

NEW ISSUE—BOOK-ENTRY ONLY

Ratings: Moody's: Aa1
S&P: AA+
Fitch: AA+
(See "RATINGS" herein)

This Official Statement has been prepared by the State of North Carolina (the "State") to provide information on the State of North Carolina Limited Obligation (Build NC) Bonds, Series 2019A (the "Series 2019A Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.



\$300,000,000
STATE OF NORTH CAROLINA
LIMITED OBLIGATION (BUILD NC) BONDS,
SERIES 2019A

Dated: Date of Delivery

Due: May 1, as shown on the inside cover

**Nature of the State's
Payment Obligation:**

The authorizing legislation for issuance of the Series 2019A Bonds provides that funds from the Highway Trust Fund shall be the source of repayment of the Series 2019A Bonds, subject to appropriation by the North Carolina General Assembly in its discretion. The obligation to make payments with respect to the Series 2019A Bonds is not a general obligation of the State, and the taxing power of the State is not pledged directly or indirectly to secure any monies due to the owners of the Series 2019A Bonds.

Tax Treatment:

In the opinion of Bond Counsel, under existing law and subject to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. In the opinion of Bond Counsel, under existing law, interest on the Series 2019A Bonds is exempt from State of North Carolina income taxes. See "TAX TREATMENT" herein.

Optional Redemption:

The Series 2019A Bonds are subject to optional redemption prior to maturity as described herein.

Interest Payment Dates:

May 1 and November 1 of each year, commencing November 1, 2019

Denominations:

\$5,000 or whole multiples thereof

Expected Delivery Date:

June 27, 2019

Trustee:

U.S. Bank National Association

Bond Counsel:

Robinson, Bradshaw & Hinson P.A., Charlotte, North Carolina

Financial Advisor:

Hilltop Securities Inc., Charlotte, North Carolina

Co-Disclosure Counsel:

Hunton Andrews Kurth LLP, Charlotte, North Carolina, and Moore & Van Allen PLLC, Charlotte, North Carolina

Underwriters' Counsel:

McGuireWoods LLP, Raleigh, North Carolina

BofA Merrill Lynch

Barclays

Citigroup

J.P. Morgan

Loop Capital Markets

Wells Fargo Securities

The date of this Official Statement is June 13, 2019.

MATURITY SCHEDULE

Due May 1 of the Year Indicated

Year	Principal Amount	Rate	Yield	Price	CUSIP ¹
2020	\$15,960,000	5.00%	1.310%	103.087%	65829QDB7
2021	14,505,000	5.00	1.320	106.682	65829QDC5
2022	15,230,000	5.00	1.350	110.150	65829QDD3
2023	15,995,000	5.00	1.390	113.466	65829QDE1
2024	16,795,000	5.00	1.430	116.649	65829QDF8
2025	17,630,000	5.00	1.520	119.389	65829QDG6
2026	18,515,000	5.00	1.590	122.029	65829QDH4
2027	19,440,000	5.00	1.680	124.302	65829QDJ0
2028	20,410,000	5.00	1.770	126.333	65829QDK7
2029	21,430,000	5.00	1.870	128.021	65829QDL5
2030	22,505,000	5.00	1.950*	127.196	65829QDM3
2031	23,630,000	5.00	2.040*	126.276	65829QDN1
2032	24,810,000	5.00	2.110*	125.566	65829QDP6
2033	26,050,000	4.00	2.430*	113.670	65829QDQ4
2034	27,095,000	4.00	2.490*	113.108	65829QDR2

*Yield to first optional redemption date – May 1, 2029.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2019A Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2019A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Neither the Series 2019A Bonds nor the Trust Indenture (as defined herein) have been registered or qualified with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended, or Section 304(a)(4) of the Trust Indenture Act of 1939, as amended. The registration or qualification of the Series 2019A Bonds and the Trust Indenture in accordance with applicable provisions of securities laws of the states, if any, in which the Series 2019A Bonds and the Trust Indenture have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

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

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2019A Bonds shall under any circumstances create any implication that there has been no change in the affairs of the State since the date hereof.

The information set forth herein has been obtained from sources which are believed to be reliable and is in a form deemed final by the State for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)). 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.

Hilltop Securities, Inc., financial advisor to the State for the Series 2019A Bonds (the "Financial Advisor"), has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the State and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The inclusion of said sentence does not imply any such guarantee by any other party.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The inclusion of said sentence does not imply any such guarantee by any other party.

STATE OF NORTH CAROLINA

Council of State

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Daniel J. Forest Lieutenant Governor
Elaine F. Marshall Secretary of State
Beth A. Wood State Auditor
Dale R. Folwell, CPA State Treasurer
Mark Johnson..... Superintendent of Public Instruction
Josh Stein Attorney General
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Mike Causey Commissioner of Insurance

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**STATE OF NORTH CAROLINA
DEPARTMENT OF STATE
TREASURER**

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STATE TREASURER

3200 ATLANTIC AVENUE
RALEIGH, NORTH CAROLINA 27604

**\$300,000,000
STATE OF NORTH CAROLINA
LIMITED OBLIGATION (BUILD NC) BONDS,
SERIES 2019A**

INTRODUCTION

The purpose of this Official Statement, which includes the appendices, is to provide information in connection with the \$300,000,000 in aggregate principal amount of State of North Carolina Limited Obligation (Build NC) Bonds, Series 2019A (the "Series 2019A Bonds").

The Series 2019A Bonds will be executed and delivered pursuant to a Trust Indenture, dated as of June 1, 2019 (the "Original Trust Indenture"), between the State of North Carolina (the "State") and U.S. Bank National Association, as trustee (the "Trustee"), and a First Supplemental Trust Indenture dated as of June 1, 2019 (the "First Supplemental Trust Indenture" and, with the Original Trust Indenture, the "Trust Indenture"), between the State and the Trustee. The Series 2019A Bonds will be secured on parity with any additional bonds issued under the Trust Indenture ("Additional Bonds" and, together with the Series 2019A Bonds, the "Build NC Bonds") except that the Debt Service Reserve Fund secures only the Series 2019A Bonds. All terms not defined elsewhere herein have the meanings therefor set forth in "APPENDIX A – Summary of Principal Legal Documents."

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2019A Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2019A 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 Series 2019A 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 Series 2019A 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.

Authorization. The State is issuing the Series 2019A Bonds pursuant to the provisions of the State Capital Facilities Finance Act, Article 9 of Chapter 142 of the North Carolina General Statutes, as previously amended and as amended by North Carolina Session Law 2018-16 (collectively, the "Act"), a resolution of the North Carolina Council of State and the approval of the State Treasurer.

Purpose. The proceeds of the Series 2019A Bonds will be used for the purpose of (1) funding transportation projects across the State (see "BUILD NC PROJECTS" herein), (2) funding the Debt Service Reserve Fund, and (3) paying certain costs incurred in connection with the sale and issuance of the Series 2019A Bonds.

Details of the Series 2019A Bonds. The Series 2019A Bonds will be dated the date of initial execution and delivery, and will mature on May 1 in the years and amounts set forth on the inside cover hereof. Interest on the Series 2019A Bonds will be payable on each May 1 and November 1, beginning November 1, 2019, at the rates set forth on the inside cover hereof. The interest so payable and punctually paid or duly provided for on any interest payment date will be paid to the person in whose name a Series 2019A Bond is registered at the close of business on the regular record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Individual purchases of the Series 2019A Bonds will be made in denominations of \$5,000 or whole multiples thereof.

Book-Entry Form. The Series 2019A Bonds will initially be delivered as fully registered certificates in book-entry only form without physical delivery of certificates to the beneficial owners of the Series 2019A Bonds. The Trustee will make payments of principal and interest on the Series 2019A Bonds to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such payments to its participants for subsequent distribution to the beneficial owners of the Series 2019A Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM”.

Security. The Series 2019A Bonds are limited obligations of the State. The Act provides that funds from the Highway Trust Fund (the “HTF”) shall be the source of repayment of the Series 2019A Bonds, subject to appropriation by the General Assembly. See “NORTH CAROLINA HIGHWAY TRUST FUND” herein. The obligation to make payments with respect to the Series 2019A Bonds is not a general obligation of the State, and the taxing power of the State is not pledged directly or indirectly to secure any monies due to the owners of the Series 2019A Bonds. The State has not pledged any revenues or other property to secure payment of principal of or interest on the Series 2019A Bonds or any Additional Bonds except for certain funds, accounts and subaccounts held by the Trustee pursuant to the Trust Indenture, including the Debt Service Reserve Fund thereunder. The Series 2019A Bonds shall be secured by and payable on a parity basis with any Additional Bonds that may be issued in the future except that the Series 2019A Bonds are secured by the Debt Service Reserve Fund and any Additional Bonds may or may not be secured by a debt service reserve fund. See “FUNDS AND ACCOUNTS” herein and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

The State Highway Trust Fund. The HTF was created by the General Assembly in 1989. For more information on the HTF and related matters, see “NORTH CAROLINA HIGHWAY TRUST FUND” herein.

Tax Status. In the opinion of Bond Counsel, under existing law and subject to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2019A Bonds is (a) excludable from gross income for federal income tax purposes, (b) not an item of tax preference for purposes of the federal alternative minimum tax, and (c) exempt from State of North Carolina income taxes. See “TAX TREATMENT” herein and “APPENDIX B – FORM OF OPINION OF BOND COUNSEL”.

Professionals. The underwriters for the Series 2019A Bonds (collectively, the “Underwriters”), are listed on the cover page of this Official Statement. Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, is serving as Bond Counsel. Elizabeth L. McKay, Senior Deputy Attorney General of the State of North Carolina, is serving as counsel to the North Carolina Department of Transportation (“NCDOT”). Hilltop Securities, Inc., Charlotte, North Carolina, is serving as financial advisor to the State in connection with the Series 2019A Bonds. Hunton Andrews Kurth LLP, Charlotte, North Carolina, and Moore & Van Allen PLLC, Charlotte, North Carolina, are serving as Co-Disclosure Counsel to the State. McGuireWoods LLP, Raleigh, North Carolina, is serving as counsel to the Underwriters.

THE SERIES 2019A BONDS

General

The Series 2019A Bonds will be delivered as fully registered certificates in book-entry only form through DTC and will be subject to the provisions of the book-entry only system described in “APPENDIX C – BOOK-ENTRY ONLY SYSTEM”. Individual purchases of the Series 2019A Bonds will be made only in denominations of \$5,000 or whole multiples thereof.

Redemption Provisions

Optional Redemption. The Series 2019A Bonds maturing on or prior to May 1, 2029, are not subject to redemption prior to their respective maturities. The Series 2019A Bonds maturing on or after May 1, 2030, are subject to redemption prior to their respective maturities, at the option of the State, from any monies that may be available for such purpose, either in whole or in part on any date on or after May 1, 2029, at a redemption price equal to 100% of the principal amount of Series 2019A Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption. The Bond Registrar shall send notice of redemption of any Series 2019A Bonds to be redeemed by first-class mail, postage prepaid, at least 30 days but not more than 60 days before the redemption to all Owners of Series 2019A Bonds to be redeemed in whole or in part, but notice to DTC will be sent as permitted or required by DTC. Failure to mail any notice to any Owners 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.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2019A Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2019A Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2019A Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of Series 2019A Bonds for Redemption. The Series 2019A Bonds will be redeemed only in whole multiples of \$5,000. If less than all the Series 2019A Bonds are called for redemption, the Series 2019A Bonds to be so redeemed will be called for redemption in the manner set forth in an Officer's Certificate filed with the Trustee. If less than all of the Series 2019A Bonds of any one maturity are to be called for redemption, the Bond Registrar will select the Series 2019A Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one Series 2019A Bond for this purpose; provided, however, that so long as the only Owner of the Series 2019A Bonds is DTC, such selection will be made by DTC in accordance with its rules and procedures.

BUILD NC PROGRAM

General

The Act authorizes the issuance of up to \$3 billion in bonds for regional and divisional transportation projects contained in the Statewide Transportation Improvement Plan (“STIP”) subject to a number of constraints. The STIP identifies the construction funding and schedule for State transportation projects over a 10-year period. See “BUILD NC PROJECTS” below.

The Act provides that funds from the HTF shall be the source of repayment of the Series 2019A Bonds, subject to appropriation by the General Assembly. Nothing in the Act prevents the issuance of other general obligation bonds or special indebtedness for highway or transportation purposes.

Limitations

The total amount of Build NC Bonds issued in any Fiscal Year is limited to \$300,000,000. The authorization expires December 31, 2028. Under the Act, Build NC Bonds may not be issued unless:

- (1) the State Treasurer recommends the issuance of the Build NC Bonds; and
- (2) the State Treasurer has made a determination that all of the following requirements have been or shall be met:
 - (a) NCDOT’s average month-end cash balance for the first three months in the calendar year prior to the date of determination is equal to or less than one billion dollars (\$1,000,000,000);
 - (b) The total amount of Build NC Bonds outstanding after such issuance will not cause the recommended transportation debt target established by the Debt Affordability Advisory Committee (the “Advisory Committee”) in accordance with North Carolina General Statute 142-101 to be exceeded; and
 - (c) At least six months prior to the expected date of the Build NC Bond issuance, NCDOT (i) consulted with the State Treasurer about the proposed issuance of Build NC Bonds and (ii) consulted with the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations to provide details of the proposed issuance, including (A) the total amount of the Build NC Bonds to be issued, (B) the estimated amount of the debt service payments, and (C) the estimated amount of debt capacity that would be remaining after the issuance.

With respect to (2)(b) described above, the most recent Debt Affordability Advisory Committee Study (“Debt Affordability Study”) is dated February 1, 2019. It is an annual study approved by the Advisory Committee that provides analysis of the impact of future debt issuance on the State's fiscal position. For purposes of this analysis, the Advisory Committee determined to calculate the available debt capacities of funds from the HTF and the Highway Fund (collectively, “Transportation Funds”) on an aggregate basis due to their interdependent nature. Funds from the State revenue sources described below under “NORTH CAROLINA HIGHWAY TRUST FUND” are allocated to the Highway Fund and the HTF. Salary expenses and operations associated with the HTF are paid from the Highway Fund. The Highway Fund primarily supports maintenance of the State's existing transportation system such as resurfacing, mowing, litter collection, replacement of bridges and pavement of unpaved secondary roads.

The Highway Fund also supports the Powell Bill Program, which provides State aid to municipalities for pedestrian, bicycle and road improvements. Costs related to the operation of NCDOT and the Division of Motor Vehicles (“DMV”) are paid from the Highway Fund. Most capital projects financed from the Highway Fund are paid from federal funds on a reimbursement basis.

Although the Debt Affordability Study calculates debt capacity based on funds from both the Highway Fund and the HTF, the Act provides that funds from the HTF shall be the source of repayment of the Series 2019A Bonds, subject to appropriation by the General Assembly. See “NORTH CAROLINA HIGHWAY TRUST FUND” below. With respect to (2)(b) described above, the Advisory Committee adopted a guideline of 6% for transportation-related debt service as a percentage of Transportation Funds. Federal revenues are excluded from Transportation Funds for this purpose. The Advisory Committee may choose to revisit the 6% guideline in the future.

