

THIS INSTRUMENT HAS BEEN PRE-AUDITED
IN THE MANNER REQUIRED BY
THE LOCAL GOVERNMENT BUDGET AND
FISCAL CONTROL ACT.

David Boyd
Finance Director
City of Durham, North Carolina

ESCROW AGREEMENT

ESCROW AGREEMENT dated as of July 1, 2012 between the **CITY OF DURHAM, NORTH CAROLINA** (the “City”) and [], as escrow agent (the “*Escrow Agent*”), [a state banking corporation existing under the laws of the State of North Carolina], which is authorized under such laws to exercise corporate trust powers.

WITNESSETH:

WHEREAS, the City of Durham, North Carolina has issued (1) \$10,000,000 aggregate principal amount of its General Obligation Bonds, Series 2005A (the “*2005A Bonds*”) and (2) \$9,400,000 aggregate principal amount of its General Obligation Bonds, Series 2005C (the “*2005C Bonds*”);

WHEREAS, the City wishes to refund in advance of their maturities (1) \$7,500,000 aggregate principal amount of the City of Durham, North Carolina General Obligation Bonds, Series 2005A maturing on and after June 1, 2016 (the “*Refunded 2005A Bonds*”) and (2) \$6,500,000 aggregate principal amount of the City of Durham, North Carolina General Obligation Bonds, Series 2005C maturing on and after June 1, 2016 (the “*Refunded 2005C Bonds*”), and together with the Refunded 2005A Bonds, (the *Refunded Bonds*”);

WHEREAS, the City has determined to issue its General Obligation Bonds, Series 2012D (the “*2012D Bonds*”) under (1) a Bond Order adopted by the City Council of the City (the “*City Council*”) on April 16, 2012 and effective on its adoption, and (2) a Bond Resolution adopted by the City Council on April 16, 2012 (the “*Bond Resolution*”), for the purpose of paying the cost of refunding the Refunded Bonds in advance of their stated maturities; and

WHEREAS, the Bond Resolution authorizes a portion of the proceeds of the 2012D Bonds to be deposited in the Escrow Fund established under this Agreement; and

WHEREAS, this Agreement sets forth the understandings and agreements of the City and the Escrow Agent with respect to the Refunded Bonds and the Escrow Fund;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, and intending to be legally bound, the City and the Escrow Agent covenant and agree:

ARTICLE I
DEFINITIONS

As used in this Agreement, unless clearly implied, the following terms shall have the following meanings:

“*Agreement*” means this Escrow Agreement dated as of July 1, 2012 between the City and the Escrow Agent.

“*Bond Resolution*” means the Bond Resolution adopted by the City Council of the City on April 16, 2012.

“*City*” means the City of Durham, North Carolina, or any successor to its functions.

“*Escrow Agent*” means [], and its successors and assigns.

“*Escrow Fund*” means the Escrow Fund created in Section 2.01 which is to be applied to the payment of the Refunded Bonds as provided herein.

“*Federal Securities*” means (a) direct obligations of the United States of America for the timely payment of which the full faith and credit of the United States of America is pledged; (b) obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of America, the timely payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of the Trustee in book-entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of a trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the holder; (c) any bonds or other obligations of the State of North Carolina or of any agency, instrumentality or local governmental unit of the State of North Carolina which are (i) not callable prior to maturity or (ii) as to which irrevocable instructions have been given to the trustee or escrow agent with respect to such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody’s, if the Bonds are rated by Moody’s, S&P, if the Bonds are rated by S&P and Fitch Ratings, if the Bonds are rated by Fitch Ratings, within the highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; or (d) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

“*Fitch Ratings*” means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “Fitch Ratings” will refer to any other nationally recognized securities rating agency other than Moody’s and S&P designated by the City.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized rating agency other than S&P and Fitch Ratings designated by the City.

“*2005A Bonds*” means the \$10,000,000 City of Durham, North Carolina General Obligation Bonds, Series 2005A.

“*2005C Bonds*” means the \$9,400,000 City of Durham, North Carolina General Obligation Bonds, Series 2005C.

