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Ratings:
Moody's:
S&P:
Fitch:
(See "Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2012

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the City of Durham, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

\$77,270,000*

**City of Durham, North Carolina
General Obligation Bonds**

consisting of
\$14,845,000 General Obligation Bonds, Series 2012A
\$5,000,000 Taxable General Obligation Bonds, Series 2012B
\$43,425,000 General Obligation Bonds, series 2012C
and
\$14,000,000 General Obligation Refunding Bonds, Series 2012D*

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Treatment

In the opinion of each of Co-Bond Counsel, under existing law (1) and assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the 2012A, 2012C and 2012D Bonds 9a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the 2012B Bonds will be taxable as ordinary income for federal income tax purposes and (3) the interest on the Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein

Redemption

The Series 2012A, Series 2012C and Series 2012D Bonds are subject to optional redemption at the times and price as set forth herein. The Series 2012 B Bonds are not subject to redemption prior to maturity.

Security

The Bonds constitute general obligations of the City, secured by a pledge of the faith and credit and taxing power of the City.

Interest Payment Dates

January 1 and July 1, commencing January 1, 2013.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

Series 2012A:
Series 2012B, C and D:

Co-Bond Counsel

Parker Poe Adams & Bernstein LLP and The Banks Law Firm, P.A.

Financial Advisor

Stephens Inc.

Sale Date

June 19, 2012

Sale of Bonds

Pursuant to sealed and electronic bids in accordance with the respective Notices of Sale.

The date of this Official Statement is June __, 2012

**Preliminary, subject to change.*

MATURITY SCHEDULES

\$14,845,000 General Obligation Bonds, Series 2012A

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.
2013	\$				2023	\$			
2014					2024				
2015					2025				
2016					2026				
2017					2027				
2018					2028				
2019					2029				
2020					2030				
2021					2031				
2022									

\$5,000,000 Taxable General Obligation Bonds, Series 2012B

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.
2013	\$				2015	\$			
2014									

\$43,425,000 General Obligation Bonds, Series 2012C

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.
2013	\$				2023	\$			
2014					2024				
2015					2025				
2016					2026				
2017					2027				
2018					2028				
2019					2029				
2020					2030				
2021					2031				
2022									

\$14,000,000 General Obligation Refunding Bonds, Series 2012D

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	CUSIP No.
2013	\$				2020	\$			
2014					2021				
2015					2022				
2016					2023				
2017					2024				
2018					2025				
2019					2026				

^{*}Preliminary, subject to change.

¹Information obtained from the underwriters of the Bonds.

CITY OF DURHAM, NORTH CAROLINA



CITY COUNCIL

William V. Bell..... Mayor

Cora Cole-McFadden Mayor Pro-Tempore

Mike Woodard

Diane N. Catotti

Eugene A. Brown

Howard Clement, III

Steve Schewel



CITY STAFF

Thomas Bonfield..... City Manager

David Boyd..... Director of Finance

Patrick W. Baker City Attorney



FINANCIAL ADVISOR

Stephens Inc.



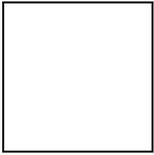
CO-BOND COUNSEL

Parker Poe Adams & Bernstein LLP
Raleigh, North Carolina

The Banks Law Firm, P.A.
Research Triangle Park, North Carolina

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State of North Carolina

Department of State Treasurer

JANET COWELL
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

T.VANCE HOLLOMAN
DEPUTY TREASURER

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the public invitation for bids for the purchase of \$77,270,000* General Obligation Bonds (the “Bonds”), of the City of Durham, North Carolina (the “consisting of \$14,845,000 General Obligation Bonds, Series 2012A (the “Series 2012A Bonds”), \$5,000,000 Taxable General Obligation Bonds, Series 2012B (the “Series 2012B Bonds”), \$14,000,000* General Refunding Bonds, Series 2012D (the “Series 2012D Bonds”), and \$43,425,000 General Obligation Bonds, Series 2012C (the “Series 2012C Bonds”)

The information furnished herein includes a brief description of the City and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The City has assisted the Local Government Commission of North Carolina (the “Commission”) in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 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 Bonds implies that the information herein is correct as of any date subsequent to the date hereof. 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 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 to be made available to the successful bidder or bidders for the Bonds by the Commission. In accordance with the requirements of such Rule, the City has agreed in a resolution adopted by the City Council of the City prior to the sale of the Bonds to certain continuing disclosure obligations. See the caption “Continuing Disclosure” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the “State”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

*Preliminary, subject to change.

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their date. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2013. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in denominations of \$5,000 and any integral multiple thereof and in accordance with the practices and procedures of DTC. See Appendix G hereto for a description of the book-entry system and DTC.

Redemption Provisions

The Bonds maturing on or before _____ 1, _____ are not subject to redemption prior to maturity. The Bonds maturing on or after _____ 1, _____ are subject to redemption prior to maturity at the option of the City, from any moneys that may be made available for purpose, either in whole or in part on any date on or after _____ 1, _____, at the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without redemption premium.

If less than all of the Bonds are called for redemption, the City shall select the series of the Bonds and the maturity or maturities within each series of the Bonds to be redeemed in such manner as the City in its discretion may determine and DTC and its participants shall determine which of the Bonds within a maturity are to be redeemed by lot provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by \$5,000.

Notice of redemption shall be given by the City, not less than 30 days nor more than 60 days before the redemption date by certified or registered United States mail to DTC. The City will not be responsible for sending or mailing notice of redemption to anyone other than DTC, its nominee or another securities depository unless no qualified securities depository is the registered owner of the Bonds.

Authorizations and Purposes

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina. The 2012A Bonds are to be issued pursuant to bond orders adopted by the City Council of the City (the "City Council") on April 16, 2012 and effective 30 days after their publication and during which no petition to a vote of the people was filed with the City Clerk. The 2012B Bonds are to be issued pursuant to a bond order adopted by the City Council of the City on August 15, 2005, which were approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held. The 2012C Bonds are to be issued pursuant to bond orders adopted by the City Council of the City on August 15, 2005, which were approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held. The 2012D Bonds are to be issued pursuant to a bond order adopted by the City Council of the City on April 16, 2012 and effective on its adoption. Terms of the Bonds were established in a resolution duly adopted by the City Council on April 16, 2012 (the "Bond Resolution").

The 2012A Bonds, the 2012B Bonds and 2012C Bonds are being issued to provide funds to pay the capital cost of improvements to City [to be filled in by the City] and in accordance with the bond orders.

The 2012D Bonds are being issued for the purpose of providing funds to refund the the City's General Obligation Bonds, Series 2005A maturing on and after June 1, 2016 (the "*Refunded 2005A Bonds*") and the City's General Obligation Bonds, Series 2005C maturing on and after June 1, 2016 (the "*Refunded 2005C Bonds*") and collectively with the Refunded 2005A Bonds, the "*Refunded Bonds*") as described under "**THE PLAN OF REFUNDING**" herein.

THE PLAN OF REFUNDING

A portion of the proceeds from the sale of the 2012 Bonds will be applied to the purchase of certain direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (the "*Government Obligations*"). The Government Obligations will be held in trust by [Name of Escrow Agent], as escrow agent (the "*Escrow Agent*") pursuant to an Escrow Agreement dated as of July 1, 2012 (the "*Escrow Agreement*") between the City and the Escrow Agent. The Government Obligations will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts, so that sufficient moneys will be available to pay when due (1) interest on the Refunded Bonds to June 1, 2015 and (2) the redemption price of the Refunded Bonds on June 1, 2015. The Escrow Agent will apply the maturing principal of and the interest on the Government Obligations to the payment of the principal of and premium and interest on the Refunded Bonds. The Escrow Agent has been irrevocably instructed to redeem the Refunded Bonds on June 1, 2015, at a redemption price equal to the principal amount of the Refunded Bonds without premium, plus accrued interest to the redemption date. Amounts on deposit under the Escrow Agreement will not secure the Bonds.

The Verification Agent will verify, from the information provided to it by the Financial Advisor, the mathematical accuracy, as of the date of issuance of the Bonds, of (1) the mathematical computations contained in the schedules provided by the Financial Advisor to determine that the deposit to the Escrow Fund, together with other funds available therefor listed in such schedules to be held by the Escrow Agent, will be sufficient to pay interest payments on the Refunded Bonds, when due, and the principal of of the Refunded Bonds on June 1, 2015 and (2) the mathematical computations of yield of the 2012A Bonds, the 2012C Bonds and the 2012D Bonds contained in the provided schedules. The Verification Agent will express no opinion on the exemption from taxation of the interest on the 2012A Bonds, the 2012C Bonds and the 2012D Bonds. Co-Bond Counsel will rely on such verification in rendering its opinion as to the exclusion of interest on the 2012A Bonds, the 2012C Bonds and the 2012D Bonds from gross income of the recipients thereof for purposes of federal income taxation.

