<u>NEW ISSUE</u> – BOOK-ENTRY-ONLY **Ratings: See "RATINGS" herein.**

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

NORTH CAROLINA TURNPIKE AUTHORITY

$150,125,000
Triangle Expressway System
Appropriation Revenue Refunding
Bonds, Series 2018A

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

Tax Treatment:	In the opinion of Bond Counsel, interest on the Bonds (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference, and (c) will be exempt from all State of North Carolina income taxes. See "LEGAL MATTERS" and "TAX TREATMENT."
Redemption:	The Bonds are subject to optional redemption at the times and at the redemption prices described herein. See "THE BONDS—Redemption Provisions."
Security:	The 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 Bonds. "Revenues" primarily consist of an annual appropriation of $25,000,000 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 Bonds, and no Owner of the 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 Bonds.* See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."
Interest Payment Dates:	Interest on the Bonds will be paid on January 1 and July 1, commencing July 1, 2018.
Closing/Settlement:	May 10, 2018
Bond Counsel:	Hunton Andrews Kurth LLP, Raleigh, North Carolina
Trustee and Paying Agent:	Wells Fargo Bank, N.A., Jacksonville, Florida
Financial Advisor:	PFM Financial Advisors, LLC, Orlando, Florida

The date of this Official Statement is April 26, 2018.

North Carolina Turnpike Authority

$150,125,000
Triangle Expressway System
Appropriation Revenue Refunding Bonds, Series 2018A

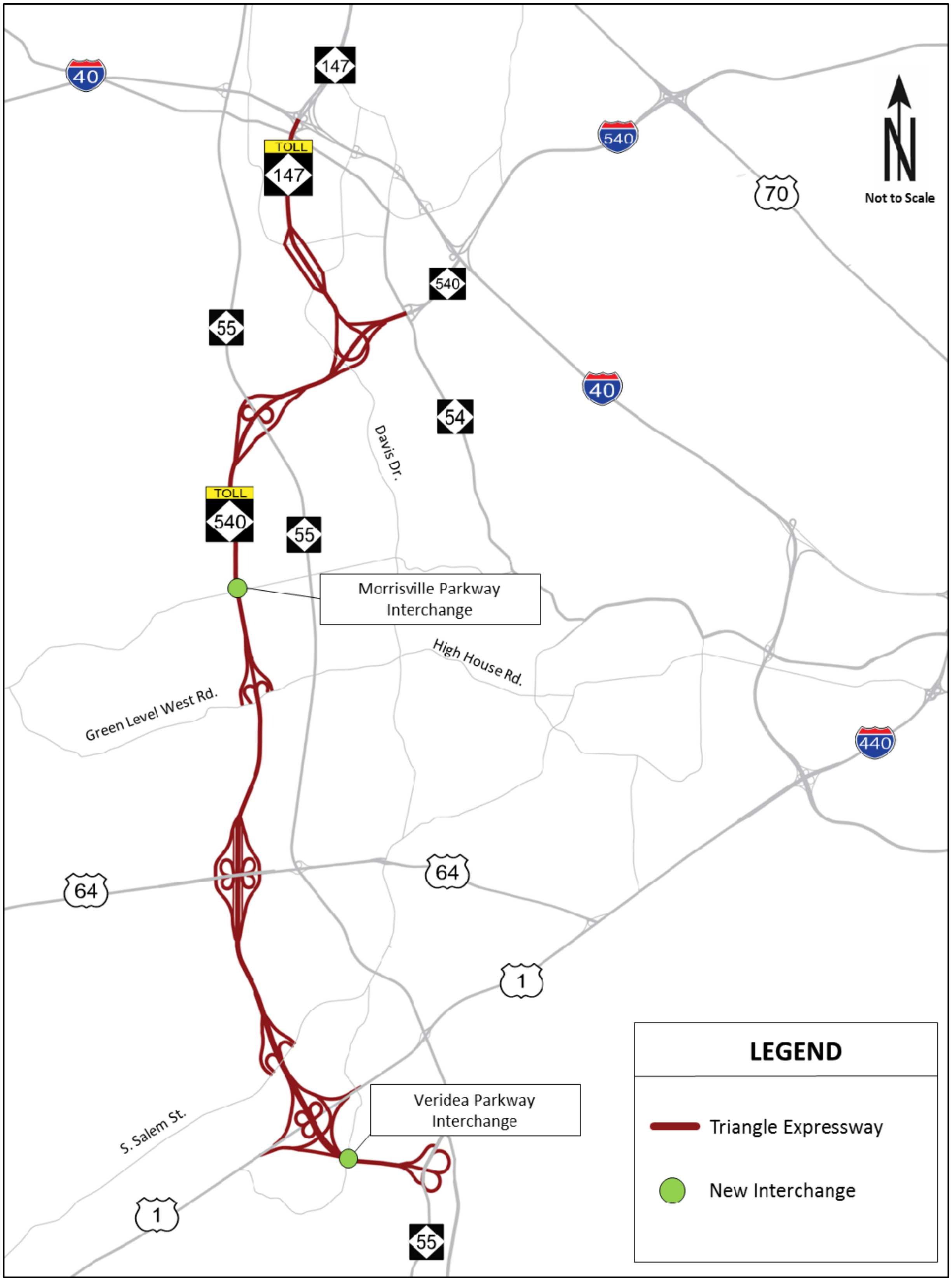
Maturity Schedule

Due January 1	Principal Amount	Interest Rate	Yield	Price*	CUSIP**
2033	$18,960,000	4.00%	3.290%	105.822%	65830V AA8
2034	19,735,000	4.00	3.350	105.314	65830V AB6
2035	20,540,000	4.00	3.400	104.893	65830V AC4
2036	21,375,000	4.00	3.430	104.642	65830V AD2
2037	22,250,000	4.00	3.470	104.308	65830V AE0
2038	23,160,000	4.00	3.500	104.058	65830V AF7
2039	24,105,000	4.00	3.530	103.809	65830V AG5

*Priced to first optional redemption date of January 1, 2028.

** CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP data herein is provided by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. The CUSIP data herein is provided solely for the convenience of reference only. The Authority is not responsible for selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

North Carolina Turnpike Authority Triangle Expressway



NORTH CAROLINA TURNPIKE AUTHORITY

STATE OFFICIALS

Roy Cooper	Governor
MG(R) James H. Trogdon, III, P.E.	Secretary of NCDOT
Bobby Lewis, P.E.	Chief Operating Officer of NCDOT
Evan Rodewald	Chief Financial Officer of NCDOT

AUTHORITY MEMBERS

MG(R) James H. Trogdon, III, P.E.	Chairman
Perry R. Safran	Vice Chairman
Robert D. Teer, Jr.	Secretary/Treasurer
Scott Aman	Member
John Collett	Member
Jim Crawford	Member
Montell W. Irvin	Member
Charles L. Travis, III	Member
James Walker	Member

MANAGEMENT STAFF

Beau Memory	Executive Director
Marvin T. Butler	Deputy Director
David Roy	Director of Finance and Budget
Andy Lelewski, PE	Director of Toll Road Operations

MUNICIPAL ADVISOR

PFM Financial Advisors, LLC, Orlando, Florida

BOND COUNSEL

Hunton Andrews Kurth LLP, Raleigh, North Carolina

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

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

Neither the 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 Bonds and the Trust Agreement in accordance with applicable provisions of securities laws of the states, if any, in which the 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.

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 for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

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 thereof. Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application of the proceeds from the sale of the Bonds. The Trustee has no duty to evaluate, has not undertaken to evaluate, and has not evaluated, the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

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State of North Carolina
<u>Department of State Treasurer</u>

DALE R. FOLWELL, CPA Treasurer	*State and Local Government Finance Division and the Local Government Commission*	GREG C. GASKINS Deputy Treasurer

Official Statement
of the North Carolina Local Government Commission

Concerning

NORTH CAROLINA TURNPIKE AUTHORITY

$150,125,000
Triangle Expressway System
Appropriation Revenue Refunding
Bonds, Series 2018A

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 $150,125,000 Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A (the "Bonds"). The Bonds are issued pursuant to applicable provisions of law, a bond order adopted by the Authority on March 28, 2018 (the "Bond Order"), and a Trust Agreement dated as of July 1, 2009 (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 May 1, 2018 (the "First Supplemental Trust Agreement" and, together with the Original Trust Agreement, the "Trust Agreement"). The Trust Agreement and the Bond Order are herein referred to as the "Authority Documents". The Bonds are being issued to refund, in advance of their maturity, certain of the Authority's Triangle Expressway System State Appropriation Revenue Bonds, Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2009B Bonds").

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 does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available to the State by the successful bidder or bidders for the Bonds.

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

Authorization. The 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 Bonds are issued under the Authority Act and The State and Local Government Revenue Bond Act, Article 5 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 Bonds are being issued for the purpose of providing funds, together with other available funds, a) to refund certain of the Series 2009B Bonds, and (b) to pay costs incurred in connection with the issuance of the Bonds. The Series 2009B Bonds were issued (1) to pay, in part, the costs of land acquisition, design, construction and equipping of 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 (the "Triangle Expressway System"), and (2) to pay the costs incurred in connection with the issuance of the Series 2009B Bonds. The Authority has contracted for another bond (the "Series 2018B Bond") to be issued and delivered in December, 2018, for the purpose of refunding certain other Series 2009B Bonds. See "PLAN OF REFUNDING" herein.

Security. The Bonds will be special obligations of the Authority, secured by and payable from, in parity with outstanding Series 2009B Bonds and the Series 2018B Bond, the Revenues and, under certain circumstances, the proceeds of the Bonds. "Revenues" consist of an annual appropriation of $25,000,000 to the Authority by the State of North Carolina (the "State") from the North Carolina Highway Trust Fund, a special fund of the State created for the purpose of funding highway construction (the "State Appropriated Revenues"), and by certain funds, accounts and subaccounts held by the Trustee under the Trust Agreement. The annual appropriation is subject to the discretion of the North Carolina General Assembly. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

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

State of North Carolina. Appendix A hereto includes certain information regarding the State. The Comprehensive Annual Financial Report for the State for the fiscal year ended June 30, 2017 (the "2017 CAFR"), including the State's basic financial statements for such fiscal year, is available at the website of the Office of the State Controller at www.osc.nc.gov and printed copies of the 2017 CAFR may be obtained from the Office of the State Controller at 3512 Bush Street; Raleigh, NC 27609. **The 2017 CAFR is hereby incorporated by reference in this Official Statement.** See "STATE OF NORTH CAROLINA" herein.

Details of Bonds. The Bonds will be dated the date of delivery thereof. Interest on the Bonds will be payable on January 1 and July 1, beginning July 1, 2018, at the rate of 4.00% per annum. Principal of the Bonds will be payable, subject to prior redemption as described herein for certain of the Bonds, on January 1 in the years and amounts shown on the inside front cover of this Official Statement.

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

Tax Status. In the opinion of Bond Counsel, interest on the Bonds (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference, and (c) will be exempt from all State income taxes. See "TAX TREATMENT" herein.

Professionals. Hunton Andrews Kurth LLP, Raleigh North Carolina, is serving as Bond Counsel and as Disclosure Counsel to the Authority. Ebony Pittman, Esq., an Assistant Attorney General for the State, is acting as counsel to the Authority. Wells Fargo Bank, N.A., Jacksonville, Florida, is serving as the Trustee and Bond Registrar. PFM Financial Advisors, LLC, Orlando, Florida, is acting as financial advisor to the Authority in connection with the issuance of the Bonds.

THE AUTHORITY

The Authority was created pursuant to the Authority Act and empowered to design, establish, purchase, construct, operate and maintain the turnpike projects within the State specifically authorized by the North Carolina General Assembly. In July 2009, the Authority became a part of NCDOT, a public agency of the State. The Secretary of NCDOT has delegated to the Authority Board the power to fix, revise, charge and collect tolls and fees for the use of turnpike projects, including the Triangle Expressway System, to issue bonds and notes for such projects and to invest the proceeds of such bonds and notes.

The nine-member Authority Board consists 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. MG(R) James H. Trogdon, III, P.E., the North Carolina Secretary of Transportation, serves as the Chair of the Authority Board. The Authority Board appoints the Executive Director of the Authority, who is the Chief Administrative Officer of the Authority, responsible for the daily administration of the toll projects undertaken by the Authority.

The Authority Act authorizes the Authority to issue bonds pursuant to the Revenue Bond Act to finance the cost of the turnpike projects it undertakes and to fix, revise, charge and collect tolls and fees for the use of the turnpike projects. The Triangle Expressway System was the first toll project financed by the Authority. The Authority and NCDOT are in the planning stages for the "Complete 540" project which would extend the Triangle Expressway from the NC 55 Bypass in Apex to an interchange with I-40 southeast of Raleigh and then on to the US 64/US 264 Bypass in Knightdale, completing the 540 Outer Loop around the greater Raleigh area. No decision has been made as to how Complete 540 will be financed. Such financing could include bonds issued as Additional Bonds under the Trust Agreement (if the requirements for the issuance of Additional Bonds are met), or bonds secured by other revenues or payable from other sources.

In addition to the Triangle Expressway System, the Authority is proceeding with plans for financing and constructing several additional toll road projects in the State. These projects consist of the Monroe Expressway, an approximately 19.7-mile controlled access roadway including 18.1 miles of toll road being built in Mecklenburg and Union Counties, North Carolina (the "Monroe Expressway"), as well as a network of express lanes in the Charlotte area and the Mid-Currituck Bridge to connect the North Carolina Outer Banks to the mainland. Such other projects will be financed separately from the Triangle Expressway System and Complete 540.

The Authority and NCDOT entered into a Master Agreement, dated July 13, 2006 (the "Master Agreement"). This Master Agreement sets forth the responsibilities each party assumes and procedures that will be observed for the purpose of furthering the financing, constructing, equipping, operating or maintaining turnpike projects in accordance with the Authority Act. The Master Agreement establishes terms and conditions under which NCDOT provides general funding and project assistance to the Authority. The Master Agreement provides for entering into project specific agreements to establish terms and conditions under which NCDOT will provide funding and assistance for each turnpike project.

STATE OF NORTH CAROLINA

Appendix A hereto includes certain information regarding the State that was prepared for inclusion in the Official Statement dated July 20, 2017, of the State used in connection with the offering of its $618,415,000 State of North Carolina Limited Obligation Refunding Bonds, Series 2017B (the "Recent State Bonds") with selected updates added which were included in filings posted by the State on the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board on January 29, 2018. References within Appendix A to "Appendix B", the "2017B Bonds" and "the Official Statement" are to such items within the context of the Official Statement for the Recent State Bonds. Additionally, paragraphs in Appendix A referencing the Authority use terms which are different from those defined in the remainder of this Official Statement.

The Comprehensive Annual Financial Report for the State for the fiscal year ended June 30, 2017 (the "2017 CAFR"), including the State's basic financial statements for such fiscal year, is available at the website of the Office of the State Controller at www.osc.nc.gov and printed copies of the 2017 CAFR may be obtained from the Office of the State Controller at 3512 Bush Street, Raleigh, NC 27609. **The 2017 CAFR is hereby incorporated by reference in this Official Statement.**

Neither the Office of the State Controller nor the Office of the State Auditor has made any representation that there have been no further subsequent material events with respect to the State since the date of the 2017 CAFR.

THE BONDS

Authorization

The issuance of the Bonds received the required approval of the North Carolina Local Government Commission (the "LGC") on April 10, 2018. 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 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 or refinanced, the issuing unit's capability to repay the amount financed from the pledged revenue sources and the issuer's general compliance with State budget and finance laws. Under the Revenue Bond Act, the LGC is also responsible, with the Authority's approval, for selling bonds issued pursuant to the Revenue Bond Act.

General

The 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, 2018, at the rates shown on the inside front cover of this Official Statement and will mature, subject to prior redemption as described below for certain Bonds, on January 1 in the years and amounts shown on the inside front cover. The 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 Bonds by the beneficial owners will be made in denominations of $5,000 or whole multiples thereof.

Book-entry-only

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

Redemption Provisions

Optional Redemption. The Bonds are subject to redemption, at the option of the Authority, either in whole or in part on any date on or after January 1, 2028, at a redemption price equal to 100% of the principal of such Bonds to be redeemed, plus accrued interest to the redemption date.

Other General Redemption Provisions. At least 30 days, but not more than 60 days, prior to a redemption date for 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 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 Bonds shall be redeemed only in whole multiples of $5,000. If less than all the Bonds are called for redemption, the maturities or portions of maturities of Bonds to be so redeemed shall be as determined by the Authority. If less than all of the Bonds of any one maturity are to be called for redemption, and the Bonds are not held in book-entry-only form, the Bond Registrar shall effect the redemption of the 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 Bonds are held in book-entry-only form, and less than all of the Bonds of any one maturity are to be called for redemption, the particular Bonds or portions thereof to be redeemed shall be selected in accordance with the procedures of DTC. If a portion of a Bond not in book-entry form is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof will be issued to the Owner upon surrender thereof.

Upon giving notice and depositing funds or securities with the Trustee or the Bond Registrar as provided in the Trust Agreement, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date, and interest on such 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 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such 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 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; EFFECT ON HOLDERS OF SERIES 2009B BONDS

Series 2018A Bonds

The Bonds are being issued for the purpose of providing funds, together with other available funds, (a) to refund $150,850,000 in aggregate principal amount of the Series 2009B Bonds maturing on January 1, 2039 (CUSIP No. 65830TAG0*), and (b) pay costs incurred in connection with the issuance of the Bonds. Such Series 2009B Bonds will redeemed on January 1, 2019, at a redemption price of par plus accrued interest.

For this purpose proceeds of the Bonds, together with other available funds, will be deposited with Wells Fargo Bank, N.A., as escrow agent, upon issuance of the Bonds and invested by the escrow agent in U.S. Treasury securities (the "Escrow Securities") the maturing principal of and interest on which will be sufficient to pay when and as due interest on such Series 2009B Bonds through the date of their redemption and the principal thereof on such date. See "VERIFICATION" herein. The escrow agent will be given irrevocable instructions to redeem such Series 2009B Bonds on January 1, 2019, and the holders of such Series 2009B Bonds will cease to be secured by Revenues and instead will be secured by the Escrow Securities. **Holders of the Bonds will not be secured by the Escrow Securities.**

Series 2018B Bond

Subject to certain conditions for issuance of the Series 2018B Bond, proceeds of the Series 2018B Bond, when issued in December, 2018, will be used to redeem all of the Series 2009B Bonds maturing on January 1, 2025 (CUSIP No. 65830TAF2*), and $111,195,000 in principal amount of the Series 2009B Bonds maturing on January 1, 2039 (CUSIP No. 65830TAG0*). Such Series 2009B Bonds will redeemed on January 1, 2019, at a redemption price of par plus accrued interest.

Remaining Series 2009B Bonds

After such redemptions on January 1, 2019, the only Series 2009B Bonds outstanding (the "Remaining Series 2009B Bonds") will be $9,935,000 in principal amount maturing on January 1, 2020, and $10,275,000 in principal amount maturing on January 1, 2021.

Effect on Holders of Series 2009B Bonds

Interest on the Series 2009B Bonds is included in gross income for federal tax purposes. Under usual federal income tax rules, when taxable obligations are defeased, as will occur to the Series 2009B Bonds refunded by the Bonds (but NOT to the Series 2009B Bonds refunded by the Series 2018B Bond), a tax recognition event is deemed to happen and the obligation is treated as if it were exchanged for a new obligation with the same characteristics except secured by the Escrow Securities rather than Revenues. Holders of such Series 2009B Bonds should consult their tax advisors as to the applicability and impact of such rules.

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*CUSIP numbers are subject to change, particularly with respect to bonds which are defeased or are part of maturities which are partially redeemed.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Principal Amount of Bonds	$150,125,000.00
Plus original issue premium	6,966,341.05
Debt Service Fund Contribution	2,437,737.38
Total Sources of Funds	$159,529,078.43
Uses of Funds	
Proceeds used for refunding	$158,896,060.79
Costs of Issuance[(1)]	633,017.64
Total Uses of Funds	$159,529,078.43

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

TRIANGLE EXPRESSWAY SYSTEM

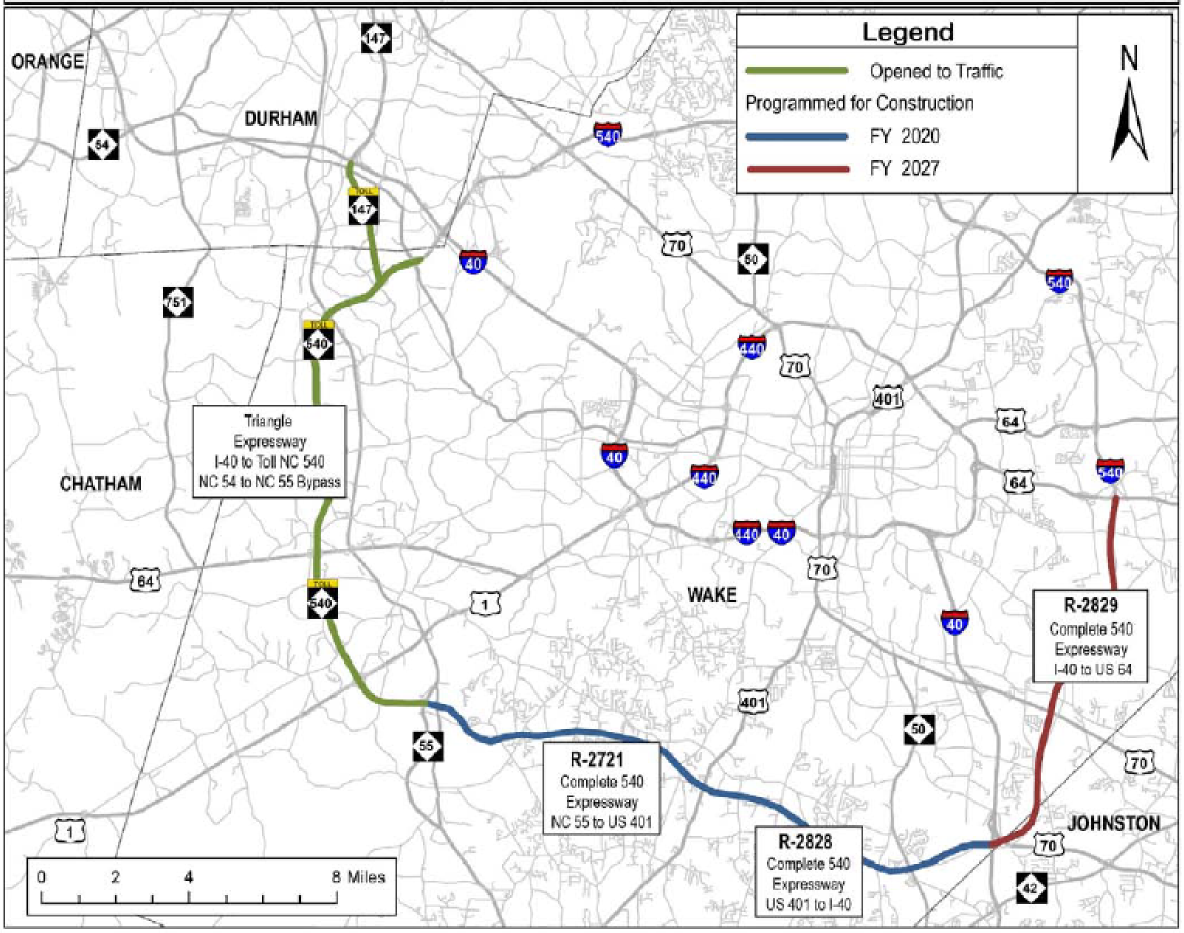
The "Triangle Expressway" extends for approximately 18.8 miles from the interchange of I-40 and NC 147 on the north end to the NC 55 Bypass near Holly Springs, North Carolina on the south end, and currently includes ten interchanges. The Triangle Expressway is a segment of the partially complete "Outer Loop" around the greater Raleigh, North Carolina area. Using the Triangle Expressway, travelers have a limited access, six-lane, high-grade facility from I-40 to the NC 55 Bypass near Holly Springs, reducing congestion on NC 55, a heavily utilized road which runs parallel to the Triangle Expressway. The Triangle Expressway provides access to a rapidly developing area within the Triangle region, which is projected to have substantial increases in both population and employment over the next 25 years, and improves access into the Research Triangle Park and other area employment centers.