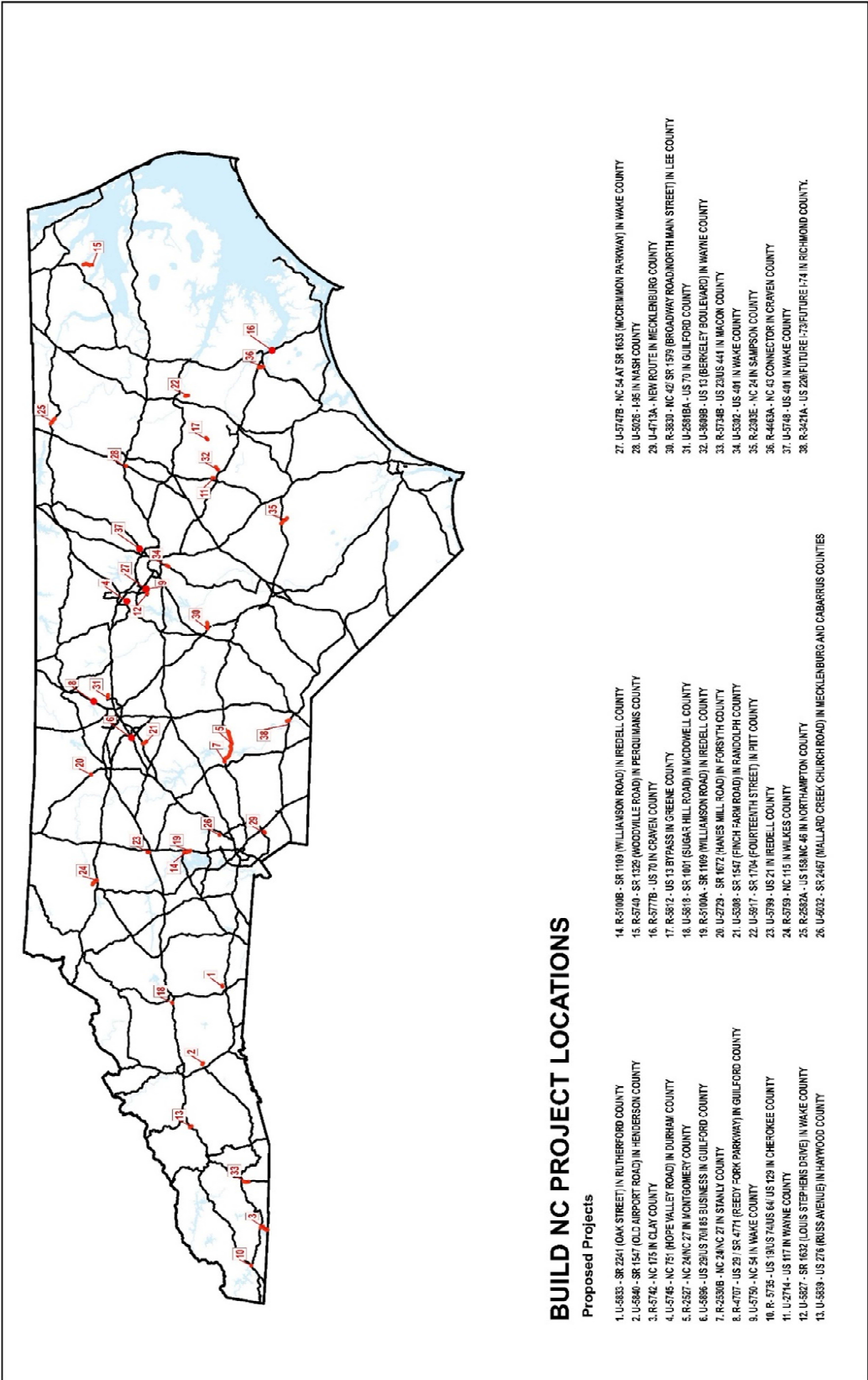
Due to a number of factors, including the limitations discussed above, the timing and amount of any Additional Bonds is uncertain.

BUILD NC PROJECTS

The proceeds of Build NC Bonds must be applied to projects consistent with the North Carolina Strategic Transportation Investments Law, adopted in 2013, which requires that projects be selected through a data-driven scoring process. Under federal law, the STIP must be submitted to the Federal Highway Administration and Federal Transportation Administration at least every four years. Currently NCDOT updates the STIP every two years to ensure it accurately reflects the department’s current financial situation. In August 2017, after a nearly two-year process, NCDOT approved the 2018-2027 STIP, which identifies transportation projects that will receive funding from 2018 to 2027. The document, the second 10-year plan developed under the Strategic Transportation Investments Law, consists of 750 highway projects across the State. Work is currently underway to update the STIP for 2020-2029.

Proceeds of the Build NC Bonds must be used for projects in the division tier and the regional tier in accordance with the formula set forth in the Act. Proceeds of Build NC Bonds may not be used for non-highway or tolling projects. Divisional impact projects are catalogued under 14 transportation divisions made up of local groupings of counties. Regional impact projects are grouped into seven regions, each composed of two transportation divisions. Proceeds of Build NC Bonds are to be allocated (1) within two percent by population of distribution regions based on the most recent estimates of the North Carolina Office of State Budget and Management and used for regional impact projects and (2) within two percent of an equal share of each of the divisions and used for division need projects.

All identified projects are or will be adopted as part of the STIP prior to allocation of Series 2019A Bond proceeds to the project. See the map on the following page for the location of the currently identified projects.



The following summarily describes projects that have been identified as likely to be financed, in part, with proceeds of the Series 2019A Bonds. The exact use of proceeds may change, with new projects added for the use of proceeds, or projects anticipated to be financed instead funded entirely from other sources. The use of proceeds for any particular project does not affect the security for payment of debt service on the Series 2019A Bonds.

SR 2241 (Oak Street) Widening, Map Location 1, STIP # U-5833. This project is located in Rutherford County and runs from SR 2159 (Pine Ridge Road) to US 74. This project will widen the existing roadway to enhance the safety and increase the capacity of the existing roadway.

SR 1547 (Old Airport Road) Widening, Map Location 2, STIP # U-5840. This project is located in Henderson County and runs from US 25 to Mills Gap Road. This project will widen the existing roadway to enhance the safety and increase the capacity of the existing roadway.

NC 175 Upgrade, Map Location 3, STIP # R-5742. This project is located in Clay County and extends from US 64 to the Georgia State line. The project will upgrade the existing roadway to improve safety and increase mobility.

NC 751 (Hope Valley Road) intersection with SR 1183 (University Drive), Map Location 4, STIP # U-5745. This project is located in Durham County. The project will install a roundabout at the existing intersection to improve safety and increase mobility.

NC 24/NC 27 Widening, Map Location 5, STIP # R-2527. This project is located in Montgomery County. The project will widen the existing roadway to multi-lanes from NC 73 to the Troy Bypass. This will enhance safety and increase the capacity of the existing roadway.

US 29/US 70/Business I-85 Interchange with SR 1009 (South Main Street), Map Location 6, STIP # U-5896. This project is located in Guilford County. The project will upgrade the interchange to enhance safety and improve mobility.

NC 24/NC 27 Widening, Map Location 7, STIP # R-2530B. This project is located in Stanly County. The project will widen the existing roadway to multi-lanes from Bird Road in Albemarle to west of the Pee Dee River to enhance the safety and increase the capacity of the existing roadway.

US 29, SR 4771 (Reedy Fork Parkway), and SR 2526 (Summit Avenue), Map Location 8, STIP # R-4707. This project is located in Guilford County. The project will realign SR 4771 (Reedy Creek Parkway) and SR 2526 (Summit Avenue), relocate the existing US 29/ SR 4771 (Reedy Creek Parkway) interchange, and make improvements to US 29 in the vicinity of the new interchange. The purpose of this project is to improve safety, capacity, and traffic operations in the area.

NC 54 Widening, Map Location 9, STIP # U-5750. This project is located in Wake County and extends from NC 540 (toll facility) to Perimeter Park Drive in Morrisville. The project will add lanes to increase capacity and enhance safety of this regional facility.

US 19/US 64/US 74/US 129 Upgrade, Map Location 10, STIP # R-5735. This project is located in Cherokee County. The project will improve the existing roadway from the end of the existing four-lane divided section to US 19 Business (Hiwassee Street). The purpose of this project is to enhance safety and improve operational characteristics of the roadway.

US 117 Widening, Map Location 11, STIP # U-2714. This project is located in Wayne County. The project will widen the existing roadway and make safety improvements from the US 70 Bypass to SR 1306 (Fedelon Trail) in Goldsboro. The purpose of this project is to add capacity and enhance the safety of the existing roadway.

SR 1632 (Louis Stephens Drive) Extension, Map Location 12, STIP # U-5827. This project is located in Wake County, in the Research Triangle Park. The project will construct an extension of SR 1632 (Louis Stephens Drive) from Popular Pike Lane in Morrisville to SR 2123 (Little Drive) on a new location. The purpose of this project is to improve access and mobility in the area.

US 276 (Russ Avenue) Upgrade, Map Location 13, STIP # U-5839. This project is located in Haywood County and extends from US 23/US 74 to US 23 Business (Main Street) in Waynesville. The project will upgrade the corridor and improve operational characteristics and safety.

SR 1109 (Williamson Road) Widening, Map Location 14, STIP # R-5100B. This project is located in Iredell County. The project will widen SR 1109 (Williamson Road) to multi-lanes from SR 1100 (Brawley School Road) to NC 150 and increase capacity and enhance the safety of the roadway.

SR 1329 (Woodville Road) Widening, Map Location 15, STIP # R-5740. This project is located in Perquimans County and extends from SR 1331 (Red Bank Road) to SR 1300 (New Hope Road). The project will upgrade the roadway to improve operational characteristics and safety.

US 70 Intersection with East Thurman Road/West Thurmond Road, Map Location 16, STIP # R-5777B. This project is located in Craven County. The project will convert the existing at-grade intersection to an interchange. This will increase the capacity, relieve congestion, and enhance the safety of the roadway.

US 13 Bypass Widening, Map Location 17, STIP # R-5812. This project is located in Greene County. Improvements are to widen the existing roadway to a three-lane section with a center turn lane from NC 58 (Kingold Boulevard) to NC 91. This project will relieve congestion and improve capacity and safety.

SR 1001 (Sugar Hill Road) Widening, Map Location 18, STIP # U-5818. This project is located in McDowell County. The project will widen the existing roadway from the I-40 westbound interchange ramps to 0.3 miles east of the I-40 eastbound interchange ramps. This project will relieve congestion and enhance safety and improve the operational characteristics of the roadway.

SR 1109 (Williamson Road) Widening, Map Location 19, STIP # R-5100A. This project is located in Iredell County. Improvements are to widen SR 1109 (Williamson Road) to multi-lanes from I-77 to SR 1100 (Brawley School Road). This will increase the capacity and enhance the safety of the roadway.

SR 1672 (Hanes Mill Road) Widening, Map Location 20, STIP # U-2729. This project is located in Forsyth County. The project will widen SR 1672 (Hanes Mill Road) to multi-lanes from Museum Drive to SR 4000 (University Parkway) in Winston-Salem. This will increase capacity and enhance safety of the roadway.

SR 1547 (Finch Farm Road) Widening, Map Location 21, STIP # U-5308. This project is located in Randolph County. The project will widen SR 1547 (Finch Farm Road) to multi-lanes from SR 3106 (Kennedy Road) to I-85 in Trinity. This will increase capacity and enhance safety.

SR 1704 (Fourteenth Street) Widening, Map Location 22, STIP # U-5917. This project is located in Pitt County. The project will widen SR 1704 (Fourteenth Street) to multi-lanes from SR 1708 (Firetower Road) to Red Banks Road in Greenville to increase capacity and enhance safety.

US 21 Widening and Intersection Realignment, Map Location 23, STIP # U-5799. This project is located in Iredell County. The project will widen US 21 to multi-lanes from SR 1933 to Fort Dobbs Road in Statesville, and to realign the offset intersections with SR 1922 and SR 2171. This will increase capacity and improve traffic operations and safety.

NC 115 Widening, Map Location 24, STIP # R-5759. This project is located in Wilkes County. The project will widen NC 115 from US 421 to Second Street in Wilkesboro. The purpose of this project is to improve the operational characteristics and safety of the existing roadway.

US 158/NC 46 Widening, Map Location 25, STIP # R-2582A. This project is located in Northampton County. The project will widen US 158/NC 46 to multi-lanes from I-95 interchange with NC 46 in Roanoke Rapids to SR 1312 (St. John Church Road) in Northampton County. This will increase capacity and enhance safety.

SR 2467 (Mallard Creek Church Road)/SR 1445 (Derita Road) Widening, Map Location 26, STIP # U-6032. This project is located in Mecklenburg and Cabarrus Counties. The project will widen SR 2467 (Mallard Creek Church Road)/SR 1445 (Derita Road) to a four-lane divided cross section from I-485 to Concord Mills Boulevard. This will reduce congestion, increase capacity, and enhance safety.

SR 1635 (McCrimmon Parkway) Grade Separations, Map Location 27, STIP # U-5747B. This project is located in Wake County. The project will construct bridges to grade separate SR 1635 (McCrimmon Parkway) with NC 54 and the North Carolina Railroad. This project will improve traffic operations and safety in the vicinity.

I-95 Interchange with SR 1770 (Sunset Avenue), Map Location 28, STIP # U-5026. This project is located in Nash County. The project will convert the existing I-95 grade separation with SR 1770 (Sunset Avenue) to an interchange in Rocky Mount. This project will improve access to Rocky Mount, and relieve congestion in adjacent interchange areas.

SR 3440 (McKee Road) Extension, Map Location 29, STIP # U-4713A. This project is located in Mecklenburg County. The project will build a new two-lane extension of SR 3440 (McKee Road) from SR 3448 (Pleasant Plains Road) to SR 1009 (John Street) and improve access and mobility in the area.

NC 42 and SR 1579 (Broadway Road/North Main Street) Widening, Map Location 30, STIP # R-3830. This project is located in Lee County. The project will widen NC 42 to multi-lanes from US 421 (Horner Boulevard) in Sanford to SR 1579 (Broadway Road), and to widen SR 1579 (Broadway Road/North Main Street) to multi-lanes from NC 42 (Avents Ferry Road) to SR 1538 (East Harrington Avenue) in Broadway. This will increase capacity and enhance safety of the roadway.

US 70 Widening and Partial Relocation, Map Location 31, STIP # U-2581BA. This project is located in Guilford County. The project will widen US 70 to multi-lanes from SR 3045 (Mount Hope Church Road) to SR 3175 (Birch Creek Road). This will increase the capacity and improve traffic operations and safety.

US 13 (Berkley Boulevard) Widening, Map Location 32, STIP # U-3609B. This project is located in Wayne County. Improvements are to widen US 13 (Berkley Boulevard) to multi-lanes from SR 1003 (New Hope Road) to north of SR 1572 (Saulston Road) in Goldsboro. This will increase the capacity and enhance the safety of the roadway.