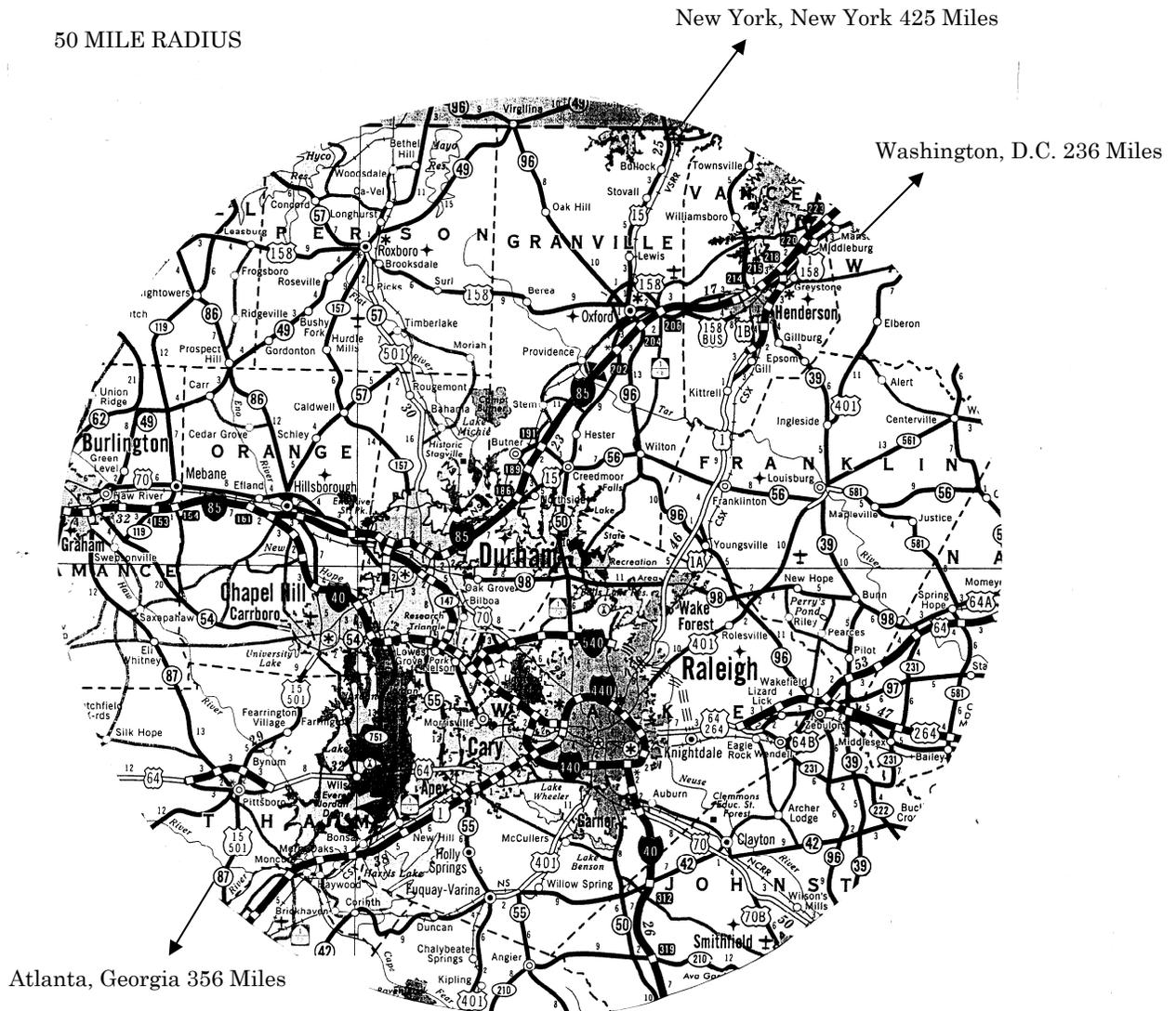
THE CITY

General Description

The City is located in, and is the county seat of, Durham County, North Carolina (the "County"). The City is located in the north central portion of the State on the Piedmont Plateau and is approximately equidistant from the cities of Philadelphia, Pennsylvania and Atlanta, Georgia. The area's topography is characterized by rolling hills and long, low ridges. The City, which was incorporated in 1869, presently covers an area of 106.6 square miles.

The City is empowered by statute to levy an annual ad valorem tax on the appraised value of all taxable real and tangible personal property within its corporate limits. The County is the only other unit levying such taxes within the corporate limits of the City. In addition, the Special Airport District of Durham and Wake Counties is empowered to levy such taxes within the City, although it has not yet done so.

The City is empowered by statute to extend its corporate limits by annexation. The City conducts an on-going planning process through which it implements the expansion of its corporate limits in order to keep pace with the growth and development of the community.



Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the City to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
136,612	187,035	228,330

The City-County Planning Department has estimated the population to be as follows:

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
210,553	212,176	221,082	225,093	225,404

Per capita income data for the County and the State are presented in the following table:

<u>Year</u>	<u>County¹</u>	<u>State</u>
2005	\$33,674	\$30,713
2006	37,312	33,562
2007	39,009	34,968
2008	39,446	35,683
2009	38,692	34,879

¹Separate data for the City are not available.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Institutional, Commercial and Industrial Profile

The City's economic profile reflects a mixture of health care services, manufacturing, research and other service industries. The manufacture of electronic equipment, telecommunications equipment and medical supplies, together with the growth in the service sector, provides a diversified economic base. Also of economic importance are the educational and health care institutions located in the City. Four hospitals and their related clinics provide approximately 2,000 patient beds. Nearly 30 percent of the City's work force is engaged in health-related occupations.

Three institutions of higher education, two public and one private, are located within the City. One of the three, Duke University and its controlled affiliate Duke University Health System, Inc. is a nationally recognized university, a leading medical center and the largest single employer in the City.

The City has made substantial investments in its downtown. In the last 8 years, approximately 1.9 million square feet of new office space has been added downtown and this market has the highest occupancy rate in the City of 91.4% and the second highest in the entire Triangle region. In the last decade more than \$1.2 billion in public and private sectors investments have been made in downtown Durham. Downtown Durham is also home to the first and second largest historic adaptive reuse projects in the State, with each project totaling around 1 million square feet of mixed use space.

The City has experienced significant growth in population, land area and commercial activity for a number of years. This growth has been due, in part, to the Research Triangle Park (the "Park"), a nationally recognized center for research and light manufacturing located adjacent to the City. The

Park's primary mission is to attract research-related employers to the area, and it currently houses 170 companies, including International Business Machines Corporation, Avaya/Genband, Fidelity Investments, Glaxo-SmithKline, MCNC (formerly The Micro Electronics Center), RTI International (formerly Research Triangle Institute), the United States Environmental Protection Agency and the National Institute of Environmental Health Sciences. RTI International recently completed a new \$20 million, 60,000 square foot office building and is currently building another new \$20 million, 60,000 square foot office building to allow the company to accommodate its growing workforce. Cisco's eastern operations center, Credit Suisse's global operations center and NetApp's eastern operations center are all located in the Park, just outside of Durham County, and are all adding employees. The research institutions of the Park employ an estimated 42,000 employees with an annual payroll in excess of \$2.7 billion.

In 2008, the City recorded nearly \$750 million in announced economic development investments, followed by \$1.34 billion in 2009. So far in 2010, more than \$167 million in announcements have been made, which are expected to create another 1,200 jobs. In May, AW North Carolina, a manufacturer of transmission components for Toyota, announced a \$106 million expansion that will add another 360 workers in 2011. This expansion, upon completion in 2011, will drive the company's employment to 1,260, its highest level ever. In August, Medicago, a Canadian biotechnology company, announced that it will build a new \$42 million scalable research, design and production facility in the Park. Medicago will use the facilities to develop and manufacture proteins synthesized from tobacco plants that will be used to produce vaccines for pandemic diseases. The project is being driven by a \$21 million grant from the Defense Advanced Research Projects Agency. Medicago is scheduled to open its facility in the summer of 2011 and plans on hiring approximately 85 new workers.

Merck & Co., Inc. has designated the City as the site of its new global vaccine manufacturing campus and will soon have its \$450 million vaccine fill & finish and packaging operation validated by the FDA. Construction has started on Merck's new \$300 million bulk production facility. In addition, IBM recently dedicated a new \$362 million Leadership Data Center that will serve as the company's new cloud computing data center, a new product offering in the City by IBM. Moreover, EMC Corporation is investing \$280 million to renovate a 430,000 square-foot warehouse to serve as its cloud computing center, the company's first foray into providing cloud computing services. The first phase of the project is a 260,000 square-foot data center and is expected to be completed in the Fall, 2010. EMC plans to accelerate the next phase of expansion for additional data center space. Eisai Inc. dedicated its new \$105 million oncology product manufacturing plant in May, 2010. Cree, Inc., the global leader in LEDs and LED lighting, invested \$135 million to expand its facility and hire another 550 workers to meet growing international demand for their LEDs. Cree's campus within the City limits is continuing to grow and the company is now the largest taxpayer in the City.