“*Refunded Bonds*” means, collectively, the Refunded 2005A Bonds and the Refunded 2005C Bonds.

“*Refunded 2005A Bonds*” means \$6,500,000 aggregate principal amount of the City of Durham, North Carolina General Obligation Bonds, Series 2005A maturing on and after June 1, 2016.

“*Refunded 2005C Bonds*” means \$5,950,000 aggregate principal amount of the City of Durham, General Obligation North Carolina Public Improvement Bonds, Series 2005C maturing on and after June 1, 2016.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and their assigns and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized rating agency other than Moody’s and Fitch Ratings designated by the City.

“*State*” means the State of North Carolina.

“*2012D Bonds*” means the General Obligation Refunding Bonds, Series 2012D issued by the City in the aggregate principal amount of \$[Amount]

ARTICLE II

CREATION OF ESCROW FUND

Section 2.01. ***Escrow Fund.*** There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the Escrow Fund to be held in the custody of the Escrow Agent separate and apart from other funds and accounts of the City or the Escrow Agent. Within the Escrow Fund, there are hereby created two accounts – the Series 2005A Account and the Series 2005C Account.

Section 2.02. ***Initial Deposit.*** Concurrently with the issuance of the 2012D Bonds, the Escrow Agent will receive \$[] from the proceeds of the sale of the 2012D Bonds [and \$[] from the City]. Concurrently with the receipt of such funds, the Escrow Agent shall deposit \$[] in the Series 2005A Account of the Escrow Fund and \$[] in the Series 2005C Account of the Escrow Fund and simultaneously apply such deposit to the purchase of the Federal Securities described in Schedule II hereto (“*Schedule II*”), except for the amount to be held uninvested as set forth on Schedule II.

In reliance on the mathematical verifications performed by Grant Thornton LLP, the City hereby finds and determines that the investments described in Schedule II are advantageous in yield and maturity

date to provide sufficient moneys to pay interest in such amounts so that sufficient moneys will be available to pay (a) (i) the interest on the Refunded 2005A Bonds when due through June 1, 2015 and (ii) the principal of and redemption premium on the Refunded 2005A Bonds on June 1, 2015, at which time the outstanding principal of and premium and interest on such Refunded 2005A Bonds will be paid in full and (b) (i) the interest on the Refunded 2005C Bonds when due through June 1, 2015 and (ii) the principal of the Refunded 2005C Bonds on June 1, 2015, at which time the outstanding principal of and interest on such Refunded 2005C Bonds will be paid in full.

Section 2.03. ***Irrevocable Deposit; Control.*** The deposit in the Escrow Fund of the proceeds of the 2012D Bonds shall constitute an irrevocable deposit of such monies exclusively for the benefit of the Refunded Bonds, and such monies and Federal Securities, together with any income or interest earned thereon, shall be held in trust and shall be applied solely to the payment of the principal of and premium and interest on the Refunded Bonds as the same mature and become due on redemption, as applicable, as set forth in Schedule I hereto (“*Schedule I*”), except as otherwise set forth in this Agreement. Subject to the requirements set forth herein for the use of the Escrow Fund and the moneys and investments therein, including, without limitation, Sections 2.04 and 3.02, the City covenants and agrees that the Escrow Agent shall have full and complete control and authority over and with respect to the Escrow Fund and moneys and investments therein and that the City shall not exercise any control or authority over and with respect to the Escrow Fund and the moneys and investments therein.

Section 2.04. ***Reinvestment; SLGS.***

(a) The Escrow Agent is hereby authorized and directed to reinvest proceeds of the Federal Securities which are attributable to amounts received as principal of or interest on the Federal Securities and not immediately needed to pay principal of, premium and interest on the Refunded Bonds in Federal Securities with a yield not in excess of zero percent unless the Escrow Agent is directed in writing by the City to invest such amounts in other Federal Securities after the City obtains an opinion of nationally recognized bond counsel to the effect that such investment would not cause any of the Refunded Bonds and the Refunding Bonds to be arbitrage bonds under Section 103(c) of the Code and the applicable regulations thereunder. Such amounts are to be continuously invested in Federal Securities maturing on or before the date such funds are needed to pay the principal of, premium or interest on the Refunded Bonds.

