NOTE 23: SUBSEQUENT EVENTS

Primary Government

Repair and Renovation Certificates of Participation

On August 16, 2006, the State sold $100 million of repair and renovation certificates of participation, Series 2006A. The certificates are dated August 16, 2006 and will bear interest from that date. Interest will be payable semiannually on each June 1 and December 1, commencing December 1, 2006. The certificates will mature, subject to the redemption provisions, from June 1, 2007 to 2026 inclusive, and were issued at coupon rates ranging from 4% to 5%. Pursuant to Session Law 2003-284 and the State of North Carolina Capital Facilities Finance Act, Article 9 of Chapter 142, the certificates were issued for the purpose of financing the repair and renovation of state facilities and related infrastructure that are supported from the State's General Fund and to pay certain costs incurred in connection with the execution and delivery of the 2006A Certificates.

Capital Improvement Certificates of Participation

On October 18, 2006, the State sold $200 million of Capital improvements certificates of participation, Series 2006A. The certificates are dated October 18, 2006 and will bear interest from that date. Interest will be payable semiannually on each February 1 and August 1, commencing February 1, 2007. The certificates will mature, subject to the redemption provisions, from February 1, 2008 to 2027 inclusive, and were issued at coupon rates ranging from 4% to 5%. Pursuant to the provisions of Article 9 of Chapter 142 of the North Carolina General Statutes (the "State Capital Facilities Finance Act"), and Session Laws 2003-314, 2004-126, 2004-179, 2005-276, 2006-66, 2006-146 and 2006-231 which authorized a total of $1.41 billion of various state projects and related infrastructure. These certificates were issued for the purpose of providing funding in varying amounts for the authorized projects and to pay certain costs incurred in connection with the execution and delivery of the 2006A Certificates.

Settlement Agreement

Subsequent to June 30, 2006, a settlement agreement was reached between the United States of America, through the United States Department of Justice and on behalf of the Office of Inspector General of the United States Department of Health and Human Services and the State of North Carolina for the Medicaid Disproportionate Share Hospital program. The settlement agreement was signed by all parties on August 17, 2006. The State agreed to pay $151.5 million. Of that amount, fifty-one hospitals identified in the settlement paid the State $91.5 million during September 2006. The first payment to the Centers for Medicare and Medicaid Services was made on September 27, 2006, in the amount of $106.5 million. The second payment is due by September 30, 2007 in the amount of $15 million plus accrued interest; the third payment is due by September 30, 2008 in the amount of $15 million plus accrued interest; and the final payment is due by September 30, 2009 in the amount of $15 million plus accrued interest. Interest shall begin accruing as of January 1, 2007 at the rate of 5.01%.

Town of Butner Water and Sewer

The authority to operate the Butner Water and Sewer System had been transferred from the Department of Health and Human Services (DHHS) to South Granville Water and Sewer Authority (SGWASA) effective as of January 1, 2006.

On July 5, 2006, the rights to the Town of Butner intangible asset, nitrogen credits were transferred to SGWASA and sold. The Town of Butner intangible asset, nitrogen credits amounting to $1.46 million and the note payable amounting to $1.46 million supporting the intangible asset, will be retired in fiscal year 2007.

Enacted legislation, Senate Bill 491 approved as of July 23, 2006, provides for the conveyance to SGWASA, from DHHS, on January 1, 2007, all the remaining assets that make up the water and sewer system providing that SGWASA "make arrangements to retire, assume or otherwise satisfy" the remaining bond payable, amounting to $8.8 million entered into by the State and secured by the assets and revenue of the water and sewer system.

SGWASA will also continue to make monthly payments to the Town of Butner from its water and sewer revenue to provide for the funding of the operation of the Town.

Component Units

Appalachian State University

The University participated in the University of North Carolina System Pool Revenue and Refunding Bonds, Series 2006A issuance. The Bonds were sold on November 30, 2006, and $42.7 million will be used by the University for a new dining facility, renovate a residence hall, refund the 2000 housing bonds, refund a portion of the 2002A housing bonds, and refund a portion of the 2003A Student Recreation Center Bonds.

North Carolina State University Commercial Paper

On August 16, 2006, the University borrowed $44 million through the commercial paper financing program for construction projects.

North Carolina Housing Finance Agency, Bond Purchase Agreement

On August 31, 2006, the Agency signed a bond purchase agreement under the 1998 Home Ownership Trust Indenture for Series 25A amounting to $65 million. The Agency will deliver these bonds on September 26, 2006.

State Education Assistance Authority, Bond Issuance

On August 8, 2006 the State Education Assistance Authority (the Authority) issued $346 million State of North Carolina Education Assistance Authority Tax-Exempt Guaranteed Student Loan Revenue Bonds 2006 Series Q (Senior Lien), $30 million State of North Carolina Education Assistance Authority Tax-Exempt Guaranteed Student Loan Revenue Bonds 2006 Series Q (Subordinate Lien) and $194 million State of North Carolina State Education Assistance Authority Guaranteed Student Loan Revenue Bonds 2006 Series R (Senior Lien). The proceeds from these issuances will be used to fund student loans.