Duke University Medical Center announced a \$1 billion investment in a new cancer center, as well as expansion to its existing Medical Center, which are expected to create another 1,000 jobs at Duke University Medical Center.

The table below lists, by corporate name, product or service and approximate number of employees the major manufacturing and nonmanufacturing employers, in and within approximately one mile of the City.

<u>Company</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
<i>Manufacturing:</i>		
International Business Machines	Hardware and software for networking and personal computers	10,500
Avaya, Inc.	digital telephone switching systems	2,100
Cree, Inc. ²	Semiconductor materials	1,500
AW North Carolina, Inc.	Automotive manufacturing	900
bioMerieux	Biological diagnostics	650
Teleflex Medical	Medical products	550
PBM Graphics	Printing and graphics communications	470
Burt's Bees, Inc.	Natural personal care products	425
Parata Systems, LLC	Pharmacy automation	375
Bowe, Bell & Howell	mail and messaging technology	350
<i>Non-Manufacturing</i>		
Duke University and Medical Center ¹	Education, health care and research	33,325
Durham Public Schools	Public education	5,490
GlaxoSmithKline, Inc. ²	Pharmaceuticals	5,000
Blue Cross-Blue Shield of North Carolina	Health insurance	2,438
RTI International	Contractual research	2,400
Durham City Government	Municipal government	2,336
Veterans Affairs Medical Center	Healthcare	2,162
Durham County Government	Contractual research	1,728
North Carolina Central University	Education	1,726
Fidelity Investments	Financial Services	1,700
National Institute of Environmental Health Sciences	Agency for Environmental Health	1,400

¹Duke University Hospital and Durham Regional Hospital are operated by Duke University Health System, Inc., a controlled affiliate of Duke University.

²Corporate headquarters.

Source: Greater Durham Chamber of Commerce, as of August 27, 2010.

Taxable sales in the City for the fiscal years ended June 30, 2006 through 2009 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) Over Previous Year</u>
2006	\$ 3,306,536,962	— %
2007	3,408,936,222	3.1
2008	3,323,905,432	(2.5)
2009	3,283,971,908	(1.2)

Note: Effective July 1, 2009, the North Carolina Department of Revenue no longer prepares monthly sales and use tax statistical reports for cities with population in excess of 5,000.

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

Construction activity in the City is indicated by the following table showing the value of construction and number of building permits as indicated by City building permit records:

<u>Fiscal Year Ended or Ending June 30</u>	<u>Commercial</u>		<u>Residential</u>		<u>Total</u>
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	
2006	784	\$ 253,160,659	3,306	\$ 498,044,394	\$ 751,205,053
2007	783	348,646,200	2,784	398,889,337	747,535,537
2008	753	426,650,719	2,329	321,136,638	747,787,357
2009	841	405,137,947	1,972	214,366,407	619,504,354
2010	694	479,649,263	2,146	227,707,211	707,356,474

Source: City Inspection Department.

Employment

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the City to be as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
January	3.9%	6.6%	8.1%	7.1%	7.5%	July	5.0%	7.9%	7.5%	7.7%
February	4.0	7.2	8.1	7.0	N/A	August	4.9	7.6	7.2	8.0
March	3.9	6.9	7.8	6.8	N/A	September	4.7	7.4	6.7	7.7
April	3.6	6.7	7.4	6.9		October	4.8	7.4	6.7	7.2
May	4.4	7.4	7.5	7.1		November	5.1	7.5	6.9	6.9
June	4.7	7.8	7.6	7.8		December	5.4	7.5	6.5	6.8

Government and Major Services

GOVERNMENT STRUCTURE

The City has a council-manager form of government. The City Council, the governing body of the City, is comprised of the Mayor and six council members. The Mayor and three council members are elected at large. Three council members must fulfill ward residency requirements. Council members serve four-year terms. The Mayor and three members are elected every two years. All municipal elections are non-partisan.

The City Council appoints the members of various boards and commissions, the City Manager, the City Attorney, the City Clerk and the Collector of Revenue. The Mayor presides over City Council meetings and has full voting privileges.

The City Manager is the chief administrative officer of the City. The individual is a professional administrator who serves at the pleasure of the City Council.

EDUCATION

The County has a consolidated school system which is governed by a school board consisting of seven members who are elected to four-year terms.

The City has no financial responsibility for any part of the school system. The budget for the school system is submitted to the Board of Commissioners for the County for approval, with the revenue coming from the federal, State and County governments.

The following table shows the number of schools in the school system by grade level and average daily membership:

<u>School Year</u>	<u>Elementary Grades K-5</u>		<u>Middle Grades 6-8</u>		<u>Secondary Grades 9-12</u>	
	<u>Number</u>	<u>ADM¹</u>	<u>Number</u>	<u>ADM¹</u>	<u>Number</u>	<u>ADM¹</u>
2007-08	28	15,766	9	6,648	11	10,040
2008-09	28	15,834	9	6,442	11	9,615
2009-10	28	15,621	9	6,485	11	9,761
2010-11						
2011-12						

¹Average daily membership (“ADM”) (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments and for distribution of local funds. Number of schools reflects three combined schools serving grades 6-12; and one combined school serving grades K-12.

Source: Durham Public Schools, Office of Public Affairs.

The North Carolina School of Science and Mathematics, a school for students gifted and talented in science and mathematics, is located in the City. The school was the first public, residential, coeducational senior high school in the nation. Full-time enrollment at the school is approximately 650.

The three institutions of higher education located in the City are Duke University, a private university offering advanced degrees; North Carolina Central University, a constituent institution of The University of North Carolina System; and Durham Technical Community College, a part of the State system of community colleges and technical institutes. Full-time enrollments at such institutions were as follows:

Duke University	13,662 (fall 2009)
North Carolina Central University	7,252 (fall 2009)
Durham Technical Community College	5,430 (fall 2009)

Duke University, a nationally recognized university and health care provider, is the largest single employer in the City. It is the major beneficiary of the Duke Endowment and operates, through a controlled affiliate, Duke University Health System, Inc., one of the leading medical centers in the United States.

North Carolina Central University (“NCCU”) ranks among the top 20 employers in the City and is located in downtown Durham. NCCU is a comprehensive university offering programs at the baccalaureate, master’s, professional and selected doctoral levels. It is the nation’s first public liberal arts institution founded for African Americans.

As a community-based institution, Durham Technical Community College provides educational opportunities for area residents and uses state and local resources for students’ learning activities. Community service is a continuing focus for the college’s programs and activities.

The University of North Carolina at Chapel Hill is located approximately 12 miles from the central business district of the City, and North Carolina State University is located in Raleigh approximately 23 miles from the central business district of the City. These neighboring universities

and those within the City provide the community with numerous cultural events and collegiate sports activities.

TRANSPORTATION

There are currently 322 linear miles of State-system streets within the corporate limits of the City. The City has an agreement with NCDOT whereby the city will maintain these streets and is reimbursed for all costs by the State. At the present time, due to a shortage of State funds, the City is only doing winter weather work on State streets. Expansion and betterment of the State-system streets and of federal highways within the corporate limits of the City are largely the responsibility of the State. The City's contribution to such projects is a portion of right-of-way acquisition costs and the occasional paving of State-system streets.

Major expansions, maintenance and betterment of the local street system are solely the responsibility of the City. Such projects are financed with long-term bonds and current revenues. There are approximately 698 linear miles of local streets maintained by the City.

The City is served by Interstate highways 40 and 85, U.S. highways 15, 70 and 501, and North Carolina highways 54, 55, 98 and 751. The City is also served by the Durham Freeway, which connects the City to the Park to the south and connects with Interstate Highway 85 to the west.

Raleigh-Durham International Airport ("RDU") serves central North Carolina, providing service to approximately nine million passengers annually. Nine major airlines and 7 commuter carriers offer service from RDU, along with general aviation, corporate, military and cargo aircraft operations. The Airport is governed by the eight-member Raleigh-Durham Airport Authority with two members each appointed by the City, Durham County, Wake County, and the City of Raleigh. An air cargo complex houses four cargo carriers. Two passenger terminals provide a total of 37 aircraft gates. In 2008, RDU opened the first phase of Terminal 2. When the second phase is completed in early 2011, the terminal will feature approximately 920,000 square feet and 36 gates total. The City is not financially responsible for any RDU indebtedness or operational expenses.