The Triangle Expressway initially was comprised of two major construction projects known as the Triangle Parkway and the Western Wake Freeway. The two projects were financed together, but had two different opening dates based on the volume of work in each project. Phase I of the Triangle Expressway, the Triangle Parkway, broke ground in August 2009 and opened to traffic in December 2011. Phases II and III of the Triangle Expressway, which make up the Western Wake Freeway, opened in August 2012 and December 2012, respectively.

The Authority and NCDOT are in the planning stages for the "Complete 540" project which would extend the Triangle Expressway from the NC 55 Bypass in Apex to an interchange with I-40 southeast of Raleigh and then on to the US 64/US 264 Bypass in Knightdale, completing the 540 Outer Loop around the greater Raleigh area.

See the map below entitled "Complete 540 – Preferred Alternative." It is expected that construction of the Complete 540 link would benefit local commuters living south and east of Raleigh as well as motorists making longer trips through the Triangle region to and from points south and east.

Complete 540 - Preferred Alternative



No decision has been made as to how Complete 540 will be financed. Such financing could include bonds issued as Additional Bonds under the Trust Agreement (if the requirements for the issuance of Additional Bonds are met), or bonds secured by other revenues or payable from other sources.

In order to assure a source of funds for payment of operations and maintenance expenses of the Triangle Expressway System, the Authority and NCDOT entered into an agreement which provides that in the event that there are not funds available to pay operations and maintenance expenses, the Authority will make a request to NCDOT to fund such deficiency. Similarly, in order to assure that renewal and replacement costs are funded as required, NCDOT has undertaken to fund any deficiency in the amount that is required at the time to be on deposit in a fund therefor.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will be special obligations of the Authority, secured by and payable from the Revenues and, under certain circumstances, the proceeds of the Bonds. Except as described below, the Bonds are secured in parity with outstanding Series 2009B Bonds and the Series 2018B Bond if issued (together, the "Appropriation Bonds").

The Trust Agreement provides that the "Revenues" will primarily consist of the State Appropriated Revenues. 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, 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.

State Appropriated Revenues

The General Assembly of North Carolina has enacted legislation, now in North Carolina General Statutes Section 136-176, that creates a continuing annual appropriation to the Authority of $25,000,000 designated for the Triangle 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 Triangle Expressway System or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The annual appropriation for the Triangle Expressway System is defined in the Trust Agreement and herein as the "State Appropriated Revenues." Pursuant to the Trust Agreement the Authority has provided that the State Appropriated Revenues and any investment income realized therefrom shall constitute "Revenues" under the Trust Agreement.

In the 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 2009B 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. However, Interest Subsidy Payments with respect to Series 2009B Bonds refunded by the Bonds will cease upon the issuance of the Bonds and, if the Series 2018B Bond is issued as expected, the amount of future Interest Subsidy Payments will be comparatively little since they will be calculated only with respect to the Remaining Series 2009B Bonds. Therefore it is suggested the amount of Interest Subsidy Payments is not material with respect to the overall security for the Bonds.

The relevant statutes state 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.

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

The legislation providing for the annual appropriation provides that the appropriation is to be made to the Authority as a transfer from the North Carolina Highway Trust Fund. **THE HIGHWAY TRUST FUND IS NOT PLEDGED AS SECURITY FOR THE BONDS.** The North Carolina Highway Trust Fund is a separate fund of the State, separate from the State's General Fund and the State's Highway Fund. The North Carolina Highway Trust Fund was created by the General Assembly in 1989. Revenues for the Highway Trust Fund generally come from the following sources:

Motor Fuels Tax — Commencing April 1, 2015, the tax on motor fuels was a flat 36 cents per gallon. The flat cents per gallon tax was gradually reduced to 34 cents per gallon until December 31, 2016. Commencing January 1, 2017, the gas tax is based at 34 cents a gallon multiplied by a formula that utilizes population growth and the CPI. 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; 20% of the remaining net collections are deposited in the Highway Trust Fund for highway and other road construction purposes.

Highway Use Tax — For the privilege of using the highways, a tax of 3% is levied on the retail value of motor vehicles when purchased or titled in North Carolina. Collections, along with the 3% portion of a tax on gross receipts from motor vehicle rentals, are deposited in the Highway Trust Fund.

Non-Tax Revenue — The Highway Trust Fund receives non-tax revenues generated by increases in fees charged for the issuance of certificates of title and other fee increases and all interest and income earned by the Highway Trust Fund.

See "REVENUE STRUCTURE - Highway Fund and Highway Trust Fund" in Appendix A.

The following table shows the amount of tax revenue and non-tax revenue received in the Highway Trust Fund in fiscal years 2012-13 through 2016-17 and the annual percent increases for each of such fiscal years:

Highway Trust Fund
Tax and Non-Tax Revenue
($ millions)

Fiscal Year	Motor Fuels Tax Revenue [1]	Other State Revenue	Other Funds	Total Revenue	Percent Increase (Decrease)
2012-13	$1,021.5	$106.0	$0.4	$1,127.9	5.5%
2013-14	1,070.6	108.9	1.0	1,180.5	4.7
2014-15	1,132.8	112.4	0.9	1,246.1	5.6
2015-16	1,294.5	140.6	0.6	1,435.7	15.2
2016-17	1,339.4	162.1	2.8	1,504.3	4.8

Sources: Office of the State Controller and the State's Comprehensive Annual Financial Reports (GAAP basis).
[1] Motor Fuels Tax Revenue includes the Motor Fuels Tax and the Highway Use Tax.

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

Reserve Fund for Series 2009B Bonds

The Trust Agreement created the Reserve Fund with respect to the Series 2009B Bonds and any other Build America Bonds issued pursuant to the Trust Agreement. Such fund does NOT secure the Bonds and is expected to be fully used in the payment of principal of the last maturity of the Remaining Series 2009B Bonds on January 1, 2021.

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 Triangle 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 on all outstanding Appropriation Bonds and additional Appropriation Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table shows the debt service total for the Bonds, the Series 2018B Bond and the Series 2009B Bonds which will be outstanding assuming the issuance of the Series 2018B Bond occurs. All of such obligations are payable from the State Appropriated Revenues.

Fiscal Year	Bonds Principal	Bonds Interest	Bonds Total Debt Service**	Series 2018B Bond Debt Service**	Series 2009B Bonds* Debt Service**	Total
2018	-	$ 850,708.33	$ 850,708.33	-	$21,144,378	$21,995,086.33
2019	-	6,005,000.00	6,005,000.00	$ 2,293,473	14,002,586	22,301,059.00
2020	-	6,005,000.00	6,005,000.00	5,291,170	10,465,998	21,762,168.00
2021	-	6,005,000.00	6,005,000.00	5,304,808	10,454,819	21,764,627.00
2022	-	6,005,000.00	6,005,000.00	16,992,488	-	22,997,488.00
2023	-	6,005,000.00	6,005,000.00	16,977,809	-	22,982,809.00
2024	-	6,005,000.00	6,005,000.00	16,964,189	-	22,969,189.00
2025	-	6,005,000.00	6,005,000.00	16,951,319	-	22,956,319.00
2026	-	6,005,000.00	6,005,000.00	16,966,493	-	22,971,493.00
2027	-	6,005,000.00	6,005,000.00	16,953,401	-	22,958,401.00
2028	-	6,005,000.00	6,005,000.00	16,938,156	-	22,943,156.00
2029	-	6,005,000.00	6,005,000.00	16,922,476	-	22,927,476.00
2030	-	6,005,000.00	6,005,000.00	16,907,036	-	22,912,036.00
2031	-	6,005,000.00	6,005,000.00	16,889,527	-	22,894,527.00
2032	-	6,005,000.00	6,005,000.00	16,873,610	-	22,878,610.00
2033	$18,960,000	5,625,800.00	24,585,800.00	-	-	24,585,800.00
2034	19,735,000	4,851,900.00	24,586,900.00	-	-	24,586,900.00
2035	20,540,000	4,046,400.00	24,586,400.00	-	-	24,586,400.00
2036	21,375,000	3,208,100.00	24,583,100.00	-	-	24,583,100.00
2037	22,250,000	2,335,600.00	24,585,600.00	-	-	24,585,600.00
2038	23,160,000	1,427,400.00	24,587,400.00	-	-	24,587,400.00
2039	24,105,000	482,100.00	24,587,100.00	-	-	24,587,100.00

* Net of Interest Subsidy Payments with sequestration at the current percentage assumed.
** Debt service amounts for each Fiscal Year reflect payments due on the following July 1.

CONTINUING DISCLOSURE

In the Trust Agreement, the Authority will undertake, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board (the "MSRB") for filing on its Electronic Municipal Market Access ("EMMA") system:

(a) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2018, audited financial statements of the Authority for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the North Carolina General Statutes, 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) within ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

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

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

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

(5) issuance by the Internal Revenue Service of a proposed or final determination of taxability with respect to the Bonds; a Notice of Proposed Issue on IRS Form 5701-TEB with respect to the Bonds; adverse tax opinions or events affecting the Bonds; other material notices or determination with respect to the tax status of the Bonds; or other event affecting the tax status of the Bonds;

(6) defeasances;

(7) rating changes;

(8) tender offers; and

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

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

(1) non-payment related defaults;

(2) modification to the rights of the beneficial owners of the Bonds;

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

(4) release, substitution or sale of any property securing repayment of the Bonds;

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

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

(7) 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 $25 million in State Appropriated Revenues in any Bond Year; and

(8) 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 $25 million in State Appropriated Revenues in any Bond Year.

(d) within ten (10) Business Days following the occurrence of a failure, notice of a failure of the Authority to provide required annual financial or other information described in (a), (b) or (c) above on or before the date specified.

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

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

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

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

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

(c) any such modification does not materially impair the interests of the beneficial owners of the 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 Bonds pursuant to the terms of the Trust Agreement, as it may be amended from time to time, at the time of the amendment.

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

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the 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 years ended June 30, 2012, through 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 years ended June 30, 2012, through 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. The Authority has made a notice filing with the MSRB on its EMMA system 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. On March 18, 2014, S&P Global Ratings Services, a business unit of Standard & Poor's Financial Services LLC, upgraded the insured rating on the certain bonds of the Authority from "AA-" to "AA". The Authority failed to file timely notice of such rating change. The Authority has since filed notice of such rating change as required by Rule 15c2-12. The Authority has procedures in place to ensure timely filings pursuant to Rule 15c2-12.

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 Bonds, the Trust Agreement or contesting the validity or the authority or proceedings for the authorization, execution or delivery of the Bonds, the Trust Agreement or the Authority's creation, organization or corporate existence, or the title of any of the Authority's present officers to their respective offices, or the Authority's authority to carry out its obligations thereunder.

VERIFICATION

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal of and interest on the Escrow Securities to pay interest on the Series 2009B Bonds being refunded through January 1, 2019, and the principal amount of such Series 2009B Bonds on January 1, 2019, and (b) the mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under the Code, will be verified by BondResource Partners, LP, Harrisburg, Pennsylvania. Such verification will be based, among other things, on mathematical computations supplied by other parties. Bond Counsel will rely on such verification in rendering its opinion as to the exclusion of interest on the Bonds from gross income of the recipients thereof for purposes of federal income taxation.

LEGAL MATTERS

Legal matters related to the authorization, execution, sale and delivery of the Bonds are subject to the approval of Hunton Andrews Kurth LLP, Raleigh, North Carolina, Bond Counsel. See the form of the Bond Counsel opinion (the "Bond Opinion") attached as Appendix C. The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon, as described in the section "TAX TREATMENT." Bond Counsel has not been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the 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 Bonds.

Certain legal matters will be passed upon for the Authority by Ebony Pittman, Esq., an Assistant Attorney General for the State.

TAX TREATMENT

Opinion of Bond Counsel. In the opinion of Bond Counsel under current law, interest on the Bonds (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference, and (c) will be exempt from all income taxes in the State. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion with respect to the Bonds will be given in reliance upon certifications by representatives of the Authority as to certain facts relevant to both the opinion and requirements of the Code. Bond Counsel's opinion is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Assuming compliance with such covenants, the Bonds are eligible for treatment by financial institutions as a part of their "de minimis" 2% under Section 265(b)(7) of the Code relating to deductions for interest allocable to the cost of purchasing or carrying tax-exempt obligations. Failure by the Authority to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008)" and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Original Issue Premium**.** Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Tax Consequences Generally. In addition to the matters addressed above, prospective purchasers of the 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, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than North Carolina.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the Authority as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither Bond Counsel's opinion nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

LEGALITY FOR INVESTMENT

Section 159-140 of the North Carolina General Statutes provides that the 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 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

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") have given the Bonds the respective ratings of "Aa1" and "AA+". Further explanation of the significance of such ratings may be obtained from Moody's and S&P. The Authority has provided to Moody's and S&P certain information that has not been included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Such action may have an adverse effect on the market price of the Bonds. The Authority has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

MISCELLANEOUS

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

Any forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

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

NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

By: ____________________________________

Secretary

NORTH CAROLINA TURNPIKE AUTHORITY

By: ____________________________________

Chairman

APPENDIX A

THE STATE OF NORTH CAROLINA

This Appendix A includes certain information regarding the State that was prepared for inclusion in the Official Statement dated July 20, 2017, of the State used in connection with the offering of its $618,415,000 State of North Carolina Limited Obligation Refunding Bonds, Series 2017B (the "Recent State Bonds") with selected updates added which were included in filings posted by the State on the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board on January 29, 2018. References within this Appendix A to "Appendix B", the "2017B Bonds" and "the Official Statement" are to such items within the context of the Official Statement for the Recent State Bonds. Additionally, paragraphs in this Appendix A referencing the Authority use terms which are different from those defined in the remainder of this Official Statement.

The Comprehensive Annual Financial Report for the State for the fiscal year ended June 30, 2017 (the "2017 CAFR"), including the State's basic financial statements for such fiscal year, is available at the website of the Office of the State Controller at www.osc.nc.gov and printed copies of the 2017 CAFR may be obtained from the Office of the State Controller at 3512 Bush Street, Raleigh, NC 27609.

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MULTIPLE SOURCES

The following information with respect to the State of North Carolina, its economy, activities and other matters prepared for use in this offering document has been drawn from a number of different sources. In some respects those sources differ as to the dates of information collection and collation, accounting treatment and the particular definitions of terms or categories used for the reporting of information. Efforts have been made to obtain the most recent information available, to note the sources of such information and, when possible, to indicate reasons for differences between separately presented data. However, while the information from sources other than the State of North Carolina is believed reliable, no assurance can be given it is entirely accurate or that all of such differences have been identified. Any information noted as coming from such other sources should be viewed as included only for general comparison purposes and not as indicative of absolute numbers, facts or rankings.

STATE OF NORTH CAROLINA

The State of North Carolina (the "State") is located on the Atlantic seacoast and is bordered by the states of South Carolina, Georgia, Tennessee and Virginia. The State has a land area, exclusive of waterways and lakes, of 48,619 square miles, making it the 28th largest state by size. The State's projected population as of July 1, 2016, was 10,158,475, ranking it 9th in the nation. During the period from 2010 to 2016, the State's population increased by an estimated 590,000 or 6.1% (the 3rd largest increase among the top 10 most populous states on a percentage basis). The State Demographer's Office estimates that North Carolina has nine cities with populations in excess of 100,000, including four cities with populations in excess of 250,000.

Population by State – 2015 (thousands)

1.	California	39,145
2.	Texas	27,469
3.	Florida	20,271
4.	New York	19,796
5.	Illinois	12,861
6.	Pennsylvania	12,803
7.	Ohio	11,613
8.	Georgia	10,215
9.	**North Carolina**	**10,043**
10.	Michigan	9,923

Source: Statistical Abstracts of the United States 2017, Table 14.

Population by State – Net Migration in – 2010-2015

1.	Florida	1,261,155
2.	Texas	1,199,941
3.	California	568,884
4.	**North Carolina**	**297,064**
5.	Colorado	251,594
6.	Washington	251,442

Source: Statistical Abstracts of the United States 2017, Table 16.

Economic Characteristics

Overview — The State's major industry sectors are services, agriculture, trade, manufacturing, exports and tourism, but the military's presence and residential construction are also important economic drivers.

Gross Domestic Product by State – 2015 ($ billions)

1.	California	$2,458.5
2.	Texas	1,586.5
3.	New York	1,441.0
4.	Florida	882.8
5.	Illinois	775.0
6.	Pennsylvania	689.2
7.	Ohio	608.1
8.	New Jersey	568.2
9.	**North Carolina**	**499.4**
10.	Georgia	495.7

Source: Statistical Abstracts of the United States 2017, Table 695.

North Carolina Gross Domestic Product by Selected Industries – 2015 ($ billions)

Manufacturing	$100.1	20.0%
Government	65.9	13.2
Real estate, rental and leasing	57.0	11.4
Finance and insurance	40.0	8.0
Health care and social assistance	33.5	6.7
Wholesale trade	28.4	5.7
Retail trade	26.9	5.4
Professional and technical services	26.6	5.3
Information	16.3	3.3
Other	104.7	21.0
Total	$499.4	100.0%

Source: Statistical Abstracts of the United States 2017, Table 696.

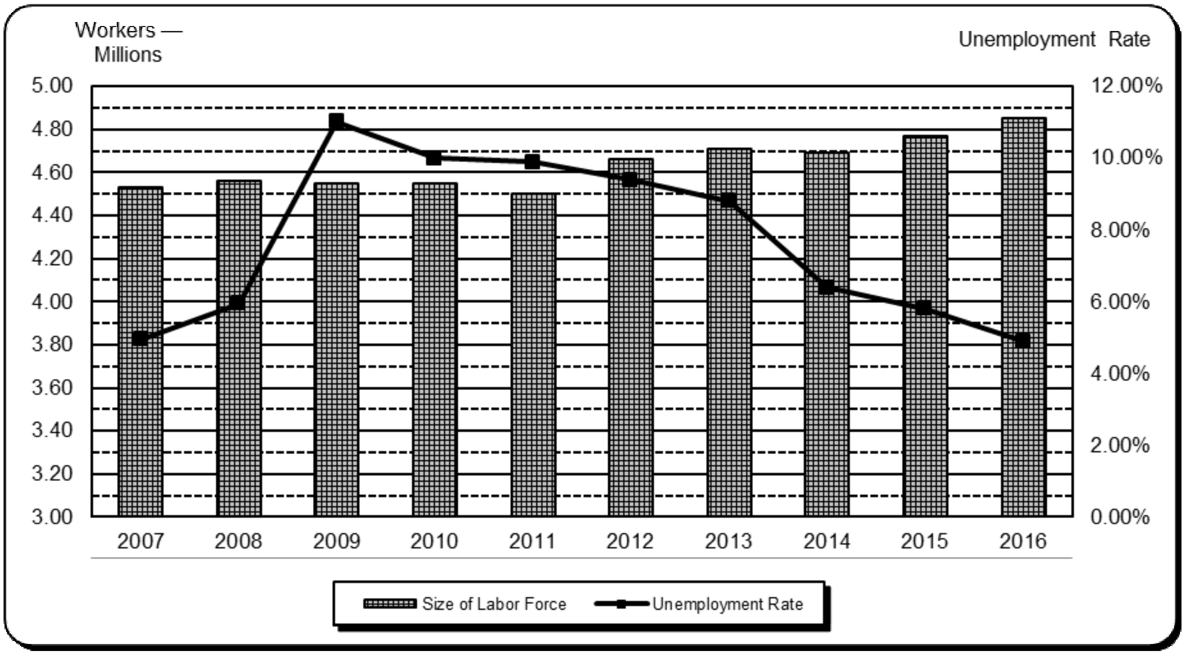
During the period from 2006 to 2016, per capita personal income in the State grew from $33,775 to $42,250. North Carolina is recovering from a period of high unemployment and modest job growth in the wake of the national recession. North Carolina's March 2017 seasonally adjusted unemployment rate was 4.9%. At 4.9%, North Carolina's unemployment rate was 0.4 of a percentage point above the nation as a whole (4.5%). Based on March 2017 preliminary employment estimates, North Carolina's economy has gained 546,200 jobs since its low in February 2010.