US 23/US 441 Access Management, Map Location 33, STIP # R-5734B. This project is located in Macon County and extends from SR 1652 (Wide Horizon Drive)/SR 1152 (Belden Circle) to SR 1649 (Prentiss Bridge Road). The purpose of this project is to improve operational characteristics and safety of the existing roadway.

US 401 Convert Existing Roadway to a Super Street, Map Location 34, STIP # U-5302. This project is located in Wake County and extends from south of SR 1006 (Old Stage Road) to south of SR 2538 (Mechanical Boulevard)/Garner Station Boulevard in Garner. The project will convert existing roadway to a super street configuration to improve the operational characteristics and safety of the existing roadway.

NC 24 Widening and Partial Relocation, Map Location 35, STIP # R-2303E. This project is located in Sampson County. The project will widen and relocate portions of NC 24 as a four-lane divided cross section from US 421/US 701/SR 1296 (Sunset Avenue) in Clinton to SR 1935 (Cecil Odie Road). This will increase the capacity and enhance safety.

NC 43 Connector, Map Location 36, STIP R-4463A. This project is located in Craven County. The project will build an extension of NC 43 from the existing NC 43 interchange with US 17/US 70 to US 17 Business and improve access and mobility in the area.

US 401 Intersection with SR 2044 (Ligon Mill Road) and SR 2224 (Mitchell Mill Road), Map Location 37, STIP # U-5748. This project is located in Wake County. The project will convert the existing at-grade intersection to an interchange. The purpose of this project is to increase capacity, relieve congestion, and enhance safety.

US 220/Future I-73/Future I-74, Rockingham Bypass, Map Location 38, STIP # R-3421A. This project is located in Richmond County. The ‘ A ’ section extends from the US 74 Bypass at SR 1109 (Zion Church Road) interchange west of Rockingham to south of SR 1140 (Old Charlotte Highway). Improvements include construction of a multi-lane divided freeway on new location. The purpose of this project is to improve the mobility in the region by constructing a new freeway which will greatly relieve congestion on the existing US 220 route through Rockingham.

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ESTIMATED SOURCES AND USES OF FUNDS

The State estimates the sources and uses of funds for the plan of finance to be as follows:

Sources:

Par Amount of the Series 2019A Bonds	\$300,000,000.00
Plus Original Issue Premium	57,343,615.80
Total Sources of Funds	<u>\$357,343,615.80</u>

Uses:

Deposit to 2019A Construction Fund	\$327,841,131.37
Deposit to Debt Service Reserve Fund	28,179,050.00
Financing Costs ⁽¹⁾	1,323,434.43
Total Uses of Funds	<u>\$357,343,615.80</u>

⁽¹⁾ Includes legal fees, underwriters' discount, rating agency fees, fees and expenses of the Trustee and financial advisor and miscellaneous fees and expenses.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the amounts required each year to be paid with respect to the Series 2019A Bonds, assuming no prepayment. Totals may not foot due to rounding.

Series 2019A Bonds

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2020	\$15,960,000	\$12,217,887	\$28,177,887
2021	14,505,000	13,670,550	28,175,550
2022	15,230,000	12,945,300	28,175,300
2023	15,995,000	12,183,800	28,178,800
2024	16,795,000	11,384,050	28,179,050
2025	17,630,000	10,544,300	28,174,300
2026	18,515,000	9,662,800	28,177,800
2027	19,440,000	8,737,050	28,177,050
2028	20,410,000	7,765,050	28,175,050
2029	21,430,000	6,744,550	28,174,550
2030	22,505,000	5,673,050	28,178,050
2031	23,630,000	4,547,800	28,177,800
2032	24,810,000	3,366,300	28,176,300
2033	26,050,000	2,125,800	28,175,800
2034	<u>27,095,000</u>	<u>1,083,800</u>	<u>28,178,800</u>
Total	<u>\$300,000,000</u>	<u>\$122,652,087</u>	<u>\$422,652,087</u>

NORTH CAROLINA HIGHWAY TRUST FUND

General

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

Pursuant to Session Law 2019-15, the North Carolina General Assembly created another fund to be held by NCDOT – the Disaster Relief Cash Flow Loan Fund (the “Relief Fund”). The purpose of the Relief Fund is to help NCDOT meet its cash flow needs resulting from expenditures related to disaster relief. Funds received from the federal government for disaster relief will be deposited to the Relief Fund. Moneys therein may only be used for the stated purpose but current legislation provides such fund will terminate no later than June 30, 2021. Upon such termination, NCDOT shall transfer \$90,000,000 to the Office of the State Controller (representing the amount advanced to the Relief Fund from the unreserved balance of the General Fund during the 2018-19 fiscal year prior to receipt of the federal funds) for deposit in the Savings Reserve and shall transfer any remaining balance in the Relief Fund to the Highway Fund and close the Relief Fund. Once deposited in the Highway Fund, such funds will then be available to repay loans from the HTF to the Highway Fund. See “Withdrawals from the HTF - Cash Management of the HTF and the Highway Fund” hereafter.

NCDOT periodically has a third party consulting firm complete a diagnostic review of its fiscal and project management systems and processes. McKinsey & Company is currently conducting a fiscal assessment of NCDOT with an expected completion date of early July 2019.

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

Revenue Sources

The authorizing legislation for the HTF specifies as revenue sources: (1) motor fuel, alternative fuel and road tax revenue (“Motor Fuels Tax”), (2) motor vehicle use tax (“Highway Use Tax”), (3) non-tax revenue from certificate of title fee and other fees payable to the DMV and (4) interest and income earned by the HTF.

Motor Fuels Tax — This tax is 36.2¢ per gallon for the period January 1, 2019, through December 31, 2019. By State law, the motor fuels tax rate is computed using the amount of the preceding calendar year's tax rate multiplied by a percentage that is plus or minus the sum of the annual percentage change in State population for the applicable calendar year, multiplied by 75% and the annual energy index percentage change in the Consumer Price Index for All Urban Consumers, multiplied by 25%. Refunds or exemptions are granted to the federal government, State and local governments and selected non-profit organizations. An amount equal to collections from 0.5¢ per gallon is transferred to funds created to pay the cost of certain environmental cleanup programs. Twenty-nine percent of the Motor Fuels Tax is deposited in the HTF with the balance going to the Highway Fund. This amount represents approximately 37% of all State revenue deposited to the HTF as shown in the State's fiscal 2017-18 financial statements.

Highway Use Tax — North Carolina collects a use tax on vehicles of 3%, which is levied on the retail value of motor vehicles when purchased or leased when titled in the State instead of a state sales tax. The tax is assessed each time a title is transferred. These collections are all deposited in the HTF. Vehicles titled in the State may be exempt from the Highway Use Tax under certain circumstances such as an insurance company obtaining a salvage title for a vehicle on which a total loss claim was paid, a title being transferred to a manufacturer or retailer for reselling a vehicle and a vehicle being transferred by a will or intestacy. Highway Use Tax receipts amounted to approximately 52% of all State revenue deposited to the HTF as shown in the State's fiscal 2017-18 financial statements.

Non-Tax Revenue – The General Assembly sets various fees that the DMV collects primarily from licensed drivers and vehicle registrations. Approximately 15% of such amounts are deposited in the HTF. These receipts amounted to approximately 11% of all State revenue deposited to the HTF as shown in the State's fiscal 2017-18 financial statements.

The following table shows the amount of tax revenue and non-tax revenue received in the HTF in fiscal year 2013-14 through fiscal year 2017-18 and in fiscal year 2018-2019 as of March 31, 2019:

Highway Trust Fund Tax and Non-Tax Revenue (\$ in Thousands)						
	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19⁽¹⁾</u>
Highway Use Tax	\$ 596,801	\$ 653,931	\$ 728,580	\$ 784,549	\$ 798,314	\$ 688,241
Motor Fuels Tax	473,750	478,847	565,864	554,831	573,949	493,050
Fees, Licenses and Fines	98,148	102,875	124,668	143,989	142,620	117,273
Investment Earnings	3,633	6,973	9,298	15,408	22,320	9,272
Rental and Lease of Property	2,435	2,037	1,713	1,971	1,211	625
Local Funds	963	907	606	2,786	897	5,950
Interest Earnings on Loans	62	112	153	229	315	362
Contributions, Gifts and Grants	3,672	52	874	--	96	180
Sales and Services	--	--	9	1	--	--
Miscellaneous	<u>996</u>	<u>368</u>	<u>3,894</u>	<u>508</u>	<u>2,214</u>	<u>714</u>
Total	<u>\$ 1,180,460</u>	<u>\$ 1,246,102</u>	<u>\$ 1,435,659</u>	<u>\$ 1,504,272</u>	<u>\$ 1,541,936</u>	<u>\$ 1,315,667</u>

⁽¹⁾ Through April 30, 2019, unaudited.

Withdrawals from the HTF

Funds in the HTF are used for a variety of highway and transportation purposes, including (1) paying debt service on the State's general obligation bonds issued for highway purposes and paying certain debt service or construction costs for the North Carolina Turnpike Authority and the North Carolina State Ports Authority; (2) making payments for portions of capital costs of facilities, including providing funding to meet requirements associated with federal loans; (3) making interfund transfers to the General Fund and

the Highway Fund of the State for various purposes; and (4) making loans to the Highway Fund for the purposes of cash management (currently expected to be repaid within five years without interest). HTF funds may also be used to pay operating and maintenance costs for certain tolled facilities, if the revenues therefrom are inadequate and Highway Fund moneys are not available.

Debt Service. Funds in the HTF have been used to pay debt service on the State's general obligation bonds issued for highway purposes. The last general obligation authorization to fund transportation projects occurred in 1996. The related act stated the General Assembly's intention that the debt service on such bonds be paid from the HTF but did not pledge HTF revenues to make such payments. The outstanding amount of such bonds as of June 30, 2018, was \$101 million and all such bonds are scheduled to be fully retired in State fiscal year 2020.

Statutory Commitments. The General Assembly has committed to an annual transfer to the North Carolina Turnpike Authority from the HTF in the amount of \$49 million. Of such amount, \$25,000,000 is to be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, and \$24,000,000 is to be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe Expressway. Both the Triangle Expressway and Monroe Expressway have been completed and are fully operational but limited obligation revenue bonds being paid by such annual transfer are outstanding. Nothing contained in the General Statutes prohibits the General Assembly from amending the above appropriations at any time to increase, decrease or eliminate the amount annually appropriated to the Turnpike Authority.

The General Assembly also has committed to an annual transfer to the North Carolina State Ports Authority in the amount of \$45 million for the purpose of (i) paying debt service or related financing costs and expenses on revenue bonds or notes issued by the State Ports Authority and (ii) financing capital projects. This amount is funded from the HTF beginning in State fiscal year 2018 and to date has been spent on capital projects. Currently only the amounts to be paid to the Turnpike Authority and the Ports Authority are "Annual Statutory Commitments" for purposes of calculating the Minimum Cash Balance Requirement described herein. See "FUNDS AND ACCOUNTS – Minimum Cash Balance Requirement" hereafter and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

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

State Fiscal Year Ending June 30	Total HTF Revenue	Debt Service Paid⁽¹⁾	Coverage Ratio⁽²⁾	Annual Statutory Commitments⁽³⁾	Coverage Ratio⁽⁴⁾
2009	\$ 911,998	\$ 85,461	10.672	\$ 25,000	8.26
2010	914,882	77,631	11.785	25,000	8.91
2011	977,107	84,263	11.596	49,000	7.33
2012	1,068,826	79,232	13.490	49,000	8.34
2013	1,127,881	81,481	13.842	49,000	8.64
2014	1,180,460	73,092	16.150	49,000	9.67
2015	1,246,102	59,615	20.902	49,000	11.47
2016	1,435,659	48,620	29.528	49,000	14.71
2017	1,504,272	61,012	24.655	49,000	13.67
2018	1,541,936	52,161	29.561	94,000	10.55

(1) 2009–2018 general obligation issues.

(2) Total HTF Revenue/Debt Service Paid.

(3) North Carolina Turnpike Authority 2009-2018, 2018 also includes \$45 million to the State Ports Authority.

(4) Total HTF Revenue/Debt Service and Annual Statutory Commitments Paid.

**Debt Service Payments Remaining ⁽¹⁾ to be Paid from the Highway Trust Fund
(\$ in Thousands)**

<u>State Fiscal Year Ending June 30</u>	<u>Debt Service on General Obligations</u>	<u>Debt Service on Other Obligations</u>
2019	\$50,036	-
2020	59,774	-

⁽¹⁾ Not including the Series 2019A Bonds.

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

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

Capital Payments to Turnpike Authority. Capital costs of Turnpike Authority projects can also be paid by NCDOT from the HTF. This can occur in four different ways – (1) payments for a project in the amount of a specified percentage of a federal loan for the project (colloquially known as a "State match"), (2) direct payments for a Turnpike Authority project as a last component of full funding, if necessary, (3) payments pursuant to construction cost guaranty agreements, and (4) advances to the Turnpike Authority for early project costs (usually land acquisition). Amounts described in (1) and (2) are not subject to repayment by the Turnpike Authority. Amounts described in (3) are subject to repayment after the Turnpike Authority begins collecting tolls on the project with interest on any unpaid balance owed to the HTF at a rate equal to the State Treasurer's average annual yield on its investment of HTF funds pursuant to North Carolina General Statutes Section 147-6.1. No payments under construction cost guaranty agreements relating to Turnpike Authority projects have been required. Amounts described in (4) are also subject to repayment with interest after project completion but it is expected they will be repaid at the time the Turnpike Authority completes financing of the project. The only Turnpike Authority project in progress but not completed is the extension of the Triangle Expressway (known as Complete 540). It is expected a State match will be made and construction cost guaranty agreements will be executed by NCDOT with respect to that project. In addition, NCDOT has agreed to advance up to \$100 million for early project costs, subject to repayment after tolls are begun but expected to be reimbursed upon securing an interim

borrowing or when long term financing is secured. It is not known if an amount described in category (2) above will be required for the project.

Transfers. Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management or legislative requirements. Transfers are not loans and no interest is due thereon. The following table shows transfers, including interfund transfers, in and out of the HTF over the past five fiscal years and through March 31 of the current fiscal year:

Transfers In and Out of the Highway Trust Fund (\$ in Thousands)						
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019⁽¹⁾</u>
<u>Transfers In</u>						
General Fund	-	-	-	-	-	-
Highway Fund	-	-	-	-	-	-
Turnpike Authority ⁽²⁾⁽³⁾	-	-	\$ 88,566	-	-	-
<u>Transfers Out</u>						
General Fund ⁽³⁾	\$ 346	\$ 430	485	\$ 426	\$ 433	\$ 325
Highway Fund ⁽³⁾	32,501	31,701	31,044	29,637	28,717	24,753
Ports Authority ⁽⁴⁾	-	-	-	-	45,000	45,000
Turnpike Authority ⁽⁴⁾	49,000	49,000	49,000	49,000	49,000	36,750
Turnpike Authority ⁽⁵⁾	<u>12,201</u>	<u>13,238</u>	<u>10,385</u>	<u>-</u>	<u>1,779</u>	<u>12,585</u>
Total Transfers Out	\$94,048	\$94,369	\$90,915	\$79,063	\$ 124,929	\$119,413

(1) Through April 30, 2019.