The Durham Area Transit Authority ("DATA") operates 17 peak bus routes that link residential areas with downtown Durham, Duke University, North Carolina Central University (NCCU), hospitals, shopping centers, and other major employment centers. Of these routes, fourteen are radial routes connecting at a Transfer Terminal in downtown Durham. There are also two cross-town routes and one connector route, which is a fare free route that links Duke University, downtown Durham and Golden Belt. All buses are compliant with the Americans with Disabilities Act (ADA). Complementary ADA paratransit service is provided within the city limits through a special van service, called ACCESS. During the fiscal year ended June 30, 2010, there were 4,908,185 people transported on the DATA fixed route bus service and 100,165 people transported on the ACCESS paratransit van service. Effective, October 1, 2010, the City entered into an agreement with the Triangle Transit Authority (TTA) which will transfer management of the City transit system to TTA, however, the city will maintain financial responsibility for the system. This is anticipated to be the first step towards developing a regional transit system for the area. TTA operates a regional bus system which, during fiscal year ended June 30, 2010, carried approximately 1.1 million riders. The City has no financial responsibility for the Triangle Transit Authority itself.

HEALTH CARE FACILITIES

Four hospitals are located in the City. These hospitals collectively provide a broad range of health services.

Duke University Hospital ("DUH") is a 965-bed quaternary care facility that, together with the Duke University School of Medicine and the Duke University Graduate School of Nursing, comprises the Duke University Medical Center. DUH includes a number of special clinical facilities, such as

the Duke Comprehensive Cancer Center, the Duke Eye Center and Duke Children's Hospital. As previously indicated, Duke University medical Center is in the process of a \$1 billion investment to build a new cancer center as well as expansion to its existing medical Center, which will create another 1,000 jobs at Duke University Medical Center.

Duke University Health System, Inc. also operates the 369-bed Durham Regional Hospital, the 186-bed Duke Raleigh Hospital, Duke Home Care and Hospice and Duke University Affiliated Physicians.

The Durham VA Medical Center ("Durham VA") is a 274-bed tertiary care referral, teaching and research facility affiliated with Duke University School of Medicine. Durham VA provides general and specialty medical, surgical, psychiatric inpatient and ambulatory services, and serves as a major referral center for North Carolina, southern Virginia, northern South Carolina, and eastern Tennessee.

PUBLIC SERVICE ENTERPRISES

The City furnishes water and sanitary sewer services to residents of the City and adjacent areas.

The City operates a water and sewer utility system (the "System"). The service area of the System includes all of the City's incorporated area and significant portions of the County and the Research Triangle Park, and the System serves approximately 82,000 connections. The City has contractual agreements in effect with the Orange Water and Sewer Authority, the Town of Cary, Chatham County, the Orange-Alamance Water System, the Town of Morrisville and the Town of Hillsborough to enable the systems to share water resources as needed. An additional interconnection with Raleigh is under construction.

The City's water supply and distribution facilities furnish approximately 26.0 million gallons per day ("MGD") of water to its residential and non-residential customers. At present, there are two sources of natural water for the City, which together provide for a safe water yield of 37 MGD. Lake Michie, which is supplied by the Flat River, is a 4.0 billion gallon impoundment with a rated safe yield of 19.0 MGD. Little River Reservoir, which is supplied by the Little River, is a 4.9 billion gallon impoundment with a rated safe yield of 18.0 MGD. In 2002, the City received a 10 MGD allocation from Jordan Lake and plans are underway to further develop this source, Terry Quarry has been approved for use as an emergency water source. Plans have been identified for developing additional water supply from the Flat River by expanding Lake Michie.

Treated water is supplied to the System by two water treatment plants with a total rated capacity of 52 MGD. The Williams Water Treatment Plant has a rated capacity of 22 MGD and is currently being upgraded and renovated. The Brown Water Treatment Plant currently has a designated rated capacity of 30 MGD, and is currently being upgraded and expanded, increasing the capacity to 42 MGD upon completion.

The water distribution facilities consist of approximately 1,200 miles of transmission and distribution lines, including pipe ranging in size from 2-inch to 42-inch diameters and elevated and ground storage facilities with a combined capacity of 19 million gallons.

The wastewater collected by the City's sanitary sewer facilities is treated at two wastewater treatment plants, the North Durham Water Reclamation Facility and the South Durham Water Reclamation Facility. Both plants were upgraded and expanded in the mid 1990s and now have an aggregate permitted hydraulic capacity of 40 MGD. Upgrades to treatment processes to meet more stringent nutrient limits will be required within the next 5 to 6 years; some initial projects to meet interim nutrient limits are currently underway. The collection system is served by 62 pump stations

and approximately 1,100 miles of pipeline. Some areas in the southeastern part of the City receive service from the Durham County Wastewater Treatment Plant, which has a capacity of 12 MGD.

The North Carolina Environmental management Commission has adopted new rules to mitigate nitrogen and phosphorus in the Jordan Lake watershed and is proposing similar rules for the Falls Lake watershed. Approximately half of the City drains to the Jordan Lake watershed and the other half to the Falls Lake watershed. The City's costs for stormwater services and wastewater treatment services are expected to increase because of these rules. The costs to the City over the years are uncertain and speculative. The City expects, however, that any costs will largely impact its water, sewer and stormwater rates, and not taxes. The North Carolina General Assembly enacted protections for local communities affected by the Jordan Lake Rules to ensure that costs do not become unreasonable. The North Carolina Department of Environment and Natural Resources has put a variation of these protections in the Falls Lake Rules.

The System operates under a tiered-rate structure for residential water users and prices irrigation water at the highest tier. This structure is designed to provide sufficient revenues for it to be self-supporting.

The City also provides solid waste collection and disposal services. Since January 1, 1998, the City has disposed of its solid waste through a transfer station operated on behalf of the City by BFI Waste Systems of North America, Inc. The refuse is hauled by a contractor from the City's transfer station to a regional landfill facility located east of Lawrenceville, Virginia. Effective July 1, 2010, a regional landfill in Mt. Gilead, North Carolina will be the primary disposal location. The landfill in Virginia will continue to be used as a back-up location.

Electric service is provided by Duke Energy, and natural gas service is provided by Public Service of North Carolina, Inc.

OTHER SERVICES

The City also provides police and fire protection, parks and recreation facilities and programs, cemeteries, planning and community development, and a municipal bus system.

The City and the County jointly own and operate the Durham Civic Center (the "Civic Center"). The Civic Center complex includes a privately-owned full service hotel featuring 187 guest rooms, a concierge level and a business center. There is also more than 40,000 square feet of meeting space divided among 13 rooms and a 14,080 square foot Grand Ballroom. The Civic Center was constructed as part of a downtown development project, with public and private components, that included the renovation of the Carolina Theater, a City-owned building leased to the Durham Arts Council, and the construction of public parking facilities, a hotel and a private office building.

The City also owns the Durham Bulls Athletic Park, a baseball stadium that is leased to the Durham Bulls, a Class AAA affiliate of the Tampa Bay Rays, an American League baseball team.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the City had the statutory capacity to incur additional net debt in the approximate amount of \$_____ as of June 30, 2011. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

General Obligation Bonds	Principal Outstanding as of			
	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Water Bonds	\$ 1,442,550	\$ 2,732,486 ¹	\$ 2,574,196	\$ 2,410,543
Sanitary Sewer Bonds	16,829,779	16,596,645 ¹	11,117,044 ¹	5,778,315
Refunding Bonds	88,380,000	79,305,000	91,415,000 ¹	80,535,000
Other Bonds	<u>81,442,671</u>	<u>129,230,869</u> ¹	<u>102,568,760</u>	<u>143,296,142</u> ¹
Total Bonds	\$ 188,095,000 ²	\$ 227,865,000 ²	\$ 207,675,000 ²	\$ 232,020,000 ²

¹Bonds Issued:

2008-09 \$12,350,000 General Obligation Bonds, Series 2008A, 11.33 years average maturity, 3.9697% true interest cost.

\$46,570,000 General Obligation Bonds, Series 2008B, 11.33 years average maturity, 3.9868% true interest cost.

2009-10 \$20,300,000 General Obligation Refunding Bonds, Series 2009, 5.12 years average maturity, 2.0509% true interest cost.

2010-11 \$13,160,000 General Obligation Bonds, Series 2010A, 1.2637% true interest cost.

\$30,665,000 General Obligation Bonds, (Build America Bonds), Series 2010B, 2.7286% true interest cost.

²This amount excludes refunded bonds.

³A portion of these bonds will be paid and refunded with the proceeds of the Series 2012D Bonds now being offered. See "The Plan of Refunding" herein.

Debt service on the outstanding water bonds and sanitary sewer bonds has been paid by the City from the net revenues of its water and sanitary sewer systems. The City expects that debt service on its outstanding general obligation water bonds and sanitary sewer bonds, as well as debt service on all Water and Sewer Utility System Revenue Bonds and certain other indebtedness of the City related to the System, will continue to be paid from the net revenues of the System.