(b) The Escrow Agent shall purchase United States Treasury Obligations - State and Local Government Series (“*SLGS*”), and, by at least 7 days (or such different time as may hereafter be established by regulations of the United States Bureau of Public Debt) prior to such purchase, shall execute and file with a Federal Reserve Bank or Branch a subscription for the purchase and issuance of such SLGS with such terms as may be required to effect such purchase on such date.

(c) The Escrow Agent shall transfer any investment earnings resulting from the reinvestment of proceeds of the Federal Securities as described herein and any excess above the amount required to pay the principal of, premium and interest on the Refunded Bonds to the City to be used for any lawful purposes.

ARTICLE III

DUTIES OF THE ESCROW AGENT; FEES AND COSTS

Section 3.01. ***Payments on Refunded Bonds.*** The Escrow Agent, without further authorization and direction from the City, shall pay to the owners of the Refunded Bonds, from moneys available in the

Escrow Fund, on the date on which each payment of principal, premium, if any, and interest falls due, moneys sufficient to pay the principal, premium and interest falling due on the Refunded Bonds as set forth in Schedule I hereto. Such payments shall be made from the principal of and interest on moneys in the Escrow Fund securing the Refunded Bonds and shall be made to the persons entitled thereto.

Section 3.02. **Investment of Escrow Fund.** The Escrow Agent shall purchase or cause to be purchased those Federal Securities listed in Schedule II solely from the moneys deposited by the City in the Escrow Fund. The Escrow Agent shall apply the moneys deposited in such account and the Federal Securities, together with any income or interest earned thereon, in accordance with this Agreement. The Escrow Agent has no power or duty to invest any moneys held hereunder or to make substitutions of the Federal Securities held hereunder or to sell, transfer or otherwise dispose of the Federal Securities acquired hereunder except as provided herein. The Escrow Agent may, at the request of the City, sell or redeem all or a portion of the Federal Securities held for the credit of the Escrow Fund and reinvest the required proceeds of such sale or redemption, in Federal Securities designated in such request of the City, but only on receipt by the Escrow Agent of (1) an opinion of counsel acceptable to the City and the Escrow Agent, which must be nationally recognized bond counsel, stating that the Refunded Bonds are deemed defeased and that the compliance with such request of the City will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on such bonds and (2) a certificate of an independent certified public accountant stating that after giving effect to such request the Federal Securities held for the credit of such account are of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, be sufficient together with all cash and other immediately available invested funds held for the credit of such account to pay the principal, redemption premium, and interest with respect to the Refunded Bonds when due and as described in this Agreement.

The liability of the Escrow Agent for the payment of the principal of and interest on the Refunded Bonds pursuant to this Section is limited to the cash available for such purposes in the Escrow Fund. The City shall not direct the Escrow Agent to exercise any of its powers to cause any part of the moneys or funds at any time in the Escrow Fund to be used directly or indirectly to acquire any obligations which would cause any Refunded Bond to be an “*arbitrage bond*” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Section 3.03. **Escrow Agent’s Fees.** The Escrow Agent’s fees and costs for and in carrying out the provisions of this Agreement have been fixed, which fees and costs are to be paid by the City as they are due from funds of the City or from funds other than the principal amount of the deposit in the Escrow Fund on the date hereof. The City will bear all costs of publication and mailing of notices required by this Agreement and the resolutions authorizing the issuance of the Refunded Bonds. The City agrees to indemnify the Escrow Agent, to the extent permitted by law, against any liability which it may incur while acting in good faith in its capacity as Escrow Agent except for its own negligence, misconduct or default, such indemnification including, but not limited to, any court costs and reasonable attorneys’ fees. Any costs, fees or other expenses of the Escrow Agent under this Agreement may not, however, be paid from the principal amount of the deposit in the Escrow Fund on the date hereof. The Escrow Agent is not liable for any loss resulting from any investment made at the direction of the City pursuant to the terms and provisions of this Agreement.

