "first-come, first-served" basis. If this Contract is acceptable to the Representative, it is requested that the Representative sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Representative and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Contract shall be construed and administered under the laws of the State of New York.

Purchaser

By: _____

Name: _____

Title: _____

Address

Telephone

Accepted as of _____, 2020

**Citigroup Global Markets Inc., as
Representative of the Underwriters**

Name: _____

Title: _____

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