

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

David Boyd
Finance Director
City of Durham

ESCROW AGREEMENT

ESCROW AGREEMENT dated as of May 1, 2012 between the **CITY OF DURHAM, NORTH CAROLINA** (the “*City*”) and **DEUTSCHE BANK NATIONAL TRUST COMPANY**, as escrow agent (the “*Escrow Agent*”), being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the State of North Carolina.

WITNESSETH:

WHEREAS, the City, in order to pay the capital costs of acquiring, constructing and equipping a portion of an approximately 1311 space parking facility (the “*2003 Project*”) entered into an Installment Purchase Contract dated as of August 1, 2003 (the “*2003 Contract*”) between New Durham Corporation (the “*Corporation*”) and the City, whereby the City purchased the 2003 Project;

WHEREAS, the Corporation executed and delivered \$14,000,000 Taxable Certificates of Participation, Series 2003 (the “*2003 Certificates*”), of which \$8,505,000 remain outstanding, pursuant to an Indenture of Trust dated as of August 1, 2003 (the “*2003 Indenture*”) between the Corporation and Deutsche Bank National Trust Company, as trustee (the “*Trustee*”);

WHEREAS, the City, in order to pay the capital costs of (a) (i) renovating City Hall, the Police Laboratory Building and the Police Headquarters Building, (ii) acquiring and installing certain 911 communications facilities and the equipment therefor, (iii) acquiring technology equipment, including hardware and software, (iv) acquiring certain moving stock, including yard waste collection vehicles, firefighting vehicles and rescue vehicles (v) acquiring, constructing and equipping Fire Station #8 and Fire Station #16, (vi) constructing improvements to the Morgan Street Parking Garage, (vii) renovating the Carolina Theater and facilities for the Durham Arts Council and (viii) constructing facilities for the use of USA Baseball (collectively the “*2005 Projects*”), (b) refinancing a portion of the cost of the 1995 acquisition of Fire Station #1 and Fire Station #5 (the “*1995 Projects*”), (c) refinancing a portion of the cost of the 1997 acquisition of Fire Station #3 and Fire Station #13 (the “*1997 Projects*”) and (d) refinancing of a portion of the acquisition of costs of (i) certain City Hall renovations, and (ii) acquisition of the PSNC Building (the “*2001 Projects*” and collectively with the 1995 Projects, the 1997 Projects and the 2001 Projects, the “*Prior Projects*”) entered into the First Contract Amendment dated as of May 1, 2005 to the 2003 Contract (the “*First Contract Amendment*”) between the Corporation and the City;

WHEREAS, the Corporation executed and delivered \$34,885,000 Certificates of Participation, Series 2005B (the “*2005B Certificates*”), of which \$18,260,000 remain outstanding, pursuant to the 2003 Indenture (the “*2003 Indenture*”), as amended by Supplemental Indenture, Number 1, dated as of May 1, 2005 (the “*First Supplement*”) between the Corporation and the Trustee;

WHEREAS, the City wishes to prepay the outstanding 2003 Certificates maturing on and after June 1, 2014 (the “*Refunded 2003 Certificates*”) and to prepay the outstanding 2005B Certificates maturing on and after June 1, 2016 (the “*Refunded 2005B Certificates*” and collectively with the Refunded 2003 Certificates, the “*Refunded Certificates*”) in advance of their maturities;

WHEREAS, for the purpose of refinancing a portion of the 2003 Project and the Prior Projects, the City has, pursuant to Section 160A-20 of the General Statutes of North Carolina, entered into Amendment Number Two to the 2003 Contract dated as of May 1, 2012 (the “*Second Contract Amendment*,” and together with the 2003 Contract and the First Supplement, the “*Contract*”);