Section 3.04. **Notices to Bondowners.** The Escrow Agent shall give notice to the owners from time to time of the Refunded Bonds in accordance with the instructions received from the City from time to time in connection with this Agreement. The Escrow Agent shall promptly give notice of defeasance, substantially in the forms attached to this Agreement as Exhibit A, by electronic transmission, to the owners of the Refunded Bonds and to the Municipal Securities Rulemaking Board. The Escrow Agent shall give notice of redemption, substantially in the forms attached to this Agreement as Exhibit B, by

electronic transmission, to the owners of the Refunded Bonds and to the Municipal Securities Rulemaking Board and by first-class mail, postage prepaid, to the North Carolina Local Government Commission.

ARTICLE IV

GENERAL PROVISIONS

Section 4.01. **Escrow Fund Irrevocable.** The Escrow Fund hereby created is irrevocable and the owners of the Refunded Bonds are hereby granted an express lien on the Escrow Fund until applied in accordance with this Agreement.

The Escrow Agent shall hold the Escrow Fund as a separate trust fund wholly segregated from all other funds and accounts held in any capacity and shall make disbursements from such accounts only in accordance with the provisions of this Agreement. The principal of and interest on the Federal Securities shall not be reinvested except as provided in Section 3.02, and the Escrow Agent shall not sell or dispose of such securities except as provided in Section 3.02.

Under no circumstances shall the Escrow Agent have a lien on the Escrow Fund for its charges, fees and expenses and under no circumstances shall the Escrow Agent make any claim against the Escrow Fund for such charges, fees and expenses.

Section 4.02. **Report.** The Escrow Agent shall deliver to the City, on or before the 15th day of each month a report of each transaction relating to the Escrow Fund in the preceding month.

Section 4.03. **Bondowner Rights.** The Escrow Agent and the City agree that the owners of the Refunded Bonds have a beneficial and vested interest in the Escrow Fund as herein provided. It is therefore recited, understood and agreed that, until the provisions hereof have been fully carried out, this Agreement is not subject to revocation and may be amended without the prior written consent of all of the owners of the Refunded Bonds only to cure errors or correct ambiguities in it.

Section 4.04. **Deficiency.** If there is any deficiency in the Escrow Fund, the City will remedy such deficiency by paying to the Escrow Agent the amount of such deficiency. The Escrow Agent is not liable for any such deficiency, except as may be caused by its negligence or misconduct.

Section 4.05. **Termination.** This Agreement terminates when all payments of the principal of and premium and interest on the Refunded Bonds required to be made to the owners of the Refunded Bonds under the provisions of the Series Resolution have been made; provided, however, that the indemnification provisions of Section 3.03 will survive any such termination.

Section 4.06. **Severability.** If any one or more of the covenants or agreements provided in this Agreement on the part of the parties hereto to be performed should be determined by a court of competent jurisdiction to be contrary to law, (a) such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement, and (b) the City shall provide notice thereof to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, Attn: Public Finance Rating Desk/Refunded Bonds, to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, at 55 Water Street, New York, New York 10041 and to Fitch Ratings at Fitch Ratings Inc. at One State Street Plaza, New York, New York 10004, Attn: Public Finance or at such other address as such rating agencies shall so notify the City.

Section 4.07. **Law.** This Agreement is governed exclusively by the laws of the State. It inures to and is binding on the parties hereto and their respective successors and assigns. This Agreement is deemed made in Durham County, North Carolina. The exclusive forum and venue for all actions arising out of this Agreement is the North Carolina General Court of Justice, in Durham County. Such actions shall neither be commenced nor removed to federal court. This Section shall not apply to subsequent actions to enforce a judgment entered in actions heard pursuant to this Section.

Section 4.08. **Counterparts.** This Agreement may be executed in several counterparts, all or any of which are for all purposes one original and constitute one and the same instrument.

Section 4.09. **Notices.** Any notice or other communication to be given under this Agreement shall be in writing and may be given by certified mail (postage prepaid, return receipt requested), telegraph or personal delivery, if to the City, to the City of Durham, North Carolina, 101 City Hall Plaza, Durham, NC 27701, Attention: Finance Director, and if to the Escrow Agent, to [escrow agent], [address to come].