Debt service on the outstanding solid waste bonds has been funded by the City from the revenues of its solid waste disposal and collection system.

GENERAL OBLIGATION DEBT RATIOS

<u>At July 1</u>	<u>Total GO Debt¹</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>GO Debt Population²</u>	<u>Total Per Capita</u>
2007	\$206,625,000	\$ 17,606,940,491	1.17%	212,176	\$ 973.84
2008	188,095,000	22,080,696,546	.85	221,082	850.79
2009	227,865,000	22,313,806,695 ³	1.02	225,093	1,012.31
2010	207,675,000			225,404	921.35
2011	232,020,000				

After Bonds now
offered are issued \$ 4.5 \$ 3 . % \$

¹These amounts exclude refunded bonds as described under “Outstanding General Obligation Debt” herein.

²Estimate of City-County Planning Department.

³Estimated.

⁴Does not include the Refunded Bonds as described above under “Plan of Refunding”.

⁵Subject to change as described in the Notice of Sale.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

Fiscal Year	UTILITY		NON-UTILITY		TOTAL ¹		Bonds Now Offered ²
	Existing Debt		Existing Debt		Existing Debt		
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest	
2011-12	\$ 9,551,579.68	\$ 12,965,811.39	\$ 12,718,420.32	\$ 20,443,739.13	\$ 22,270,000	\$ 33,409,550.52	\$
2012-13	10,097,387.11	12,831,827.99	12,232,612.89	19,347,860.03	22,330,000	32,179,688.02	
2013-14	6,753,184.66	8,757,924.20	12,646,815.34	19,190,163.82	19,400,000	27,948,088.02	
2014-15	4,981,588.51	6,656,617.09	11,748,411.49	17,664,577.17	16,730,000	24,321,194.26	
2015-16	4,288,984.69	5,728,622.45	11,196,015.31	16,488,446.81	15,485,000	22,217,069.26	
2016-17	4,010,732.56	5,251,597.80	11,064,267.44	15,747,781.46	15,075,000	20,999,379.26	
2017-18	3,672,631.05	4,731,304.22	10,987,368.95	15,102,395.54	14,660,000	19,833,699.76	
2018-19	3,441,227.24	4,336,655.92	10,863,772.76	14,398,537.84	14,305,000	18,735,193.76	
2019-20	3,022,116.69	3,762,461.91	11,122,883.31	14,192,458.85	14,145,000	17,954,920.76	
2020-21	3,113,286.81	3,717,001.55	11,046,713.19	13,641,663.71	14,160,000	17,358,665.26	
2021-22	2,714,209.37	3,175,720.95	10,600,790.63	12,722,106.31	13,315,000	15,897,827.26	
2022-23	1,457,941.91	1,798,592.67	9,197,058.09	10,883,236.59	10,655,000	12,681,829.26	
2023-24	1,455,580.50	1,738,751.48	9,194,419.50	10,518,208.52	10,650,000	12,251,960.00	
2024-25	1,450,857.69	1,675,584.44	9,189,142.31	10,137,712.56	10,640,000	11,813,297.00	
2025-26	1,121,927.65	1,286,298.95	6,128,072.35	6,696,875.05	7,250,000	7,983,174.00	
2026-27	579,519.99	703,117.12	1,610,480.01	1,953,955.13	2,190,000	2,657,072.25	
2027-28	579,519.99	677,067.70	1,610,480.01	1,881,564.05	2,190,000	2,558,631.75	
2028-29	579,519.99	650,004.11	1,610,480.01	1,806,354.64	2,190,000	2,456,358.75	
2029-30	579,519.99	622,216.12	1,610,480.01	1,729,132.13	2,190,000	2,351,348.25	
2030-31	579,519.99	593,848.62	1,610,480.01	1,650,299.13	2,190,000	2,244,147.75	
	<u>\$ 64,030,836.07</u>	<u>\$ 81,661,026.68</u>	<u>\$ 167,989,163.93</u>	<u>\$ 226,192,068.47</u>	<u>\$ 232,020,000</u>	<u>\$ 307,853,095.15</u>	<u>\$</u>

Note 1: The table above includes \$15,365,000 Public Improvement Bonds, Series 1993, \$3,825,000 Housing Bonds, Series 1996 and \$7,500,000 Housing Bonds, Series 2000 all issued on a variable interest rate basis initially in a weekly mode with a cap of 15% per annum. Interest on the aforementioned bonds has been assumed at the maximum rate of 15% per annum.

¹A portion of the City’s existing general obligation debt is to be refunded in connection with the issuance of the Series 2012D Bonds now being offered. See “The Refunding Plan” herein.

²Subject to change as described in the Notice of Sale.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Amount Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Cultural Resources	11/08/05	\$ 1,575,000	\$	\$ 1,575,000
Parks and Recreation	11/08/05	15,363,000		15,363,000
Neighborhood Improvement	11/08/05	1,260,000		1,260,000
Streets	11/08/05	3,824,000		3,824,000
Water and Sewer	11/08/05	7,580,000		7,580,000
Streets	11/02/10	20,000,000		20,000,000
General Obligation	04/16/12	14,845,000		14,845,000
Refunding	04/16/12	<u>14,000,000</u>	<u>1</u>	<u>14,000,000</u> ²
		\$ 78,447,000	\$	\$ 78,447,000

¹Subject to change as described in the Notice of Sale.

²Offering of the remaining Refunding Bonds authorization is not anticipated.

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2011

<u>Unit</u>	<u>2010 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt</u>		<u>Total GO Debt Per Capita</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Durham County	267,849	\$29,918,962,915	\$.7459	\$ —	\$172,350,000	\$ —	\$272,680,000 ²	\$1,018.04

¹Estimate of North Carolina Office of State Budget and Management.

²Excludes certain refunded bonds.

OTHER LONG-TERM COMMITMENTS

The City has entered into certain short and long-term leases and installment purchase agreements for equipment, facilities and real property. The following sets forth the aggregate annual payments due from the City under such agreements:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Computer Leases and Leases and</u> <u>Installment Purchase</u> <u>Contracts under</u> <u>G.S. §160A-19 or 20</u>
2011	\$ 9,115,000
2012	11,885,000
2013	11,830,000
2014	9,045,000
2015	9,150,000
2016-2020	29,120,000
2021-2025	22,315,000
2026-2034	26,275,000

On July 13, 2009, the City terminated the recycling services contract with Tidewater Fiber Corp. The City is currently providing the service with staff from the Department of Solid Waste Management. The budget for recycling is \$1,586,638.

The City and the County are co-owners of the Durham Civic Center, which is currently operated by the Marriott Hotel owner (Shaner Group). Under the Management Agreement between the City/County and the Shaner Group, the City/County pay for 100% of the expenses of operating the Civic Center (the City and County split income and expenses on an equal, 50/50 basis), with Shaner providing its services for a \$100,000 per year fee. The agreement went into effect July 1, 2005, and remains in effect under these conditions. The City is currently negotiating an extension of this agreement for six months for an all inclusive flat fee not to exceed \$116,000 per month. (With the continuation of the City and County splitting income and expenses on an equal, 50/50 basis).

On July 20, 2000, the City entered into a contract with BFI Waste Systems of North America, Inc. (BFI) for solid waste hauling and disposal services. The initial contract was for a five year term, with a clause for additional three year extensions, such that the contract may continue a maximum of twenty years. The current contract was amended to include a one year extension with the current transfer station operator. The amended contract will expire on June 30, 2011. For fiscal year 2007-08 the City processed 194,837 tons of municipal solid waste. For the fiscal year 2008-09, 170,317 tons were processed and from July 1, 2009 through June 30, 2010, 134,955 tons were processed. The City currently pays the contractor \$31.07 per ton for combined hauling and disposal and a monthly facility operation fee of \$79,305. In addition, the City pays the State, a solid waste tax of \$2.00 per ton for disposal.

The City is obligated, pursuant to a note executed on June 10, 1992 to evidence a loan from the State of \$15,000,000 at a rate of 3.70% per annum, that provided funds to pay a part of the cost of expanding and improving its North Durham Water Reclamation Facility. The City is required to pay such indebtedness on each May 1 and November 1 until May 1, 2015, with \$3,000,000 outstanding as of June 03, 2010. Pursuant to the bond order authorizing the City's Water and Sewer Utility System Revenue Bonds, the City is to make such payments from the net receipts of the System prior to paying debt service on its general obligation bonds related to the System.

The City is also obligated, pursuant to certain agreements with the County, to pay the County one-half of the receipts collected by the City with respect to certain lines constituting a part of the System up to the cost of constructing such lines in exchange for the transfer of such lines to the City by the County. The City's obligations pursuant to such agreements bear interest at the rate of 5.54%

per annum until their maturity dates in 2010 to 2013, inclusive. Pursuant to the bond order authorizing the City's Water and Sewer Utility System Revenue Bonds, the City is to make such payments from the net receipts of the System on a parity with paying debt service on its general obligation bonds related to the System.