WHEREAS, the Corporation has executed and delivered a Taxable Limited Obligation Bond, Series 2012A (the “*2012A Bond*”) and a Limited Obligation Bond, Series 2012B (the “*2012B Bond*” and collectively with the 2012A Bond, the “*2012 Bonds*”), each evidencing proportionate undivided interests in rights to receive certain Revenues (as hereinafter defined) under the Contract pursuant to the 2003 Indenture, as supplemented by the Supplemental Indenture, Number 2 dated as of May 1, 2012 (the “*Second Supplement*” and collectively with the 2003 Indenture and the First Supplement, the “*Indenture*”) between the Corporation and the Trustee;

WHEREAS, pursuant to the Contract and the Indenture and for the purpose of the City refinancing a portion of the 2003 Project and the Prior Projects, a portion of the proceeds of the 2012 Bonds will be deposited in the Escrow Fund established under this Agreement and applied to the purchase of Federal Securities, the proceeds of which are to be applied to the prepayment of the Refunded Certificates; and

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

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

ARTICLE I

DEFINITIONS

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

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

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

“**Escrow Agent**” means Deutsche Bank National Trust Company, and its successors and assigns.

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

“**Federal Securities**” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of

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

“First Supplement” means Supplemental Indenture, Number 1 dated as of May 1, 2005 between the Corporation and the Trustee.

“Indenture” means, collectively, the 2003 Indenture, the First Supplement and the Second Supplement.

“Refunded 2003 Certificates” means the outstanding 2003 Certificates maturing on June 1, 2023, to be defeased and prepaid with a portion of the proceeds of the 2012A Bonds.

“Refunded 2005B Certificates” means the outstanding 2005B Certificates maturing on or after June 1, 2016, to be defeased and prepaid with a portion of the proceeds of the 2012B Bonds.

“Refunded Certificates” means, collectively, the Refunded 2003 Certificates and the Refunded 2005B Certificates.

“Second Supplement” means Supplemental Indenture, Number 2 dated as of May 1, 2012 between the Corporation and the Trustee.

“State” means the State of North Carolina.

“Trustee” means Deutsche Bank National Trust Company, as trustee under the 2003 Indenture.

“2003 Certificates” means the \$23,660,000 Taxable Certificates of Participation, Series 2003, executed and delivered under the 2003 Indenture, of which \$8,040,000 is currently outstanding.

“2003 Contract” means the Installment Purchase Contract dated as of August 1, 2003 between the City and the Corporation.

“2003 Indenture” means the Indenture of Trust dated as of August 1, 2003 between the Corporation and Deutsche Bank National Trust Company, as trustee.

“**2012 Bonds**” means, collectively, the 2012A Bond and the 2012B Bond.

“**2012A Bond**” means the \$ _____,000 Taxable Limited Obligation Bond, Series 2012A executed and delivered under the Indenture.

“**2012B Bond**” means the \$ _____,000 Limited Obligation Bond, Series 2012B executed and delivered under the Indenture.

ARTICLE II

CREATION OF ESCROW FUND

Section 2.01. Escrow Fund. There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the Escrow Fund, and within the Escrow Fund, the “*Refunded 2003 Certificates Account*” and the “*Refunded 2005B Certificates Account*,” to be held in the custody of the Escrow Agent separate and apart from other funds and accounts of the City or the Escrow Agent.

Section 2.02. Initial Deposit. Concurrently with the execution of this Agreement, the City has caused to be deposited with the Escrow Agent, and the Escrow Agent acknowledges receipt of, \$ _____, _____ from the proceeds of the 2012A Bond, \$ _____, _____ from the proceeds of the 2012B Bond, and \$ _____ from City funds. Concurrently with the receipt of such funds, the Escrow Agent shall deposit \$ _____ in the Refunded 2003 Certificates Account of the Escrow Fund and \$ _____ in the Refunded 2005B Certificates Account of the Escrow Fund. Amounts deposited in the Escrow Fund will be simultaneously applied to the purchase of the Federal Securities described in Schedule II hereto (“*Schedule II*”), except to the extent of balances designated in Schedule II to be uninvested. The Federal Securities shall mature in principal amounts and pay interest in such amounts so that sufficient moneys will be available to pay (1) (a) the maturing interest with respect to the Refunded 2003 Certificates until June 1, 2013 and (b) 100% of the principal of the Refunded 2003 Certificates, on June 1, 2013, at which time the outstanding principal and interest with respect to the Refunded 2003 Certificates will be paid in full, and (2) (a) the maturing interest with respect to the Refunded 2005B Certificates until June 1, 2015 and (b) 100% of the principal of the Refunded 2005B Certificates, on June 1, 2015, at which time the outstanding principal and interest with respect to the Refunded 2005B Certificates will be paid in full. On the basis of a verification report provided by a verification agent as of the date of closing on the 2012 Bonds, the City hereby finds and determines that the investments described in Schedule II are advantageous in yield and maturity date to provide sufficient moneys to prepay the Refunded Certificates and to comply with United States Department of the Treasury regulations adopted or applicable pursuant to the Internal Revenue Code of 1986, as amended.