North Carolina Civilian Labor Force

As of 6/30	Total	Employed	Unemployed	Unemployed Percentage Rate
2016	4,853,581	4,614,694	238,887	4.90%
2015	4,770,538	4,493,898	276,640	5.80%
2014	4,688,666	4,389,480	299,186	6.40%
2013	4,708,565	4,292,251	416,314	8.80%
2012	4,655,387	4,216,014	439,373	9.40%
2011	4,503,162	4,055,793	447,369	9.90%
2010	4,545,756	4,089,199	456,557	10.00%
2009	4,554,663	4,052,943	501,720	11.02%
2008	4,559,713	4,288,621	271,092	5.95%
2007	4,533,682	4,309,833	223,849	4.94%

Source: North Carolina Comprehensive Annual Financial Report ("NC CAFR") for the fiscal year ended June 30, 2016.

Civilian Labor Force Trends
With Unemployment Percentages
2007-2016



Source: NC CAFR for the fiscal year ended June 30, 2016.

Nonfarm total employment accounts for 4,387,600 (preliminary March 2017, seasonally adjusted) jobs in the State, up 1.6% or 69,700 jobs over the past year. Over the past year (through March 2017), the largest job increases were in Professional & Business Services (up 18,800 jobs over the year), Leisure and Hospitality (up 11,600), Education and Health Services (up 10,700), Trade, Transportation & Utilities (up 8,600), Government (up 7,300), Financial Activities (up 6,000), Other Services (up 5,300) and Construction (up 4,400).

Services — Service providing sectors, including information, financial activities, professional and business services, educational and health services, leisure and hospitality, and other services, account for 3.7 million jobs, or about 85% of the total in the State, according to March 2017 data.

One major component of the State's service economy is the Research Triangle Park (the "Park"), located within Wake and Durham Counties. It is one of the largest planned research parks in the world, covering over 7,000 acres of rolling, wooded landscape. Founded in 1959, it is located between three major universities: Duke University in Durham, the University of North Carolina at Chapel Hill, and North Carolina State University in Raleigh. The Park's primary objective is to create knowledge-based jobs across North Carolina, support education, and improve the quality of life for all North Carolinians. The Park currently contains more than 200 companies, including IBM, GlaxoSmithKline, Lenovo, Bayer CropScience, Credit Suisse, RTI International, Cisco Systems, Biogen and NetApp. The companies and organizations in the Park employ over 50,000 fulltime workers. Industries invest more than $296 million in R&D at the region's universities each year – double the average R&D investment for innovation clusters elsewhere in the nation.

High-Technology Net Business Formation by State – 2012

1.	California	2,169
2.	Texas	1,645
3.	Florida	1,407
4.	New York	602
5.	Colorado	462
6.	**North Carolina**	**356**
7.	Illinois	327
8.	Georgia	321
9.	Maryland	318
10.	Virginia	272

Source: Statistical Abstracts of the United States 2017, Table 844.

Charlotte, North Carolina is the largest city in the State. The city ranks as one of the nation's three largest financial centers in headquartered banking assets and is the home of Bank of America Corporation, one of the world's largest banks based on deposits. Many of the nation's top 20 banks have operations in Charlotte and a branch of the Federal Reserve is also located there. In a 2015 ranking of banks with all assets allocated to their home offices, North Carolina was 3rd among the 50 states (Table 1195, Statistical Abstracts of the United States, 2017). The same source ranked North Carolina 10th among the 50 states in deposits held within the state in FDIC insured institutions in 2015 (Table 1200, Statistical Abstracts of the United States, 2017).

Agriculture — Agriculture is a basic element of the State's economy. In calendar year 2014 North Carolina's agricultural industry, including food, fiber and forestry, accounted for almost one-sixth of the State's income and employees. More than 17% or $84 billion of the $482 billion gross state product is contributed by food, fiber and forestry industries. The United States Department of Agriculture reported gross agricultural income in excess of $12.6 billion in 2015, placing the State eighth in the nation in gross agricultural income. USDA data also shows the poultry industry is the leading source of farm cash receipts in the State, accounting for approximately 42.4% of gross farm cash receipts in 2015, followed by the pork industry at approximately 19.6%, tobacco at 6.8%, oil crops at 5.8%, feed crops at 3.9% and vegetables and melons at 4.2%. According to the State Commissioner of Agriculture, the State ranks first in the nation in the production of all tobacco, flue-cured tobacco, and sweet potatoes and second in hog production and turkeys produced.

Value of Agricultural Production by State – 2014 ($ millions)

1. California	$56,230
2. Iowa	35,449
3. Texas	30,004
4. Nebraska	26,589
5. Minnesota	21,448
6. Illinois	21,035
7. Kansas	18,339
8. Wisconsin	14,727
9. North Carolina	**14,662**
10. Indiana	13,697

Source: Statistical Abstracts of the United States 2017, Table 869.

Trade — North Carolina's trade industry (consisting of the wholesale and retail trade, transportation, warehousing, and utilities sectors) accounts for 19% of the State's employment. Trade employment grew by 11% between March 2012 and March 2017. The number of total private business establishments in North Carolina's trade industry represents 23% of the total private business establishments in 2016 (3rd Quarter) according to the Bureau of Labor Statistics' Quarterly Census of Employment and Wages data.

Manufacturing — North Carolina's manufacturing industry has undergone dramatic changes over the past two decades, but still accounts for nearly 11% of the State's total employment and

Labor Union Membership by State – 2015 (percentage of workers, least to most)

1. South Carolina	2.9%
2. North Carolina	**4.1%**
3. Georgia	5.1
4. Utah	5.2
5. Texas	5.6

Source: Statistical Abstracts of the United States 2017, Table 689.

Value Added by Manufacturers – 2014 ($ millions)

1. California	$245,681
2. Texas	217,667
3. Ohio	133,101
4. Illinois	112,051
5. Indiana	108,573
6. Pennsylvania	106,865
7. North Carolina	**103,729**
8. Michigan	98,692
9. Wisconsin	83,030
10. New York	78,309

Source: Statistical Abstracts of the United States 2017, Table 1029.

remains critical to the State economy. North Carolina was the 5th largest state in the U.S. in manufacturing Gross-Domestic Product in 2016.

Today, the State's manufacturing industry is fairly diversified. North Carolina's largest manufacturing employment sectors in March 2017 were: Food (12%); Chemical (9%); Furniture and Related Product (8%); Fabricated Metal Product (8%); Transportation Equipment (7%); Plastics and Rubber (7%) and Computer and Electronic Products (7%). The manufacturing industrial sector experienced an overall loss of 1,700 jobs from March 2016 to March 2017, with a job decrease in Durable Goods (200) and in Non-Durable Goods (1,500).

Exports — Exports in North Carolina continue to make important contributions to the State's economy. In 2016, the State's total value of merchandise exports reached $29.9 billion, a decrease of 0.29% (or $87.5 million) from the previous year. Based on 2016 annual data, North Carolina ranked 16th in the nation in the value of its goods exports.

U. S. Exports of Goods by State – 2014 ($ millions)

1.	Texas	$289,023
2.	California	174,129
3.	Washington	90,646
4.	New York	86,007
5.	Illinois	68,182
6.	Louisiana	65,085
7.	Florida	58,637
8.	Michigan	55,751
9.	Ohio	52,130
10.	Pennsylvania	40,227
11.	Georgia	39,365
12.	New Jersey	36,836
13.	Indiana	35,453
14.	Tennessee	32,957
15.	**North Carolina**	**31,291**

Source: Statistical Abstracts of the United States 2016, Table 1308.

U. S. Agricultural Exports by State – 2014 ($ millions)

1.	California	$23,558
2.	Iowa	11,309
3.	Illinois	9,308
4.	Minnesota	7,347
5.	Nebraska	7,262
6.	Texas	6,431
7.	Indiana	5,698
8.	Kansas	4,741
9.	North Dakota	4,503
10.	Ohio	4,451
11.	Missouri	4,350
12.	South Dakota	4,317
13.	**North Carolina**	**4,189**

Source: Statistical Abstracts of the United States 2017, Table 1312.

Tourism — Travel and tourism are a major industry in North Carolina and significant to the State's economy. Direct visitor spending contributed $22.9 billion to the State's economy in 2016, an increase of 4.3% over 2015 which outpaced the national average for growth last year of 2.9%. State tax receipts generated by visitor spending rose 5.2% to nearly $1.2 billion. Visitors spent nearly $63 million per day in North Carolina in 2015 and contributed about $5.1 million per day in state and local revenues as a result of that spending. North Carolina's tourism industry-supported employment topped 218,000, an increase of 3.2% from the previous year.

Other — Military. North Carolina hosts the fourth largest military population in the United States with 100,000 active duty personnel and 775,000 veterans (including retired military). There are seven military bases in North Carolina as well as headquarters for the U.S. Army Forces Command, U.S. Joint Special Operations Command and U.S. Army Reserve Command. Another 32,000 soldiers, marines, and airmen live in all 100 counties of North Carolina and serve in the National Guard or Reserve Forces. According to the Defense Manpower Data Center, North Carolina ranks third in the nation for states with the most active duty and reserve members of the military (129,049), as of May 2016.

Fayetteville's Fort Bragg is one of the largest military installations in the world. Other major military installations within the State are Marine Corps Camp Lejeune, Marine Corps Air Station Cherry Point, Marine Corps Air Station New River, Pope Air Force Base, Seymour Johnson Air Force Base, and the U.S. Coast Guard Air Station in Elizabeth City. These military installations directly contribute to the economic development of North Carolina through capital investment, employment, and defense contracting, and indirectly through increased demand experienced by regional businesses and increased spending from households. In 2015, the State's Department of Commerce published a study which estimated that the military's total contribution to Gross State Product value was $66 billion (12.8% of total NC GDP) and nearly $34 billion in State personal income. The military is estimated to support 578,000 jobs in North Carolina.

Active Military Personnel by State – 2009

1.	Texas	131,548
2.	California	117,806
3.	**North Carolina**	**116,073**
4.	Georgia	73,988
5.	Virginia	63,160

Source: Statistical Abstracts of the United States 2013, Table 508.

Retired Military by State – 2015

1.	Texas	206,130
2.	Florida	195,523
3.	California	160,640
4.	Virginia	155,789
5.	Georgia	96,276
6.	**North Carolina**	**94,619**
7.	Washington	73,538

Source: Statistical Abstracts of the United States 2017, Table 531.

Housing — In 2016, the State witnessed a 10.6% increase from the previous year in building permits of new housing units compared to a 2.0% increase nationwide. In 2015, the State witnessed a 9.7% increase from the previous year in building permits of new housing units compared to a 12.4% increase nationwide. North Carolina's housing construction remains strong compared to other states. During 2015 and 2016, North Carolina ranked among the top five states in the nation in building permits for housing units, as shown in the following table:

New Housing Units Authorized by Building Permit

State	2016 Total
1. Texas	165,853
2. Florida	116,240
3. California	102,350
4. North Carolina	**60,550**
5. Georgia	51,675

State	2015 Total
1. Texas	175,443
2. Florida	102,924
3. California	98,188
4. New York	74,611
5. North Carolina	**54,757**

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

State Government Organization and Major Responsibilities

State governmental powers are divided among the legislative, executive and judicial branches. The General Assembly, the legislative branch, is composed of the 50-member Senate and 120-member House of Representatives and has three major functions: to enact general and local laws governing the affairs of the State, to provide and allocate funds for operating State government by enacting revenue and appropriation laws, and to study regulation and funding aspects of State operations. The main work of the General Assembly is the enactment of legislation. The General Assembly is required by law to meet on a biennial basis, a budget being adopted for the biennium in odd-numbered years. Since 1973 the General Assembly also has met in the second year of each biennium for the purpose of reviewing the State budget and financial condition.

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

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

The largest cost items in the State's budget relate to the State's significant responsibilities in the areas of education, health and human services, corrections and transportation. The first three of these areas are discussed below. See "**REVENUE STRUCTURE — Highway Fund and Highway Trust Fund**" below for a discussion of the transportation area. Currently budgeted expenditures are subject to change as described hereafter. See "**REQUIREMENTS FOR BALANCED BUDGET — State Budget Act**".

Education

Public School System

The State is primarily responsible for the supervision, administration and funding of the State's public school system. The general cost of operating the system of public schools is paid from the State's General Fund rather than locally levied ad valorem property taxes. State appropriations are allotted in accordance with various formulas, primarily based upon average daily membership ("ADM"). The State pays a substantial portion of current operating expenses such as salaries of teachers and other staff, instructional supplies, textbooks and transportation. These current operating expenditures are supplemented by the counties. Counties are generally responsible for capital improvements, plant maintenance, insurance and energy costs. The State has also assisted counties in their responsibility for capital outlay expenditures. General Fund appropriations for public schools in fiscal year 2016-17 comprise 38.7% of the State's General Fund budget. In addition to other appropriations for school purposes, $269,614,082 was set aside by the fiscal 2016-17 budget to supplement funding for small and low-wealth counties.

State law provides the opportunity for individuals or groups to create public schools denominated as "charter schools" through a private non-profit organization. Charter schools receive funding from local school districts based on the average per pupil allocation in the local school district from which a student comes.

The following table summarizes the number of public schools (including charter schools) and the ADM (including charter schools) in the State in the school years presented:

North Carolina Public Schools and
Average Daily Membership

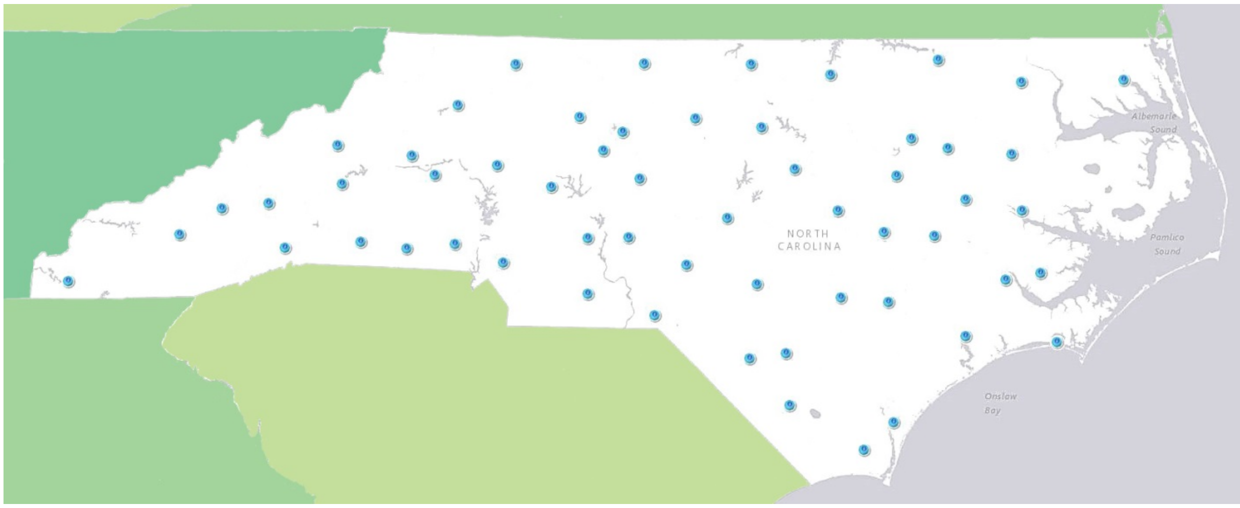
School Year	Number of Public Schools	ADM
2012-13	2,526	1,480,424
2013-14	2,557	1,494,591
2014-15	2,584	1,507,675
2015-16	2,591	1,515,448
2016-17	2,613	1,521,698

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

Community College System

North Carolina has a system of 58 community colleges dedicated to providing technical and vocational training in over 2,500 curriculum programs. The State currently provides approximately 58% ($1.1 billion in the fiscal 2016-17 budget) of the system's funding, with the remaining funds coming from federal sources, tuition and fees and local funding sources.

NC Community College Locations



In fiscal year 2015-16, 710,013 people took one or more courses at a local community college, including 298,873 enrolled in curriculum programs leading toward an associate degree, certificate or diploma. All 58 community colleges are approved to offer the college transfer curriculum program, allowing students to take the first two years toward a baccalaureate degree at a community college. Approximately 329,138 individuals were enrolled in occupational extension programs. The system is the State's primary provider of adult literacy training, providing training for approximately 82,002 literacy students in 2015-16.

The Community College System has three programs designed to respond to the multiple needs of the State's business and industrial community. North Carolina began the nation's first program specifically designed to train the initial workforce of a new industry relocating to the State or an already existing industry in an expansion mode. The system provides customized training services through all 58 colleges designed to assist employees of established North Carolina industries in upgrading their workforce skills. At present, all 58 community colleges also have Small Business Centers providing technical and managerial assistance and counseling to small business owners, would-be owners and their employees.

General Fund appropriations for community colleges in fiscal year 2016-17 comprise 4.9% of the State's General Fund budget.

Degree Granting Higher Education Institutions by State – 2014

1.	California	458
2.	New York	302
3.	Texas	267
4.	Pennsylvania	257
5.	Florida	234
6.	Ohio	210
7.	Illinois	181
8.	**North Carolina**	**150**
9.	Georgia	131
10.	Virginia	130

Source: Statistical Abstracts of the United States 2017, Table 292.

State and Local Financial Support for Higher Education by State – 2015 ($ per full time equivalent student)

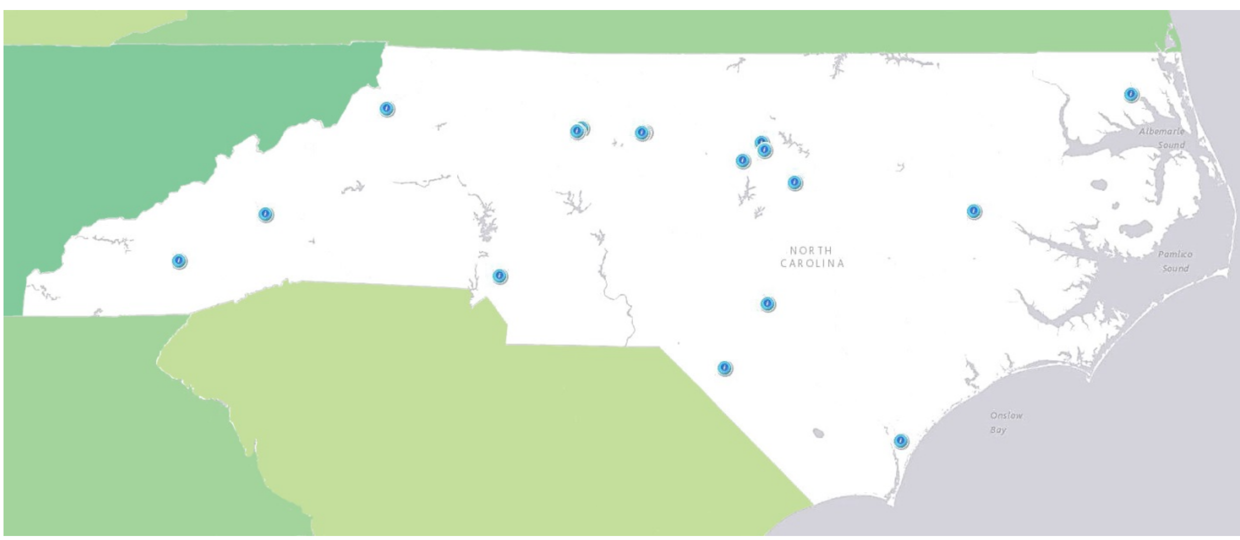
1.	Wyoming	$17,300
2.	Alaska	14,112
3.	Illinois	11,518
4.	**North Carolina**	**8,894**
5.	New York	8,860
	U.S. National	6,966

Source: Statistical Abstracts of the United States 2017, Table 308.

University of North Carolina System

The University of North Carolina (the "University") includes the State's 16 public universities which are commonly referred to as the "constituent institutions" and one constituent high school, the North Carolina School of Science and Mathematics. It is governed by a 28-member Board of Governors elected by the General Assembly. In addition, each constituent institution is governed by a board of trustees. Fall 2016 headcount enrollment, which grew 11% from 2006 to 2015, totaled 228,526. Only seven states have higher enrollments in state systems of higher education. The University's constituent institutions offer more than 200 degree programs and granted 53,663 degrees in 2015-16.

Locations of 16 UNC Constituent Institutions



The University's fiscal year 2016-17 certified budget totals $4,586,130,410 of which $2,852,288,121 was appropriated from the State's General Fund, with the rest being budgeted from revenues generated by the constituent institutions. Appropriations to the University account for more than 12.7% of the State's General Fund appropriations in fiscal year 2016-17.

Since it was chartered in 1789, the University has followed a State constitutional mandate to make higher education accessible and affordable to all North Carolinians. For the 2016-17 school year, annual tuition and required fees for in-state undergraduate students range from $4,985 to $8,864. For non-resident undergraduates, annual tuition and required fees ranged from $16,097 to $34,314.

In addition to its teaching mission, the University is committed to academic and scientific research. Annual sponsored project awards to the University institutions were in excess of $1.51 billion for fiscal year 2015-16. Sponsored program funding has experienced substantial growth over the past decade. The majority of the University-sponsored program funds are awarded to the flagship research universities, North Carolina State University ("NC State") and UNC Chapel Hill, and are derived from federal sources. The upward funding trends are an indication that the existence of high quality faculty at the University has steadily improved its position among all university systems nationally with respect to federal funds received for research and development. Both UNC Chapel Hill and NC State continue to rank high among their peers in various national comparisons.

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

Health and Human Services

The Department of Health and Human Services ("DHHS") is responsible for administering a broad range of health and human services programs, including medical assistance (Medicaid), public health services, mental health services, social services, services for children, and community-based independent living and vocational rehabilitation services for older adults, individuals with disabilities and individuals who are blind or deaf. In all, DHHS is responsible for the management and coordination of 13 programmatic divisions and offices. The services and aid provided by DHHS are designed to assist individuals, families, and communities across the State in achieving adequate levels of physical, mental, social, and economic well-being. Programs are financed through a combination of state, local, and federal funds. Counties and regional agencies are often required to match a percentage of State and/or federal funds. Programs often provide grants to counties and regional agencies using formulas based on population, poverty level, population age and other needs-related bases.