Section 4.10. **Covenants of City or Commission not Covenants of Officials Individually.** No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, director, agent, officer or employee of the City or the Local Government Commission of North Carolina in his or her individual capacity, and neither the members of the City Council of the City, the members of the Local Government Commission of North Carolina nor any other member, director, agent, officer or employee of the City or the Local Government Commission of North Carolina is subject to any personal liability under this Agreement.

Section 4.11. **References to Fees and Expenses.** Wherever this Agreement contains a reference to fees or expenses, such reference is deemed to include the word "*reasonable*" as an antecedent thereto.

IN WITNESS WHEREOF, the Escrow Agent and the City have caused this Agreement to be executed and attested by their duly authorized officers, as of the 1st day of July, 2012.

[], as Escrow Agent

By: _____

[Signatures Continued on Following Page]

[COUNTERPART SIGNATURE PAGE TO THE ESCROW AGREEMENT]

CITY OF DURHAM, NORTH CAROLINA

By: _____
Thomas J. Bonfield, City Manager

SCHEDULE I

**PAYMENT SCHEDULE FOR
REFUNDED 2005A BONDS**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
12/01/12		
06/01/13		
12/01/13		
06/01/14		
12/01/14		
06/01/15	\$[]	\$[]

The Refunded 2005A Bonds are to be called on June 1, 2015 at the principal amount thereof.

**PAYMENT SCHEDULE FOR
REFUNDED 2005C BONDS**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
12/01/12		
06/01/13		
12/01/13		
06/01/14		
12/01/14		
06/01/15	\$[]	\$[]

The Refunded 2005C Bonds are to be called on June 1, 2015 at the principal amount thereof.

SCHEDULE II

FEDERAL SECURITIES – 2005A BONDS ACCOUNT OF THE ESCROW FUND

<u>TYPE OF SECURITY</u>	<u>MATURITY DATE</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>
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* There will be an initial cash deposit equal to \$[].

FEDERAL SECURITIES – 2005C BONDS ACCOUNT OF THE ESCROW FUND

<u>TYPE OF SECURITY</u>	<u>MATURITY DATE</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>
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* There will be an initial cash deposit equal to \$[].

**EXHIBIT A
NOTICE OF DEFEASANCE**

**\$10,000,000
City of Durham, North Carolina
General Obligation Bonds, Series 2005A**

*CUSIP	MATURITY	RATE	PRICE	AMOUNT
2667775S6	2016	4.00%	100%	\$500,000
2667775T4	2017	4.00	100	500,000
2667775U1	2018	4.00	100	500,000
2667775V9	2019	4.00	100	700,000
2667775W7	2020	4.00	100	700,000
2667775X5	2021	4.00	100	700,000
2667775Y3	2022	4.00	100	700,000
2667775Z0	2023	4.125	100	700,000
2667776A4	2024	4.125	100	700,000
2667776B2	2025	4.25	100	700,000
2667776C0	2026	4.25	100	100,000

NOTICE IS HEREBY GIVEN by the City of Durham, North Carolina (the “City”), that, pursuant to the Bond Resolution adopted by the City Council of the City on April 16, 2012 (the “*Bond Resolution*”), there has been deposited with the undersigned United States Treasury Obligations, the principal of and the interest on which when due, and without reinvestment thereof, are sufficient to pay (1) the interest accrued on the City’s General Obligation Bonds, Series 2005A, maturing on and after June 1, 2016 (the “*Refunded 2005A Bonds*”) until June 1, 2015 (the “*Redemption Date*”) and (2) 100% of the principal amount of the Refunded 2005A Bonds on the Redemption Date. Such deposit has been made to an Escrow Fund (the “*Escrow Fund*”) in accordance with the provisions of an Escrow Agreement dated as of July 1, 2012 between the City and the undersigned (the “*Escrow Agreement*”). [], as escrow agent, has received irrevocable written instructions from the City to cause the redemption of the Refunded 2005A Bonds on the Redemption Date. Consequently, on the Redemption Date, the Refunded 2005A Bonds will cease to bear interest.