Section 2.03. Irrevocable Deposit; Control. The deposit in the Escrow Fund of the proceeds of the 2012 Bonds shall constitute an irrevocable deposit of such monies exclusively for the benefit of the Refunded 2003 Certificates and Refunded 2005B Certificates, respectively, and such money and Federal Securities, together with any income or interest earned thereon, shall be held in trust and shall be applied solely to the payment of the principal of and interest on the Refunded Certificates as the same mature and become due on prepayment, as applicable, as set forth in Schedule I hereto (“*Schedule I*”). Subject to the requirements set forth herein for the use of the Escrow Fund and the moneys and investments therein, including, without limitation, Section 3.02, the City covenants and agrees that the Escrow Agent shall have full and complete control and authority over and with respect to the Escrow Fund and money and

investments therein and that the City shall not exercise any control or authority over and with respect to the Escrow Fund and the money and investments therein.

The City irrevocably directs the Trustee to call the Refunded 2003 Certificates for prepayment on June 1, 2013 and the Refunded 2005B Certificates for prepayment on June 1, 2015.

ARTICLE III

DUTIES OF THE ESCROW AGENT; FEES AND COSTS

Section 3.01. *Payments on Refunded Certificates.* The Escrow Agent, without further authorization and direction from the City, shall pay to the Trustee, from moneys available in the Escrow Fund, on the date on which each payment of principal and interest falls due, money sufficient to pay the principal and interest falling due with respect to the Refunded Certificates as set forth in Schedule I hereto. Payments with respect to the Refunded 2003 Certificates are to be made from the maturing principal of and interest on the Federal Securities or other money in the Refunded 2003 Certificates Account of the Escrow Fund securing the Refunded 2003 Certificates and shall be made to the persons entitled thereto. Payments with respect to the Refunded 2005B Certificates are to be made from the maturing principal of and interest on the Federal Securities or other money in the Refunded 2005B Certificates Account of the Escrow Fund securing the Refunded 2005B Certificates and shall be made to the persons entitled thereto.

Section 3.02. *Investment of Escrow Fund.* The Escrow Agent shall purchase or cause to be purchased those Federal Securities listed in Schedule II solely from the money deposited by the City in the Escrow Fund. The Escrow Agent shall apply the money deposited in each account of the Escrow Fund and the Federal Securities, together with any income or interest earned thereon, in accordance with this Agreement. The Escrow Agent has no power or duty to invest any money held hereunder or to make substitutions of the Federal Securities held hereunder or to sell, transfer or otherwise dispose of the Federal Securities acquired hereunder except as otherwise provided herein. The Escrow Agent may, on the request of the City, sell or redeem all or a portion of the Federal Securities held for the credit of the Escrow Fund and reinvest the required proceeds of such sale or redemption, in Federal Securities designated in such request of the City, but only on receipt by the Escrow Agent of:

(a) a certificate of an independent certified public accountant stating that after giving effect to such request the Federal Securities held for the credit of such account are of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, be sufficient together with all cash and other immediately available invested funds held for the credit of such account to pay the principal of, and interest with respect to the Refunded Certificates when due and as described in this Agreement; and

(b) an opinion of counsel acceptable to the City and the Escrow Agent, which must be nationally recognized bond counsel, stating that the Refunded Certificates are deemed defeased and that the compliance with such request of the City will not adversely affect the exclusion from gross income for federal income tax purposes of the interest with respect to the Refunded 2005B Certificates.