Expenditures for health care and health-related costs make up approximately 86% of the State appropriations allocated to the DHHS. These programs include Medicaid, mental health, public health, and North Carolina's insurance program for children. For fiscal year 2016-17, the State's General Fund budget allocated approximately $5.02 billion in State appropriations to DHHS and represented 22.5% of the General Fund budget for that fiscal year. The total DHHS budget, combined with federal and other receipts, for fiscal year 2016-17 was $19.62 billion, of which 72% is for the Medicaid program. Of the non-healthcare services, social services is the largest portion and reflects 9% of the total DHHS operating budget at $1.74 billion in total funding of which $199.9 million came from State appropriations.

Department of Public Safety

The overall mission of the Department of Public Safety is to improve the quality of life for North Carolinians by reducing crime and enhancing public safety. For fiscal year 2016-2017, the Department of Public Safety's General Fund budget is $1.909 billion, which represents 8.55% of the State's total General Fund budget.

REVENUE STRUCTURE

The State has three major operating funds that receive revenues and from which moneys are expended: the General Fund; the Highway Fund; and the Highway Trust Fund. For fiscal year 2015-16, more than 99.4% of the State's aggregate tax revenue was deposited to such funds. All revenues are collected by the Department of Revenue, except the highway use tax on motor vehicle sales and motor vehicle license tax and fees, which are collected by the Department of Transportation. There are no prohibitions or limitations in the North Carolina Constitution on the State's power to levy taxes, except the income tax rate limitation of 10% and a prohibition against a capitation or "poll" tax. Current tax rates and items subject to taxation are subject to change.

In addition to the tax and non-tax revenue discussed hereafter, the State receives various funds from the federal government. Substantially all of the federal funds received are designated for particular purposes. The financial statements of the State included in Appendix B to this Official Statement show the total receipts and expenditures from both federal and non-federal sources for the General Fund, the Highway Fund, and the Highway Trust Fund for the five fiscal years ended June 30, 2016. Unless otherwise indicated, the information set forth below covering the State's recent and current financial status and budgets excludes federal receipts and expenditures.

General Fund

Major Components of State General Fund Revenues and Other Financing Sources [1]
($ millions)

Fiscal Year	2017	2016	2015	2014	2013	2012	2011[4]	2010	2009[2]	2008
State Taxes	22,528.9	22,153.9	21,318.9	19,981.0	20,152.3	19,255.8	19,363.7	18,674.7	16,526.4	19,147.5
Federal funds	15,497.0	15,139.0	15,293.5	14,526.5	14,878.3	14,433.4	12,828.2	12,825.4	11,970.3	10,843.8
Fees, licenses and fines	759.3	762.1	745.7	713.8	724.0	690.6	607.5	674.5	621.4	615.0
State Lottery transfer	624.6	636.4	526.4	503.1	478.5	459.5	436.2	-	-	-
Other transfers in	150.6	168.4	404.9	403.2	464.6	503.1	579.7	713.0	1,056.7	789.8
Sales and services	171.6	171.4	164.6	158.8	140.7	137.6	130.3	97.4	105.1	102.4
Local funds	143.6	155.5	161.5	144.8	158.4	164.7	149.5	152.3	304.3	486.5
Tobacco settlement	141.1	137.2	138.6	139.9	211.2	141.0	138.3	146.4	175.2	160.0
Investment earnings	69.3	45.8	21.9	26.8	24.7	16.0	47.7	89.9	62.2 [3]	385.8
Federal recovery funds[5]	-	45.2	84.4	151.8	182.8	421.8	1,791.3	1,961.4	1,155.2	-
Other (see below)	239.1	265.7	185.9	348.1	171.2	168.2	166.5	173.2	185.4	164.7
Total	40,325.1	39,680.6	39,046.3	37,097.8	37,586.7	36,391.7	36,238.9	35,509.1	32,162.2	32,695.5

[1] Numbers drawn from NC CAFRs for fiscal years 2008-2017, Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds, General Fund column, in Fund Financial Statements portion of CAFR, adjusted to break out State Lottery Transfer from Note 10: Interfund Balances and Transfers.

[2] For fiscal year ending June 30, 2009, the State changed its method of accounting for inventories of governmental funds from the purchase method to the consumption method.

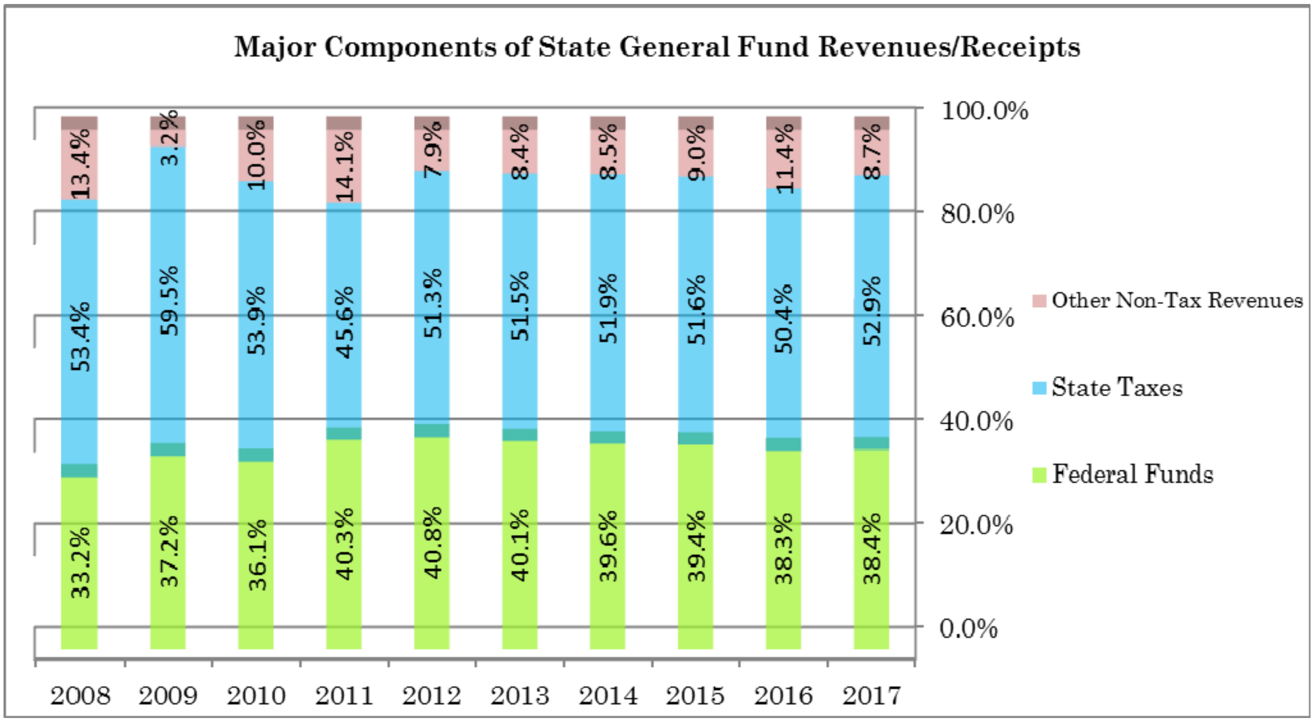
[3] For fiscal year ending June 30, 2009, with the investment market downturn, situations occurred related to securities lending activity that resulted in the State experiencing unrealized losses on the investment of cash collateral received for securities lent. The State had unrecorded unrealized losses and undistributed income that resulted in a restatement.

[4] For fiscal year ending June 30, 2011, GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented. Fiscal years prior to 2011 have not been restated.

[5] Beginning fiscal year ending June 30, 2017, Federal recovery funds were combined with Federal funds due to continued decline in revenue stream.

"Other" category includes line items for interest earnings on loans; rental and lease of property; contributions, gifts and grants; miscellaneous; sale of capital assets; and insurance recoveries. Proceeds of debt, including premium on sale, is not included in the table.

The following table reflects the respective percentage of State taxes, federal funds (including federal recovery funds) and other revenues and transfers deposited to the General Fund in the last ten complete fiscal years, as identified on the preceding table.



Tax Revenue

Introduction — State taxes are the largest component of deposits into the General Fund. In 2013, North Carolina's Tax Simplification and Reduction Act of 2013 (the "Act") was enacted. Among other things the Act created a flat personal income tax, reduced corporate income tax rates, expanded the scope of the sales and use tax to include certain services and repealed certain sales and use exemptions. The General Assembly also repealed the State's estate tax. In 2015, the General Assembly further reduced corporate and personal income tax rates.

State Tax Payments into General Fund
($ millions)

Fiscal year	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Taxes:										
Individual Income Tax	11,950.1	11,980.8	11,288.6	10,576.6	11,111.5	10,457.2	10,018.0	9,343.3	8,658.6	10,672.4
Sales and Use Tax	7,634.6	7,177.8	6,858.5	5,838.0	5,554.1	5,516.3	6,133.9	5,871.2	4,872.3	5,125.7
Corporate Income Tax	807.2	1,118.0	1,271.0	1,331.9	1,224.7	1,194.9	1,139.6	1,245.5	941.5	1,265.6
Franchise Tax	748.0	525.0	552.2	890.7	857.9	797.6	793.1	905.0	797.1	739.9
Insurance Tax	517.0	503.4	529.9	476.4	521.5	463.6	486.0	495.1	483.8	492.7
Beverage Tax	395.0	380.0	360.1	343.0	330.7	322.2	311.8	295.3	263.6	257.4
Tobacco Products Tax	291.7	287.0	277.8	277.7	283.6	293.3	290.8	278.3	242.1	249.7
Other Taxes [1]	185.3	181.9	180.8	246.7	268.3	210.7	190.5	241.0	267.4	344.1
Total	22,528.9	22,153.9	21,318.9	19,981.0	20,152.3	19,255.8	19,363.7	18,674.7	16,526.4	19,147.5

Source: Drawn from NC CAFR for fiscal year 2017, Schedule of Revenues by Source — General Fund, Table 5, in Statistical Section of CAFR. Refer to page 33 in the 2017 CAFR for additional information concerning corporate income tax.

[1] Session Law 2013-316 repealed piped natural gas and estate (reported as inheritance) taxes. The collections of these tax types will continue to decline until zero. Adjustments were made to include piped natural gas and inheritance tax balances with other taxes.

According to the State Department of Revenue, the State has $1,175 million in aged receivables from such taxes, broken down as follows — aged up to 1 year, $605 million, aged from 1 to 5 years, $418 million, aged from 5 to 10 years, $137 million, and aged over 10 years, $15 million. The aggregate amount is less than 1% of the total of such taxes deposited to the General Fund in the last ten complete fiscal years.

Individual Income Tax —Effective for taxable years beginning on or after January 1, 2015, a tax is imposed on the North Carolina taxable income of each individual at a rate of 5.75%. The tax rate for taxable years beginning on or after January 1, 2017 is 5.499%. The North Carolina Constitution limits the maximum individual tax rate to 10% of net income.

North Carolina's individual income tax law uses federal adjusted gross income as the starting point in determining North Carolina taxable income. Adjustments include the North Carolina standard deduction or itemized deduction amounts, interest income received on notes and bonds from obligations of other states, interest income received from direct obligations of the United States or North Carolina, domestic production activities, State or local income tax refunds included in federal adjusted gross income and the taxable portion of social security and railroad retirement benefits.

For taxable years beginning on or after January 1, 2016, the standard deductions are $15,500 (married couples filing jointly/surviving spouse), $12,400 (head of household) or $7,750 (single individuals and married couples filing separately), depending on filing status. Itemized deductions allowed include mortgage interest and property taxes on real property (combined deduction not to exceed $20,000), charitable deductions allowed for federal tax purposes, and medical and dental expenses allowed as a federal deduction. For taxable years beginning on or after January 1, 2017, the standard deduction amounts are maximized at $17,500 for married couples filing jointly/surviving spouse, $8,750 for single individuals and married couples filing separately, and $14,000 for head of household.

Sales and Use Tax — Retail sales of tangible personal property not subject to a reduced rate of tax are subject to a 4.75% general State rate of sales or use tax. This rate also applies to other specified sales including the rental of accommodations, service contracts to maintain or repair tangible personal property except for certain service contracts for a motor vehicle, admission charges to an entertainment activity, laundry and dry cleaning services and certain electronically delivered or accessed digital property. The lease or rental of tangible personal property is subject to the applicable percentage rate and the maximum tax, if any, that applies to a sale of the property that is leased or rented.

Principal items exempt from the tax include food (except for the selected food items including dietary supplements and prepared food), raw materials, lottery ticket sales, containers, labels, certain purchases by qualifying farmers, certain farm products, drugs required by federal law to be dispensed only by prescription, certain computer software, sales of aviation gasoline and jet fuel to an interstate air business and a person whose primary business is scheduled passenger air transportation in foreign commerce for use in a commercial aircraft on or after January 1, 2016 (exemption expires January 1, 2020), certain tangible personal property purchased by a State or federal agency, sales to a manufacturing industry or plant of mill machinery, mill machinery parts and accessories, and many service-related transactions.

In addition, the State administers the collection and distribution of the local sales and use taxes of 2.0% (2.25% for 31 counties as of April 1, 2017) and local transit taxes of 0.50% (currently levied by four counties only) that are levied on most transactions taxed at the general State 4.75% tax rate. Local and transit sales and use taxes do not apply to the sale of a manufactured or modular home, aircraft or a qualified jet engine. Food is subject to a local sales and use tax of 2% in all counties. Local sales and use taxes are distributed to counties and, with limited exception, to local units within the county. The State retains a portion of the net proceeds of the local sales and use taxes collections to cover administrative costs, which amounted to $11.4 million during the fiscal year ended June 30, 2016.

Certain entities can seek refunds for taxes paid on specified transactions subject to the general State 4.75% tax rate including federal and local governments; certain 501(c)(3) organizations including nonprofit hospitals; interstate carriers; utility companies; major recycling facilities; and eligible railroad intermodal facilities. Business incentive refunds are authorized for certain development tier one businesses, certain industrial facilities and analytical services businesses.

The 2015 General Assembly enacted legislation that reduced the availability of sales and use tax revenue to the General Fund. The NC Competes Act earmarks the net proceeds of the sales and use tax collected on aviation gasoline and jet fuel to be transferred to the Highway Fund within 75 days after the end of each fiscal year. This amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to public airports and time-sensitive aviation capital improvement projects for economic development purposes. The act will affect the availability of funds for the General Fund beginning with fiscal year 2016-17.

Corporation Income Tax — For taxable years beginning on or after January 1, 2016, the tax is levied at the rate of 4% on State net income of both foreign and domestic corporations. For taxable years beginning on or after January 1, 2017, the tax is levied at the rate of 3% on State net income of both foreign and domestic corporations. The North Carolina Constitution limits the maximum corporate tax rate to 10% of net income.

State net income is derived by making certain adjustments to the federal taxable net income of corporations, such as taxes on income and excess profits and interest on obligations of the United States. Corporations having income from both within and outside of the State are required to apportion their income according to a three-factor formula based on property, payroll, and sales (triple weighted) for taxable year 2016. Sales will be quadruple weighted for taxable year 2017. Corporations having income from both within and outside of the State are required to apportion their income according to the sales factor only for taxable year 2018. Alternative formulas may be utilized with the approval of the Secretary of Revenue.

Corporation Franchise Tax —The 2015 General Assembly simplified how the franchise tax is calculated for taxes due on or after January 1, 2017, and it applies to the calculation of franchise tax reported on the tax year 2016 and later corporate income tax returns. The franchise tax is imposed on business corporations at the rate of $1.50 per $1,000 of the largest of three alternative bases: (a) the amount of its net worth apportionable to the State; (b) 55% of the appraised value as determined for ad valorem taxation of all real and tangible personal property in the State; or (c) the book value of real and tangible personal property in the State less any debt outstanding which was created to acquire or improve real property in the State. The minimum franchise tax is $200 for taxes due on or after January 1, 2017, and applies for franchise tax reported on tax year 2016 returns.

Insurance Tax — A tax is levied on insurance companies based on gross premiums from business in the State at the following rates: (a) 0.74% additional tax for property coverage (10% of the gross premiums from insurance contracts for automobile physical damage coverage and 100% of the gross premiums from all other contracts for property coverage); (b) 2.5% for workers' compensation; and (c) 1.9% for all other policies including those of health maintenance organizations. Out-of-state insurers are also subject to a premium tax and must pay the higher of either the rates that would apply to North Carolina insurers doing business in the chartered state or the North Carolina tax rates. In addition to the gross premiums tax, various license taxes are levied on insurance companies and agents. In addition, a regulatory charge against the gross premiums tax liability is levied with proceeds used to finance operations of the Department of Insurance. The rate for the regulatory charge, which is set annually, is 6.5% for calendar year 2017.

There is a premiums tax on captive insurance companies doing business in North Carolina with the tax rate computed at a graduated rate based on the type and amount of insurance premium collected. The total tax liability of a captive insurance company varies depending upon the type of captive insurance company, from a minimum liability of $5,000 to a maximum of $200,000. In addition, captive insurance companies are not subject to franchise tax or corporate income tax.

Alcoholic Beverage Excise Taxes — Liquor is sold in stores owned and operated by local ABC (Alcoholic Beverage Control) Boards where such stores are permitted by local governments. A tax at the rate of 30% of the sales price is levied by the State. Profits from operation of the stores are distributed to the county or municipality where the store is located. Beer is taxed at the rate of 61.71¢ per gallon. Wine is taxed at per liter rates as follows: fortified wine — 29.34¢; unfortified wine — 26.34¢. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of malt beverages and wine during the 12-month period ending March 31 each year: 20.47% of beer tax revenue; 49.44% of unfortified wine tax revenue; and 18% of fortified wine tax revenue. Local elections may be held on the question of permitting the sale of liquor by the drink by qualified restaurants and clubs. An additional tax of $20 per four liters is levied on liquor purchased by restaurants and clubs for resale as mixed beverages, of which $9 remains with the local jurisdiction, $10 is distributed to the General Fund and $1 is dedicated to DHHS for alcohol or substance abuse rehabilitation.

Tobacco Products Tax — A 2.25¢ tax is levied on each cigarette (45¢ for each pack of 20, 56.25¢ for each pack of 25). Tobacco products other than cigarettes are subject to a tax of 12.8% of the cost of the products; of the net proceeds, an amount equal to 3% of the cost price of the products is credited to the General Fund with the remainder credited to the University Cancer Research Fund. Vapor products are subject to an excise tax of 5¢ per fluid milliliter of consumable product with net proceeds credited to the General Fund.

Other Taxes — Other taxes levied for support of the General Fund include a freight car lines tax, an excise tax on real estate conveyances (deed stamp tax), a privilege tax on certain machinery and equipment (manufacturing tax), various other privilege taxes, various disposal taxes (a statutory percentage of net proceeds is designated for the General Fund), and a severance tax for energy minerals.

Non-Tax Revenue

Institutional and Departmental Receipts — The State receives various items of institutional and departmental receipts which are deposited with the State Treasurer. The most important of these are fees, tuition payments and federal funds collected by State agencies. For some purposes certain of these amounts are separately designated by the General Assembly.

Disproportionate Share Hospital Receipts — Like most states, North Carolina receives Medicaid Disproportionate Share Hospital ("DSH") payments from the federal government for its public hospitals that serve a disproportionate share of indigent patients. For each year of the biennium 2015-17, an amount equal to DSH payments to State-owned public hospitals is returned to the State, and the General Assembly appropriates a specified amount ($139,000,000 in 2015-16 and $147,000,000 in 2016-17) of these receipts as non-tax revenue. The source(s) of the proceeds returned to the General Fund may include General Fund appropriation, non-federal revenue, fund balances or other sources.

Tobacco Fund Settlement — In 1998, 46 states' Attorneys General and the major tobacco companies signed a master settlement agreement that, among other things, reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. The amount payable each year depends upon various factors, including the market share of such companies. In 1999, the State approved legislation to implement the terms of the agreement in North Carolina and created a nonprofit corporation, The Golden LEAF, Inc. (the "Foundation"), to distribute a portion of the settlement funds received by the State. The legislation directed that these funds be used for the purposes of providing economic impact assistance to economically affected or tobacco-dependent regions of North Carolina, subject to diversion by the North Carolina General Assembly.

As of July 2013, legislation directed that any funds that would have been transferred to the Foundation be deposited to the Settlement Reserve Fund which is part of the General Fund. As of July 2015, $10 million of the funds received are to be transferred to the Foundation annually. The remainder of the funds are included in General Fund availability as non-tax revenue. The following table sets forth the tobacco settlement funds received in the last five fiscal years and the portions thereof transferred to the General Fund.

Fiscal Year	**Settlement Proceeds Received**	**Settlement Proceeds Transferred to General Fund** [2]
2012-13	$211,162,273	$146,050,107 [1]
2013-14	139,936,690	139,936,690
2014-15	138,621,827	138,621,827
2015-16	137,230,121	127,230,121
2016-17	141,053,787	131,053,787

[1] The State and the Foundation were in dispute over an additional settlement payment of $24.64 million received by the Foundation in 2012-13. The dispute was settled and the transfer was made to the State from the Foundation in March 2014.
[2] Beginning in fiscal year 2012-13, the increase is due to changes in allocation as set forth by legislation mentioned above.

State Lottery — The net proceeds of the North Carolina State Lottery provide enhanced educational opportunities, support public school construction, and fund college and university scholarships. The following table sets forth gross lottery sales in the last five fiscal years and the portions thereof deposited into the General Fund. The difference is generally the amount of prizes paid and administrative fees.

Fiscal Year	**Gross Sales** [1] **($ millions)**	**Percent Increase (Decrease)**	**Deposit into General Fund ($ millions)**
2011-12	$1,596.7	9.3%	$459.5
2012-13	1,689.8	5.8	478.5
2013-14	1,839.3	8.8	503.1
2014-15	1,972.2	7.3	526.4
2015-16	2,383.6	10.9	634.4

Source: North Carolina Education Lottery.

[1] Not adjusted for prize tickets and sales/service bad debt.