(2) Repayment of amounts spent on Turnpike Authority's Monroe Expressway from GARVEE Bond proceeds when use of proceeds changed to other projects.

(3) Interfund transfers.

(4) Annual Statutory Commitments.

(5) Other funds transferred to the Turnpike Authority.

Cash Management of the HTF and the Highway Fund. The North Carolina General Assembly has passed laws designed to encourage NCDOT to use cash balances to accelerate transportation projects. In 2001 it required NCDOT to use cash flow financing to accelerate projects, reduce cash balances, establish management controls, and strengthen project delivery processes. To minimize the amount of working capital needed to fund transportation projects and prevent excessive cash balances, statutes now provide for the pooling of cash balances and short-term loans between the Highway Fund and the HTF. Such loans are separate from transfers – see Note 10 of the State's Comprehensive Annual Financial Report, which can be found at www.osc.nc.gov. The current loans from the HTF to the Highway Fund address demands on Highway Fund working capital related to disaster recovery efforts, and the acceleration of transportation projects, particularly projects funded through the federal Advance Construction process. Such loans are currently expected to be repaid to the HTF within five years without interest.

Cash Balance Table⁽¹⁾ (\$ in Thousands)

<u>Month End</u>	<u>Highway Fund</u>	<u>Highway Trust Fund</u>	<u>Total⁽²⁾</u>	<u>HTF Loans to HF (Outstanding Amount)</u>
June 2014	\$400,388	\$ 837,169	\$1,237,557	--
June 2015	373,063	1,121,310	1,494,374	--
June 2016	359,649	1,432,521	1,792,170	--
June 2017	420,658	1,746,773	2,167,432	--
March 2018	157,103	1,711,767	1,868,870	--
April 2018	103,093	1,630,588	1,733,682	\$ 60,000
May 2018	106,794	1,488,527	1,595,321	165,000
June 2018	99,797	1,360,957	1,460,754	275,000
July 2018	98,968	1,254,248	1,353,216	355,000
August 2018	100,766	1,039,225	1,139,991	540,000
September 2018	103,415	918,400	1,021,816	640,000
October 2018	96,945	714,186	811,132	810,000
November 2018	125,753	458,684	584,437	1,010,000
December 2018	95,472	309,174	404,646	1,110,000
January 2019	94,309	383,087	477,397	1,110,300
February 2019	96,840	375,061	471,901	1,110,300
March 2019	137,746	319,166	456,912	1,110,300
April 2019	114,955	285,521	400,476	1,140,300

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

⁽²⁾ Totals may differ due to rounding.

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

With the recent increase in the cash management loans noted above, the State has decided more detailed procedures are required therefor. The State Treasurer, NCDOT and the State Office of State Budget and Management are in the process of implementing such procedures and anticipate having them in place prior to delivery of the Series 2019A Bonds. The State Treasurer, NCDOT and the State Office of State Budget and Management have agreed that, prior to the issuance of any Additional Bonds, they will execute a memorandum of understanding concerning the procedures, including reporting and notification provisions, and documentation for such loans and any interfund transfers to or from the HTF.

Limitations

There are several legislative mandates applicable to NCDOT's cash balances. In any month in which NCDOT's total cash balance on hand from the HTF and the Highway Fund exceeds \$1,000,000,000, NCDOT must report its cash balance to the Board of Transportation and certain legislative entities no later than the 15th day of the following month. In addition, the total of annual expenditures and payments cannot cause the aggregate amount in the Highway Fund and the HTF at the end of any month to fall below 7.5%

of the total annual appropriations to such funds (\$278 million in State fiscal year 2017-18 and \$282 million in State fiscal year 2018-19). If such minimum balance is not met, the relevant statute, North Carolina General Statute Section 143C-6-11(f), provides no further transportation project contract commitments may be entered into until the minimum balance is achieved. No federal transportation funds on hand are considered cash for purposes of such limitation calculations. See also “FUNDS AND ACCOUNTS – Minimum Cash Balance Requirement” hereafter and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Summary Financial Information

A summary, prepared by NCDOT, excluding federal and departmental receipts and expenditures, of the actual revenues and expenditures for the 2016-17 and 2017-18 fiscal years and the authorized budget amounts for the 2018-19 fiscal year is presented below:

Highway Trust Fund (\$ in Millions)

	<u>Actual 2016-17</u>	<u>Actual 2017-18</u>	<u>Authorized 2018-19</u>
Beginning Balance, July 1	\$ 1,455.5	\$1,770.4	\$1,659.2
Revenue	1,504.8	1,542.9	1,540.5
Interfund Transfer ⁽¹⁾	(30.1)	(29.1)	(35.2)
Interfund Transfer ⁽²⁾	(49.0)	(49.0)	(49.0)
Interfund Transfer ⁽³⁾	88.6	(1.8)	
Total Available Funds	\$ 2,969.8	\$3,233.4	\$3,115.5
Expenditures and Obligations			
Current Operations	\$ 1,199.4	\$1,574.2	\$1,456.3
Ending Fund Balance, June 30	\$ 1,770.4	\$1,659.2	\$1,659.2

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

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

⁽²⁾ Annual Statutory Commitments except for amounts to the State Ports Authority treated as Current Operations for purposes of this table.

⁽³⁾ Repayment of advances from Turnpike Authority.

Highway Fund (\$ in Millions)

	<u>Actual 2016-17</u>	<u>Actual 2017-18</u>	<u>Authorized 2018-19</u>
Beginning Balance, July 1	\$ 287.7	\$ 246.6	\$ (390.0)
Revenue	2,276.4	2,321.9	2,224.5
Interfund Transfer ⁽¹⁾	202.1	30.7	-
GARVEE Bond Proceeds	-	253.1	-
Energy Savings Loan	-	32.3	-
Total Available Funds	\$ 2,766.2	\$2,884.6	\$1,834.5
Expenditures and Obligations			
Current Operations	\$ 2,251.8 ⁽²⁾	\$3,172.2	\$2,209.2
GARVEE Expenditures	224.0	48.0	-
Interfund Transfer (General Fund)	37.5	46.3	15.3
Capital Improvements	6.3	8.1	-
Total Expenditures and Obligations	\$ 2,519.6	\$3,274.6	\$2,224.5
Ending Fund Balance, June 30	\$ 246.6	\$ (390.0)	\$ (390.0)

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

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

Litigation

The Transportation Corridor Official Map Act (“Map Act”) was enacted in 1987 to provide NCDOT with the authority to make temporary restrictions on certain improvements to land within designated transportation corridors. The Map Act did not require NCDOT to purchase the property at the time of the filing of a future corridor map. Starting in 1989, NCDOT filed 27 separate maps that affected approximately 8,500 parcels of land. In June of 2016, the North Carolina Supreme Court ruled that the filing of a transportation corridor map pursuant to the Map Act resulted in a taking of the property owners’ rights to improve, develop and subdivide their property. Under State law, whether a property owner should be paid for the property -- and how much -- are determined on a case-by-case basis. NCDOT completed 13 road projects involving approximately 5,000 of these parcels more than two years ago, which would bar any claims for damages due to the statute of limitations. The remaining approximately 3,500 parcels remained vulnerable to claims for damages pursuant to the Map Act. Nearly 600 property owners have filed lawsuits alleging that the filing of a corridor map was a taking of their property. NCDOT has resolved almost 200 of those claims. NCDOT has also acquired many parcels subject to the Map Act without a claim for damages being filed. Through settlement of claims and acquisition of property vulnerable to claims, NCDOT has acquired approximately 1,500 parcels of land at a total cost, including acquisition of the parcel and resolution of any claims for damages as a result of the Map Act, of approximately \$220,500,000. To assist in the handling of this wave of litigation, NCDOT hired private counsel to represent NCDOT. To date, NCDOT has spent approximately \$10,200,000 in legal fees for representation in claims related to the Map Act. At this time, it is not possible to project the amount of the total liability for payments for these properties. Any payments will be made from the HTF. Other than as described herein, in the opinion of NCDOT, none of the legal proceedings, individually or in the aggregate, currently pending, or to the knowledge of NCDOT threatened against NCDOT, will result in a material adverse effect on the financial condition of the HTF.

CERTAIN RISKS OF OWNERS

Nature of the State’s Payment Obligation

The Act provides that funds from the HTF shall be the source of repayment of the Series 2019A Bonds subject to appropriation by the North Carolina General Assembly. The obligation to make payments with respect to the Series 2019A Bonds is not a general obligation of the State, and the taxing power of the State is not pledged directly or indirectly to secure any monies due to the Owners of the Series 2019A Bonds.

Pursuant to the Trust Indenture, the Governor of the State (or any other officer at any time charged with the responsibility of formulating budget proposals) shall (1) include principal and interest on the Series 2019A Bonds coming due in each Fiscal Year in the corresponding annual budget request to the General Assembly of the State and (2) if the General Assembly does not include such amounts in the State’s budget, the State shall deliver notice to the Trustee, S&P, Moody’s and Fitch within five days after the adoption by the General Assembly of the State’s budget. Nothing contained in the Trust Indenture, however, obligates the State to appropriate moneys contained in the proposed budget for the payment of principal and interest on the Series 2019A Bonds.

Under the State Constitution, the Governor of the State has the power to delete or reduce appropriations for principal and interest on the Series 2019A Bonds, but only if it has been determined that the authorized receipts of the State will not be sufficient to meet budgeted expenditures.

Debt Service Reserve Fund

\$28,179,050.00 of the proceeds of the Series 2019A Bonds will be deposited into the Debt Service Reserve Fund and will be available to pay principal and interest on the Series 2019A Bonds if amounts in the Bond Fund are insufficient therefor. This amount is equal to the “Debt Service Reserve Fund Requirement” which is defined as the least of (a) one hundred percent (100%) of maximum annual debt service on the Series 2019A Bonds, (b) one hundred twenty-five percent (125%) of average annual debt service on the Series 2019A Bonds, and (c) ten percent (10%) of the aggregate initial offering price of the Series 2019A Bonds. Amounts in such fund will be invested and any earnings, subject to any rebate payments to the federal government, will be retained therein. However, there can be no assurance that amounts in the Debt Service Reserve Fund will be sufficient for all payments that may be required with respect to the Series 2019A Bonds.

Economy of the State

The availability of revenues in the HTF is dependent on a number of economic factors. The revenues deposited to the HTF may fluctuate based on, among other things, the condition of the State and national economies, population growth, income and employment levels, levels of tourism, fuel prices, vehicle fuel efficiency, road conditions and the availability of other modes of transportation. In addition, in most of the years since creation of the HTF, the General Assembly made significant transfers from the HTF to the General Fund. Effective fiscal year 2013-2014, significant transfers were eliminated. A downturn in the economy could result in the General Assembly again making significant transfers from the HTF to the General Fund. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the availability of revenues in the HTF to make payments on the Series 2019A Bonds.

Appropriation

The availability of revenues to pay debt service on the Series 2019A Bonds is (i) subject to appropriation by the General Assembly to the HTF generally and (ii) subject to appropriation from the HTF for payment of debt service on the Series 2019A Bonds. All debt subject to annual appropriation is subject to risks relating to annual appropriations in budgets and the obligation of the Governor to take certain steps to reduce appropriation in the event such action is required.

Additional Bonds

The State may issue, from time to time, Additional Bonds on a parity (but not secured by the Debt Service Reserve Fund) with the Series 2019A Bonds, upon satisfaction of the requirements of the Trust Indenture before such issuance. For restrictions on the issuance of Additional Bonds, see “BUILD NC PROGRAM – Limitations.”

Due to a number of factors, including the limitations discussed herein, the timing and amount of any Additional Bonds is uncertain.

Limited Remedies

If the State does default under its obligations with respect to the Series 2019A Bonds, the only effective remedy is for breach of contract. In a case involving a suit for breach of contract, the Supreme Court of North Carolina has held that whenever the State, through its authorized officers and agencies, enters into a valid contract, the State implicitly consents to be sued for damages on the contract in the event it breaches the contract and that the doctrine of sovereign immunity will not be a defense to the State. In the event a plaintiff is successful in establishing a claim against the State, it may not, however, be able to

execute on the judgment since a legislative enactment is required to discharge the State's obligation. Thus, if, after appropriation, the State fails to make timely payment of the principal and interest on any of the Series 2019A Bonds and an Owner brings a successful action against the State for breach of contract, favorable legislative action would be required before the judgment could be satisfied.

FUNDS AND ACCOUNTS

The Trust Indenture creates the Bond Fund, the 2019A Construction Fund and the Debt Service Reserve Fund.

Bond Fund. In the Bond Fund there are established the Interest Account, the Principal Account, and the Redemption Account. The Bond Fund and the accounts and subaccounts therein are established with and held by the Trustee. In the Trust Indenture, the State grants to the Trustee for the benefit of the Owners of the Series 2019A Bonds, a lien on and security interest in all monies and securities in the Bond Fund. The Trust Indenture provides that the State will deposit or cause to be deposited with the Trustee the following amounts for payment of principal and interest on the Series 2019A Bonds, and the Trustee shall apply such amounts to the various subaccounts specified:

(1) into the Series 2019A Subaccount of the Interest Account, beginning on July 25, 2019 and continuing on the 25th day of each month thereafter through October 25, 2019, an amount equal to one fourth (1/4th) of the interest payable on the Series 2019A Bonds on the November 1, 2019 Interest Payment Date and, beginning on November 25, 2019 and continuing on the 25th day of each month thereafter, an amount equal to one sixth (1/6th) of the interest payable on the Series 2019A Bonds on the next ensuing Interest Payment Date;

(2) into the Series 2019A Subaccount of the Principal Account, beginning on July 25, 2019 and continuing on the 25th day of each month thereafter through April 25, 2020, an amount equal to one-tenth (1/10th) of the principal of all Series 2019A Bonds due on the next ensuing May 1 and, beginning on May 25, 2020 and continuing on the 25th day of each month thereafter, an amount equal to one-twelfth (1/12th) of the principal of all Series 2019A Bonds due on the next ensuing May 1.

The failure of the State to make such monthly deposits does not constitute a default under the Trust Indenture. For a more complete explanation of the terms of the Trust Indenture, including what constitutes a default thereunder, see "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Trustee is required to pay out of the Bond Fund (i) on or before each interest payment date for Series 2019A Bonds, an amount required for the interest payable on such date, (ii) on or before the due date of such payment, the next maturing principal payment on Series 2019A Bonds and (iii) on or before any optional redemption date for Series 2019A Bonds, an amount required for the payment of Series 2019A Bonds then to be optionally redeemed.

2019A Construction Fund. Proceeds of Series 2019A Bonds are deposited into the 2019A Construction Fund. The 2019A Construction Fund and the accounts and subaccounts therein are established with and held by the Trustee. In the Trust Indenture, the State grants to the Trustee for the benefit of the Owners of the Series 2019A Bonds, a lien on and security interest in all monies and securities in the 2019A Construction Fund. The Trustee shall disburse moneys held in the 2019A Construction Fund to or upon the direction of the State to pay Costs of the Projects upon receipt of a requisition.