The American Tobacco, described below, represents one of the largest adaptive reuse projects in the state of North Carolina totaling around one million square feet of mixed use space. Another major piece of downtown's revitalization revolves around the potential redevelopment of the Hill Building (a major building dominating the downtown skyline) into a luxury hotel by a downtown developer, Greenfire Development, LLC. The Durham Performing Arts Center opened November 2008 and it is an architectural and cultural landmark in Durham.

American Tobacco – In June 2003, the City entered into a development agreement with Capitol Broadcasting, Inc. with respect to the American Tobacco Redevelopment Project. The City, together with the County of Durham, participated in the project by financing the construction of parking decks to support the redevelopment project. The City also provided both cash and non-cash economic incentives. The development agreement requires the City to pay economic incentives based on the number of leased spaces in the parking facility as well as cash payments both to be paid over a period of ten years ending in July 2013. The total cash payments including infrastructure expenses are \$2.2 million. The maximum parking economic incentive is \$5.1 million. In addition, the City's obligation in Phase II of the project includes funding \$1.8 million for a portion of the design and construction costs of the East Deck and providing parking economic incentives for a portion of the occupied spaces. The American Tobacco Project has completed Phase I and portions of Phase II. The Lucky Strike building has been renovated and is home to Duke University Corporate Education. The Old Bull building has been renovated for residential use and an additional residential wrapper building is planned for the east side of the North Deck. Portions of Phase III of the project are completed including the construction of a 154,000 square foot office building called Diamondview II that overlooks the left field of the Durham Bulls Athletic Park and a 600 space parking deck (East Deck). Phase III also calls for another office building (Diamondview III), a residential wrapper building around the south and west sides of the East Deck and about 300 apartment units facing the Durham Performing Arts Center, as well as street level retail. Estimated private investment at full build-out will exceed \$300 million.

Hill Building – On September 20, 2010 the City approved a development agreement with Greenfire Development, LLC, a firm with a record of redevelopment in downtown Durham, for the renovation of the historic Hill Building into a 165 room, full service, luxury class hotel located in the center of downtown. The agreement is performance based and does not obligate the City to any incentive payments until such time as the \$52.7 million project has secured a certificate of occupancy. Moreover, continuing payments under the agreement would cease if the hotel were not in continuous operation. The incentive payments include a \$1 million loan to the developer (to be repaid no later than 20 years from issuance of a final certificate of occupancy for the hotel) and annual payments for 15 years totaling \$3,213,000.

Durham Performing Arts Center – In September 2008, the City completed the construction of the Durham Performing Arts Center (DPAC), a 2,800-seat theater located in downtown Durham. The project was funded with an installment financing agreement executed and delivered in January 2007, supported, in part, by dedicated Hotel Occupancy Tax revenues. Naming rights agreements and revenues from event parking are also being used to support annual installment payments. Private funding for the project includes a cash contribution from Duke University. The theater is operated by Durham Performing Arts LLC, JN Worldwide LLC, and Professional Facilities Management, Inc. for a 5-year term. Under the operating agreement, the operator has guaranteed no less than 100 events a year and assumes the risk of shortfalls in the operating budget. The City receives 40% of all net profit. The programming consists primarily of Broadway shows, concerts and family entertainment. The development agreement is between the City and ACPA, LLC.

DEBT OUTLOOK

After the current General Obligation Bond issue, the City expects to have remaining authorized and unissued general obligation bonds in the amount of \$29,602,000. The City expects to issue the remaining amount of authorized and unissued general obligation bonds within the next two years. The City also intends to issue a yet to be determined amount of water and sewer revenue bonds to fund a portion of the system's capital plan within the next two years. In addition, the City intends to place a general obligation bond referendum of \$20,000,000 on the November, 2010 ballot for a vote of the citizens for street improvements. Any other capital needs will be evaluated on a continuing basis, and new bond authorizations to accommodate priority public improvements will be considered as needed.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended or Ending June 30			
	<u>2009</u>	<u>2010²</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation:				
Assessment Ratio	100%	100%	100%	100%
Real Property ¹	\$18,939,920,866	\$19,172,029,844	\$	\$
Personal Property	2,814,383,840	2,808,727,353		
Public Service Companies ²	<u>326,391,840</u>	<u>330,607,042</u>		
Total Assessed Valuation	\$22,080,696,546	\$22,311,364,239	\$	\$
Rate per \$100	.540	.540		
Levy	\$ 119,235,761	\$ 120,481,369	\$	\$

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³Estimated.

Note 1: Revaluation of real property became effective January 1, 2008.

TAX COLLECTIONS

<u>Fiscal Year Ended or Ending June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2007	\$1,687,181	\$ 99,610,935	99.19%
2008	1,811,219	107,401,816	98.70
2009	1,219,052	118,293,273	99.21
2010	1,666,863	120,847,983	98.76
2011			

TEN LARGEST TAXPAYERS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Company</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
Cree, Inc.	Manufacturer	\$ 207,269,293	\$ 1,143,919	0.93%
Southpoint Mall, LLC	Real Estate	168,959,889	932,490	0.76
International Business Machines	Manufacturer	167,136,063	922,424	0.75
GRE Keystone Technology	Real Estate	95,457,610	526,831	0.43
GlaxoSmithKline	Medical	87,112,606	480,774	0.39
Durham Research Tri-Center, LLC	Real Estate	81,894,428	452,472	0.37
Vac Limited Partnership	Real Estate	77,713,502	428,901	0.35
A J Fletcher Foundation	Real Estate	77,164,371	425,870	0.35
Brickman Durham, LLC	Real Estate	74,310,646	410,120	0.33
Blue Cross-Blue Shield	Insurance	68,484,958	377,968	0.31

Source: Durham County Tax Assessor. (Assessed value is total assessed value (City and County). Tax levy is portion of City levy).

2011-12 Budget Outlook

Pension Plans

The City participates in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

The system provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, is currently 6.88 percent of eligible payroll for general employees and 7.35 percent of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit that is unreduced at age 65, with at least five years of creditable service, or at age 60 with 25 years of credit, at any age with 30 years credit; reduced benefit at age 50 with at least 20 years credit or at age 60 with at least five years of creditable service. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For information concerning the City's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the City's Audited Financial Statements in Appendix D.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("CAFR") for the State. Please refer to the State's CAFR for additional information.

Other Post-Employment Benefits

The City provides other post-retirement employee benefits (OPEB) to retirees of the City who elect to continue group health insurance until age 65. The City provides a subsidy of 70% of the premium for retiree and eligible dependent health insurance. For disabled retirees, the City pays 100% of the premium for individual coverage for the first 12 months after retirement, and supplements dependent coverage at retiree group rates. The disabled retiree has the option after the twelve-month period to continue group health insurance until age 65 under the then current group coverage.

As required by GASB 45, "Accounting and Financial Reporting by Employers for Post Employment Plans Other Than Pension Plans" the City will begin reporting the unfunded liability for OPEB and the required annual contribution (ARC) in fiscal year 2007-2008. The City currently funds its OPEB benefits on an annual pay-as-you-go basis. For the fiscal year ended June 30, 2008

the cost of OPEB benefits was approximately \$2.5 million and the City has added an additional \$300,000 to the unfunded liability. The City has contracted with an actuarial firm to determine its unfunded OPEB liability and annual funding requirements. The study reported that the City's unfunded liability is between \$81 million and \$137 million depending on the assumed rate of return on funds set aside to pay for OPEB benefits. The ARC at the current level of benefits is between \$8.1 million and \$12.9 million. The City is currently studying options to change existing OPEB benefits and OPEB liability funding strategies.

The City has moved to replace existing benefits for new employees with a defined contribution post-employment health benefit. At the May 19, 2008 City Council meeting, City Council approved the implementation of a Retirement Health Savings (RHS) plan. The RHS plan will move new employees (those hired after June 30, 2008) to a defined contribution type plan. Participants will make tax-free contributions of a portion of their salary to an individual account held in trust. The City will make a flat rate contribution each pay period for participating employees. The employee's contribution will be portable and the employer's contribution will vest after separation with 20 years of service. The specific contribution level of the City is \$35 per pay period and the required employee contribution equals 2% of earnings per pay period. The vesting schedule is: after 10 years of service complete, 50% vested; after 15 years, 75% vested; and, after 20 years, 100%.

For information concerning the City's participation in the North Carolina Local Government Employees Retirement System, see Note IV to the City's Audited Financial Statements in Appendix D.

Contingent Liabilities

These contingent liabilities are as of _____.

The City and 14 City employees are defendants in three lawsuits in federal court related to the City's investigation of accusations of rape, kidnapping, and sexual assault made by an exotic dancer who performed at a party attended by most members of the 2006 Duke University men's lacrosse team. These cases are described below.