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

The following table shows the amount of tax revenue and non-tax revenue (excluding federal, departmental, securities lending, and tobacco settlement revenues) reported in the General Fund in each fiscal year 2012-13 through 2016-17 with the annual percentage increases/decreases for each of such fiscal years:

Tax and Non-Tax Revenue
(Expressed in Millions)

Fiscal Year	Tax Revenue	Percent Increase/Decrease From Previous Year	Tax and Non-Tax Revenue	Percent Increase/Decrease From Previous Year
2012-13	$20,152.3	4.7%	$20,622.2	4.6%
2013-14	19,981.0	(0.9)	20,505.0	(0.6)
2014-15	21,319.0	6.7	21,796.0	6.3
2015-16	22,153.9	3.9	22,663.5	4.0
2016-17	22,528.9	1.7	23,069.1	1.8

Sources: Office of the State Controller and the State's Comprehensive Annual Financial Reports (GAAP basis). See the 2017 CAFR for complete financial statements showing tax revenues and non-tax revenues for such fiscal years.

Highway Fund and Highway Trust Fund

The State has an approximately 79,669-mile highway system, including roadways, rights-of-way, structures, signs, markings, traffic signals and ferry operations. The maintenance and preservation of the highway system absorbs a major portion of the Highway Fund which dates back to 1921 and the imposition of the State's first tax on gasoline.

The North Carolina Highway Trust Fund was created by the General Assembly in 1989. Funds in the Highway Trust Fund are used for a variety of highway and transportation purposes, including paying debt service on State general obligation bonds issued for highway purposes, and debt service of certain bonds of the North Carolina Turnpike Authority. In addition, in most of the years since its creation, the General Assembly has made transfers from the Highway Trust Fund to the General Fund. Effective fiscal year 2013-2014, this transfer was eliminated.

Legislation was adopted under which the General Assembly committed $84 million to the North Carolina Turnpike Authority for fiscal year 2010-11. The amount was scheduled to increase to $99 million for fiscal year 2011-12 and fiscal year 2012-13. However, the 2011 Session of the General Assembly reduced those funds to $64 million in 2011-12 and $81.5 million in 2012-13 for those fiscal years and the difference in each year was reallocated to the appropriation for Urban Loops Construction. The annual transfer to the Turnpike Authority was reduced to $49 million beginning in fiscal year 2013-14.

The proceeds of the taxes hereinafter described are deposited in the Highway Fund and the Highway Trust Fund. The Highway Fund and the Highway Trust Fund revenues are shown in the State's Comprehensive Annual Financial Report.

Motor Fuels Tax — (Represents 72.40% of all State tax receipts deposited to the Highway Fund or the Highway Trust Fund as shown in fiscal 2015-16 financial statements). Commencing April 1, 2015, the tax on motor fuels is a flat 36 cents per gallon. The flat cents per gallon tax was gradually reduced to 34 cents per gallon until December 31, 2016. Commencing January 1, 2017, the gas tax is based at 34 cents a gallon multiplied by a formula that utilizes population growth and the CPI. 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; 71% of the remaining net collections are deposited in the Highway Fund for highway purposes; the balance is deposited in the Highway Trust Fund for highway and other road construction purposes.

Highway Use Tax — (Represents 27.60% of all State tax receipts deposited to the Highway Fund or the Highway Trust Fund as shown in fiscal 2015-16 financial statements). For the privilege of using the highways, a tax of 3% is levied on the retail value of motor vehicles when purchased or titled in North Carolina. Collections, along with the 3% portion of a tax on gross receipts from motor vehicle rentals, are deposited in the Highway Trust Fund.

Non-Tax Revenue — The State places non-tax revenue from various sources in the Highway Fund. The most important source is federal aid. Other sources are interest on the investment of Highway Fund money and a gasoline inspection fee of 1/4¢ per gallon. In addition, the Highway Fund receives annual license fees levied at the rate of $36 per private passenger vehicle as well as similar fees imposed on vehicles of common carriers of passengers and on property-hauling vehicles (based on weight); fees for farm trucks are approximately one-half of the amounts levied on private and contract haulers. The Highway Trust Fund receives non-tax revenues generated by increases in fees charged for the issuance of certificates of title and other fee increases and all interest and income earned by the Highway Trust Fund. Amounts earned on investments in the Highway Fund and the Highway Trust Fund for fiscal years 2012-13 through 2016-17 are as follows:

Fiscal Year	**Investment Earnings ($millions) Highway Fund**	**Investment Earnings ($millions) Highway Trust Fund**
2012-13	$ 5.2	$ 2.7
2013-14	21.9	3.6
2014-15	4.2	7.0
2015-16	6.3	9.3
2016-17	8.8	15.4

The following table shows the amount of tax revenue and non-tax revenue received in the Highway Fund in each fiscal year 2012-13 through 2016-17 and the annual percent increases for each of such fiscal years:

Highway Fund
Tax and Non-Tax Revenue
($ millions)

Fiscal Year	**Motor Fuels Tax Revenue [1]**	**Other State Revenue**	**Federal Funds**	**Other Funds**	**Total Revenue**	**Percent Increase (Decrease)**
2012-13	$1,397.3	$617.3	$1,255.9	$21.9	$3,292.4	1.6%
2013-14	1,416.8	668.2	1,445.2	21.9	3,552.1	7.9
2014-15	1,441.0	675.5	1,250.9	27.8	3,395.2	(4.4)
2015-16	1,345.7	772.6	1,245.9	25.8	3,390.0	(0.2)
2016-17	1,366.2	853.2	1,308.9	26.2	3,554.5	4.9

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

[1] The gasoline tax rate is 34.0 cents per gallon adjusted annually based on changes in population and a consumer price energy index.

The following table shows the amount of tax revenue and non-tax revenue received in the Highway Trust Fund in fiscal year 2012-13 through 2016-17 and the annual percent increases for each of such fiscal years:

Highway Trust Fund
Tax and Non-Tax Revenue
($ millions)

Fiscal Year	Motor Fuels Tax Revenue [1]	Other State Revenue	Other Funds	Total Revenue	Percent Increase (Decrease)
2012-13	$1,021.5	$106.0	$ 0.4	$ 1,127.9	5.5%
2013-14	1,070.6	108.9	1.0	1,180.5	4.7
2014-15	1,132.8	112.4	0.9	1,246.1	5.6
2015-16	1,294.5	140.6	0.6	1,435.7	15.2
2016-17	1,339.4	162.1	2.8	1,504.3	4.8

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

[1] Motor Fuels Tax Revenue includes the Motor Fuels Tax and the Highway Use Tax.

STATE GOVERNMENT EXPENDITURES

As previously noted, the State receives the tax and non-tax revenue discussed above, as well as various funds from the federal government. The financial statements of the State included in Appendix B to this Official Statement show the total receipts and expenditures from both sources for the General Fund, the Highway Fund, and the Highway Trust Fund for the five fiscal years ended June 30, 2016. *Unless otherwise indicated, the information set forth below covering the State's recent and current financial status and budgets excludes federal receipts and expenditures.*

REQUIREMENTS FOR BALANCED BUDGET

Constitutional Provision

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

State Budget Act

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

The State Constitution and statutory requirements for the State budget, in part for historical reasons, provide for the use of budgetary financial data rather than financial data presented in conformity with generally accepted accounting principles ("GAAP"). The differences between budgetary financial data and GAAP financial data include that budgetary funds are accounted for on a cash basis, rather than on a modified accrual basis, and there is a significant variance in the treatment of appropriated but unspent funds at the end of a fiscal period. The financial statements in Appendix B are GAAP statements.

BUDGETS

State Budget

The total State budget is supported from four primary sources of funds: (1) General Fund tax and non-tax revenue (43.17%); (2) Highway Fund and Highway Trust Fund tax and non-tax revenue (5.81%); (3) federal funds and (4) other receipts, generally referred to as departmental receipts. Federal funds comprised approximately 31.43% of the total State budget for fiscal year 2016-17. The State's Single Audit Report dated March 16, 2017, with respect to the State's compliance with major federal programs during fiscal year 2016, indicates that in that fiscal year, 66.1% of federal program expenditures was directed to the Department of Health and Human Services, 13.0% was directed to the University of North Carolina system and its institutions, 7.4% was directed to the Department of Public Instruction, 5.9% was directed to the Department of Transportation, 3.1% was directed to North Carolina community colleges and the remainder (4.5%) was directed to other portions of State government.

Departmental receipts are revenues that are received directly by a department but have not been designated as tax or non-tax revenue by the General Assembly. Departmental receipts consist of tuition at the universities and community colleges, patient receipts at the hospitals and institutions, sales of goods and services, grants, and various other receipts. These receipts represent approximately 19.6% of the total State budget.

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

As noted in **"REQUIREMENTS FOR BALANCED BUDGET,"** State budgets are accounted for on a cash basis using budgetary financial data rather than GAAP financial data with a modified accrual basis. Therefore, the following discussion of the State budget in various fiscal years does not directly correspond to data or conclusions presented in the GAAP financial statements in the State's CAFR. For a budgetary basis schedule for the General Fund and reconciliation of budgetary versus GAAP reporting differences, see the "Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual (Budgetary Basis — Non-GAAP) General Fund" and accompanying notes in the Required Supplementary Information section of the State's 2016 CAFR, at http://www.osc.nc.gov/public-information/2016-cafr or in Appendix B.

2016-17 General Fund Budget

$ Millions	Authorized Budget FY 2016-17[1]	Actual for Twelve Months Ended June 30 FY 2016-17*	FY 2015-16	Percentage of Budget Realized / Expended for Twelve Months FY 2017*
Beginning Fund Balance, July 1				
Unreserved	$ 580.1	$ 580.1	$ 264.5	
Reserved	3,245.8	3,245.8	2,251.6	
Total Beginning Fund Balance	**$3,825.9**	**$3,825.9**	**$2,516.1**	

$ Millions	Authorized Budget FY 2016-17[1]	Actual for Twelve Months Ended June 30 FY 2016-17*	FY 2015-16	Percentage of Budget Realized / Expended for Twelve Months FY 2017*
Revenues:				
Tax Revenues:				
Individual Income	$11,618.3	$11,969.7	$11,905.2	103.0%
Corporate Income	911.5	752.2	1,058.2	82.5%
Sales and Use	6,970.7	7004.0	6,559.5	100.5%
Franchise	551.9	748.1	524.4	135.5%
Insurance	505.1	492.1	485.1	97.4%
Beverage	341.3	353.6	340.1	106.3%
Other:				
Inheritance	—	0.7	4.4	NA
Privilege	31.6	29.4	39.9	93.0%
Tobacco Products	253.8	261.8	257.4	103.2%
Real Estate Conveyance Excise	60.3	67.5	61.0	111.9%
Gift	—	----	----	NA
Solid Waste	2.3	2.5	2.3	108.7%
White Goods Disposal	2.2	2.5	2.1	113.6%
Scrap Tire Disposal	6.2	5.8	5.6	93.5%
Freight Car Lines	—	0.2	—	NA
Piped Natural Gas	—	—	—	NA
Mill Machinery	47.0	47.3	46.4	100.6%
Other	1.5	(0.2)	—	(13.3)%
Total Tax Revenues	**$21,303.7**	**$21,737.2**	**$21,291.9**	**102.0%**
Non-Tax Revenues:				
Treasurer's Investments	$ 37.5	$ 61.9	$ 37.1	165.1%
Judicial Fees	242.6	242.1	244.8	99.8%
Insurance	77.0	82.8	78.5	107.5%
Disproportionate Share Receipts	147.0	164.1	147.5	111.6%
Master Settlement Agreement	127.4	131.1	127.2	102.9%
Total Non-Tax Revenues	**$631.5**	**$682.0**	**$635.1**	**108.0%**
Total Tax and Non-Tax Revenues	**$21,935.2**	**$22,419.2**	**$21,927.0**	**102.2%**
Transfers In:				
Highway / Highway Trust Fund	$ —	—	—	NA
Other transfers	184.8	978.4 [2]	1,550.6 [3]	529.4%
Total Transfers In	**184.8**	**978.4**	**1,550.6**	**529.4%**
Total Revenues and Transfers In	**$22,120.0**	**$23,397.8**	**$23,477.8**	**105.8%**
Debt Proceeds [4]	200.0	—	—	NA
Total Available Funds	**$26,145.9**	**$27,223.5**	**$25,993.7**	**104.1%**
Expenditures				
Current Operations	$ 21,672.6	$ 21,348.0	$ 20,479.6	98.5%
Capital Improvements:				
Funded by General Fund	26.1	26.1	16.8	100.0%
Funded by Debt Proceeds [4]	200.0	—	—	NA
Debt Service	742.7	710.7	708.7	96.7%
Total Budgetary Expenditures	**$22,641.4**	**$22,084.8**	**$21,205.1**	**97.5%**
Additional Expenditures / Transfers From/to Reserves	— [5]	649.1 [6]	962.7 [7]	NA
Total Expenditures	**$22,641.4**	**$22,733.9**	**$22,167.8**	**100.4%**

$ Millions	Authorized Budget FY 2016-17[1]	Actual for Twelve Months Ended June 30 FY 2016-17*	FY 2015-16	Percentage of Budget Realized / Expended for Twelve Months FY 2017*
Ending Fund Balance				
Unreserved	$ 108.7	471.5	580.1	
Reserved	3,395.8	4,018.1 [8]	3,245.8 [9]	
Total Ending Fund Balance	**$3,504.5**	**$4,489.6**	**$3,825.9**	

Source: Office of the State Controller.

1 As authorized by the 2016 Session (SL 2016-94) of the General Assembly. Amounts not updated for actual fiscal year 2016-17 results.

2 Includes Other Non-Tax Revenues of $194.9 million, Savings Reserve Accounts of $263 million, Repairs and Renovations Reserve of $43.6 million, Emergency Response & Disaster Relief of $50.2 million, Carryforward Reserve $59.7 million, Medicaid Transformation Fund of $150 million and Non-Reverting Departmental Funds of $217.0 million.

3 Includes Other Non-tax Revenue Transfers of $223.7 million, Savings Reserve $723.6 million, Carryforward Reserve of $335.0 million, Medicaid Transformation Fund $75.0 million and Non-Reverting Departmental Funds $193.3 million.

4 Represents Debt Issuances in the current fiscal year.

5 No additional Expenditures or Transfers.

6 Includes Job Development Incentive Grants Reserve of $6.2 million, One NC Fund Reserve of $5.0 million and Transfer to Reserves $630.0 million.

7 Includes Job Development Incentive Grants Reserve $0.5 million, Repairs and Renovations Reserve $318.6 million, Emergency Response & Disaster Relief $3.5 million, One NC Fund $2.7 million, WCU & DOA CF Pilot Reserve $7.4 million and Transfer to Reserves $630 million.

8 Includes "Rainy Day" Savings Reserve $ $1,838.2 million, Job Development Incentive Grants Reserve $0.0 million, Repairs and Renovations Reserve Account $136.6 million, Emergency Response & Disaster Relief Fund $54.1 million, Carryforward and Reserve $394.7 million, One NC Fund Reserve $0.0 million, Medicaid Contingency Reserve $186.4 million, Medicaid Transformation Fund $225.0 million and Non-Reverrting Departmental Funds $1,183.1 million.

9 Includes "Rainy Day" Savings Reserve $ $1,575.2 million, Job Development Incentive Grants Reserve $6.2 million, Repairs and Renovations Reserve Account $93.0 million, Emergency Response & Disaster Relief Fund $3.9 million, Carryforward and Reserve $335.0 million, One NC Fund Reserve $5.0 million, Medicaid Contingency Reserve $186.4 million, Medicaid Transformation Fund $75.0 million and Non-Reverrting Departmental Funds $966.1 million.

* PAST PERFORMANCE MAY NOT BE INDICATIVE OF THE ACTUAL AMOUNTS AT FISCAL YEAR END AND THE STATE MAKES NO REPRESENTATIONS AS TO ANY RESULTS AFTER APRIL 30, 2017.

Comments on 2016-17 Budget — Second Year of the 2015-17 Biennium Budget

The State of North Carolina appropriates operating and capital funds on a biennial, or two year budget cycle. The operating and capital budgets for the second year of a biennium were adjusted in a "short" legislative session, including the session which adjourned on July 1, 2016. Additionally, the Governor issued a Proclamation of an Extra Session, calling the General Assembly into an emergency session on December 13, 2016, to appropriate funding for Hurricane Matthew and the western North Carolina wildfires. The comments below represent the Current Operations and Capital Improvements Appropriations Act of 2016, Session Law 2016-94, as ratified by the General Assembly on July 1, 2016, and signed by the Governor on July 14, 2016, and the Disaster Recovery Act of 2016, Session Law 2016-124, ratified by the General Assembly on December 14, 2016, and signed by the Governor on December 15, 2016. The initial budget act included $22.34 billion in General Fund appropriations. The Disaster Recovery Act appropriated an additional $100 million in General Fund appropriations, bringing the total fiscal year 2016-17 General Fund budget to $22.44 billion. The action also authorized the use of $100,928,370 in cash from the State's Savings Reserve Account.

Adjustments to Availability — Adjustments to revenue and availability decreased availability by $108 million in fiscal year 2016-17. The largest adjustments are related to various tax changes, which together lowered fiscal year 2016-17 revenue by $132 million. Additional adjustments included relatively modest increases in availability from various cash balances and elimination of a sales tax transfer to local governments.

Tax Reform — A major priority of the 2015-16 Legislative Session of the General Assembly was continued reform of North Carolina's tax code. The Act increased the standard deduction by $1,000 for married filers (and proportionately for other filers) in 2016 and again in 2017. It also refined the application of the sales tax to installation, repair, and maintenance services. In addition, the bill also extends preferential tax treatment of machinery and equipment to metal fabricators, metal recyclers, and ports. Taken together, these tax changes are anticipated to save taxpayers $132 million in fiscal year 2016-17.

Other 2016-17 budget highlights include the following:

- Increases average teacher salaries above $50,000 for the next school year.
- Adds $474 million to the Savings Reserve Account, bringing the current balance to $1.575 billion.
- Appropriates $81.4 million to the Repairs and Renovations Reserve Account.
- Provides every state employee with a minimum 1.5 percent across-the-board pay raise and a 0.5 percent bonus.
- Fully funds North Carolina's actuarially determined contribution ("ARC") to the Teachers' and State Employees' Retirement System.
- Fully funds the required contribution for the North Carolina State Health Plan.

Revenue Outlook — The Fiscal Research Division of the General Assembly and the Office of State Budget and Management revised the consensus revenue forecast for the 2016-17 fiscal year on May 5, 2017. The revised consensus forecast anticipates net General Fund revenue collections to exceed the budgeted amount by $580.6 million (2.6%), which reflects a steadily improving economy with better-than-expected wage growth and consumer spending. After accounting for adjustments to availability enacted during the 2016 Session of the General Assembly and previously enacted tax changes, General Fund revenue is forecast to grow 2.5% in fiscal year 2016-17 compared to fiscal year 2015-16.

Expenditures — The General Assembly approved General Fund budget expenditures for fiscal year 2016-17 of $22,441.4 million or $706.7 million in additional authorized expenditures over the fiscal year 2015-16 budget. Major categories for expenditures are as follows:

Category	2015-16 Amounts [1]	% of Category	2016-17 Amounts [1]	% of Category
Education	$12,332.4	56.7%	$12,681.7	56.3%
Health and Human Services	5,130.5	23.6	5,020.9	22.3
Justice and Public Safety	2,502.9	11.5	2,622.2	11.8
General Government/Natural and Economic Resources	857.6	3.9	1,086.0	4.8
Debt Service	714.8	3.3	742.7	3.3
Statewide Reserves/Capital	196.5	0.9	287.65	1.7
Total General Fund Appropriation	$21,734.7	100.0%	$22,441.4	100.0%

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

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

Reserves

As indicated in the information with respect to budgets, the State, by statute, has created reserves in the General Fund. The Savings Reserve Account therein, also generically known as the "rainy day fund" since its purpose is to address unanticipated events and circumstances, is allocated one-fourth of any unreserved fund balance in the General Fund (determined on a cash basis) at the end of each fiscal year. The Repairs and Renovations Reserve Account is also to be allocated one-fourth of any unreserved fund balance in the General Fund (determined on a cash basis) at the end of each fiscal year. That account is to be used only for repair and renovations of State facilities supported by the General Fund.

Savings Reserve Account and Repairs and Renovations Reserve Account (\$ thousands)

Savings Reserve Account

Fiscal Year	Beginning Balance	Transfers In	Transfers Out	Ending Balance
2011-12	$295,641	$123,171	—	$ 418,812
2012-13	418,812	232,538	—	651,350
2013-14	651,350	245	—	651,595
2014-15	651,595	200,000	—	851,595
2015-16	851,595	723,617	—	1,575,212

Repair and Renovations Reserve Account

Fiscal Year	Beginning Balance	Transfers In	Transfers Out	Ending Balance
2011-12	$124,500	$ 23,171	$ 58,351	$ 89,320
2012-13	89,320	150,000	77,735	161,585
2013-14	161,585	—	150,000	11,585
2014-15	11,585	400,000	—	411,585
2015-16	411,585	81,400	400,000	92,985

Proposed 2017-19 Biennium Budget

The General Assembly ratified the 2017-2019 biennial budget on June 22, 2017 (SL 2017-57), increasing spending to $23.0 and $23.7 billion per year respectively. It became law after the General Assembly on June 27 and June 28, 2017, overrode the Governor's veto.