Debt Service Reserve Fund. The Trust Indenture establishes a Debt Service Reserve Fund for the benefit of the owners of the Series 2019A Bonds. An amount equal to the Debt Service Reserve Fund Requirement will be deposited in the Debt Service Reserve Fund upon the issuance of the Series 2019A

Bonds. The Trust Indenture requires the Trustee to use amounts in the Debt Service Reserve Fund to make transfers to the Series 2019A Subaccount of the Interest Account and the Series 2019A Subaccount of the Principal Account to the extent necessary to pay interest on and principal of (whether at maturity or by acceleration) the Series 2019A Bonds, whenever and to the extent that the money on deposit in such subaccounts is insufficient for such purposes. The Debt Service Reserve Fund secures only the Series 2019A Bonds.

If there is a draw on the Debt Service Reserve Fund or for some other reason the amount on deposit in the Debt Service Reserve Fund is less than 90% of the Debt Service Reserve Requirement, the Trust Indenture provides that the State shall deposit with the Trustee an amount equal to 1/12th of such deficiency each month until the amount on deposit to the credit of the Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement. However, there can be no assurance that amounts in the Debt Service Reserve Fund will be sufficient for all payments that may be required with respect to the Series 2019A Bonds.

Minimum Cash Balance Requirement. Pursuant to the Trust Indenture, if the Minimum Cash Balance Requirement is not satisfied at the end of any calendar month, the NCDOT is required to (i) promptly notify the offices of the Governor of the State (Office of State Budget and Management) and the State Treasurer, (ii) schedule a meeting with such parties no later than 10 Business Days after the last day of such month and (iii) present at such meeting the reasons for the deficiency and a specific plan setting forth steps to be taken designed to achieve the Minimum Cash Balance Requirement in the future. Until the Minimum Cash Balance Requirement is achieved at a subsequent month end, NCDOT is prohibited from entering into any new transportation project contract commitments.

The term “Minimum Cash Balance Requirement” means a cash balance in the HTF at the end of each calendar month equal to no less than 1.5 times the amount resulting from the calculation of (the sum of (1) Annual Debt Service Requirements plus (2) all Annual Statutory Commitments, if any, less the sum of (3) any amounts on deposit in the Bond Fund and (4) any amounts on deposit in the Debt Service Reserve Fund and any other debt service reserve fund established for Build NC Bonds). Any federal funds on hand shall not be considered as cash for the purposes of this definition.

A failure to meet the Minimum Cash Balance Requirement does not affect the use of moneys in the HTF for payment of debt service on the Series 2019A Bonds or for repayment of amounts necessary to replenish the Debt Service Reserve Fund. A failure to maintain the Minimum Cash Balance Requirement is not a default under the Trust Indenture. For a more complete explanation of the terms of the Trust Indenture, including what constitutes a default thereunder, see “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

NCDOT is responsible for nearly 80,000 miles of highways, the second most of any state in the country. Along this system of highways are nearly 15,000 miles of Interstate, US and NC routes, and more than 18,500 bridges, culverts and pipes collectively spanning nearly 400 miles. There are more than 7.2 million licensed drivers and 9.7 million registered vehicles in the State. NCDOT is the State department charged with the responsibility for the administration of this transportation system and the related governmental activities applicable to aeronautics, highways, ferries, public transit, bicycle and pedestrian transportation, motor vehicles and transportation safety, as well as State Ports, Global TransPark, and Turnpike Authority.

The Secretary of Transportation carries out the day-to-day operations of NCDOT and is responsible for the policies, programs, priorities and projects approved by the Board of Transportation – a statutorily

created board tasked with formulating policy, advising the Secretary of Transportation, determining needs, scheduling (including approval of the STIP) and approving programs and projects. There are 19 voting members of the Board of Transportation, 14 representing areas of the State and 5 at-large members. All the members are appointed by the Governor. The current members are:

Name	Term Expiration	Occupation	Town of Residence
Michael S. Fox, Chairman	1/15/21	Attorney	Greensboro
Nina Szlosberg-Landis, Vice-Chairwoman	1/15/21	Business Owner	Raleigh
William Billy Clarke	1/15/21	Attorney	Asheville
Grady Hunt	1/15/21	Attorney	Pembroke
Valerie Jordan	1/15/21	Businesswoman	Raleigh
Anthony T. Lathrop	1/15/21	Attorney	Charlotte
Allen Moran	1/15/21	Law Enforcement/ Business Owner	Manteo
John R. Pope	1/15/21	Businessman	Hickory
Cullie Tarleton	1/15/21	Businessman	Blowing Rock
R. Michael Wells Sr.	1/15/21	Attorney	Winston-Salem
Landon Zimmer	1/15/21	Attorney	Wilmington
Michael Alford*	1/15/19	Business Owner	Jacksonville
Sam Bowles*	1/15/19	Attorney	Charlotte
Walter J. Debnam, Jr.*	1/15/19	Business Owner	Sylva
Patrick Molamphy*	1/15/19	Business Owner	Pinehurst
Hugh Overholt*	1/15/19	Attorney	New Bern
Andrew M. Perkins, Jr.*	1/15/19	University Vice Chancellor	Winston-Salem
Thomas Taft, Jr.*	1/15/19	Business Owner	Greenville
Augustus Tulloss*	1/15/19	Business Owner	Rocky Mount

* Serves until a successor is appointed.

NCDOT has approximately 10,000 employees. The current (since January 2017) Secretary of Transportation is James H. Trogdon III, a registered professional engineer with more than 30 years of experience in transportation. Trogdon began his career with the Department in 1985 as a highway engineer and has held various positions with the department. He also has worked with the N.C. General Assembly as director of Strategic Transportation Planning. In this role, he made recommendations and provided analysis on transportation issues, as well as drafting transportation legislation for General Assembly members and reviewing transportation programs and projects for effectiveness. Trogdon also held several private sector positions, including national transportation director for SAS Institute. NCDOT's chief financial officer is Evan Rodewald who was appointed to that post in February 2018. Before joining NCDOT, Rodewald spent more than two decades working in various capacities in the North Carolina General Assembly Fiscal Research Division.

CONTINUING DISCLOSURE

In the First Supplemental Trust Indenture, the State will undertake, for the benefit of the beneficial owners of the Series 2019A Bonds, to provide to the Municipal Securities Rulemaking Board (the "MSRB"):

- (a) by not later than seven months from the end of each fiscal year of the State, commencing with the fiscal year ending June 30, 2019, audited financial statements of the State for such fiscal year, if available, prepared in accordance with Section 143B-426.40H of the General

Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the State are not available by seven months from the end of such fiscal year, unaudited financial statements of the State for such fiscal year to be replaced subsequently by audited financial statements of the State to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the State, commencing with the fiscal year ending June 30, 2019, financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the tables in this Official Statement under the section “NORTH CAROLINA HIGHWAY TRUST FUND” listed below, to the extent such items are not included in the financial statements referred to in (a) above:

- “Highway Trust Fund Tax and Non-Tax Revenue”
- “Debt Service and Statutory Commitments Paid from the Highway Trust Fund”
- “Debt Service Payments Remaining to be Paid from the Highway Trust Fund”
- “Transfers In and Out of the Highway Trust Fund”
- “Cash Balance Table”
- “Highway Trust Fund”
- “Highway Fund”

(c) in a timely manner not in excess of ten (10) business days following the occurrence of the event, notice of any of the following events with respect to the Series 2019A Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019A Bonds or other material events affecting the tax status of the Series 2019A Bonds;
- (7) modification of the rights of the beneficial owners of the Series 2019A Bonds, if material;
- (8) bond calls of any of the Series 2019A Bonds, if material, and tender offers;
- (9) defeasance of any of the Series 2019A Bonds;

- (10) release, substitution or sale of any property securing repayment of the Series 2019A Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the State;
- (13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
- (14) the appointment of a successor or additional trustee, or the change in the name of a trustee, if material;
- (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect beneficial owners of the Series 2019A Bonds, if material (“Event 15”); and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties (“Event 16”).

(d) in a timely manner, notice of a failure of the State to provide required annual financial information described in (a) or (b) above on or before the date specified.

For purposes of Event 15 and Event 16 listed above, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

With respect to the Series 2019A Bonds, the State has determined that it is the only obligated person. The State has also determined parameters for assessing whether a particular event, action or situation is material as described in Event 15. These parameters, which are set forth below, take into account that the Series 2019A Bonds do not create a debt, liability or obligation of the State or any of its political subdivisions or a pledge of the full faith and credit of the State or any of its political subdivision within the meaning of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness by the State. The Act provides that funds from the HTF shall be the source of repayment of the Series 2019A Bonds subject to appropriation by the General Assembly. Absent extenuating terms or circumstances that directly affect security holders:

A financial obligation of the State is not material for purposes of the undertaking described in Event 15 unless the financial obligation is expected to be paid from the HTF.

In addition, the “State” does not include entities that, under accounting standards, are component units of the State. The three major components units of the State are the University of

North Carolina System, the community colleges and the State Health Plan. There are 11 other nonmajor components of the State. See Note 1A in the State's Comprehensive Annual Financial Report, which can be found at www.osc.nc.gov.

While the State has established the parameters set forth above with respect to Event 15, determinations as to the materiality of events which may require disclosure under Event 15 will be made at the time of such event and in the context of the facts and circumstances at the time of the event.

All documents provided to the MSRB as described above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The State may discharge its undertaking described above by transmitting those documents or notices to any entity and by any method subsequently authorized or required by the SEC in lieu of the manner described above.

At present, Section 143B-426.40H of the General Statutes of North Carolina requires all State agencies to prepare annual financial statements in accordance with generally accepted accounting principles as described in authoritative pronouncements and interpreted and/or prescribed by the State Controller, and in such form and time frame as the State Controller may require. The State Controller shall combine the financial information for the various agencies into a Comprehensive Annual Financial Report for the State of North Carolina in accordance with generally accepted accounting principles. These statements, along with the opinion of the State Auditor, shall be published as the official financial statements of the State. The State's Comprehensive Annual Financial Report can be found at www.osc.nc.gov.

The First Supplemental Trust Indenture will also provide that if the State fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2019A 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 failure to comply with such undertaking will not be an Event of Default under the Trust Indenture and will not result in any acceleration of the Series 2019A Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2019A Bonds. As to the remedy of specific performance, it is the Attorney General's opinion that specific performance of such undertaking would be enforceable against the State. But see "CERTAIN RISKS OF OWNERS – Limited Remedies" herein.

Pursuant to the First Supplemental Trust Indenture, the State 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 State, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the State;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interests of the beneficial owners of the Series 2019A Bonds, as determined by the Trustee or bond counsel, or by the approving vote of the Owners of a majority in principal amount of the Series 2019A Bonds then Outstanding pursuant to the terms of the Trust Indenture at the time of the amendment.

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

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2019A Bonds.

The State has complied, in all material respects, with the terms of all prior undertakings under Rule 15c2-12 during the last five years with respect to its general obligation bonds, special indebtedness and “GARVEE” bonds. However, not all information filed by the State was cross-referenced on the MSRB system to all issues for which it was provided. In addition, with respect to its 2012 and 2013 audited financial statements, the State timely filed hyperlinks to the statements on the Office of State Controller’s website. Since such filing the statements have been available on that website but the Office of State Controller subsequently changed the locations of these financial statements, making the initially filed hyperlinks no longer effective. The State has since posted new hyperlinks. No representation is made by the State or the State Treasurer’s office relating to any Rule 15c2-12 undertakings of any component unit of the State that independently issues bonds subject to Rule 15c2-12 (including, but not limited to, the Board of Governors of the University of North Carolina, the North Carolina Turnpike Authority, the North Carolina Medical Care Commission, the North Carolina Capital Facilities Finance Agency, etc.).

LEGAL MATTERS

Certain legal matters relating to the authorization, execution, sale and delivery of the Series 2019A Bonds are subject to the approval of Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, Bond Counsel. The proposed form of the approving legal opinion of Bond Counsel is included in Appendix B hereto. Hunton Andrews Kurth LLP, Charlotte, North Carolina, and Moore & Van Allen PLLC, Charlotte, North Carolina, have acted as Co-Disclosure Counsel and provided advice to the State with respect to certain information in this Official Statement not including the financial or statistical data or any projections herein. McGuireWoods LLP, Raleigh, North Carolina, has served as counsel to the Underwriters.

TAX TREATMENT

General

The opinion of Bond Counsel will state that under existing law:

- interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, and
- interest on the Series 2019A Bonds is exempt from State of North Carolina income taxes.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2019A Bonds in order for interest on the Series 2019A Bonds to be and remain excludable from gross income for purposes of federal income taxation. Examples include: the requirement that the State rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2019A Bonds to the United States Treasury; restrictions on investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with proceeds of the Series 2019A Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be

satisfied by the State subsequent to the issuance of the Series 2019A Bonds to maintain the exclusion of interest on the Series 2019A Bonds from income for federal income taxation purposes. Failure to comply with certain of such requirements may cause interest on the Series 2019A Bonds to be included in gross income retroactively to the date of issuance of the Series 2019A Bonds. The State has covenanted to comply with these requirements. The opinion of Bond Counsel delivered on the date of issuance of the Series 2019A Bonds will be conditioned on the compliance by the State with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2019A Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

Other Tax Consequences

Prospective purchasers of the Series 2019A Bonds should be aware that ownership of the Series 2019A Bonds may result in collateral federal, state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2019A Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences. Prospective purchasers of the Series 2019A Bonds should consult their tax advisors regarding collateral tax consequences.

Premium Series 2019A Bonds

The Series 2019A Bonds of each maturity have been sold at initial public offering prices that are in excess of the amount payable at maturity. An amount equal to the excess of the purchase price of a Series 2019A Bond over its stated redemption price at maturity constitutes premium on such Series 2019A Bond. Purchasers must amortize any premium over such Series 2019A Bond's term using constant yield principles, based on the Series 2019A Bond's yield to maturity. As premium is amortized, a purchaser's basis in such Series 2019A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Series 2019A Bond prior to its maturity. Even though a purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of a Series 2019A Bond at a premium, whether at the time of initial issuance or after initial issuance, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2019A Bonds.

LITIGATION

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the Series 2019A Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the Series 2019A Bonds or the validity thereof, or the creation, organization,

corporate existence or powers of the State, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Trust Indenture by the State.

RATINGS

Fitch, Moody's and S&P have assigned the ratings of "AA+," "Aa1" and "AA+," respectively, to the Series 2019A Bonds. The State has provided certain information to Fitch, Moody's and S&P that is not included in this Official Statement. The ratings reflect only the view of the respective rating agency. An explanation of the significance of the rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004, (800) 753-4824, an explanation of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center at 350 Greenwich Street, New York, New York 10007, (212) 553-1653, and an explanation of the rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041, (212) 208-8000. There is no assurance that any such ratings will continue for any given period of time or that any such ratings will not be revised downward or withdrawn entirely if, in the judgment of each rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2019A Bonds.