The first suit was filed by the three team members who were indicted by a grand jury for the alleged crimes. Charges against the three players were dismissed before trial. The lawsuit alleges that the City defendants conspired with the elected State prosecutor (not a City employee) and others to investigate, charge, and prosecute the three falsely accused players. The suit seeks to hold the City and its employees liable for the actions and decisions of the prosecutor and other private actors.

The second suit was filed by three team members who were not indicted for the alleged crimes. Claims for defamation, reputational harms, and invasion of privacy, among others, are alleged. Plaintiffs assert that the City and Duke University conspired to engage in systematic discrimination and disproportionate enforcement of criminal laws against Duke University students and that the conspiracy led to the investigation of the men's lacrosse team for the claims asserted by the exotic dancer.

The third suit was filed by 38 unindicted team members and a number of their parents for defamation, reputational harms, invasion of privacy, and related claims. Plaintiffs assert that the City and Duke University conspired to deny the team members adequate legal representation in the underlying criminal investigation and to force them to surrender their constitutional rights against unlawful search and seizure.

With the exception of the matters referred to above, the City Attorney is unaware of any other pending litigation or other contingent liabilities with respect to which there is a reasonable expecta-

tion of a loss which could have a substantial adverse impact on the City's financial position or its ability to meet its financial obligations. For the purpose of this disclosure, such pending matters were deemed to be those with a potential loss of \$1 million or above.

CONTINUING DISCLOSURE

In the Bond Resolution, the City has undertaken, in accordance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") and for the benefit of the Registered Owners and beneficial owners of the Bonds, as follows:

- (1) by not later than seven months after the end of each Fiscal Year to the Municipal Securities Rulemaking Board (the "MSRB"), the audited financial statements of the City for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 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 are not then available, unaudited financial statements of the City for such Fiscal Year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;
- (2) by not later than seven months after the end of each Fiscal Year to the MSRB, (a) the 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 captions "**THE CITY-DEBT INFORMATION**" and "**-TAX INFORMATION**" (excluding information on overlapping units) in this Official Statement and (b) the combined budget of the City for the current Fiscal Year to the extent such items are not included in the audited financial statements referred to in clause (1) above;
- (3) in a timely manner not in excess of 10 business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds:
 - (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) substitution of credit or liquidity providers, or their failure to perform;
 - (f) 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 events affecting the tax status of the Bonds;
 - (g) modification to rights of the beneficial owners of the Bonds, if material;
 - (h) call of any of the Bonds, if material, and tender offers;
 - (i) defeasance of any of the Bonds;
 - (j) release, substitution or sale of any property securing repayment of the Bonds, if material;
 - (k) rating changes;

- (l) bankruptcy, insolvency, receivership or similar event of the City;
 - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, 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; and
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (4) in a timely manner to the MSRB, notice of the failure by the City to provide the required annual financial information described in (1) and (2) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires the City's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The Bond Resolution provides that if the City fails to comply with the undertaking described above, any beneficial owner of the 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 is not an event of default and will not result in any acceleration of payment of the Bonds. All actions must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

All documents provided to the MSRB as described above are to be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The City may discharge its undertaking described above by providing such information in a manner the SSEC subsequently authorizes in lieu of the manner described above.

The City may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, but:

- (1) 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 City;
- (b) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances;
- (c) any such modification does not materially impair the interest of the registered owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the Bonds.

Any annual financial information containing modified operating data or financial information will 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 terminates on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the Bonds.

The City has not failed to provide any information required to be provided by any undertaking previously made by the City pursuant to the requirements of Rule.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and The Banks Law Firm, P. A., Research Triangle Park, North Carolina, Co-Bond Counsel, whose respective approving legal opinions will be available at the time of the delivery of the Bonds. The proposed forms of such opinions are attached hereto as Appendix E.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services, Fitch Ratings, and the North Carolina Municipal Council have given the Bonds ratings of _____, _____, _____, and _____, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of each such rating may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

TAX TREATMENT

2012A BONDS, 2012C BONDS AND 2012D BONDS

General. On the date of issuance of the 2012A Bonds, the 2012C Bonds and the 2012D Bonds (collectively, the "*Tax-Exempt Bonds*"), Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and The Banks Law Firm, P.A. ("*Co-Bond Counsel*"), will each render an opinion that, under existing law and assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on the Tax-Exempt 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 imposed on individuals and corporations.

The interest on the Tax-Exempt Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes) and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the Tax-Exempt Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the City rebate certain excess earnings on proceeds and amounts treated as proceeds of the Tax-Exempt Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the Tax-Exempt 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 City subsequent to issuance of the Tax-Exempt Bonds to maintain the excludability of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Each of Co-Bond Counsel's opinion is given in reliance on certifications by representatives of the City as to certain facts material to the opinion and the requirements of the Code.

The City has covenanted in the Bond Resolution to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order that the interest on the Tax-Exempt Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of each of Co-Bond Counsel assumes compliance by the City with such covenants, and Co-Bond Counsel have not been retained to monitor compliance by the City with such covenants subsequent to the date of issuance of the Tax-Exempt Bonds. Failure to comply with certain of such requirements may cause the interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. No other opinion is expressed by Co-Bond Counsel regarding the federal tax consequences of the ownership of or the receipt or accrual of interest with respect to the Tax-Exempt Bonds.

If the interest on the Tax-Exempt Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the City to comply with any requirements described above, the Bond Resolution does not require the City to redeem the Tax-Exempt Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Co-Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Tax-Exempt Bonds. Prospective purchasers and owners of the Tax-Exempt Bonds are advised that, if the Internal Revenue Service does audit the Tax-Exempt Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the City as the taxpayer, and the owners of the Tax-Exempt Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the Tax-Exempt Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of the Tax-Exempt Bonds and the accrual or receipt of interest on the Tax-Exempt Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter 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 the Tax-Exempt Bonds. Co-Bond Counsel do not express any opinion as to any such collateral tax consequences. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the Tax-Exempt Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Tax-Exempt Bonds to be subject directly or indirectly to federal or State of North Carolina income taxation, adversely affect the market price or marketability of the Tax-Exempt Bonds or otherwise prevent the owners of the Tax-Exempt Bonds from realizing the full current benefit of the status of the interest on the Tax-Exempt Bonds.

Each of Co-Bond Counsel is further of the opinion that, under existing law, the interest on the Tax-Exempt Bonds is exempt from State of North Carolina income taxation.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Co-Bond Counsel as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention, or to reflect any

changes in law that may thereafter occur or become effective. Moreover, Co-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 each of Co-Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that each of Co-Bond Counsel deems relevant to such opinion. Co-Bond Counsel's opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering its opinion, each of Co-Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Original Issue Discount. As indicated on the inside cover page, the 2012A Bonds maturing on July 1, 20___, the 2012C Bonds maturing on July 1, 20___ and the 2012D Bonds maturing on July 1, 20___ (collectively, the "*OID Bonds*"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the *OID Bonds* is sold and (b) the principal amount payable at maturity of such *OID Bonds*, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such *OID Bonds* for federal income tax purposes.

In the case of an owner of the *OID Bond*, the amount of original issue discount on such *OID Bond* is treated as having accrued daily over the term of such *OID Bond* on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such *OID Bond* in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such *OID Bond* (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an *OID Bond* which are attributable to accrued original issue discount on such *OID Bonds* will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. However, it should be noted that with respect to certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues to such corporate owners of an *OID Bonds* in each year will be taken into account in determining the adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations and may result in other collateral federal income tax consequences for certain taxpayers in the year of accrual. Consequently, corporate owners of an *OID Bond* should be aware that the accrual of original issue discount on any *OID Bond* in each year may result in a federal alternative minimum tax liability or other collateral federal income tax consequences, even though such corporate owners may not have received any cash payments attributable to such original issue discount in such year.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such *OID Bond*) at a rate determined by reference to the yield to maturity of each individual *OID Bond*. The amount treated as original issue discount on an *OID Bond* for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such *OID Bond* (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such *OID Bond* at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such *OID Bond* during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such *OID Bond* the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an *OID Bond* is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be appointed in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price difference from the initial offering price during the initial offering of the 2011 Fixed Rate Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

Original Issue Premium. As indicated on the inside cover page, the 2012 Bonds maturing on July 1, 20__, the 2012C Bonds maturing on July 1, 20__ and the 2012D Bonds maturing on July 1, 20__ (collectively, the "*Premium Bonds*"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

2012B BONDS

General. On the date of issuance of the 2012D Bonds, each of Co-Bond Counsel will render an opinion that, under existing law, the interest on the 2012D Bonds will be taxable as ordinary income for federal income tax purposes. Co-Bond Counsel express no opinion regarding any other federal income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the interest on the 2012D Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the 2012D Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of 2012D Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold 2012D Bonds as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser. Accordingly, prospective purchasers of the 2012D Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the 2012D Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, as amended, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been

or will be sought from the Internal Revenue Service ("*IRS*"), and no assurance can be given that the IRS will not take contrary positions and will not prevail with such positions.