Major categories for expenditures contained in the ratified bill are as follows ($ millions):

Category	2017-18 Amounts [1]	% of Category [1]	2018-19 Amounts [1]	% of Category
Education	$ 13,062.0	56.7%	$13,534.6	57.2%
Health and Human Services	5,253.3	22.8	5,390.3	22.8
Justice and Public Safety	2,702.0	11.7	2,728.4	11.5
General Government/Natural and Economic Resources/Information Technology	1,044.5	4.5	1,016.4	4.3
Debt Service	728.8	3.2	772.1	3.3
Statewide Reserves/Capital	240.0	1.0	210.3	0.9
Total General Fund Appropriation	$ 23,030.5	100.0%	$23,652.1	100.0%

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

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

Highway Fund and Highway Trust Fund

Prior Years (2014-15 Actual), (2015-16 Actual) and (2016-17 Authorized)

A summary, prepared by the North Carolina Department of Transportation, excluding federal and departmental receipts and expenditures, of the actual revenues and expenditures for the 2014-15 and 2015-16 fiscal years and the authorized budget amounts for the 2016-17 fiscal year is presented below (in millions):

Highway Fund
($ millions)

	Actual 2014-15	Actual 2015-16	Authorized 2016-17
Beginning Balance, July 1	$ 213.8	$ 367.1	$ 287.7
Revenue	2,138.9	2,156.8	2,048.7
GARVEE Bond Proceeds	300.5	—	—
Energy Savings Loan	0	—	—
Interfund Transfer [1]	53.9	37.4	35.3
Total Available Funds	**$2,707.1**	**$2,561.3**	**$2,371.7**
Expenditures and Obligations			
Current Operations	$1,869.1	$2,103.1	$2,029.6
GARVEE Bond Expenditures	189.9	83.4	—
Interfund Transfer (General Fund)	272.3	79.1	47.5
Capital Improvements	8.7	8.0	6.9
Total Expenditures and Obligations	**$2,340.0**	**$2,273.6**	**$2,084.0**
Ending Fund Balance, June 30	**$ 367.1**	**$ 287.7**	**$ 287.7**

Highway Trust Fund
($ millions)

	Actual 2014-15	Actual 2015-16	Authorized 2016-17
Beginning Balance, July 1	$ 880.3	$ 1,128.0	$ 1,455.5
Revenue	1,243.8	1,436.1	1,371.3
Interfund Transfer [2]	(31.7)	(31.5)	(35.3)
Interfund Transfer (NC Turnpike Authority)	(62.2)	(59.4)	(49.0)
Total Available Funds	**$2,030.1**	**$2,473.2**	**$2,742.5**
Expenditures and Obligations			
Current Operations	**$ 902.1**	**$ 1,107.7**	**$1,287.0**
Ending Fund Balance, June 30	**$ 1,128.0**	**$1,455.5**	**$1,455.5**

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

[1] Includes transfers from the Highway Trust Fund and other small funds.

[2] Includes transfers to the General Fund and the Highway Fund.

PROPERTY AND POPULATION STATISTICS

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

Assessed Valuation
($ millions)

Fiscal Year	Real Property	Tangible Personal Property	Public Service Company Property	Total
2006-07	$614,694	$130,272	$24,344	$ 769,309
2007-08	704,352	134,255	24,292	862,898
2008-09	783,589	137,706	24,990	946,284
2009-10	819,271	134,834	25,095	979,200
2010-11	833,316	129,898	25,302	988,517
2011-12	844,022	132,825	26,258	1,003,106
2012-13	836,248	140,229	27,676	1,004,153
2013-14	832,107	145,984	28,192	1,006,282
2014-15	838,340	151,370	28,541	1,018,251
2015-16	839,966	156,167	32,000	1,028,132
2016-17	856,793	165,451	33,188	1,055,432

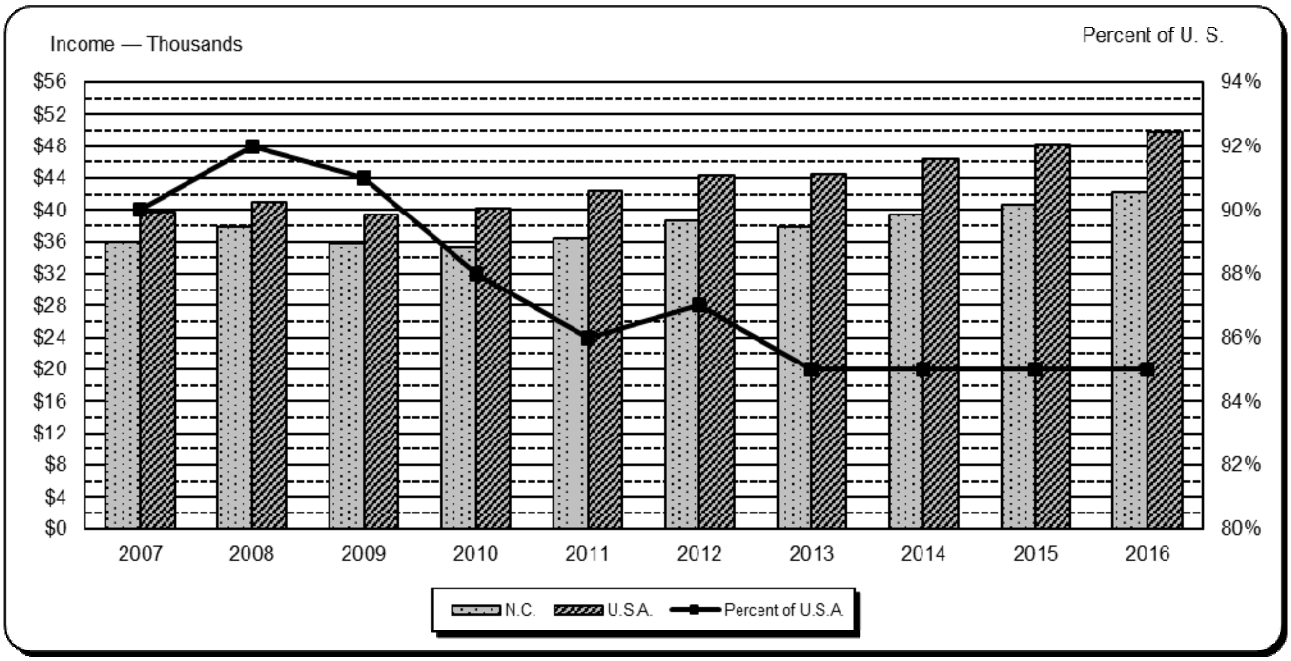
Source: Compiled by Department of Revenue from reports submitted by county assessors.

Per Capita Income North Carolina Compared to United States

	Population				Per Capita Income		
Year	United States Population	U.S. Increase from Prior Period	North Carolina Population	N.C. Increase from Prior Period	United States	North Carolina	N.C. as a Percentage of U.S.
1950	151,868,000[1]		4,061,929[1]		$ 1,496[2]	$ 1,037[2]	69.32%
1960	179,979,000[1]	18.51%	4,556,155[1]	12.17%	2,254[2]	1,615[2]	71.65
1970	203,849,000[1]	13.26	5,084,411[1]	11.59	4,072[2]	3,255[2]	79.94
1980	226,546,000[1]	11.13	5,880,095[1]	15.65	10,062[2]	8,090[2]	80.40
1990	248,791,000[1]	9.82	6,632,448[1]	12.79	19,588[2]	17,295[2]	88.29
2000	282,125,000[1]	13.46	8,049,313[1]	21.30	29,770[2]	27,055[2]	90.88
2010	308,745,538[1]	9.44	9,535,483[1]	18.46	40,277[2]	35,331[2]	87.72
2011	311,718,537[3]	0.96	9,651,025[3]	1.21	42,453[2]	36,474[2]	85.92
2012	314,102,723[3]	0.76	9,747,021[3]	0.99	44,267[2]	38,596[2]	87.19
2013	316,427,395[3]	0.74	9,845,832[3]	1.01	44,462[2]	37,798[2]	85.01
2014	318,907,401[3]	0.78	9,940,837[3]	0.96	46,414[2]	39,365[2]	84.81
2015	322,418,820[3]	0.79	10,042,802[3]	1.03	48,112[2]	40,759[2]	84.72
2016	323,958,029[4]	0.79	10,146,243[4]	1.03	49,872[5]	42,250[5]	84.72

Source:
[1] U.S. Department of Commerce, Bureau of the Census.
[2] U.S. Department of Commerce, Bureau of Economic Analysis.
[3] U.S. Census Bureau estimate based on 2010 Decennial Census.
[4] N.C. Office of the State Controller estimate.
[5] N.C. Office of the State Controller projection based on prior percentage increase.

Per Capita Income
North Carolina Compared to United States
2007-2016



Source: NC CAFR for the fiscal year ended June 30, 2016.

Percentage of Families Below Poverty Level by State – 2014 (highest to lowest)

1. Mississippi	16.5%
2. New Mexico	16.5
3. Alabama	15.0
4. Louisiana	14.9
5. Kentucky	14.5
6. Georgia	14.1
7. Arkansas	13.8
8. Tennessee	13.7
9. Texas	13.4
10. Arizona	13.2
11. South Carolina	13.2
12. West Virginia	13.3
13. North Carolina	**12.8**
U. S. National	11.3

Source: Statistical Abstracts of the United States 2017, Table 734.

For calendar year 2014, 46.9% of individual income tax returns in North Carolina were from filers having a taxable income of $15,000 or less and 2.6% were from filers having a taxable income of $200,001 or more. Those percentages were 51.3% and 1.6%, respectively, in 2005. See NC CAFR for the fiscal year ended June 30, 2016.

Based on 2014 numbers, 86.4% of persons in the State had obtained at least a high school degree, which is below the national average of 86.9%. 28.7% of persons in the State had obtained at least a bachelor's degree, which is also below the national average of 30.1%. See Statistical Abstracts of the United States 2017, Table 256.

NORTH CAROLINA EMPLOYMENT INFORMATION

The following table sets forth the State's labor force and the number of non-agricultural jobs by major sector from 2014-2016 and March 2017. Statistics with respect to the labor force are based upon actual laborers available in the workforce; while statistics with respect to jobs relate to actual jobs established (one member of the labor force may maintain more than one job). Please note the Labor Force and CES data listed for 2014 through 2016 are unadjusted and data for March 2017 are seasonally adjusted.

EMPLOYMENT DATA
For the Calendar Years 2014-2016 and March 2017

	2014	2015	2016	March 2017
				(Seasonally Adjusted)
Labor Force Data (People)				
Civilian Labor Force:	4,687,988	4,768,217	4,875,701	4,950,855
Employed	4,392,646	4,493,905	4,629,329	4,706,795
Unemployed	295,342	274,312	246,372	244,060
Unemployment Rate (%)	6.3	5.8	5.1	4.9
Jobs (Establishment Data): North American Industry Classification System Industry Title				
Total Nonfarm	4,139,600	4,239,700	4,339,900	4,387,600
Total Private	3,424,600	3,518,900	3,613,300	3,654,600
Goods Producing	633,900	655,100	671,200	672,300
Natural Resource Mining	5,500	5,600	5,600	5,800
Construction	179,300	179,300	200,600	202,700
Manufacturing	449,100	449,100	465,000	463,800
Durable Goods	240,100	249,100	251,300	252,000
Non-Durable Goods	209,000	209,000	213,700	211,800
Service Providing	3,505,700	3,584,600	3,668,800	3,715,300
Trade, Trans, Warehousing & Util.	775,600	796,000	813,900	818,800
Wholesale Trade	176,000	178,000	182,700	183,900
Retail Trade	471,300	484,300	494,200	497,000
Trans., Warehouse & Utilities	128,300	133,800	137,000	137,900
Information	72,800	75,800	78,500	75,600
Financial Activities	212,000	218,400	226,400	230,800
Professional and Business Services	569,200	589,700	607,400	621,500
Education and Health Services	568,400	573,900	584,900	592,000
Leisure and Hospitality Services	443,700	458,200	480,300	489,100
Other Services	149,000	151,800	150,700	154,500
Government	715,000	720,700	726,600	733,000

All 2016 Labor Force and CES data for April are preliminary. Estimates may not add to totals due to rounding.
Sources: NC Commerce — LEAD; LAUS Annual 2014-2016; March 2017; CES Annual 2014-2016; March 2017.
www.nccommerce.com/lea

Major Employers

The State's largest major private sector employers, ranked in order according to employment as of the first quarter of 2016, are listed below:

2016 Rank	Employer	Type of Industry
1	WAL-MART ASSOCIATES INC.	Retail Trade
2	FOOD LION	Retail Trade
3	DUKE UNIVERSITY	Educational Services
4	WELLS FARGO BANK NA (A CORP)	Finance and Insurance
5	LOWES HOME CENTERS INC.	Retail Trade
6	BANK OF AMERICA	Finance and Insurance
7	HARRIS TEETER LLC	Retail Trade
8	BRANCH BANKING & TRUST COMPANY	Finance and Insurance
9	WAKE FOREST UNIV. BAPTIST MEDICAL	Health Care and Social Assistance
10	AMERICAN AIRLINES INC.	Transportation and Warehousing
11	SMITHFIELD FOODS INC.	Manufacturing
12	INGLES MARKETS INC.	Retail Trade
13	UNITED PARCEL SERVICE INC.	Transportation and Warehousing
14	WAKEMED HEALTH & HOSPITALS	Health Care and Social Assistance
15	TWC ADMINISTRATION LLC	Information
16	CONE HEALTH	Health Care and Social Assistance
17	MEMORIAL MISSION HOSPITAL INC.	Health Care and Social Assistance
18	TARGET CORPORATION	Retail Trade
19	COMPASS GROUP USA INC.	Accommodation and Food Services
20	AT&T SERVICES INC.	Information
21	BELK INC.	Retail Trade
22	LABORATORY CORPORATION OF AMERICA	Health Care and Social Assistance
23	IBM	Manufacturing
24	LOWES FOODS LLC	Retail Trade
25	WALGREEN CO	Retail Trade

Source: NC Commerce — LEAD, NC Top Employers (Manufacturing & Non-Manufacturing) 2016

The State's 10 largest employers, including certain governmental entities, ranked in order according to employment as of the first quarter of 2016 are listed below:

2016 Rank	Employer
1	WALMART ASSOCIATES INC
2	CHARLOTTE MECKLENBURG HOSPITAL
3	FOOD LION
4	DUKE UNIVERSITY
5	WELLS FARGO BANK NA (A CORP)
6	NC DEPT OF PUBLIC SAFETY
7	DEPARTMENT OF DEFENSE
8	WAKE COUNTY PUBLIC SCHOOLS
9	CHARLOTTE-MECKLENBURG BD EDUCATION
10	BANK OF AMERICA NA

Source: North Carolina Department of Commerce — LEAD, 2016..

STATE INDEBTEDNESS

General Obligation Indebtedness

General Obligation Indebtedness Outstanding

As of 6/30	Bonds (General)	Bonds (Highway)	Bonds (Total) [1]
2013	$3,660,410,483	$339,169,517	$3,999,580,000
2014	3,324,868,876	282,231,124	3,607,100,000
2015	3,233,255,008	235,964,992	3,469,220,000
2016	2,840,283,036	198,381,964	3,038,665,000
2017	2,705,099,000	146,596,000	2,851,695,000

Source: North Carolina Department of State Treasurer.

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

Bonds issued: fiscal year 2012-13 through January 31st of fiscal year 2017-18:

2012-13	$319,260,000 Refunding Bonds, Series 2013B, 8.679 average maturity, 1.8400% true interest cost.
	$351,970,000 Refunding Bonds, Series 2013C, 7.683 average maturity, 1.7260% true interest cost.
	$349,955,000 Refunding Bonds, Series 2013D, 7.725 average maturity, 1.6357% true interest cost.
	$299,785,000 Refunding Bonds, Series 2013E, 5.101 average maturity, 1.1816% true interest cost.
2013-14	$306,685,000 Refunding Bonds, Series 2014A, 6.137 average maturity, 1.816687% true interest cost.
2014-15	$231,360,000 Bonds, Series 2015A, 10.607 average maturity, 2.595235% true interest cost.
2015-16	$329,360,000 Refunding Bonds, Series 2016A, 10.325 average maturity, 1.955149% true interest cost.
2016-17	$200,000,000 Bonds (Connect NC), Series 2016B, 10.308 average maturity, 2.079258% true interest cost.
2017-18	$106,145,000 Refunding Bonds, Series 2017A, 5.221 average maturity, 1.394790% true interest cost.

See Note 24, "Events Subsequent to the Issuance of the Original Independent Auditor's Report" in the Notes to the Financial Statements included in Appendix B for debt issued since the end of the fiscal year in the Financial Statements.

General Obligation Bonds Authorized and Unissued

General Obligation Bonds Authorized and Unissued [1]

Purpose	Authorized and Unissued [2]
Universities	$ 893,239,585
Community Colleges	261,570,709
Local Parks and Infrastructure	311,135,600
National Guard	67,938,212
Agriculture	174,568,804
State Parks and Attractions	87,664,785
Public Safety	3,882,305
Totals:	$1,800,000,000

[1] Table does not include authorized general obligation refunding bonds including the 2017 General Obligation Refunding Bonds.

[2] Under relevant law, premium upon sale of such bonds may be used to reduce the unissued amounts.

Special Indebtedness

Pursuant to the State Capital Facilities Finance Act and earlier statutes, the State issues various types of debt that is not supported by the full faith, credit and taxing power of the State. Termed "Special Indebtedness", such debt is supported primarily by annual appropriations for debt service by the General Assembly, but may also be secured by a lien on facilities, equipment or other assets. Examples of Special Indebtedness include certificates of participation, lease-revenue bonds and limited obligation bonds.

Outstanding Special Indebtedness Subject to Annual Appropriation

The table below shows outstanding Special Indebtedness as of the end of each of the last five fiscal years. Certain bonds issued by the North Carolina Turnpike Authority, now a part of the State Department of Transportation, are not included since, while payable from annual appropriations for debt service from the General Assembly, such appropriations are to come from the Highway Trust Fund. See "**Related Matters** — *North Carolina Turnpike Authority*" hereafter.

As of 6/30	Total Debt Subject to Annual Appropriation [1]
2013	$2,523,155,000
2014	2,383,825,000
2015	2,249,295,000
2016	2,121,890,000
2017	1,990,775,000

Source: North Carolina Department of State Treasurer.

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

Debt issued: fiscal year 2011-12 through January 31st of fiscal year 2017-18:

2011-12	\$367,350,000 Limited Obligation Refunding Bonds, Series 2011B, 8.1 year average maturity, 2.625306% all-in true interest cost.
	\$400,000,000 Limited Obligation Bonds (Capital Improvements), Series 2011C, 12.414 year average maturity, 3.5145% all-in true interest cost.
2012-13	\$250,000,000 Limited Obligation Bonds, Series 2013A, 12.1 year average maturity, 2.518% all-in true interest cost.
2013-14	\$199,570,000 Limited Obligation Refunding Bonds, Series 2014B, 9.352 year average maturity, 2.449232% all-in true interest cost.
2014-15	\$299,020,000 Limited Obligation Refunding Bonds, Series 2014C, 8.9 year average maturity, 2.5497% all-in true interest cost.
2017-18	\$618,415,000 Limited Obligation Refunding Bonds, Series 2017B, 9.358 average maturity, 2.276957% all-in true interest cost.

Special Indebtedness Authorized and Unissued at June 1, 2017

At June 1, 2017, the State of North Carolina had no authorized but unissued special indebtedness other than limited obligation refunding bonds including the Series 2017B Bonds.

Annual Debt Service Requirements for General Obligation Bonds and Special Indebtedness

Fiscal Year	General Obligation (Includes Highway) Existing Debt [4]		Special Indebtedness Existing Debt [1,2]		Total Existing Debt [1,3,4]	
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
2016-17	$386,970,000	$534,873,496	$131,115,000	$229,970,919	$518,085,000	$764,844,415
2017-18	396,070,000	527,094,628	136,635,000	219,714,132	532,705,000	746,808,760
2018-19	397,610,000	510,551,700	137,060,000	220,881,275	534,670,000	731,432,975
2019-20	368,695,000	462,743,600	156,010,000	232,672,799	524,705,000	695,416,399
2020-21	286,995,000	363,762,350	158,450,000	227,396,550	445,445,000	591,158,900
2021-22	268,595,000	332,153,100	158,890,000	219,914,050	427,485,000	552,067,150
2022-23	263,850,000	315,102,650	163,090,000	216,168,799	426,940,000	531,271,449
2023-24	240,880,000	279,984,200	166,550,000	211,956,175	407,430,000	491,940,375
2024-25	162,420,000	189,480,200	135,915,000	173,724,550	298,335,000	363,204,750
2025-26	103,320,000	122,259,200	128,565,000	159,780,549	231,885,000	282,039,749
2026-27	86,620,000	100,393,200	125,305,000	150,475,100	211,925,000	250,868,300
2027-28	59,230,000	68,903,600	124,035,000	142,939,850	183,265,000	211,843,450
2028-29	42,900,000	49,814,488	112,625,000	126,215,000	155,525,000	176,029,488
2029-30	42,745,000	47,816,875	73,925,000	82,191,650	116,670,000	130,008,525
2030-31	21,565,000	25,396,700	79,800,000	84,687,501	101,365,000	110,084,201
2031-32	21,565,000	24,749,750	46,430,000	48,638,750	67,995,000	73,388,500
2032-33	21,565,000	24,102,800	17,325,000	17,844,750	38,890,000	41,947,550
2033-34	21,565,000	23,340,200	—	—	21,565,000	23,340,200
2034-35	21,565,000	22,577,600	—	—	21,565,000	22,577,600
2035-36	10,000,000	10,250,000			10,000,000	10,250,000
	-	-			-	-
	$3,224,725,000	$4,035,350,337	$2,051,725,000	$2,765,172,399	$5,276,450,000	$6,800,522,736

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

[2] Includes the Series 2017B Bonds but excludes the LOBs to be Refunded.

[3] Does not include North Carolina Turnpike Bonds payable from the Highway Trust Fund.

[4] Includes the 2017 General Obligation Refunding Bonds but excludes the General Obligation Bonds to be Refunded.

Comparison Statistics

The following table notes the percentage of the total outstanding principal amount of the State's General Fund tax-supported debt at the end of the respective fiscal year that is scheduled to be paid within 10 years of such date.

State Indebtedness 10-Year Payout Ratio

Fiscal Year End June 30	10-Year Payout Ratio
2012	65.5%
2013	67.0%
2014	71.0%
2015	65.0%
2016	67.2%

Source: Debt Affordability Studies (2013-2017) of North Carolina Debt Affordability Advisory Committee.