UNDERWRITING

The Underwriters have designated BofA Securities, Inc. as their representative. The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2019A Bonds at a price of \$356,559,541.37 (being the aggregate principal amount of \$300,000,000.00 plus original issue premium of \$57,343,615.80 and less Underwriters' discount of \$784,074.43). The public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2019A Bonds to dealers (including dealers depositing the Series 2019A Bonds into investment trusts) and others at prices lower than such initial public offering price.

BofA Securities, Inc., J.P. Morgan Securities LLC, Wells Fargo Securities, and Citigroup, respectively, have provided the following disclosures for inclusion in this Official Statement:

BofA Securities, Inc., an underwriter of the Series 2019A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2019A Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2019A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the

underwriters of the Series 2019A Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2019A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2019A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2019A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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

The Underwriters also have provided the following disclosure for inclusion in this Official Statement:

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the State in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of State (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the State. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the State as underwriters with respect to the Series 2019A Bonds) for the distribution of the Series 2019A Bonds at the original issue prices set forth on the inside front cover page of this Official Statement. Such agreements generally provide that the Underwriters will share a portion of its underwriting discount or selling concession with such broker-dealers.

FINANCIAL ADVISOR

The State has retained Hilltop Securities, Inc. (the “Financial Advisor”) to serve as its financial advisor in connection with the issuance of the Series 2019A Bonds. The Financial Advisor has not independently verified any of the information in this Official Statement and makes no guarantee as to its completeness or accuracy. The State may engage the Financial Advisor to perform other services.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the State. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Official Statement constitutes an official statement of the State that has been deemed final by the State as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

STATE OF NORTH CAROLINA DEPARTMENT OF STATE TREASURER

/s/ Dale R. Folwell, CPA

State Treasurer of North Carolina

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Brief descriptions of the Trust Indenture and the First Supplemental Trust Indenture are included in this Appendix A. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Trust Indenture and the First Supplemental Trust Indenture are qualified in their entirety by reference to each such document, copies of which are available for review at the offices of the Trustee.

Definitions

The following is a summary of certain definitions set forth in the Trust Indenture and the First Supplemental Trust Indenture and used in this Official Statement:

“Act” means The State Capital Facilities Finance Act, the same being Article 9 of Chapter 142, as amended, of the General Statutes of North Carolina.

“Annual Debt Service Requirements” for any Fiscal Year means the sum of all of the amounts required to pay the principal and interest of all outstanding Build NC Bonds in such Fiscal Year.

“Annual Statutory Commitments” for any Fiscal Year means any amounts required to be funded from the Highway Trust Fund contained in continuing or regular annual appropriations and which, pursuant to North Carolina General Statutes as in effect on the date of the Supplemental Indenture or as may be amended in the future, may be used to pay debt service or related financing costs and expenses on revenue bonds or notes in such Fiscal Year. For example, for the Fiscal Year ending June 30, 2020, this includes \$49 million to the North Carolina Turnpike Authority and \$45 million to the North Carolina State Ports Authority.

“Authorized Officer” means the State Treasurer or other person designated from time to time to perform the duties imposed on an Authorized Officer by the Trust Indenture whose name is filed pursuant to an Officer’s Certificate with the Trustee for such purpose.

“Average Annual Debt Service” means, at any given time of determination, average annual Principal and Interest Requirements for the Series 2019A Bonds until their final maturity.

“Bond” or “Bonds” means the Series 2019A Bonds and any other notes or bonds issued under the provisions of the Trust Indenture.

“Bond Fund” means the fund created and designated the State of North Carolina Limited Obligation (Build NC) Bond Fund by the Trust Indenture.

“Bond Insurance Policy” means a municipal bond insurance policy or similar arrangement permitted by the Act and obtained or established in connection with the incurrence of any Bonds.

“Bond Insurer” means the Person providing a Bond Insurance Policy, as designated in the Supplemental Indenture providing for the issuance of Bonds.

“Bond Registrar” means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Supplemental Indenture relating to such Series, whether the original or a successor Bond Registrar. The initial Bond Registrar for the Series 2019A Bonds is U.S. Bank National Association.

“Bond Year” means the period beginning on the issue date of the Series 2019A Bonds and ending on April 30, 2020, and thereafter the period commencing on May 1 of any year and ending on April 30 of the following year.

“Build NC Bonds” means “Build NC Bonds” as defined in the Act.

“Business Day” means a day on which the Trustee, the applicable Bond Registrar and the New York Stock Exchange are open for the purpose of conducting business.

“Code” means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

“Construction Fund” means each of the funds created and designated the “State of North Carolina Limited Obligation (Build NC) Bond 20__ Construction Fund” by the Trust Indenture.

“Cost,” as applied to the Projects, means all costs as are eligible under the provisions of the Act.

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit facility permitted by the Act (but excluding a Bond Insurance Policy) and established or obtained in connection with the incurrence of any Bonds.

“Credit Provider” means the Person providing a Credit Facility, as designated in the Supplemental Indenture providing for the issuance of the Bonds.

“Debt Service Reserve Fund” means the State of North Carolina Limited Obligation (Build NC) Bond 2019A Debt Service Reserve Fund created and so designated by the First Supplemental Indenture.

“Debt Service Reserve Fund Requirement” means the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on the Series 2019A Bonds, (B) one hundred twenty-five percent (125%) of Average Annual Debt Service and (C) ten percent (10%) of the stated principal amount of the Series 2019A Bonds; provided, however, that if the Series 2019A Bonds have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters’ compensation, the initial offering prices to the public shall be used in lieu of the stated principal amount for purposes of the ten percent (10%) limitation.

“Defeasance Obligations” means noncallable Government Obligations.

“Event of Default” means each of those events of default set forth in the Trust Indenture and described in this Appendix under the heading “**SUMMARY OF THE TRUST INDENTURE—Events of Default.**”

“First Supplemental Trust Indenture” means the First Supplemental Trust Indenture, dated as of June 1, 2019 between the State and U.S. Bank National Association, as Trustee, authorizing the issuance of the Series 2019A Bonds.

“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 State by notice to the Trustee.

“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) to the extent permitted by law, evidences of ownership of, or

fractional undivided interests in, future interest and principal payments on such obligations and (b) to the extent permitted by law, obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest strips” of the Resolution Funding Corporation.

“Highway Trust Fund” means the North Carolina Highway Trust Fund created pursuant to Section 136-176 of the General Statutes of North Carolina, as amended, or any successor or other statute.

“Interest Account” means the account in the Bond Fund created and so designated by the Trust Indenture.

“Interest Payment Date” means, with respect to any Series of Bonds, each of the interest payment dates provided for in the Supplemental Indenture relating to such Series. With respect to the Series 2019A Bonds, “Interest Payment Date” means May 1 and November 1, as the case may be, beginning November 1, 2019.

“Interest Requirements” for any Bond Year means the amount that is required to pay interest on all Outstanding Series 2019A Bonds on November 1 in such Bond Year and on May 1 of the following Bond Year.

“Investment Obligations” means, any investment from time to time permitted for investment of funds by the State by Section 147-69.1 of the General Statutes of North Carolina, as amended, or any successor or other statute.

“Maximum Annual Debt Service on the Series 2019A Bonds” means, at any given time of determination, the maximum Principal and Interest Requirements for the Series 2019A Bonds for the then current or any succeeding Bond Year.

“Minimum Cash Balance Requirement” means a cash balance in the Highway Trust Fund at the end of each calendar month equal to no less than 1.5 times the amount resulting from the calculation of (the sum of (1) Annual Debt Service Requirements plus (2) all Annual Statutory Commitments, if any, less the sum of (3) any amounts on deposit in the Bond Fund and (4) any amounts on deposit in the Debt Service Reserve Fund and any other debt service reserve fund established for Build NC Bonds). Any federal funds on hand shall not be considered as cash for the purposes of this definition.

“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 State 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 Indenture, 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 Trust Indenture;
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Trust Indenture;

(d) Bonds deemed to have been paid in accordance with the defeasance provisions of the Trust Indenture; and

(e) Bonds constituting Put Bonds deemed to have been purchased in accordance with the provisions of the applicable Supplemental Indenture in lieu of which other Bonds have been delivered under such Supplemental Indenture.

“Owner” means a Person in whose name a Bond is registered in the registration books provided for in the Trust Indenture.

“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 Bond Fund created and so designated by the Trust Indenture.

“Principal and Interest Requirements” for any Bond Year means the sum of the Principal Requirements and Interest Requirements for such Bond Year.

“Principal Requirements” for any Bond Year means the amount required to pay the principal of all Outstanding Series 2019A Bonds on May 1 of the following Bond Year.

“Prior Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under the Trust Indenture in lieu of a lost, destroyed or stolen Bond will be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

“Projects” means collectively “Build NC Projects” as defined by and duly authorized pursuant to the Act.

“Put Bonds” means fixed or variable rate Bonds, 25% or more of the principal of which may, at the option of the Owner thereof, be tendered to the State, the Trustee or a paying agent or other fiduciary, or an agent of any of the foregoing, for payment or purchase at one time.

“Redemption Account” means the account in the Bond Fund created and so designated by the Trust Indenture.

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

“Regular Record Date” means, with respect to any Series of Bonds, the regular record date, if any, provided for in the Supplemental Indenture relating to such Series. With respect to the Series 2019A Bonds, “Regular Record Date” means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“Responsible Officer” means any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Trust Indenture.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and its successors and assigns, and if such entity will be dissolved or liquidated or will no longer performs 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 State by notice to the Trustee.

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

“Series” means all of the Bonds designated as being of the same series.

“Series 2019A Bonds” means the State’s Limited Obligation (Build NC) Bonds, Series 2019A, dated as of the date of their delivery.

“Series 2019A Subaccount of the Interest Account” means the subaccount created and so designated by the First Supplemental Trust Indenture.

“Series 2019A Subaccount of the Principal Account” means the subaccount created and so designated by the First Supplemental Trust Indenture.

“Series 2019A Subaccount of the Redemption Account” means the subaccount created and so designated by the First Supplemental Trust Indenture.

“Sinking Fund Account” means the account in the Bond Fund created and so designated by the provisions of the Trust Indenture.

“Sinking Fund Requirement” means, with respect to any Series of Bonds, the Sinking Fund Requirement provided in the Supplemental Indenture relating to such Series.

“Special Record Date” means a date fixed by the Trustee for determining the Owner of Bonds for the payment of Defaulted Interest pursuant to the Trust Indenture.

“State” means the State of North Carolina.

“Supplemental Indenture” means a supplemental trust indenture executed and delivered by the State authorizing the issuance of any particular Series of Bonds that is required to be executed and delivered by the Trust Indenture prior to the issuance of any such Series.

“Term Bonds” means the Bonds of any Series, other than Serial Bonds, that are designated as such in the Supplemental Indenture for such Series.

“Trust Indenture” means the Trust Indenture, dated as of June 1, 2019 between the State and U.S. Bank National Association, as Trustee, and any supplement and amendment thereto permitted thereby.

“Trustee” means the Trustee serving as such under the Trust Indenture, whether original or successor.

SUMMARY OF THE TRUST INDENTURE

Details of Bonds

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

Unless provided to the contrary in a Supplemental Indenture, and as permitted by law, the principal of and the interest and premium, if any, on the Bonds will be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The payment of interest on each Bond will be made (a) by the Bond Registrar on each Interest Payment Date to the person appearing on the registration books of the Bond Registrar as the registered owner thereof as of the Regular Record Date by check mailed to the registered owner at his address as it appears on such registration books, or (b) by such additional or alternative means as is provided in any Supplemental Indenture providing for the issuance of such Bond. Unless otherwise provided in a Supplement Agreement, payment of the principal of all Bonds will be made upon the presentation and surrender of such Bonds at the principal corporate trust office of the Bond Registrar as the same become due and payable (whether at maturity or by redemption, acceleration or otherwise).

Any interest on any Bond of any Series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") will forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such Defaulted Interest may be paid by the State, at its election in each case, as described in paragraphs (a) or (b) below:

(a) The State may elect to make payment of any Defaulted Interest on the Bonds of any Series to the persons in whose names such Bonds (or their respective Prior Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which will be fixed in the following manner. The State will notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date will be such as will enable the Trustee to comply with the next sentence hereof), and at the same time, the State will deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or will make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as provided in the Trust Indenture. Thereupon, the Trustee will fix a Special Record Date for the payment of such Defaulted Interest which will be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee will promptly notify the State of such Special Record Date and, in the name and at the expense of the State, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner at his address as it appears in the registration books maintained under the Trust Indenture not less than ten (10) days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the State, cause a similar notice to be published at least once in (i) a financial journal distributed in the Borough of Manhattan, City and State of New York, and (ii) a newspaper of general circulation in the County of Wake, North Carolina, but such publication will not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest will be paid to the persons in whose names the Bonds (or their respective Prior Bonds) are registered on such

Special Record Date and will no longer be payable pursuant to the Trust Indenture as described in paragraph (b) below.

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

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

Exchange of Bonds

Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar, together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as will be satisfactory to the Bond Registrar, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by the Supplemental Indenture pursuant to which such Bonds were issued, bearing interest at the same rate and in the same form as the Bonds surrendered for exchange.

The State will make provision for the exchange of Bonds at the principal corporate trust office of the Bond Registrar.

Transfer and Registration of Transfer of Bonds

Unless provided to the contrary in a Supplemental Indenture, and as permitted by law, the Bond Registrar will keep books for the registration and the registration of transfer of the Series of Bonds as to which it is Bond Registrar as provided in the Trust Indenture. The registration books will be available at all reasonable times for inspection by the State and any Owner of such Bonds and may be copied by either of the foregoing and their agents or representatives. The Bond Registrar will evidence acceptance of the duties, responsibilities and obligations of the Bond Registrar under the Trust Indenture and the applicable Supplemental Indenture by the execution of the certificate of authentication on the related Series of Bonds.

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

In all cases in which Bonds will be exchanged or the transfer of Bonds will be registered under the Trust Indenture, the State will, if necessary, execute and the Bond Registrar will authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of the Trust Indenture. All Bonds

surrendered in any such exchange or registration of transfer will forthwith be canceled or destroyed by the Bond Registrar in accordance with its then current record retention policies. No service charge will be made for any registration, transfer or exchange of Bonds, but the State and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. Unless otherwise required by the applicable Supplemental Indenture, neither the State nor the Bond Registrar will be required (a) to issue, transfer or exchange Bonds during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond so selected for redemption in whole or in part.

Effect of Calling for Redemption

On or before the date upon which Bonds are to be redeemed, the State will deposit with the Trustee or Bond Registrar money or Defeasance Obligations, or a combination of both, that will be sufficient to pay on the redemption date the Redemption Price of and interest accruing on the Bonds to be redeemed on such redemption date. See “**THE SERIES 2019A BONDS—Redemption Provisions**” in the front of this Official Statement for redemption provisions specific to the Series 2019A Bonds.

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

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

Conditional Redemptions

Any Supplemental Indenture may provide that any notice of redemption, except a notice of redemption in respect of a Sinking Fund Requirement, may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice will be of no force or effect and such Bond will not be required to be redeemed. In the event that such notice contains such a condition and moneys or Defeasance Obligations sufficient to pay the Redemption Price and interest on such Bonds are not received by the

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

Redemption of a Portion of Bonds

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

Construction Funds

Each Supplemental Indenture may create a special fund with the Trustee and designate the fund the “State of North Carolina Limited Obligation (Build NC) Bond 20__ Construction Fund.”