CITY OF DURHAM, NORTH CAROLINA

By: [],
as escrow agent

Date: [As soon as practicable after the issuance of the 2012D Bonds]
To: EMMA, by posting electronically, in PDF format, to www.MSRB.org/msrb1/control/default.asp.

NOTICE OF DEFEASANCE

\$9,400,000
City of Durham, North Carolina
General Obligation Bonds, Series 2005C

*CUSIP	MATURITY	RATE	PRICE	AMOUNT
2667776Y2	2016	4.00%	100%	\$550,000
2667776Z9	2017	4.00	100	550,000
2667777A3	2018	4.00	100	550,000
2667777B1	2019	4.00	100	550,000
2667777C9	202	4.00	100	550,000
2667777D7	2021	4.00	100	550,000
2667777E5	2022	4.00	100	550,000
2667777F2	2023	4.125	100	550,000
2667777G0	2024	4.125	100	550,000
2667777H8	2025	4.25	100	550,000
2667777J4	2026	4.25	100	450,000

NOTICE IS HEREBY GIVEN by the City of Durham, North Carolina (the “City”), that, pursuant to the Bond Resolution adopted by the City Council of the City on April 16, 2012 (the “*Bond Resolution*”), there has been deposited with the undersigned United States Treasury Obligations, the principal of and the interest on which when due, and without reinvestment thereof, are sufficient to pay (1) the interest accrued on the City’s General Obligation Bonds, Series 2005C, maturing on and after June 1, 2016 (the “*Refunded 2005C Bonds*”) until June 1, 2015 (the “*Redemption Date*”) and (2) 100% of the principal amount of the Refunded 2005C Bonds on the Redemption Date. Such deposit has been made to an Escrow Fund (the “*Escrow Fund*”) in accordance with the provisions of an Escrow Agreement dated as of July 1, 2012 between the City and the undersigned (the “*Escrow Agreement*”). [], as escrow agent, has received irrevocable written instructions from the City to cause the redemption of the Refunded 2005C Bonds on the Redemption Date. Consequently, on the Redemption Date, the Refunded 2005C Bonds will cease to bear interest.

CITY OF DURHAM, NORTH CAROLINA

By: [],
as escrow agent

Date: [As soon as practicable after the issuance of the 2012D Bonds]
To: EMMA, by posting electronically, in PDF format, to www.MSRB.org/msrb1/control/default.asp.

EXHIBIT B

NOTICE OF REDEMPTION TO THE HOLDERS OF

\$10,000,000

***City of Durham, North Carolina
General Obligation Bonds, Series 2005A***

NOTICE IS HEREBY GIVEN by the City of Durham, North Carolina (the “City”), that, pursuant to the Bond Resolution adopted by the City Council of the City on April 16, 2012 (the “*Bond Resolution*”), there has been deposited with the undersigned United States Treasury Obligations, the principal of and the interest on which when due, and without reinvestment thereof, are sufficient to pay (1) the interest accrued on the City’s General Obligation Bonds, Series 2005A, maturing on and after June 1, 2016 (the “*Refunded 2005A Bonds*”) until June 1, 2015 (the “*Redemption Date*”) and (2) 100% of the principal amount of the Refunded 2005A Bonds on the Redemption Date. Such deposit has been made to an Escrow Fund (the “*Escrow Fund*”) in accordance with the provisions of an Escrow Agreement dated as of July 1, 2012 between the City and the undersigned (the “*Escrow Agreement*”). [], as escrow agent, has received irrevocable written instructions from the City to redeem the Refunded 2005A Bonds on the Redemption Date. Consequently, on the Redemption Date, the Refunded 2005A Bonds will cease to bear interest. The Refunded 2005A Bonds are deemed to have been paid. The Refunded 2005A Bonds are as follows:

*CUSIP	MATURITY	RATE	PRICE	AMOUNT
2667775S6	2016	4.00%	100%	\$500,000
2667775T4	2017	4.00	100	500,000
2667775U1	2018	4.00	100	500,000
2667775V9	2019	4.00	100	700,000
2667775W7	2020	4.00	100	700,000
2667775X5	2021	4.00	100	700,000
2667775Y3	2022	4.00	100	700,000
2667775Z0	2023	4.125	100	700,000
2667776A4	2024	4.125	100	700,000
2667776B2	2025	4.25	100	700,000
2667776C0	2026	4.25	100	100,000

Payment of the Redemption Price for the Refunded 2005A Bonds will be made on presentation and surrender of the Refunded 2005A Bonds at [] (the “*Escrow Agent*”), by hand or by mail: [], [].

When presenting the Refunded 2005A Bonds for payment, holders should provide their tax identification number (*via* W-9) to avoid withholding of 28% of the principal paid as required by Federal tax law. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty. Accordingly, please provide all appropriate certifications when presenting the Refunded 2005A Bonds for payment.

CITY OF DURHAM, NORTH CAROLINA

By: [],
as escrow agent

Date: [between April 1 and May 1, 2015]

To: DTC by electronic mail to redemptionnotification@dtcc.com.

LGC by U.S. Mail; and

EMMA, by posting electronically, in PDF format, to www.MSRB.org/msrb1/control/default.asp.

NOTICE OF REDEMPTION TO THE HOLDERS OF

\$9,400,000

**City of Durham, North Carolina
General Obligation Bonds, Series 2005C**

NOTICE IS HEREBY GIVEN by the City of Durham, North Carolina (the “City”), that, pursuant to the Bond Resolution adopted by the Board of Commissioners of the City on April 16, 2012 (the “*Bond Resolution*”), there has been deposited with the undersigned United States Treasury Obligations, the principal of and the interest on which when due, and without reinvestment thereof, are sufficient to pay (1) the interest accrued on the City’s General Obligation Bonds, Series 2005C, maturing on and after June 1, 2016 (the “*Refunded 2005C Bonds*”) until June 1, 2015 (the “*Redemption Date*”) and (2) 100% of the principal amount of the Refunded 2005C Bonds on the Redemption Date. Such deposit has been made to an Escrow Fund (the “*Escrow Fund*”) in accordance with the provisions of an Escrow Agreement dated as of July 1, 2012 between the City and the undersigned (the “*Escrow Agreement*”). [], as escrow agent, has received irrevocable written instructions from the City to redeem the Refunded 2005C Bonds on the Redemption Date. Consequently, on the Redemption Date, the Refunded 2005C Bonds will cease to bear interest. The Refunded 2005C Bonds are deemed to have been paid. The Refunded 2005C Bonds are as follows:

*CUSIP	MATURITY	RATE	PRICE	AMOUNT
2667776Y2	2016	4.00%	100%	\$550,000
2667776Z9	2017	4.00	100	550,000
2667777A3	2018	4.00	100	550,000
2667777B1	2019	4.00	100	550,000
2667777C9	202	4.00	100	550,000
2667777D7	2021	4.00	100	550,000
2667777E5	2022	4.00	100	550,000
2667777F2	2023	4.125	100	550,000
2667777G0	2024	4.125	100	550,000
2667777H8	2025	4.25	100	550,000
2667777J4	2026	4.25	100	450,000

Payment of the Redemption Price for the Refunded 2005C Bonds will be made on presentation and surrender of the Refunded 2005C Bonds at [] (the “*Escrow Agent*”), by hand or by mail: [], [].

When presenting the Refunded 2005C Bonds for payment, holders should provide their tax identification number (*via* W-9) to avoid withholding of 28% of the principal paid as required by Federal tax law. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty. Accordingly, please provide all appropriate certifications when presenting the Refunded 2005C Bonds for payment.

CITY OF DURHAM, NORTH CAROLINA

By: [],
as escrow agent

Date: [between April 1 and May 1, 2015]

To: DTC by electronic mail to redemptionnotification@dtcc.com.

LGC by U.S. Mail; and

EMMA, by posting electronically, in PDF format, to www.MSRB.org/msrb1/control/default.asp.