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

Per Capita General Fund Supported State Indebtedness

As of June 30	Population	Outstanding General Obligation Debt and Special Indebtedness Subject to Annual Appropriation [1]	Per Capita	Percentage of Per Capita Income [3]
2012	9,762,639[2]	$6,854,400,000	$702.11	1.82%
2013	9,860,149[2]	6,522,735,000	661.52	1.75
2014	9,953,687[2]	5,990,925,000	601.88	1.54
2015	10,054,722[2]	5,718,515,000	568.74	1.40
2016	10,146,243[2]	5,160,555,000	508.62	1.21

Source: North Carolina Department of State Treasurer.

[1] Does not include North Carolina Turnpike Authority Bonds payable from the Highway Trust Fund.

[2] N.C. Demographer estimate.

[3] Per Capita Income from U.S. Department of Commerce, Bureau of Economic Analysis.

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

Percentage of Annual General Obligation and Special Indebtedness Debt Service to General Expenditures [1]

Fiscal Year Ended June 30	Debt Service (Principal and Interest) [2]	Total Governmental Expenditures [3]	Percentage
2013	$909,164,000 [4]	$42,389,158,000 [4]	2.14
2014	885,660,000	41,729,774,000	2.12
2015	869,301,000	42,992,112,000	2.02
2016	882,529,000	43,495,798,000	2.03
2017	875,940,000	45,286,409,000	1.93

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

[1] Since the comparison is to total expenditures including from federal funds, in addition to general obligation bonds and special indebtedness, revenue bonds payable from certain federal highway funds ("GARVEE bonds") are included.

[2] Debt service on special indebtedness subject to appropriation, general obligation indebtedness and GARVEE bonds. Amounts include issuance costs. Amounts do not include North Carolina Turnpike Authority Bond debt service. The table includes refunding debt but not refunded debt since sufficient funds have been placed with an escrow agent to pay all principal and interest and any premium on the debt refunded to and including their respective maturities or dates of redemption.

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

[4] The total debt service and governmental expenditures for the fiscal year June 30, 2013, exclude current year refundings and interest and fees to terminate swaps and/or swaptions whereas the 2016 CAFR includes these amounts. See Statistical Table 4, "Changes In Fund Balances of Governmental Funds", of the 2016 CAFR for more details.

Related Matters

Legal Debt Limit

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

Moral Obligation Bonds

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

Refunding Bonds

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

Revenue Bonds

Pursuant to Section 136-18(12b) of the North Carolina General Statutes and the State and Local Government Revenue Bond Act, the State issued $287.6 million, $242.5 million, $145.5 million, $179.5 million and $264.9 million of Grant Anticipation Revenue Vehicle (GARVEE) Bonds in 2007, 2009, 2011, 2012 and 2015, respectively. The Bonds were issued for the purpose of accelerating various transportation projects across the State and to pay certain costs incurred in connection with the Bonds. The GARVEE Bonds are payable solely from certain federal aid revenues received on behalf of the State and do not create a debt, liability or obligation of the State or any political subdivision of the State. Such federal aid revenues consist of amounts derived from the National Highway System and other federal surface transportation programs. The State is currently evaluating future GARVEE Bond issuances, including refundings. See also "**REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE AUTHORITIES AND INSTITUTIONS AT JUNE 30, 2016**" hereafter.

Guaranteed State Energy Contracts

The State is authorized to finance up to $500 million for projects that provide energy cost savings that are sufficient to pay the debt service on the projects' financing. As of June 30, 2017, a total of $236.5 million of such contracts had been entered into.

No Swap Agreements

The State has no swap agreements relating to outstanding indebtedness.

North Carolina Turnpike Authority

The North Carolina Turnpike Authority, a part of the Department of Transportation (the "Turnpike Authority"), is authorized to construct and operate toll roads within the State, and to issue toll road revenue bonds to finance such costs. The General Assembly has enacted legislation authorizing the transfer of funds from the Highway Trust Fund to the Turnpike Authority, with the proceeds of such transfer to be used to pay debt service on bonds issued by the Turnpike Authority for its Turnpike Projects and for certain related purposes. The Turnpike Authority has issued such bonds, including refunding bonds, supported in part by aggregate total legislative commitments of $25 million annually for the Triangle Expressway System and $24 million annually for the Monroe Connector System (aggregate outstanding principal amount was $723.1 million as of May 1, 2017).

Capital Financing Outlook

The State has authorized but unissued general obligation bonds of $1,800,000,000, not including refunding bonds. The timing and size of future issues will depend upon a number of factors, including the cash flow requirements of the State for programs and projects to be financed, the State's financial condition at the time the debt is proposed to be issued, capital market conditions and findings of the State Treasurer. The amount and timing of these sales has not been established.

The State issued $224.6 million in GARVEE Refunding Bonds in August 2017..

REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE AUTHORITIES AND INSTITUTIONS AT JUNE 30, 2017

The following chart outlines the revenue bonds and other indebtedness of State authorities and institutions at June 30, 2017. The State is not responsible for debt service on any of the revenue bonds and other indebtedness represented in this chart.

Appalachian State University	$ 253,161,049
East Carolina University	349,804,765
Elizabeth City State University	31,894,684
Fayetteville State University	63,311,816
North Carolina A & T State University	106,279,544
North Carolina Central University	83,639,502
North Carolina School of the Arts	6,427,827
North Carolina State University at Raleigh	572,327,113
University of North Carolina at Asheville	88,257,372
University of North Carolina at Chapel Hill	1,373,972,456
University of North Carolina at Charlotte	521,848,191
University of North Carolina at Greensboro	339,320,306
University of North Carolina at Pembroke	46,331,626
University of North Carolina at Wilmington	210,782,286
Western Carolina University	122,431,865
Winston-Salem State University	102,664,325
North Carolina Agricultural Finance Authority	28,180,958
North Carolina Capital Facilities Finance Agency	2,837,741,847
North Carolina Eastern Municipal Power Agency	386,215,000
North Carolina Housing Finance Agency	880,348,000
North Carolina Medical Care Commission	6,610,632,081
North Carolina Municipal Power Agency No. 1	1,055,970,000
North Carolina State Education Assistance Authority	1,477,067,860
North Carolina State Ports Authority	85,735,149
North Carolina Turnpike Authority [1]	373,340,013
North Carolina Department of Transportation [2]	100,000,000
Total	$ 18,107,685,635

Source: Chief fiscal officer of each authority or institution.

[1] Toll revenue bonds and other revenue indebtedness only. See "**Related Matters** — *North Carolina Turnpike Authority*" for Turnpike Authority debt supported by State appropriations.

[2] Does not include any North Carolina Turnpike Authority debt.

RETIREMENT AND PENSION PLANS

General

The State reports a number of defined benefit public employee retirement plans and two defined contribution plans administered by the State. There are other defined contribution plans administered by a third party under the auspices of the State. The State may or may not make supplementary contributions to these plans. Although the assets of the administered plans are commingled for investment purposes, each plan's assets may be used only for payment of benefits to the members of the plans and for related administrative costs. The State also provides an optional retirement plan for university employees and a special separation allowance for eligible sworn law enforcement officers.

Actuarial valuations are used to determine contribution rates for the plans. In making such valuations, the State has used 7.25% as the estimated future investment return for the plans since 1997. The State Treasurer has announced that 7.20% will be used beginning with the December 31, 2016 valuations. The actual investment rate of return has been:

Investment Earnings Rates as Reported by State Treasurer

Fiscal Year	Pension Earnings Rate	Fiscal Year	Pension Earnings Rate
2007	14.80%	2012	2.21%
2008	-2.07	2013	9.52
2009	-14.20	2014	15.88
2010	12.00	2015	2.25
2011	18.50	2016	0.80

Source: Annual Reports, State Treasurer of North Carolina, Total Pension Funds Annualized Performance, 2007-2016.

The arithmetic average rate for the 10 years was 5.97%. If calculated without consideration of the highest (2011) or lowest (2009) rates, the average was 6.92%. On May 15, 2017, the State Treasurer reported that for the quarter ending March 31, 2017, the State-managed pension funds returned a gain of 4.1%; the gain for the last 12 months was 9.6% and the gain over the last five years was 6.83%.

The unfunded actuarial accrued liability is a measure of the present value of accrued benefits estimated to be due in the future for current and past employees given assumptions as to mortality, pay levels, retirement experience and employee turnover, less the assets available to pay those benefits. Such determinations result in the calculation of an expected contribution amount (known as the "annual required contribution" or "ARC") for the State. The ARC is generally comprised of two elements — the amount necessary to pay for the unfunded actuarial accrued liability (described above) and the amount necessary to pay for the benefits accruing in the next year (known as the "normal cost" and offset by expected member contributions). The level of the contribution amount in later years depends on actual investment return, whether the various other assumptions as to expenditures from the plans correspond to actual facts and whether the State has contributed the complete ARC in intervening years.

Of the plans administered by the State, five are described hereafter — the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund and the National Guard Pension Fund.

The five plans were administered with the following assumptions as of the most recent actuarial valuation dates provided in the subsequent tables:

Table of Actuarial Assumptions [1]

	Teachers' & State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System	Firefighters' and Rescue Squad Workers' Pension Fund	National Guard Pension Fund
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level dollar closed	Level dollar closed	Level dollar closed	Level dollar closed	Level dollar closed
Amortization Period	12 years	12 years	12 years	12 years	12 years
Asset Valuation Method	Five year smoothed	Five year smoothed	Five year smoothed	Five year smoothed	Five year smoothed
Investment Rate of Return (IRR)[2]	7.25%	7.25%	7.25%	7.25%	7.25%
Projected Salary Increases (PSI)	3.50% – 8.10%	3.50% – 5.50%	5.50%	N/A	N/A
IRR Includes inflation of	3.00%	3.00%	3.00%	3.50%	3.00%
PSI Includes inflation and productivity of	3.50%	3.50%	3.50%	N/A	N/A
Cost-of-living Adjustments	N/A	N/A	N/A	N/A	N/A

[1] The actuarial assumptions in this table correspond with the assumptions used in the valuations as of December 31, 2015.

[2] On April 20, 2017, the Teachers' and State Employees' Retirement System Board of Trustees and the Local Government Employees' Retirement System Board of Trustees adopted a new investment rate of return assumption of 7.20%. The rate assumption will be used in the valuations performed as of December 31, 2016, and thereafter.

Defined Benefit Plans

Each of the following three defined benefit plans involves employees of the State:

Teachers' and State Employees' Retirement System — Membership is comprised of employees of State agencies and institutions, including teachers and employees of the local boards of education, university and community college faculty and employees, and State-employed law enforcement officers. Total active member accounts at December 31, 2015, amounted to 312,822 (includes members in receipt of disability benefits from the Disability Income Plan of North Carolina), and, in addition, there were 143,214 inactive members. The number of individuals in receipt of a recurring monthly benefit, or "annuitants", as of December 31, 2015, totaled 201,522. Benefits accrue at the rate of 1.82% of the 4-year average compensation for each year of service. For the fiscal year ended June 30, 2017, the system was funded by a member contribution of 6% of compensation and an employer contribution of 9.98%, in addition to investment income. The plan does not provide for automatic post-retirement benefit increases.

Consolidated Judicial Retirement System — Membership is comprised of judges, district attorneys and clerks of court. Total active member accounts at December 31, 2015, amounted to 561 and, in addition, there were 45 inactive members. Annuitants as of December 31, 2015, totaled 647. Benefits accrue at the rates of 3.02%, 3.52% or 4.02% of final compensation for each year of service, depending on the status of members. For the fiscal year ended June 30, 2017, the system was funded by a member contribution of 6% of compensation and an employer contribution of 29.46% of covered payroll, in addition to investment income. The plan does not provide for automatic post-retirement benefit increases.

Legislative Retirement System — Membership is comprised of members of the General Assembly. Total active member accounts estimated at December 31, 2015, amounted to 170, and, in addition, there were 90 inactive members. Annuitants as of December 31, 2015, totaled 300. Benefits accrue at the rate of 4.02% of the member's highest annual compensation for each year of service. For the fiscal year ended June 30, 2017, the system was funded by a member contribution of 7% of compensation and an employer contribution of 18.22% of covered payroll, in addition to investment income. The plan does not provide for automatic post-retirement benefit increases.

The following financial and statistical data represent a consolidation of the above three retirement systems with State employee members for the five calendar years ended December 31, 2015.

RETIREMENT SYSTEMS
RECEIPTS AND DISBURSEMENTS
($ millions)

	2011	2012	2013	2014	2015
Receipts:					
Employee Contribution	$ 835.10	$ 829.40	$ 834.30	$ 840.99	$ 855.25
Employer Contribution [1]	852.00	1,091.30	1,176.10	1,243.81	1,293.73
Investment Earnings	1,172.60	6,259.10	6,996.70	3,871.59	231.69
Other	1.60	1.60	0.50	0.74	0.73
Total	$2,861.30	$8,181.40	$9,007.60	$5,957.13	$2,381.40
Disbursements:					
Benefits	$3,467.80	$3,657.10	$3,839.80	$4,015.91	$4,192.78
Refunds	94.30	93.40	101.20	109.98	112.57
Other	11.10	10.50	10.60	11.36	9.84
Total	$3,573.20	$3,761.00	$3,951.60	$4,137.25	$4,315.19
Excess of Income over Disbursements	$(711.90)	$4,420.40	$5,056.00	$1,819.89	$(1,933.79)
Net Position	$53,854.60	$58,275.00	$63,331.00	$65,150.85	$63,217.07

Note: Totals may not add due to rounding.

Source: North Carolina Retirement System Financial Statements.

[1] See **"Contributions"** hereafter.

Other Plans

In addition to the above defined benefit retirement plans, the State administers several other pension and retirement plans. For more information on plans other than the two described hereafter, see Note 12: Retirement Plans in the Notes to the Financial Statements in Appendix B.

Firefighters' and Rescue Squad Workers' Pension Fund — Membership is comprised of both volunteer, State and locally employed firefighters and certified rescue squad personnel who elect membership. Estimated active membership totaled 42,821 at December 31, 2015. Annuitants as of December 31, 2015, totaled 13,463. Benefits are $170 per month payable at age 55 with a minimum of 20 years of service. The plan is funded by a $10 monthly contribution by the member, investment income, and a State appropriation. The actuarially determined contribution for the fiscal year ended June 30, 2017, was $14,389,152 and the amount appropriated by the State was $17,602,208.

National Guard Pension Fund — Membership is established at age 60 for former members of the North Carolina National Guard who have 20 or more years active duty with the National Guard. Benefits are currently $105.00 per month for the first 20 years of service and $10.50 per month for each additional year of service to a maximum of $210.00 per month. Annuitants at December 31, 2015, totaled 4,484. The plan is funded by an actuarially based State appropriation and investment income. The actuarially determined contribution for the fiscal year ended June 30, 2017, was $8,517,073.

As of December 31, 2015, the total calculated unfunded actuarial accrued liability of the only other defined benefit plan with an unfunded liability other than the five plans in the table or listed above (the Local Governmental Employees' Retirement System ("LGERS")) was approximately $710.8 million, about 3% of the plan's asset value. The LGERS Board of Trustees adopted the entry age normal cost method for use in the LGERS valuation performed as of December 31, 2015, resulting in an increase in the unfunded liability of this plan relative to previous years.

Funding Progress

For the five plans primarily discussed above, the following schedule of funding progress provides information with respect to calendar years 2010-2014 and is reported consistent with Governmental Accounting Standards Board ("GASB") standards used prior to promulgation of GASB Statements No. 67 and 68. See the next paragraph and "**Financial Reporting under New GASB Statements**" hereafter.

The Boards of Trustees with oversight responsibility for the North Carolina Teachers' and State Employees' Retirement Systems and the other four plans follow guidelines set forth by state law and the Actuarial Standards Board to set and review (and reset if warranted) actuarial assumptions including the investment return assumption. Based on the actuarial assumptions and recent investment returns, the Boards make recommendations to the North Carolina General Assembly for the respective employer contribution rate for the next fiscal year. The funding policy on which the contributions are based includes the use of many best practices — the use of entry age normal cost method, five year asset smoothing and a 12-year level dollar layered amortization schedule. The 12-year period is among the shortest used by public plans in the United States. All else being equal, use of the shorter period results in contributions that are more responsive to the actuarial needs of the plans, albeit with more contribution volatility than if a longer amortization were used. For the largest plan (North Carolina Teachers' and State Employees' Retirement System), the legislature has fully funded the annual contribution developed by the actuaries and recommended by the Board of Trustees every year with only one exception since 1941 (in 2010, for fiscal year 2011, the legislature set the contribution rate at 4.93% when the ARC was 6.71%). The implementation of the new GASB reporting statements discussed hereafter has not changed the State's process for developing the actuarial contributions, nor are any changes planned in response to such standards.

Schedule of Funding Progress [1] 2010-2014
($ thousands)

Date [2]	AVA [3]	AAL [4]	UAAL [5]	Funded Ratio [6]	Payroll [7]
Teachers' & State Employees' Retirement System					
12/31/2010	$57,102,108	$59,876,066	$2,773,867	95.37%	$13,053,831
12/31/2011	58,125,011	61,846,097	3,721,686	93.98%	12,801,046
12/31/2012	59,911,833	63,630,278	3,718,445	94.16%	12,774,187
12/31/2013	62,363,807	65,805,555	3,441,748	94.77%	12,834,121
12/31/2014	64,734,120	67,715,067	2,980,947	95.60%	12,932,046
Consolidated Judicial Retirement System					
12/31/2010	$451,196	$492,606	$41,411	91.59%	$66,605
12/31/2011	460,647	512,643	51,996	89.86%	67,815
12/31/2012	481,286	527,585	46,299	91.22%	68,237
12/31/2013	506,788	549,345	42,557	92.25%	68,457
12/31/2014	534,300	566,831	32,531	94.26%	67,562
Legislative Retirement System					
12/31/2010	$29,835	$23,752	$(6,083)	125.61%	$3,668
12/31/2011	29,468	23,757	(5,711)	124.04%	3,679
12/31/2012	29,416	23,852	(5,564)	123.33%	3,510
12/31/2013	29,318	24,557	(4,761)	119.39%	3,580
12/31/2014	29,012	24,067	(4,945)	120.55%	3,560
National Guard Pension Fund					
12/31/2010	$86,559	$127,066	$40,507	68.12%	NA*
12/31/2011	91,108	129,500	38,391	70.35%	NA*
12/31/2012	96,597	131,722	35,125	73.33%	NA*
12/31/2013	103,300	140,022	36,722	73.77%	NA*
12/31/2014	109,292	151,066	41,774	72.35%	NA*
Firefighters' and Rescue Squad Workers' Pension Fund					
12/31/2010	$318,273	$370,236	$51,963	85.96%	NA*
12/31/2011	327,984	391,837	63,853	83.70%	NA*
12/31/2012	338,885	403,817	64,932	83.92%	NA*
12/31/2013	364,836	413,054	48,218	88.33%	NA*
12/31/2014	380,885	418,915	38,030	90.92%	NA*

Source: Annual Valuation Reports, prepared by Buck Consultants.

* The National Guard Pension Fund and the Firefighters' and Rescue Squad Workers' Pension Fund provides benefits that are not a function of a member's compensation; thus, payroll value for these plans is not applicable for pension funding purposes.

[1] The figures included in this table were originally prepared by the State's consulting actuaries, Buck Consultants, as part of the annual valuation reports for each plan presented in the table above. These figures constitute unaudited figures taken directly from the annual valuation reports for each respective retirement system. Please note that use of information from this table or its original source(s) for any other purpose(s) or by anyone other than the State and its auditors may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. Figures from these valuation reports were extracted, compiled, and presented above by the State. Neither this table nor its contents as extracted have been reviewed or approved for usage in this or any other context for any purpose by Buck Consultants.

[2] The "Date" column here means valuation date.

[3] "AVA" here means actuarial value of assets.

[4] "AAL" here means actuarial accrued liabilities.

[5] "UAAL" here means unfunded actuarial accrued liabilities, or the difference between the actuarial accrued liabilities and the actuarial value of assets. A negative number (denoted by parentheses) indicates a funding surplus.

[6] "Funded Ratio" is calculated as AVA/AVL and is not intended to measure the adequacy of funding in any analysis of a possible settlement of plan liabilities, nor is it intended to assess the need for or the amount of future contributions.

[7] "Payroll" here means the actual reported compensation of covered employees.

Financial Reporting under New GASB Statements

In June 2012, the Governmental Accounting Standards Board issued two new Statements about how governments calculate and report the costs and obligations associated with pensions. Such Statements differ from methodologies used by the State for determining contributions to the Systems. They affect financial reporting but do not require changes in funding policy. Statement No. 67, *Financial Reporting for Pension Plans*, replaced the requirements of Statement No. 25 and Statement No. 68, *Accounting and Financial Reporting* for Pensions replaced the requirements of Statement No. 27. Since North Carolina pension plans are well funded and use conservative actuarial assumptions, the State's financial reports reflect the State's status as having some of the most well-funded pension plans in the country. Because the new standards require a plan to report the current market value of assets rather than the actuarial value of assets, the plan's ratio of assets to liabilities will become more volatile. The actuarial value of assets is a measure that phases in investment gains and losses to reduce the impact of market volatility on the stability of funding requirements. This methodology benefits participating employers by preventing sudden dramatic increases in contribution rates after a market downturn.

Changes in Net Pension Liability and Related Ratios [1]
Fiscal years 2014-2016
($ thousands)

Date [2]	PFNP [3]	TPL [4]	NPL [5]	PFNP/TPL	Payroll [6]
Teachers' & State Employees' Retirement System					
6/30/2014	$65,615,775	$66,788,196	$1,172,421	98.24%	$13,548,227
6/30/2015	65,007,030	68,692,228	3,685,198	94.64%	13,803,148
6/30/2016	63,268,829	72,459,862	9,191,033	87.32%	13,934,459
Consolidated Judicial Retirement System					
6/30/2014	$539,564	$565,761	$26,197	95.37%	$76,367
6/30/2015	538,534	582,766	44,232	92.41%	69,638
6/30/2016	528,440	623,842	95,402	84.71%	69,489
Legislative Retirement System					
6/30/2014	$30,051	$24,418	$(5,633)	123.07%	$3,608
6/30/2015	28,456	23,952	(4,504)	118.80%	3,611
6/30/2016	26,472	28,705	2,233	92.22%	3,616
National Guard Pension Fund					
6/30/2014	$110,030	$140,206	$30,176	78.48%	NA*
6/30/2015	110,529	151,250	40,721	73.08%	NA*
6/30/2016	109,829	169,210	59,381	64.91%	NA*
Firefighters' and Rescue Squad Workers' Pension Fund					
6/30/2014	$389,405	$416,823	$27,418	93.42%	NA*
6/30/2015	386,308	422,667	36,359	91.40%	NA*
6/30/2016	377,013	443,832	66,819	84.94%	NA*

Source: North Carolina Comprehensive Annual Financial Report (CAFR), 2016.