Prospective purchasers of the 2012D Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest on, the 2012D Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers of the 2012D Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding 2012D Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the 2012D Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the 2012D Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the 2012D Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of 2012D Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the 2012D Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the 2012D Bonds for federal income tax reporting purposes.

Tax Classification of 2012D Bonds. Each of Co-Bond Counsel is of the opinion that, under existing law, the 2012D Bonds will be treated for federal income tax purposes as indebtedness, and interest paid on the 2012D Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Original Issue Discount. It is anticipated that the 2012D Bonds will be initially delivered and remarketed at par value (or at an insubstantial discount from par value) and that stated interest on the 2012D Bonds will be taxable as ordinary income for federal income tax purposes when received or accrued by an owner of such 2012D Bonds in accordance with their respective method of tax accounting. It is not expected that any original issue discount ("*OID*") will arise with respect to the 2012D Bonds. Application of the *OID* rules to the 2012D Bonds could result in some acceleration of the recognition of income by cash basis owners. Prospective purchasers of the 2012D Bonds are advised to consult their own tax advisors regarding the treatment of *OID*, if any, on the 2012D Bonds.

Market Discount. The resale of any 2012D Bond by any owner of such 2012D Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any 2012D Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such 2012D Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such 2012D Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a 2012D Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such 2012D Bond as ordinary income to the extent of any "*accrued market discount*" on such 2012D Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on 2012D Bond will be treated as accruing on a straight-line basis over the term of such 2012D Bond, or, at the election of the owner of

such 2012D Bond, under a constant yield method. Prospective purchasers of 2012D Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, 2012D Bonds acquired at a market discount.

Premium. If a 2012D Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the 2012D Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of 2012D Bonds. If a 2012D Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller's adjusted basis in the 2012D Bond. Such adjusted basis generally will equal the cost of the 2012D Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the 2012D Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or redemption of a 2012D Bond will generally give rise to capital gain or loss if the 2012D Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the 2012D Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers are especially encouraged to consult with their own tax advisors on this subject.

Foreign Investors. Generally, payments of interest with respect to the 2012D Bonds to an owner of 2012D Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the 2012D Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

Backup Withholding. Payments made to an owner with respect to the 2012D Bonds and proceeds from the sale of the 2012D Bonds will ordinarily not be subject to withholding of federal income tax if such owner is a United States person. However, even a United States person will be subject to withholding of such tax at a rate of 28% under certain circumstances. Except in the case of certain "exempt payees" as defined in the Code, such backup withholding will generally be applicable if an owner (1) fails to furnish to the Trustee such owner's social security number or other taxpayer identification number (collectively, "TIN"), (2) furnishes the Trustee an incorrect TIN, (3) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (4) under certain circumstances, fails to provide the Trustee with a certified statement, signed under penalty of perjury, that the TIN provided to the Trustee is correct and that such owner is not subject to backup withholding.

State Taxation of 2012D Bonds. Each of Co-Bond Counsel is further of the opinion that, under existing law, interest on the 2012D Bonds is exempt from State of North Carolina income taxation.

Circular 230. UNDER 31 C.F.R. PART 10, THE REGULATIONS GOVERNING PRACTICE BEFORE THE IRS (CIRCULAR 230), BOND COUNSEL IS REQUIRED TO INFORM YOU THAT THIS DISCUSSION OF TAX TREATMENT OF THE 2012D BONDS:

(1) IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PROSPECTIVE PURCHASER OF THE 2012D BONDS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE, AND

(2) IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE 2012D BONDS AND THE TRANSACTIONS DESCRIBED HEREIN.

EACH PROSPECTIVE PURCHASER OF THE 2012D BONDS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES WITH RESPECT TO THE 2012D BONDS.

FINANCIAL ADVISOR

Stephens Inc., Charlotte, North Carolina, has acted as financial advisor to the City in connection with the issuance of the Bonds.

VERIFICATION

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal of and interest on the Government Obligations to pay interest on the Refunded Bonds through June 1, 2015 and the principal amount of the Refunded Bonds on June 1, 2015 and (b) the mathematical computations supporting the conclusion that the 2012A Bonds, the 2012C Bonds and the 2012D Bonds are not "arbitrage bonds" under the Code, will be verified by _____. Such verification will be based, among other things, on mathematical computations supplied by the Financial Advisor. Co-Bond Counsel will rely on such verification in rendering each's opinion as to the exclusion of interest on the 2012A Bonds, the 2012C Bonds and the 2012D Bonds Bonds from gross income of the recipients thereof for purposes of federal income taxation.

UNDERWRITING

The underwriters for the Bonds are _____

_____.*

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page, the underwriters anticipate total selling compensation of \$_____.* The public offering prices or yields of the bonds may be changed from time to time by the underwriters.

*Information provided by the underwriters.

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.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the City Council of the City.

**LOCAL GOVERNMENT COMMISSION
OF NORTH CAROLINA**

By

T. Vance Holloman
Secretary of the Commission

CITY OF DURHAM, NORTH CAROLINA

By

William V. Bell
Mayor

By

Thomas Bonfield
City Manager

By

David Boyd
Director of Finance

_____, 2012

City of Durham, North Carolina
Durham, North Carolina

\$14,845,000
City of Durham, North Carolina
General Obligation Bonds, Series 2012A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Durham, North Carolina (the “City”) of \$14,845,000 aggregate principal amount of its General Obligation Bonds, Series 2012A (the “2012A Bonds”).

The 2012A Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the Bond Resolution adopted by the City Council of the City on _____ (the “Bond Resolution”).

In connection with the issuance of the 2012A Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein.

- a. Certified copies of (1) the bond order adopted by the City Council of the City on _____ and effective 30 days after its publication and during which no petition to a vote of the people was filed with the City Clerk under Section 159-60 of the General Statutes of North Carolina, and (2) the Bond Resolution;
- b. A specimen 2012A Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The 2012A Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “State”), including The Local Government Bond Act, Sections 159-43 *et seq.*, of the General Statutes of North Carolina.
2. The 2012A Bonds are legal, valid and binding general obligations of the City. The rights of the owners of the 2012A Bonds and the enforceability of the 2012A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

3. The City has pledged its faith and credit for the payment of the principal of and the interest on the 2012A Bonds, and the City is authorized to levy on all real property taxable by the City such *ad valorem* taxes as may be necessary to pay the 2012A Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the 2012A 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 imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2012A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2012A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2012A Bonds.

5. The interest on the 2012A Bonds is exempt from State of North Carolina income taxation.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, and documents and proceedings.

Respectfully submitted,

[Each of Co-Bond Counsel]

_____, 2012

City of Durham, North Carolina
Durham, North Carolina

City of Durham, North Carolina
\$43,425,000 General Obligation Bonds, Series 2012C
\$_____ *General Obligation Refunding Bonds, Series 2012D*

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Durham, North Carolina (the “City”) of \$_____ aggregate principal amount of its General Obligation Refunding Bonds, Series 2012D (the “2012D Bonds”) and \$43,425,000 aggregate principal amount of its General Obligation Bonds, Series 2012C (the “2012C Bonds” and collectively with the 2012D Bonds, the “2012CD Bonds”).

The 2012CD Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the Bond Resolution adopted by the City Council of the City on _____ (the “Bond Resolution”).

In connection with the issuance of the 2012CD Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- a. Certified copies of (1) the bond order with respect to the 2012D Bonds adopted by the City Council of the City on _____, effective on its adoption, (2) the bond order with respect to the 2012C Bonds adopted by the City Council of the City on _____, which was approved by the vote of a majority of the voters who voted thereon at referenda duly called and held, and (2) the Bond Resolution;
- b. A specimen 2012C Bond and a specimen 2012D Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The 2012CD Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “State”), including The Local Government Bond Act, Sections 159-43 *et seq.*, of the General Statutes of North Carolina.
2. The 2012CD Bonds are legal, valid and binding general obligations of the City. The rights of the owners of the 2012CD Bonds and the enforceability of the 2012CD Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’

rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

3. The City has pledged its faith and credit for the payment of the principal of and the interest on the 2012CD Bonds, and the City is authorized to levy on all real property taxable by the City such *ad valorem* taxes as may be necessary to pay the 2012CD Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the 2012CD 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 imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2012CD Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2012CD Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2012CD Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2012CD Bonds.

5. The interest on the 2012CD Bonds is exempt from State of North Carolina income taxation.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, and documents and proceedings.

Respectfully submitted,

[Each of Co-Bond Counsel]

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Bond will be issued in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC’s direct 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 securities certificates. 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 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 certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants and 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 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 the notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 City or the Paying Agent on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC nor its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The City 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 DTC, and the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE REGISTRAR NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THE BOND RESOLUTION; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.