The State has granted to the Trustee for the benefit of the Owners of respective Series of Bonds a lien on and a security interest in all monies and securities in the Construction Fund relating to that Series of Bonds. The money in each Construction Fund will be held by the Trustee in trust and, pending application to the payment of the Cost of the Projects will, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Trust Indenture and will be held for the security of such Owners, except as otherwise provided in the Trust Indenture or in any Supplemental Indenture. Payment of the Cost of the Projects will be made from the applicable Construction Fund. All payments from the Construction Funds will be subject to the provisions and restrictions set forth in the Trust Indenture and the State will not cause or agree to permit to be paid from the Construction Funds any sums except in accordance with such provisions and restrictions.

Establishment of Funds

In addition to the Construction Funds, there is established the State of North Carolina Limited Obligation (Build NC) Bond Fund, in which there are established the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account. The Bond Fund and the accounts and subaccounts therein will be established and held by the Trustee.

The State has granted to the Trustee for the benefit of the Owners of Bonds a lien on and security interest in all monies and securities in the Bond Fund. The money in the Bond Fund and its accounts and subaccounts will be held in trust and applied as provided in the Trust Indenture and, pending such application, will be subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Trust Indenture and for the security of such Owners, except as otherwise provided in the Trust Indenture or in any Supplemental Indenture.

Each Supplemental Indenture will provide, to the extent applicable, for the creation of a separate subaccount within the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account with respect to each Series of Bonds, which subaccounts will bear the designation of such Series of Bonds.

A Supplemental Indenture may provide for the creation of such other funds and accounts as the State may determine for the Series of Bonds authorized by such Supplemental Indenture, including, but not limited to, debt service reserve funds.

Payment of Debt Service

Subject to the limitations described in the Trust Indenture, the State will make the following payments to the Trustee in the following manner and order:

(1) At such time or times as provided in the Supplemental Indentures, the State will deliver to the Trustee the amounts required by the Supplemental Indentures for deposit in the appropriate subaccounts of the Interest Account, provided that if there will not be sufficient money to satisfy all such deposits, such deposits will be made to each such subaccount of the Interest Account ratably according to the amount so required to be deposited or paid.

(2) At such time or times as provided in the Supplemental Indentures, the State will deliver to the Trustee the amounts required by the Supplemental Indentures for deposit in the appropriate subaccounts of the Principal Account and Sinking Fund Account, provided that if there will not be sufficient money to satisfy all such deposits, such deposits will be made to each such subaccount of the Principal Account and the Sinking Fund Account ratably according to the amount so required to be deposited or paid.

On or before the 45th day next preceding any date on which Serial Bonds are to mature or Term Bonds are to be redeemed pursuant to Sinking Fund Requirements therefor or are to mature, the State may satisfy all or a portion of its obligation to make the payments required above paragraphs (a) and (b) by delivering to the Trustee Serial Bonds maturing or Term Bonds maturing or required to be redeemed on such date. The price paid to purchase any such Bond, including accrued interest to the date of purchase, will not exceed the principal or Redemption Price plus accrued interest to the date of purchase. Upon such delivery, the State will receive a credit against amounts required to be deposited into the Interest Account and the Principal Account or Sinking Fund Account, as the case may be, on account of such Bonds with respect to all interest payments for the remainder of the Fiscal Year and in the amount of 100% of the principal amount of any such Serial Bonds or Term Bonds so delivered.

Application of Money in Interest Account

Not later than 10:00 A.M. on each Interest Payment Date, the date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed, or on such other date as may be specified in the applicable Supplemental Indenture, the Trustee will withdraw from the applicable subaccount in 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 as provided in the Supplemental Indentures.

Unless otherwise provided by a Supplemental Indenture, on the date of issuance of any Series of Bonds, an Authorized Officer will deliver to the Trustee a schedule of payments to be made on Interest Payment Date from the applicable subaccount of the Interest Account to the Bond Registrar for the payment of financed interest.

Unless otherwise provided by a Supplemental Indenture, if the State fails to deposit with the Trustee the amounts required to be deposited in the Interest Account as provided in the Trust Indenture, or if the balance in the Interest Account on the Business Day next preceding an Interest Payment Date is insufficient to pay interest becoming due on the Bonds on such Interest Payment Date, the Trustee will notify the State of the amount of the deficiency and request the State 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 applicable subaccount in 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 such Bonds at their respective maturities. The Bond Registrar will remit or otherwise set aside the amount due and payable to the Owners as provided in the Supplemental Indentures.

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 State pursuant to the Trust Indenture and (b) deliver all remaining amounts to the State.

Unless otherwise provided in a Supplemental Indenture, if the State fails to deposit with the Trustee the amounts required to be deposited in the Principal Account as provided in the Trust Indenture, or if the balance in the Principal Account on the Business Day next preceding a principal payment date is insufficient to pay principal coming due on the Serial Bonds on such principal payment date, the Trustee will notify the State of the amount of the deficiency and request the State to immediately cure such deficiency.

Application of Money in the Sinking Fund Account

Money held for the credit of the subaccounts in the Sinking Fund Account will be applied to the retirement, purchase, redemption or payment of Term Bonds in the manner provided in the applicable Supplemental Indenture. Unless otherwise provided in a Supplemental Indenture, if the State fails to deposit with the Trustee the amount required to be deposited in the Sinking Fund Account as provided in the Trust Indenture, or if the balance in the Sinking Fund Account on the Business Day next preceding a sinking fund payment date is insufficient to retire Term Bonds on such date as required by a Supplemental Indenture, the Trustee will notify the State of the amount of the deficiency and request the State to immediately cure such deficiency.

Application of Money in the Redemption Account

The Trustee will apply money in the Redemption Account to the purchase or redemption of Bonds as provided in the Trust Indenture and any Supplemental Indenture.

Investment of Money

Money held for the credit of all funds, accounts and subaccounts will be continuously invested and reinvested by the Trustee in Investment Obligations or held as cash to the extent investment or reinvestment in Investment Obligations is not practicable. Except as provided in the Trust Indenture with respect to the disposition of investment income, the particular investments to be made and other related matters in respect of investments may, as to each Series of Bonds, be provided in the applicable Supplemental Indenture.

Notwithstanding the foregoing, 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 provision, the maturity date of any repurchase agreement is deemed to be the stated maturity date of such agreement and not the maturity dates of the underlying obligations.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Trust Indenture 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 such funds, accounts or subaccounts.

Security for Deposits

Any and all money deposited with the Trustee will be trust funds under the terms of the Trust Indenture, and, to the extent permitted by law in the case of Construction Funds, will not be subject to any lien or attachment by any creditor of the State. All money deposited with the Trustee will be credited to the particular fund, account or subaccount to which such money belongs.

Valuation

For the purpose of determining the amount on deposit in any fund, account or subaccount, Investment Obligations in which money in such fund, account or subaccount is invested will be valued by the Trustee (a) at face value if such Investment Obligations mature within twelve (12) months from the date of valuation thereof and (b) if such Investment Obligations mature more than twelve (12) months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at its option, if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Investment Obligations. The State acknowledges in the Trust Indenture that values shall be determined in accordance with the price provided by pricing services and sources relied upon by the Trustee, and the Trustee does not have any duty to independently value any asset or an obligation other than the price provided by pricing services and sources relied upon by Trustee.

All Investment Obligations in all of the funds, accounts and subaccounts created under the Trust Indenture will be valued as of the last day of each Fiscal Year. When a valuation is made by the Trustee, the Trustee will report the result of such valuation to the State within 30 days after such valuation. In addition, Investment Obligations will be valued at any time requested by the State on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee will not be required to value Investment Obligations more than once in any calendar month.

Events of Default

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

- (a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made when the same are due and payable, either at maturity or by redemption or otherwise;
- (b) payment of the interest on any of the Bonds is not made when the same is due and payable;
- (c) the State fails to budget and appropriate moneys sufficient to pay all the principal and interest on the Bonds coming due in any Fiscal Year.

Acceleration

Upon the happening and continuance of any Event of Default, then and in every 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, by a notice in writing to the State, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the Bonds or the Trust

Indenture to the contrary notwithstanding. Such declaration may be rescinded under the circumstances specified in the Trust Indenture.

Notwithstanding the provisions of the foregoing paragraph, if a Bond Insurer providing a Bond Insurance Policy or a Credit Provider providing a Credit Facility for an entire Series of Bonds has not failed to comply with its respective payment obligations under such Bond Insurance Policy or Credit Facility, any acceleration of such Series of Bonds, or any annulment of such acceleration, will be subject to the prior written consent of such Bond Insurer or such Credit Provider, but only if the relevant Supplemental Indenture confers such right of prior written consent; provided, however, that failure of such Bond Insurer or Credit Provider to give such consent will not affect the acceleration, or annulment of acceleration, of any other Series of Bonds in the manner provided above.

Additional Remedies on Default

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 requirements of prior indemnification) to protect and enforce its rights and the rights of the Owners of the Bonds under applicable laws and under the Trust Indenture 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 or in aid or execution of any power 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.

Pro Rata Application of Funds

Anything in the Trust Indenture to the contrary notwithstanding, if at any time the money in the Interest Account, the Principal Account and the Sinking Fund Account is not sufficient to pay the interest on or the principal of the Bonds as the same become due and payable (either by their terms or by acceleration), 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 subaccounts of the Interest Account, Principal Account or Sinking Fund Account for a particular Series of Bonds pursuant to the Trust Indenture), whether through the exercise of the remedies provided for in the Trust Indenture or otherwise, will be applied, after payment of the reasonable fees and expenses of the Trustee in exercising its rights and remedies under the Trust Indenture and the creation of a reasonable reserve for anticipated fees and expenses, as follows:

(a) if the principal of all Series of Bonds will not have become or will not have been declared due and payable, all such money will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installments, 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 Indenture), 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 Indenture.

(b) If the principal of all of the Series of Bonds will have become or will have been declared due and payable, all such money will be applied to the payment of principal and interest then due upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all of the Series of Bonds will have been declared due and payable and if such declaration will thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) above in the event that the principal of all of the Series of Bonds will later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with the provisions of paragraph (a) above.

Notwithstanding any provision of the Trust Indenture to the contrary, for the purpose of determining the amount of unpaid principal of and interest on any Series of Bonds, the amount paid or available to be paid to the Owners of such Series of Bonds from a debt service reserve fund securing such Series of Bonds shall be deducted.

Control of Proceeding; Restrictions Upon Action; Notice of Default

Anything in the Trust Indenture 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 prior indemnification of the Trustee, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Indenture, provided that such direction will be in accordance with law and the provisions of the Trust Indenture

Except as provided in the Trust Indenture, 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 under the Trust Indenture or for any other remedy under the Trust Indenture 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 Indenture 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 has refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing 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. 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 rights under the Trust Indenture or to enforce any right thereunder except in the manner provided by the Trust Indenture, that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Trust Indenture 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 Indenture to the rights and remedies provided therein.

The Trustee will mail all Owners at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default within 30 days after a Responsible Officer of the Trustee has knowledge or notice that any such Event of Default has occurred. The Trustee will not be subject to any liability to any Owner by reason of its failure to mail any such notice.

Resignation and Removal of the Trustee

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 Indenture, by notice in writing given to the State, and mailed, postage prepaid, at the Trustee's expense, to each Owner of Bonds, not less than 60 days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee if such new Trustee will be appointed before the time limited by such notice and will then accept the trusts under the Trust Indenture. The immunities and exemptions from liability of the Trustee extend to its directors, officer, employees and agents.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, (i) executed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding and filed with the State, or (ii) executed by an Authorized Officer, so long as no Event of Default shall have occurred and be continuing, in either case not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments.

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

Appointment of Successor Trustee

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

At any time within sixty (60) days after any such vacancy shall have occurred, the Owners of not less than 25% in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the State, may nominate a successor Trustee, which the State shall appoint and which shall supersede any Trustee theretofore appointed by the State. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions, any Owner hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any successor Trustee hereafter appointed shall be (i) a bank or trust company within or without the State which is duly authorized to exercise corporate trust powers and subject to examination by federal

or State authority, (ii) of good standing and (iii) having a combined capital, surplus and undivided profits aggregating not less than One Hundred Million Dollars (\$100,000,000).

Supplemental Trust Indentures

The State and the Trustee may, from time to time and at any time, execute and deliver supplemental trust indentures, without the consent of or notice to any Owner (which supplemental trust indentures will thereafter form a part of the Trust Indenture), to effect any one or more of the following:

- (a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Trust Indenture that may be inconsistent with any other provision in the Trust Indenture, 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 which are not contrary to or inconsistent with the Trust Indenture as then in effect, or
- (c) to add to the covenants and agreements of the State in the Trust Indenture other covenants and agreements thereafter to be observed by the State or to surrender any right or power reserved to or conferred upon the State in the Trust Indenture, or
- (d) to make any other change that is not materially adverse to the interests of the Owners, or
- (e) to permit the qualification of the Trust Indenture under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the State so determines, to add to the Trust Indenture or any supplemental trust indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or
- (f) to provide for the issuance of Bonds in bearer form.

The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed supplemental trust indenture will have the right, from time to time, anything contained in the Trust Indenture to the contrary notwithstanding, to consent to and approve the execution and delivery of such supplemental trust indentures as are deemed necessary or desirable by the State for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Indenture or in any supplemental trust indenture; provided, however, that nothing contained in the Trust Indenture 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 Bond, (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 Bond, (c) a preference or priority of any Bonds over any other Bonds without the consent of the Owners of all Bonds then Outstanding or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental trust indenture without the consent of the Owners of all Bonds then Outstanding.

For purpose of the provisions described under this heading, a Supplemental Indenture that relates only to a particular Series of Bonds and that does not purport to alter or amend the rights or security of any Owners of any Bonds of any other Series shall not be deemed or considered to be a supplemental trust indenture for purposes of the Article of the Trust Indenture described under this heading.

Execution of Instruments by Holders

Any request, direction, consent or other instrument in writing required or permitted by the Trust Indenture to be signed or executed by any Owners of Bonds may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or their attorneys or legal

representatives or legal representative of his estate if the Owner is deceased. In connection with the initial offering and sale of any Bonds, the underwriters (or their representative) of such Bonds shall be deemed to be the initial Owners thereof or, if such Bonds so provide, may be appointed as attorney-in-fact by the initial purchasers of such Bonds for the purpose of consenting to any request, direction, consent or other instrument to be signed and executed by the Owners.