* The National Guard Pension Fund and the Firefighters' and Rescue Squad Workers' Pension Fund provides benefits that are not a function of a member's compensation; thus, payroll value for these plans is not applicable for pension funding purposes.

[1] The figures in this table correspond with required disclosures under GASB 67 and 68 for cost-sharing multiple-employer, single-employer, or special funding defined benefit plans.

[2] "Date" here means the fiscal year end date.

[3] "PFNP" here means Plan Fiduciary Net Position, as defined under GASB 67 and/or 68.

[4] "TPL" here means Total Pension Liability, as defined under GASB 67 and/or 68.

[5] "NPL" here means Net Pension Liability, as defined under GASB 67 and/or 68. This value approximately corresponds with the total pension liability, less the amount of the plan fiduciary net position. Negative values (denoted by parentheses) indicate a net pension asset.

[6] "Payroll" means the total amount of reported compensation for employees covered by the plan.

Under Statements No. 67 and No. 68, the Systems are required to demonstrate solvency with a comparison of projected future benefits payable for current members versus System assets available to pay those benefits. System assets are projected using the assumed long-term rate of return (7.25%), increased annually by expected contributions by current active members and decreased annually by expected benefit payments for members in receipt of benefits. If System assets are depleted before all projected future benefits are paid, then the System's liabilities must be measured with a municipal bond rate for all years beyond the insolvency date. This comparison is performed annually, and for the current reporting period all Systems are projected to remain solvent (and thus no liabilities would be measured at the lower rate).

Contributions

The Board of Trustees of the Teachers and State Employees' Retirement System ("TSERS") adopted the Employer Contribution Rate Stabilization Policy on January 21, 2016. This policy establishes a procedure for the staff and actuary to use in determining what the Board of Trustees will recommend to the General Assembly regarding employer contribution rates for TSERS for the next five years.

Under this approach, the contribution rate recommended to the General Assembly for the next five years will be no less than 0.35% of payroll greater than the appropriated contribution from the prior fiscal year, within the following bounds: (1) contributions may not be less than the actuarially determined contribution ("ADC") using the assumptions adopted, including a discount rate of 7.25%; and (2) contributions may not be greater than the ADC determined using the assumptions adopted but using a discount rate equal to the long-term United States Treasury bond yield.

The "Employer Contribution Rate Stabilization Policy" resulted in a minimum recommended contribution rate of 10.33% of payroll for fiscal year ending 2018, since this would be the minimum contribution after an increase of 0.35% to the prior appropriated contribution rate of 9.98%, which is greater than the 10.08% Annual Required Contribution determined using the core funding policy and an experience investigation prepared as of December 31, 2015. The upper bound on the policy for the fiscal year ending 2018 would be maximum contribution rate based on 30-year Treasury Rate used as an interest rate assumption, estimated to be 64.01% as of December 31, 2015.

The Board elected to recommend the minimum employer contribution rate under the policy of 10.33% of payroll. The Board's recommendation is not binding on the General Assembly. The employer contribution rate is typically set by the General Assembly in the annual appropriations act. For more information on contribution rates, see Note 12: Retirement Plans in the Notes to the Financial Statements in Appendix B.

OTHER POST-EMPLOYMENT BENEFITS

The State administers two post-employment benefit plans, the Retiree Health Benefit fund and the Disability Income Plan. Although the assets of the administered plans are commingled for investment purposes, each plan's assets may be used only for payment of benefits to the members of the plans and for related administrative costs. For more information see Note 14: Other Postemployment Benefits in the Notes to the Financial Statements and the table entitled "REQUIRED SUPPLEMENTARY INFORMATION, SCHEDULES OF FUNDING PROGRESS, OTHER POSTEMPLOYMENT BENEFITS" in Appendix B. Currently the disclosure made in such Note follows GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, collectively termed "OPEB".

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

State contributions to such plans depend on actual investment return, whether the various other assumptions as to expenditures from the plans correspond to actual facts and what amounts in excess of the payment of current costs, if any, the State has contributed in intervening years.

Retiree Health Benefit

The Segal Company completed the most recent actuarial valuation of the retiree health benefits plan as of December 31, 2015. The State retiree healthcare benefit is currently funded on a pay-as-you-go basis, with minimal additional accumulation of funds to pay the retiree health benefit. Based on the current funding method with limited accumulation of funds, the actuarial assumptions reflect a short-term discount rate of 4.25%. The projected unit credit method indicated an accrued liability of $33.472 billion for the retiree healthcare plan ($32.511 billion unfunded), with an annual required contribution of $2.511 billion for the 2015-16 fiscal year. In the aggregate for the 2015-16 fiscal year, the participating employers in the retiree healthcare plan funded OPEB costs of $880,847 million.

For the fiscal year 2015-16, the State and its Component Units, as employers in the cost-sharing, multiple-employer plan, funded OPEB costs of $455 million for the retiree healthcare plan, its statutorily required contribution.

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

For State employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees or members of the General Assembly with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis.

Disability Income Plan of North Carolina

The latest actuarial valuation of the disability income benefits plan was done by Buck Consulting and was as of December 31, 2015, except for certain information as of a later date. It employed the aggregate actuarial cost method, which does not identify or separately amortize unfunded liabilities. Information about the plan's funded status and funding progress was prepared using the entry-age actuarial cost method as an approximation. Using the entry-age method, the Buck report indicated an accrued liability of $396 million for the plan, with a funding surplus of $44 million and an ARC of $64 million for the 2015-16 fiscal year. The ARC was fully funded for that year by the participating employers in the disability income plan, with the State, as one of the participating employers, fully funding its statutorily required contribution of $33.3 million.

Participating employers in the Disability Income Plan of North Carolina include the primary government, State agencies, LEAs, the University of North Carolina, and the Community College System.

New GASB Statements

Beginning with the fiscal year ending June 30, 2017, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* will be applicable to accounting for the Retiree Health Benefit fund and the Disability Income Plan. Beginning with the fiscal year ending June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for*

Postemployment Benefits Other Than Pensions will also be applicable to accounting for the Retiree Health Benefit fund and the Disability Income Plan. In a preliminary actuarial review, the fiscal year 2016 accrued liability was recalculated to take into account GASB 74 and 75 as if they had been applicable and was more than 25% larger than under currently applicable GASB statements, all other factors held constant. In such preliminary review, the largest portion of the difference related to the effects of changes in assumptions, including using a discount rate based on a municipal bond rate index instead of a rate set by the State.

LITIGATION

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

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

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

On June 15, 2011, the General Assembly enacted legislation which placed certain restrictions on the "More at Four" pre-kindergarten program which had been established by the General

Assembly in 2001. Following a hearing requested by the plaintiffs, the trial court entered an order prohibiting the enforcement of legislation having the effect of restricting participation in the More at Four program. On appeal, the North Carolina Court of Appeals affirmed the trial court's order prohibiting the State from denying any eligible "at risk" children admission to the More at Four program. The State has appealed this decision and the North Carolina Supreme Court in November, 2013, held that amendments to the 2011 legislation had rendered the appeal moot. The case has been remanded to Superior Court.

Lake v. State Health Plan — The main issue is whether the State wrongfully charged a monthly premium to retired State employees for the State's 80/20 coinsurance health plan. The general theme of the complaint is that the State established vesting requirements under which if the employee fulfilled the requirements, the State contracted with each employee to provide 80/20 insurance coverage at no monthly cost to the retiree for the duration of each retiree's retirement. Similarly, the plaintiffs allege that the State terminated an optional 90/10 health plan to which they had vested rights. Plaintiffs claim (1) breach of contract; (2) unconstitutional impairment of contract; (3) unconstitutional denial of equal protection; and (4) unconstitutional denial of due process. The plaintiffs also allege a variety of equitable claims (e.g., specific performance, common fund) that piggy-back on the legal claims.

The State moved to dismiss and, after a hearing, the trial court denied the motion. The State appealed to the North Carolina Court of Appeals regarding only the defense of sovereign immunity, and the case was sent back to Superior Court. On May 19, 2017, the Court issued an order granting plaintiffs' motion for partial summary judgment and denying defendants' motion for summary judgment as to liability. The Court held that plaintiffs, and all class members, are entitled to the version of the 80/20 plan in existence in September 2011, or its equivalent, with no premium for their lifetimes; and that the damages for retirees who remained on the 80/20 plan will be the amount of premiums they actually paid. The damages for retirees who switched to the zero-premium 70/30 plan are yet to be determined. All damages, as well as injunctive relief, will be stayed pending final resolution of the case after all appeals have concluded. On June 2, 2017, defendants filed a notice of appeal with the Superior Court.

State Seal of North Carolina - The central field is dominated by two figures: Liberty and Plenty. Liberty is standing and holds in her right hand a scroll inscribed "constitution." In her left hand is a staff supporting a liberty cap. Plenty is seated and holds three heads of grain in her right hand and a cornucopia in her left. Mountains and a three-masted sailing ship on the ocean are in the background. Above and below the figures are the dates May 20, 1775, and April 12, 1776. These respectively commemorate the Mecklenburg Declaration of Independence, a local effort towards revolution adopted after news of the battle of Lexington was received, and the Halifax Resolves, a measure authorizing the State's delegates to Philadelphia to vote for independence. Beneath the field is the State motto, "esse quam videri," which means "to be, rather than to seem," from Cicero.

Appendix B

DEFINITION OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE TRUST AGREEMENT

DEFINITIONS

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

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

"Additional Bonds" means bonds of the Authority issued pursuant to requirements of the Trust Agreement secured in parity with outstanding Bonds.

"Authority" means the North Carolina Turnpike Authority created by the Act and any successor thereto.

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

"Bond" or "Bonds" means, collectively, the Series 2009B Bonds, the Series 2018A Bonds, the Series 2018B Bond, if issued, and any Additional Bonds issued under and pursuant to the Trust Agreement.

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

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

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

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

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

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

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

"Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the required deposits to be made in respect of Principal and Interest (whether or not separately stated) on Outstanding Bonds during such period.

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

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

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

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

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

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

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement dated as of May 1, 2018, between the Authority and Wells Fargo Bank, N.A., as 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 will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"General Revenue Bond Trust Agreement" means the Trust Agreement, dated as of June 1, 2009, between the Authority and Wells Fargo Bank, N.A., as trustee, pursuant to which the Authority has issued toll revenue bonds for the purpose of paying costs of the Triangle Expressway System not funded with proceeds of the Series 2009B Bonds.

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

"Government Obligations" means direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America in either certificated or book-entry form, including (a) stripped Government Obligations stripped by the United States Treasury itself and (b) interest only portions of obligations issued by the Resolution Funding Corporation.

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

"Interest Payment Date" means any January 1 or July 1.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Reserve Fund" means the fund created and designated the North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Reserve Fund by the Trust Agreement. **The Reserve Fund secures only Build America Bonds issued under the Trust Agreement.**

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

"Revenues" means:

(a) the State Appropriated Revenues;

(b) the Interest Subsidy Payments; and

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

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

"Second Supplemental Trust Agreement" means the Second Supplemental Trust Agreement to be dated as of December 1, 2018, between the Authority and Wells Fargo Bank, N.A., as trustee.

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

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

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

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

"Series 2009B Bonds" means the Authority's Triangle Expressway System State Appropriation Revenue Bonds, Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2009B Bonds") issued in the original aggregate principal amount of $352,675,000.

"Series 2018A Bonds" means the Authority's Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A issued in the original aggregate principal amount of $150,125,000.

"Series 2018B Bond" means the Authority's Triangle Expressway System Appropriation Revenue Refunding Bond, Series 2018 to be issued, upon conditions, in the original aggregate principal amount of $161,759,000.

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

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

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

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

"State" means the State of North Carolina.

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

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

"Triangle Expressway System" means the 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, as it may be adjusted pursuant to the General Revenue Bond Trust Agreement.

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

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

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

THE TRUST AGREEMENT

Establishment of Funds

There are established under the Trust Agreement the following funds and accounts:

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

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

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

(d) North Carolina Turnpike Authority Triangle Expressway System State Appropriation Revenue Bonds Project Fund

The Project Find, the Revenue Fund, the Debt Service Fund and the Reserve Fund have been established with and held by the Trustee. The money in all of the funds, accounts and subaccounts established pursuant to the Trust Agreement will be held in trust and applied as provided in the Trust Agreement and, pending such application, the money in the Debt Service Fund and any accounts and subaccounts therein will be subject to a pledge, charge and lien in favor of the Owners of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such Owners, except as otherwise provided therein. The money in the Reserve Fund and any accounts therein will be subject to a pledge, charge and lien in favor of the Owners of the Build America Bonds issued and Outstanding under the Trust Agreement, except as otherwise provided therein. The proceeds of the Series 2009B Bonds were deposited by the Trustee in the Project Fund and used for payment of Costs of the Project..

Application of Money in Interest Accounts

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

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

Application of Money in Principal Account

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

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

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

Application of Money in Sinking Fund Account

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

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

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

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

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

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

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

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

Application of Money in the Redemption Account

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

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

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

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

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

Security

As security for the payment of the Bonds, the Authority grants to the Trustee for the benefit of the Owners of the Bonds, a pledge, charge and lien upon the Trust Estate in parity will all other Appropriation Bonds, provided the Reserve Fund secures only Build America Bonds.

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

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

Security for Deposits

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

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

Investment of Money

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

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

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

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

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

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

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

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

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

Payment of Principal, Interest, Premium and Other Amounts

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

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

Covenant as to Build America Bonds

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

Extension of Interest Payment

If the time for the payment of the interest on any Bond is extended, whether or not such extension is by or with the consent of the Authority, such interest so extended will not be entitled in case of default under the Trust Agreement to the benefit or security of the Trust Agreement and in such case the Owner of the Bond for which the time for payment of interest was extended will be entitled only to the payment in full of the principal of all Bonds then Outstanding and of interest for which the time for payment will not have been extended.

Events of Default

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

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

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

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

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

Acceleration

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

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

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

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

Pro Rata Application of Funds

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

> <u>first</u>: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the persons entitled thereto, without any

discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

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

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

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

Control of Proceedings; Restrictions Upon Action; Notice of Default

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

Except as provided in the Trust Agreement, no Owner of Bonds will have any right to institute any suit, action or proceeding in equity or at law on any Bonds or for the execution of any trust thereunder or for any other remedy thereunder unless such Owner of

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

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

Concerning the Trustee

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

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

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

(i) the duties and obligations of the Trustee will be determined solely by the express provisions of the Trust Agreement, and the Trustee will not be liable except for the performance of such duties and obligations of the Trustee as are specifically set forth in the Trust Agreement, and no implied covenants or obligations will be read into the Trust Agreement against the Trustee and no permissive right of the Trustee under the Trust Agreement will impose any duty on the Trustee to take such action, and

(ii) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of the Trust Agreement, but in the case of any such certificate or opinion by which any provision thereof is specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not on its face it conforms to the requirements of the Trust Agreement; and

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

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

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

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

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

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

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

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

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

Supplemental Trust Agreements

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance

When:

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

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

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

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

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

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

Appendix C

PROPOSED FORM OF OPINION OF BOND COUNSEL

HUNTON
ANDREWS KURTH

HUNTON ANDREWS KURTH LLP
POST OFFICE BOX 109
RALEIGH, NORTH CAROLINA 27602

TEL 919 • 899 • 3000
FAX 919 • 833 • 6352

May __, 2018

Board of Directors
North Carolina Turnpike Authority
Raleigh, North Carolina

$150,125,000
North Carolina Turnpike Authority
Triangle Expressway System Appropriation
Revenue Refunding Bonds, Series 2018A

Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance by the North Carolina Turnpike Authority (the "Authority") of its Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A in the aggregate principal amount of $150,125,000 (the "Bonds") to provide funds, together with other available funds, to (a) refund certain of the Authority's Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2009B Bonds"), which financed a portion of the costs of the Authority's Triangle Expressway System, an approximately 18.8 mile toll road facility in Durham and Wake Counties, North Carolina, and (b) pay costs incurred in connection with the issuance of the Bonds. The Series 2009B Bonds to be refunded are hereinafter referred to as the "Refunded Bonds". Reference is made to the form of the Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they are issued.

The Bonds recite that they are issued under and pursuant to the Constitution and laws of the State of North Carolina (the "State"), including Article 6H (Public Toll Roads and Bridges) of Chapter 136, as amended, of the North Carolina General Statutes (the "NCGS"), and The State and Local Government Revenue Bond Act, Article 5 of Chapter 159, as amended, of the NCGS, a Bond Order of the Authority adopted on March 28, 2018 (the "Bond Order"), authorizing the issuance of the Bonds, and a Trust Agreement, dated as of July 1, 2009 (the "Original Trust Agreement"), between the Authority and Wells Fargo Bank, N.A., as trustee (in such capacity, the "Trustee"), as supplemented by a First Supplemental Trust Agreement, dated as of May 1, 2018 (the "First Supplemental Trust Agreement" and, together with the Original Trust Agreement, the "Trust Agreement"). Proceeds of the Bonds will be deposited under an Escrow Agreement between the Authority and Wells Fargo Bank, N.A., as escrow agent, dated as of May 1, 2018 (the "Escrow Agreement"), invested in U.S. Treasury securities and used to pay principal of and interest on the Refunded Bonds through their redemption date on January 1, 2019. All terms not defined herein are as defined in the Trust Agreement.

The Bonds are special obligations of the Authority secured by a pledge, charge and lien upon the Trust Estate under the Trust Agreement, including Revenues. Pursuant to the Trust Agreement, "Revenues" consist of (a) any funds appropriated to the Authority by the State pursuant to pursuant to NCGS Section 136-176 or other legislation enacted by the General Assembly of the State providing for the annual appropriation of funds to the Authority to pay debt service on bonds issued to finance the Triangle Expressway System or to fund debt service reserves, operating reserves or similar reserves and (b) 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 certain funds under the Trust Agreement. The Authority is not obligated to pay the principal of or the interest on the Bonds except as provided in the Trust Agreement from Revenues or certain other monies made available therefor under the Trust Agreement, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof, including the Authority, is pledged to the payment of the principal of and the interest on the Bonds. The Bonds are not secured by the Reserve Fund under the Trust Agreement.

The Authority has contracted for another bond (the "Series 2018B Bond") to be issued and delivered in December, 2018, for the purpose of refunding certain Series 2009B Bonds not being refunded by the Bonds. In addition, after delivery of the Bonds and the Series 2018B Bond, if issued, some Series 2009B Bonds will remain outstanding. The Series 2018B Bond, if issued, and any Series 2009B Bonds not refunded by the Bonds or the Series 2018B Bond are secured in parity with the Bonds. The Trust Agreement also provides for the issuance from time to time of additional bonds secured in parity with the Bonds.

Without undertaking to verify the same by independent investigation, we have relied on (a) computations provided to BondResource Partners, LP, Harrisburg, Pennsylvania, the mathematical accuracy of which has been verified by them, relating to the yield of investments in the escrow fund established in connection with the refunding of the Refunded Bonds, the sufficiency of such investments to pay when due the principal of and interest on the Refunded Bonds and the yield on the Bonds, and (b) certifications by representatives of the Authority, the North Carolina Department of Transportation and the North Carolina Local Government Commission as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Authority has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants").

Based on the foregoing and in accordance with customary opinion practice, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State and constitute valid and legally binding limited obligations of the Authority, payable as to principal and interest solely from Revenues. The

Bonds do not create or constitute a debt or pledge of the faith and credit of the State or any political subdivision or agency thereof, including the Authority.

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

3. The rights of the holders of the 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, fraudulent conveyance, moratorium and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

4. Under current law, interest on the Bonds (a) will not be included in gross income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax. The opinions in the preceding sentences are subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Assuming compliance with the Covenants, the Bonds are eligible for treatment by financial institutions as a part of their "de minimis" 2% under Section 265(b)(7) of the Code relating to deductions for interest allocable to the cost of purchasing or carrying tax-exempt obligations. Failure of the Authority to comply with the Covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

5. Under current law, interest on the Bonds will be exempt from State income taxes.

Our services as bond counsel to the Authority for the Bonds have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. We have not made any investigation concerning the Revenues or the financial resources of the Authority and therefore we express no opinion as to the accuracy or completeness of any information, including the Preliminary Official Statement dated April 12, 2018, or the Official Statement dated April 26, 2018, with respect to the Bonds, that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

01791/08081

Appendix D

DTC'S BOOK-ENTRY-ONLY SYSTEM

Book-entry-only System

The Depository Trust Company (**"DTC"**), New York, New York, will act as securities depository for the Bonds. The Bonds will be delivered 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 bond for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC, each in the aggregate principal amount of such maturity and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

General. 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 U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments that DTC's direct participants (**"Direct Participants"**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**"DTCC"**). DTCC, in turn, is owned by a number of its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**"Indirect Participants"**). DTC is rated AAA by Standard & Poor's Ratings Services (**"S&P"**). The DTC Rules applicable to its Direct and Indirect Participants are on the file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com.

Purchases; Transfers. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of actual purchasers of the Bonds (**"Beneficial Owners"**) is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are 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 Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Notices; Voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults and proposed amendments to the security documents.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments. Principal and interest payments with respect to the 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 Direct and Indirect 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 Direct and Indirect 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. Payment of principal and interest to DTC is the responsibility of the Authority and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

Discontinuance. DTC may discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, or in the event the Authority desires to use a similar book-entry system with another securities depository, there may be a successor securities depository (all references to DTC include any such successor). The Authority may also decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository) at any time by giving reasonable notice to DTC. If the book-entry system is discontinued and there is no successor securities depository, Bond certificates will be printed and delivered to the Beneficial Owners.

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

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE ORDER; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

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