
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: SUBSEQUENT EVENTS

Primary Government
Capital Improvement Limited Obligation Bonds

On August 27, 2008, the State sold \$200 million of Capital Improvement Limited Obligation Bonds, Series 2008A. The Series 2008A Bonds are dated August 27, 2008 and will bear interest from that date. Interest will be payable semiannually on each May 1 and Nov 1, commencing May 1, 2009. The Series 2008A Bonds will mature, subject to the redemption provisions, from May 1, 2010 to 2029 inclusive, and were issued at coupon rates ranging from 4% to 5.25%. The bonds were issued 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, 2006-231 and 2007-323 (collectively the "Project Acts") which authorized a total of \$1.97 billion of varying state projects and related infrastructure. The bonds were issued for the purpose of providing funding in varying amounts for the authorized capital projects and to pay certain costs incurred in connection with the execution and delivery of the bonds.

Component Units
University of North Carolina at Chapel Hill – Remarketed Debt

Effective September 23, 2008, the University of North Carolina at Chapel Hill replaced Lehman Brothers, Inc. with J.P. Morgan Chase as the remarketing agent for the \$54.97 million General Revenue Series 2001B variable rate demand bonds. Also, any commercial paper outstanding that had been originally placed by Lehman Brothers will be remarketed by Banc of America Securities LLC when the maturities are due. The University is currently evaluating options for its floating-to-fixed swap with Lehman Brothers

North Carolina State University - Revenue Bonds and Other debt

On July 10, 2008, North Carolina State University (the University) issued \$66.61 million of Variable Rate General Revenue Bonds, Series 2008A (2008A Bonds). Interest will be payable on the first business day of each calendar month, commencing August 1, 2008. The 2008A Bonds will bear interest at weekly interest rates, not to exceed the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law. The bonds will mature on October 1, 2028. The 2008A Bonds provides funds to pay a portion of the costs of construction, renovation and/or improvement of athletic, housing and theatre facilities, and construction of infrastructure at the University. Proceeds will also be used to refund certain debt previously issued and to pay

the costs incurred in connection with the issuance of the 2008A Bonds.

On July 10, 2008, North Carolina State University issued \$26.96 million of General Revenue Bonds, Series 2008B (2008B Bonds). Interest will be payable semiannually on each April 1 and October 1, commencing October 1, 2008. The bonds will mature, subject to the redemption provisions, from October 1, 2009 to 2020, and were issued at interest rates ranging from 3% to 5%. The 2008B Bonds were issued to pay a portion of the costs of certain construction, renovations and improvements at the University, to refund debt previously incurred including certain maturities of the University of North Carolina System Pool Revenue Bonds, Series 1998B and Series 2000, and to pay the costs incurred in connection with the issuance of the 2008B Bonds.

North Carolina State University borrowed \$20 million on October 15, 2008 and \$10 million on November 12, 2008, through the commercial paper financial program. These borrowings provide funds to redeem the 1999A demand bonds for \$11.20 million and the remaining to provide financing for current construction projects.

State Education Assistance Authority – Revenue and Refunding Bonds.

On October 30, 2008, the State Education Assistance Authority (the Authority) issued \$309.86 million in Tax Exempt Student Loan Revenue and Refunding Bonds. On November 21, 2008, the Authority issued \$105.95 million Tax Exempt Student Loan Revenue and Refunding Bonds. The bonds will mature, subject to redemptions provisions, from September 1, 2035 to July 1, 2036 and were issued at interest rates ranging from 1.35% to 1.85%. Proceeds will be used to refund certain outstandings bonds of the Authority and to finance student loans.

Golden LEAF, Inc. – Loan for Global TransPark Project

On October 15, 2008, the Golden LEAF (Long-Term Economic Advancement Foundation), Inc. (Foundation) borrowed \$100 million through a short-term unsecured, non-revolving credit facility. The proceeds of the loan were placed in escrow to support the construction of new aerospace facilities at the Global TransPark in Lenoir County, North Carolina, in accordance with a grant awarded to the North Carolina Global TransPark Authority in May 2008. Interest on the outstanding balance is payable monthly at a rate of prime minus .75%. The principal amount of \$100 million plus any accrued interest is due April 30, 2009.

NOTES TO THE FINANCIAL STATEMENTS**Primary Government and Component Units*****Decline in Investment Values***

In the months subsequent to the fiscal year-end, there has been a significant decline in the world's financial markets. These and other economic events have had a significant adverse effect on the value of investments held by the primary government and component units of the State. Interim valuation information is not available for all investments. However for the primary government, investment declines subsequent to year-end include the following:

- Department of the State Treasurer's Investment Pool – approximately \$12.89 billion as of October 31, 2008.
- Supplemental Retirement Income Plan of North Carolina (401(k)) - approximately \$747.5 million as of October 31, 2008.
- The North Carolina Public Employee Deferred Compensation Plan - approximately \$131.3 million as of October 31, 2008.

For the State's component units, investment declines subsequent to year-end include the following:

- University of North Carolina at Chapel Hill – approximately \$249.4 million as of September 30, 2008.
- University of North Carolina Health Care System – University of North Carolina Hospitals – approximately \$98 million as of October 31, 2008
- University of North Carolina at Greensboro – approximately \$26.6 million as of September 30, 2008.
- North Carolina State University – approximately \$25.2 million as of October 31, 2008
- State Education Assistance Authority – approximately \$215.3 million as of October 31, 2008.

At June 30, 2008, the Golden LEAF, Inc. (Foundation) had an investment in The Bank of New York Mellon Trust Company Common Trust Cash Investment Fund (the Fund) with a fair value of \$27.9 million. The balance was unrestricted at year-end. Due to the liquidity crisis, in September 2008, Bank of New York Mellon began reviewing all requests for redemptions from the Fund and limited full redemptions to in-kind redemptions. These actions were taken to prevent forced sales of the Fund's investment holdings and to prevent the net asset value of the Fund from dropping below \$1. The Foundation has not incurred losses on the Fund to date and business activity has not been negatively affected. At October 14, 2008, the Foundation had an investment in the Fund with a fair value of \$20.44 million.