Defeasance

When:

(a) the Bonds issued under the Trust Indenture will have become due and payable in accordance with their terms or otherwise as provided in the Trust Indenture, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds will be paid, and

(b) if the Bonds will not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar will hold, sufficient (i) money or (ii) Defeasance Obligations or a combination of (i) and (ii), 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 or independent certified public accountant, and there will have been delivered to the Trustee an opinion of nationally recognized bond counsel that such deposit of money or Defeasance Obligations will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, and

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

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

then and in that case the right, title and interest of the Trustee in the funds, accounts and subaccounts under the Trust Indenture 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 Indenture have been satisfied, the Trustee will release the Trust Indenture and will execute such documents to evidence such release as may be required by such counsel, and the Trustee will turn over to the State 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 Indenture 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, (i) in addition to the requirements set forth in the Trust Indenture regarding the redemption of Bonds, the Trustee, within 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 Indenture has been released in accordance with this paragraph, and (ii) (a) the Trustee will nevertheless retain such rights, powers and privileges under the Trust Indenture 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 Indenture 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 Indenture

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

SUMMARY OF THE FIRST SUPPLEMENTAL TRUST INDENTURE

Deposit of Proceeds; Establishment of Funds and Subaccounts

The First Supplemental Trust Indenture establishes the State of North Carolina Limited Obligation (Build NC) Bond 2019A Construction Fund (the “2019A Construction Fund”) and within it the Series 2019A Premium and Earnings Account. A portion of the original principal amount of the Series 2019A Bonds will be deposited into the 2019A Construction Fund, and any net original issue premium on the Series 2019A Bonds, and all earnings on amounts in the 2019A Construction Fund will be deposited to the Series 2019A Premium and Earnings Account.

The First Supplement Trust Indenture establishes the Debt Service Reserve Fund for the benefit of the Owners of the Series 2019A Bonds and an amount equal to the Debt Service Reserve Fund Requirement (\$28,179,050) will be deposited therein from the proceeds of the Series 2019A Bonds.

The First Supplemental Trust Indenture establishes the following subaccounts in the Bond Fund:

- Series 2019A Subaccount of the Interest Account;
- Series 2019A Subaccount of the Principal Account; and
- Series 2019A Subaccount of the Redemption Account.

The fund, account and subaccounts mentioned above will be established with and held by the Trustee pursuant to the Trust Indenture and the First Supplemental Trust Indenture.

Payments by the State

The State will, subject to the limitations of the Trust Indenture, deposit or cause to be deposited with the Trustee the following amounts, and the Trustee will apply such amounts to the various subaccounts specified below in the following order:

(a) into the Series 2019A Subaccount of the Interest Account, beginning on July 25, 2019 and continuing on the 25th day of each month thereafter through October 25, 2019, an amount equal to one-fourth (1/4) of the interest payable on the Series 2019A Bonds on the November 1, 2019 Interest Payment Date and, beginning on November 25, 2019 and continuing on the 25th day of each month thereafter, an amount equal to one-sixth (1/6) of the interest payable on the Series 2019A Bonds on the next ensuing Interest Payment Date;

(b) into the Series 2019A Subaccount of the Principal Account, beginning on July 25, 2019 and continuing on the 25th day of each month thereafter through April 25, 2020, an amount equal to one-tenth (1/10) of the principal of all Series 2019A Bonds due on the next ensuing May 1 and, beginning on May 25, 2020 and continuing on the 25th day of each month thereafter, an amount equal to one-twelfth (1/12) of the principal of all Series 2019A Bonds due on the next ensuing May 1; and

(c) beginning on the 25th day of the month following a month in which money is transferred from the Debt Service Reserve Fund to the Series 2019A Subaccount of the Interest Account or the Series 2019A Subaccount of the Principal Account to cure a deficiency therein pursuant to the provisions of the First Supplemental Trust Indenture described below under the heading “--**Application of Money in the Debt Service Reserve Fund,**” to the credit of the Debt

Service Reserve Fund, one-twelfth (1/12) of the amount or amounts so transferred until the amount then on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement, and beginning on the 25th day of the month following a valuation made in accordance with the Trust Indenture in which the amount on deposit in the Debt Service Reserve Fund is less than ninety percent (90%) of the Debt Service Reserve Fund Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of the Debt Service Reserve Fund, to the credit of the Debt Service Reserve Fund, one-twelfth (1/12) of the amount by which the Debt Service Reserve Fund Requirement exceeds such balance until the amount on deposit to the credit of the Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement.

In addition, the Trustee will deposit to the Series 2019A Subaccount of the Redemption Account all amounts delivered to the Trustee by the State from time to time with instructions that such amounts be so deposited.

Application of Money in the Series 2019A Subaccount of the Interest Account

In addition to the provisions of the Trust Indenture described above under “**SUMMARY OF THE TRUST INDENTURE--Application of Money in Interest Account**,” in the event the balance in the Series 2019A Subaccount of the Interest Account on the 25th day of the month next preceding an Interest Payment Date or date upon which Series 2019A Bonds are to be redeemed is insufficient for the payment of interest becoming due on the Series 2019A Bonds on the next ensuing Interest Payment Date or date upon which Series 2019A Bonds are to be redeemed, the Trustee shall notify the State of the amount of the deficiency and request the State to immediately cure such deficiency. If such deficiency is not cured, the Trustee shall transfer to such account such amount as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund.

Application of Money in the Series 2019A Subaccount of the Principal Account

In addition to the provisions of the Trust Indenture described above under “**SUMMARY OF THE TRUST INDENTURE--Application of Money in Principal Account**,” in the event the balance in the Series 2019A Subaccount of the Principal Account on any April 25 is insufficient for the payment of principal becoming due on the next ensuing May 1, the Trustee shall notify the State of the amount of the deficiency and request the State to immediately cure such deficiency. If such deficiency is not cured, the Trustee shall, not later than the Business Day next preceding such May 1, transfer to such account such amount as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund.

Application of Money in the Series 2019A Subaccount of the Redemption Account

The Trustee will apply money in the Series 2019A Subaccount of the Redemption Account to the purchase or redemption of Series 2019A Bonds as provided in the First Supplemental Trust Indenture.

Application of Money in the Debt Service Reserve Fund

The Debt Service Reserve Fund secures only the Series 2019A Bonds.

The Trustee shall use amounts in the Debt Service Reserve Fund to make transfers to the Series 2019A Subaccount of the Interest Account and the Series 2019A Subaccount of the Principal Account to the extent necessary to pay interest on and principal of (whether at maturity or by acceleration) the Series 2019A Bonds, whenever and to the extent that the money on deposit in the Series 2019A Subaccount of the Interest Account and the Series 2019A Subaccount of the Principal Account is insufficient for such purposes. Additionally, once the amount of principal and interest due on the Series 2019A Bonds is equal

to or less than the amount on deposit in the Debt Service Reserve Fund, the Trustee may use such funds from the Debt Service Reserve Fund to pay interest on or principal of the Series 2019A Bonds.

If on any date of valuation the money held in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, including any excess created in whole or in part by the interest earnings on such Fund, an amount equal to such excess shall be transferred by the Trustee to the Series 2019A Subaccount of the Interest Account or the Series 2019A Subaccount of the Principal Account, as the State shall direct; provided, however, that any excess created by a refunding of a portion of the Series 2019A Bonds may be applied in any manner which, in the opinion of Bond Counsel, will not cause the interest on the Series 2019A Bonds to be includible in the gross income of the recipients thereof under the Code. Any such excess transferred to Series 2019A Subaccount of the Interest Account or the Series 2019A Subaccount of the Principal Account shall be credited against future transfers to such accounts, unless transferred to cure deficiencies therein, and shall be credited by the Trustee against future payments to be made by the State.

Investment and Valuation of Money

Money held for the credit of the Debt Service Reserve Fund and all subaccounts established under the First Supplemental Trust Indenture on deposit with the Trustee shall be continuously invested and reinvested by the Trustee at the written direction of the State and valued by the Trustee all as provided in the Trust Indenture and the First Supplemental Trust Indenture; provided, however, that (i) Investment Obligations deposited in the Debt Service Reserve Fund shall mature not later than five (5) years from the date on which such Investment Obligations were deposited therein and (ii) if upon valuation of the Debt Service Reserve Fund, the balance in such Debt Service Reserve Fund, including accrued interest to the date of valuation, is less than 90% of the Debt Service Reserve Fund Requirement, the Trustee shall compute the amount by which the Debt Service Reserve Fund Requirement exceeds such balance and shall immediately give the State notice of such deficiency and the amount necessary to cure the same.

Minimum Cash Balance Requirement

If the Minimum Cash Balance Requirement is not satisfied at the end of any calendar month, the Department of Transportation shall (i) promptly notify the offices of the Governor of the State (Office of State Budget and Management) and the State Treasurer, (ii) schedule a meeting with such parties no later than 10 Business Days after the last day of such month and (iii) present at such meeting the reasons for the deficiency and a specific plan setting forth steps to be taken designed to achieve the Minimum Cash Balance Requirement in the future. Until the Minimum Cash Balance Requirement is achieved at a subsequent month end, the Department of Transportation shall be prohibited from entering into any new transportation project contract commitments. A failure to meet the Minimum Cash Balance Requirement does not affect the use of moneys in the Highway Trust Fund for payment of the Annual Debt Service Requirements or for repayment of amounts necessary to replenish the Debt Service Reserve Fund pursuant to the provisions of the First Supplemental Trust Indenture described in subparagraph (c) of the heading “--Payments by the State” above.

Supplemental Trust Indentures Without Consent of Owners

The State and the Trustee may, from time to time and at any time, execute and deliver such trust indentures supplemental to the First Supplemental Trust Indenture, without the consent of or notice to any Owner (which supplemental trust indentures will thereafter form a part hereof), to effect any one or more of the following:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the First Supplemental Trust Indenture that may be inconsistent with any other provision in the First Supplemental Trust Indenture;

(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 which are not contrary to or inconsistent with the First Supplemental Trust Indenture as then in effect;

(c) to add to the covenants and agreements of the State in the First Supplemental Trust Indenture other covenants and agreements thereafter to be observed by the State or to surrender any right or power reserved to or conferred upon the State in the First Supplemental Trust Indenture;

(d) to make any other change that is determined by the Trustee, who may rely upon a written opinion of legal counsel, to be not materially adverse to the interests of the Owners;

(e) to permit the qualification of the First Supplemental Trust Indenture under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the State so determines, to add to the First Supplemental Trust Indenture or any supplemental trust indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law; or

(f) to provide for the issuance of Series 2019A Bonds in bearer form.

Modification of the First Supplemental Trust Indenture With Consent of Owners

Subject to the terms and provisions contained in the First Supplemental Trust Indenture as described under this heading, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2019A Bonds then Outstanding that will be affected, as defined in the First Supplemental Trust Indenture, by a proposed supplemental trust indenture will have the right, from time to time, anything contained in the First Supplemental Trust Indenture to the contrary notwithstanding, to consent to and approve the execution and delivery by the State and the Trustee of such supplemental trust indenture as will be deemed necessary or desirable by the State for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the First Supplemental Trust Indenture or in any supplemental trust indenture; provided, however, that nothing in the First Supplemental Trust Indenture contained will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Series 2019A Bond without the consent of the Owner of such Series 2019A Bond, (b) a reduction in the principal amount of any Series 2019A Bond or the redemption premium or the rate of interest thereon without the consent of the Owner of such Series 2019A Bond, (c) a preference or priority of any Series 2019A Bond over any other Series 2019A Bond without the consent of all Owners of the Series 2019A Bonds then Outstanding, or (d) a reduction in the aggregate principal amount of Series 2019A Bonds required for consent to such supplemental trust indenture without the consent of all Owners of the Series 2019A Bonds then Outstanding. Nothing in the First Supplemental Trust Indenture contained, however, will be construed as making necessary the approval by the Owners of the execution and delivery of any supplemental trust indenture as described above under the subheading “--**Supplemental Trust Indentures Without Consent of Owners.**”

APPENDIX B
FORM OF OPINION OF BOND COUNSEL

June 27, 2019

Honorable Dale R. Folwell, CPA
State Treasurer
Raleigh, North Carolina

\$300,000,000
State of North Carolina
Limited Obligation (Build NC) Bonds
Series 2019A

Ladies and Gentlemen:

We have acted as bond counsel to the State of North Carolina (the “State”) in connection with the issuance by the State of the referenced bonds (the “Bonds”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to Article 9 of Chapter 142, as previously amended and as amended by North Carolina Session Law 2018-16, of the General Statutes of North Carolina (collectively, the “Act”), a Trust Indenture dated as of June 1, 2019 (the “Trust Indenture”) between the State and U.S. Bank National Association, as Trustee (the “Trustee”), and a First Supplemental Trust Indenture dated as of June 1, 2019 (the “First Supplemental Trust Indenture”) between the State and the Trustee.

Based on the foregoing, we are of the opinion that, under existing law:

1. The State has the power to enter into and perform its obligations under the Trust Indenture and the First Supplemental Trust Indenture and to issue the Bonds.
2. Each of the Trust Indenture and First Supplemental Trust Indenture has been duly authorized, executed and delivered by the State and is a valid and binding obligation of the State enforceable against the State. The Trust Indenture creates a valid lien on certain funds pledged by the Trust Indenture as security for the Bonds.
3. The Bonds are valid and binding limited obligations of the State. The taxing power of the State is not and may not be pledged directly or indirectly to secure any monies due with respect to the Bonds. The payment of amounts payable by the State with respect to the Bonds during any fiscal period is limited to funds appropriated for that purpose by the General Assembly of the State in its discretion. The Act provides that funds from the Highway Trust Fund (as defined in the Trust Indenture) shall be the source of repayment of the Bonds, subject to appropriation by the General Assembly of the State.
4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure to comply with certain

of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. Interest on the Bonds is exempt from State of North Carolina income taxes.

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, by equitable principles (whether considered at law or in equity), and by the exercise of judicial discretion.

We express no opinion herein (a) regarding the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or (b) except as stated above, regarding federal, state or local tax consequences arising with respect to the Bonds.

The opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

[to be signed "Robinson, Bradshaw & Hinson, P.A."]

APPENDIX C
BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Series 2019A Bonds will be available only in a book-entry system. The actual purchasers of the Series 2019A Bonds (the “*Beneficial Owners*”) will not receive physical bonds representing their interests in the Series 2019A Bonds purchased. So long as The Depository Trust Company (“*DTC*”), New York, New York, or its nominee is the registered owner of the Series 2019A Bonds, references in this Official Statement to the Owners of the Series 2019A Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2019A BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE SERIES 2019A BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2019A BONDS, AND OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company

a subsidiary of The Depository Trust & Clearing Corporation

DTC will act as securities depository for the Series 2019A Bonds. The Series 2019A Bonds will be issued as fully-registered securities 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 certificate for each maturity will be issued for the Series 2019A Bonds, in the aggregate principal amount of the issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, 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 over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Series 2019A Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019A Bonds on DTC’s records. The ownership interest of each actual purchaser of the Series 2019A Bonds (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their

purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Series 2019A Bonds, except in the event that use of the book-entry system for the Series 2019A 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2019A Bonds may wish to ascertain that the nominee holding the Series 2019A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 Series 2019A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019A 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 State, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the State's responsibility, 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 Direct and Indirect Participants.

THE STATE CANNOT AND DOES NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the Series 2019A Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, physical bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

THE STATE HAS NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE SERIES 2019A BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS ON ANY PARTIAL REDEMPTION OF THE SERIES 2019A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2019A BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.



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.