
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: SUBSEQUENT EVENTS

Primary Government
General Obligation Refunding Bonds

On October 20, 2009 the State sold \$371.92 million of General Obligation Refunding Bonds, Series 2009A. The bonds are dated October 20, 2009, and will bear interest from that date. Interest on the bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2010. The bonds will mature from March 2010 to 2020 and were issued at coupon rates ranging from 3.5% to 5.0%. The bonds are not subject to redemption prior to maturity. The bonds were issued to provide funds for refunding all or a portion of the State's outstanding Public School Building Bonds, Series 1999, Public Improvement Bonds, Series 2001A, General Obligation Highway Bonds, Series 2003, General Obligation Highway Bonds, Series 2004 and General Obligation Higher Education Bonds, Series 2006A.

Grant Anticipation Revenue Vehicle Bonds

On August 5, 2009, the State issued Grant Anticipation Revenue Vehicle Bonds of \$242.52 million, at an average rate of 3.22%, maturing on March 3, 2021, with payments semiannually on each March 1 and September 1. Proceeds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. This debt is backed by future federal transportation revenues. Annual principal and interest requirements on the bonds are expected to require less than 5 % of such federal transportation revenues.

North Carolina Turnpike Authority (NCTA)

The North Carolina Turnpike Authority (NCTA) was officially incorporated into the North Carolina Department of Transportation effective July 1, 2009, per Session Law 2009-343, House Bill 1617.

The NCTA sold State Annual Appropriation Revenue Bonds, Series 2009B of \$352.675 million on July 29, 2009. Principal and interest are payable semiannually on each January 1 and July 1, commencing January 1, 2010. Included in this sale were serial and term bonds with the following terms:

- Serial bonds of \$40.31 million, with interest rates ranging from 4.8% to 5.2%, maturing January 1, 2017 to January 1, 2021;
- Term bonds of \$50.32 million, at an interest rate of 6%, due January 1, 2025;
- Term bonds of \$262.045 million, at an interest rate of 6.7%, due January 1, 2039.

The NCTA also sold Triangle Expressway System Revenue Bonds, Series 2009A and Series 2009B of \$234.91 million and

\$35.17 million, respectively, on July 29, 2009. For the 2009A Bonds, principal and interest are payable semiannually on each January 1 and July 1, commencing January 1, 2010. The 2009A Bonds include term bonds and current interest serial bonds with the following terms:

- Current interest serial bonds of \$57.27 million, with interest rates ranging from 4.5% to 5.375%, maturing January 1, 2019 to January 1, 2026;
- Term bonds of \$60.315 million, at an interest rate of 5.5%, due January 1, 2029;
- Term bonds of \$117.325 million, at an interest rate of 5.75%, due January 1, 2039.

The 2009B Bonds of \$35.17 million mature on January 1, 2038. Interest payments will not be paid currently, but will be paid upon the maturity.

On July 1, 2009, the NCTA also executed, with the United States Department of Transportation through their Transportation Infrastructure Finance and Innovation Act (TIFIA) program, a \$386.66 million loan, at 4.25%, with a 35 year term, maturing on July 1, 2047. Principal and interest payments are due semiannually each January 1 and June 1.

As of July 20, 2009, the NCTA also executed contracts for the construction of the Triangle Expressway totaling \$577.41 million, as well as began the negotiations of critical path right-of-way in the construction corridor.

Component Units
East Carolina University – UNC System Pool Revenue Bonds, Series 2009A

On July 9, 2009, East Carolina University issued \$45.12 million of Pool Revenue Bonds, Series 2009A, with interest rates ranging from 3% to 5.25%, maturing on October 1, 2034. Payments will occur semiannually on each October 1 and April 1. The bond proceeds were used to renovate and construct dining facilities, renovate and furnish a residence hall, and construct a softball field and complex. The bond proceeds were also used to advance refund the East Carolina University Housing and Dining Facilities System Revenue Bonds, Series 1998.

North Carolina Central University - UNC System Pool Revenue Bonds, Series 2009C

On July 9, 2009, North Carolina Central University participated in the Fall 2009 Bond Pool to finance the construction of a new dormitory, parking deck, and renovate the Walker Athletic Complex. The amount of bonds issued was \$60.68 million, with interest rates ranging from 3% to 5.5%,

NOTES TO THE FINANCIAL STATEMENTS

maturing on April 1, 2034. Payments will be made semiannually on each October 1 and April 1.

University of North Carolina at Chapel Hill Foundation, Inc. and Chapel Hill Foundation Real Estate Holdings, Inc. - Promissory Note to Fund the Acquisition of Granville Towers and University Square Properties

On July 1, 2009, the University of North Carolina at Chapel Hill Foundation, Inc. and Chapel Hill Foundation Real Estate Holdings, Inc. signed a promissory note with Bank of America, N.A., for \$45.75 million to purchase University Square and Granville Towers. The term of the promissory note is three years. Interest is based on the BBA LIBOR daily floating rate plus 110 basis points. Interest payments are made quarterly with the first payment due October 1, 2009, maturing July 1, 2012. Principal will be paid in full upon maturity.

These properties, formerly privately owned, consist of student residence halls, leased retail space, leased office space, and surface parking lots and are located in close proximity to the University campus in downtown Chapel Hill.

State Education Assistance Authority - Revolving credit facility

The State Education Assistance Authority (the Authority) is currently in the process of considering all financing and refinancing options available to it during these difficult times in the credit markets. This includes, and is not limited to, the Authority's considering all strategies to diversify its outstanding debt obligations.

Expected loan volume for the 2009-2010 academic year will be financed through the Loan Participation Purchase Program of the United States Department of Education (The Department). The Loan Participation Purchase Program is authorized by the "Ensuring Continued Access to Student Loans Act of 2008" (Pub.Law 110-227). Under the Loan Participation Purchase Program, the Department of Education purchases "participation interests" in Federal Family Education Loan (FFEL) Program loans made during the academic year. In general, the Authority as the "Sponsor" transfers title to the loans to an unrelated entity called the "Custodian". Upon transfer, the loans are placed into a "participation facility" under the control of the Custodian. In exchange for that transfer the Custodian sells, on behalf of the Sponsor, participation interests in the loans to the Department. The Department buys those participation interests by providing the Custodian with funds equal to the disbursed amount of the loans. The Custodian then provides those funds to the Sponsor. Therefore, liquidity is provided to the Authority for the FFEL Program loans.

As the sale of the participation interests occurs subsequent to the requests for funds to support the FFEL Program loans,

the Authority entered into a Loan & Security Agreement with the RBC Bank (USA) on August 3, 2009 for a revolving loan facility up to \$50 million. RBC Bank (USA) agrees to make advances to the Authority which are repaid following the receipt of funds from the United States Department of Education under the Loan Participation Purchase Program. The Authority is subject to various fees related to this revolving credit facility.