The liability of the Escrow Agent for the payment of the principal and interest with respect to the Refunded Certificates pursuant to this Section is limited to the cash available for such purposes in the

Escrow Fund. The City shall not direct the Escrow Agent to exercise any of its powers to cause any part of the money or funds at any time in the Escrow Fund to be used directly or indirectly to acquire any obligations which would cause any Refunded 2005B Certificate to be an “arbitrage bond” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Section 3.03. Escrow Agent’s Fees. The Escrow Agent’s fees for and in carrying out the provisions of this Agreement have been fixed, which fees are to be paid by the City as they are due from funds of the City and not from funds in the Escrow Fund. The City will bear all costs of publication and mailing of notices required by this Agreement or the Indenture. The Escrow Agent is not liable for any loss resulting from any investment made at the direction of the City pursuant to the terms and provisions of this Agreement. In addition to fixed fees, the City will also pay out of pocket expenses, including reasonable attorney’s fees. Section 4.11 herein applies to the payment of expenses as described in this Section but not to the payment of fees, which are fixed.

Section 3.04. Escrow Agent Generally.

(a) The Escrow Agent has no responsibility to the City or any person in connection herewith except as specifically provided herein and is not responsible for anything done or omitted to be done by it, except for its own negligence or default in the performance of any obligation imposed on it hereunder.

(b) Subject to the exception in paragraph (a) as to its own negligence or default in the performance of any obligation imposed on it hereunder, the Escrow Agent has no responsibility for verifying the genuineness, correctness, or competence of any document, instrument or writing, and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein.

(c) The Escrow Agent may act on any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other instrument or document from the City’s Finance Director or Assistant Finance Director which the Escrow Agent reasonably and in good faith believes to be genuine and to be what it purports to be.

(d) The Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the City with respect to arrangements or contracts with others. The Escrow Agent may request from the City or any person such reasonable evidence as the Escrow Agent in its discretion deems necessary to determine any fact relating to the occurrence of any event or contingency and in this connection may inquire and consult with the City, among others, at any time. The City shall provide such evidence to the Escrow Agent and the Escrow Agent is entitled to rely thereon.

(e) The Escrow Agent has no liability for following any instructions given by the City or in this Escrow Agreement or set forth in any court or administrative order.

(f) The Escrow Agent may resign and thereby become discharged from the trusts hereby created by notice in writing given to the City not less than 30 days before such resignation is to take effect. The Escrow Agent agrees to serve as Escrow Agent until a successor is appointed. Such resignation is effective immediately, however, on the appointment of a successor Escrow Agent if such successor Escrow Agent is appointed before the expiration of said notice period. If such appointment of a successor Escrow

Agent is not made within 30 days after the date that such resignation was to take effect as provided in the notice thereof given to the City, then the Escrow Agent may apply to a court of competent jurisdiction to appoint a successor Escrow Agent and give notice thereof to the City and not object to the City's intervention therein.

The Escrow Agent may be replaced by the City and thereby become discharged from the trusts hereby created by notice in writing given from the City to the Escrow Agent not less than 30 days before such replacement is to take effect. The Escrow Agent agrees to serve as Escrow Agent until a successor is appointed. Such replacement is effective immediately, however, on the appointment of a successor Escrow Agent if such successor Escrow Agent is appointed before the expiration of said notice period.

(g) If a disagreement or dispute arises under this Escrow Agreement, or if adverse claims or demands are made in connection with this Agreement or any property involved herein or affected hereby, the Escrow Agent may petition a court of competent jurisdiction, within the limitations set forth in Section 4.07, to resolve the disagreement or dispute or adverse claims or demands and must, at the time of filing such petition, give notice thereof to the City. In connection therewith, the Escrow Agent may (but is not required to) tender into the custody of the court all money or property in its hands under the terms of this Escrow Agreement, and then be discharged from all further duties under this Escrow Agreement. The filing of any such legal proceeding does not deprive Escrow Agent of its compensation earned before such filing.

Section 3.05. Notices to Refunded Certificate Owners. The Escrow Agent shall give notice to the owners from time to time of the Refunded Certificates in accordance with the instructions received from the City from time to time in connection with this Agreement. The Escrow Agent will cause a notice of prepayment, substantially in the form attached to this Agreement as Exhibit A, to be mailed to the parties and in the manner set forth on Exhibit A. In addition, the Escrow Agent will cause a notice of defeasance, substantially in the form attached to this Agreement as Exhibit B, to be mailed to the parties and in the manner set forth on Exhibit B.

ARTICLE IV

GENERAL PROVISIONS

Section 4.01. Escrow Fund Irrevocable. The Escrow Fund hereby created is irrevocable and the owners of the Refunded 2003 Certificates and Refunded 2005B Certificates are hereby granted an express lien on the corresponding account of the Escrow Fund until applied in accordance with this Agreement.

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

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

Section 4.02. Report. The Escrow Agent shall deliver to the City on or before the fifth business day of each month, beginning June 5, 2012, a report of each transaction relating to the Escrow Fund through the last business day of the preceding month.

Section 4.03. Refunded Certificate Owner Rights. The Escrow Agent and the City agree that the owners of the Refunded 2003 Certificates and Refunded 2005B Certificates have a beneficial and vested interest in the corresponding account of the Escrow Fund as herein provided. It is therefore recited, understood and agreed that, until the provisions hereof have been fully carried out, this Agreement (a) may be amended only to cure ambiguity or correct manifest error without the prior written consent of all of the owners of the Refunded Certificates and (b) is not subject to amendment for any other reason or revocation except with the prior written consent of all of the owners of the Refunded Certificates.

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

Section 4.05. Termination. This Agreement terminates when all payments of the principal and interest with respect to the Refunded Certificates required to be made to the owners of the Refunded Certificates under the provisions of the Indenture have been made.

Section 4.06. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the parties hereto to be performed are determined by a court of competent jurisdiction to be contrary to law, (a) such covenant or agreement is to be deemed and construed to be severable from the remaining covenants and agreements herein contained and in no way affect the validity of the remaining provisions of this Agreement, (b) the City shall provide notice thereof to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, Attn: Public Finance Rating Desk/Refunded Certificates; to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, at 55 Water Street, New York, New York 10041; and to Fitch Ratings, at One State Street Plaza, 31st Floor, New York, New York, 10004.

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

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

Section 4.09. Notices. Any notice or other communication to be given under this Agreement shall be in writing and may be given by certified mail (postage prepaid, return receipt requested), telegraph or personal delivery, if to the City, to the City of Durham, North Carolina, 101 City Hall Place, Durham, NC 27701, Attention: Finance Director, and if to the Escrow Agent, to Deutsche Bank National Trust Company, _____, Charlotte, North Carolina _____, Attention: _____.

Section 4.10. Covenants of City or Corporation not Covenants of Officials Individually. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, director, agent, officer or employee

of the City or the Local Government Commission of North Carolina in his or her individual capacity, and neither the members of the City Council of the City, the members of the Local Government Commission of North Carolina nor any other member, director, agent, officer or employee of the City or the Local Government Commission of North Carolina is subject to any personal liability under this Agreement.

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

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

**DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Escrow Agent**

By: _____
Vice President

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

[COUNTERPART SIGNATURE PAGE TO THE ESCROW AGREEMENT]

CITY OF DURHAM, NORTH CAROLINA

By: _____
Thomas J. Bonfield
City Manager

SCHEDULE I

PAYMENT SCHEDULE FOR REFUNDED 2003 CERTIFICATES

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
06/01/12		\$, .
12/01/12		, .
06/01/13	\$7,085,000	, .

The Refunded 2003 Certificates maturing on June 1, 2023 are to be called on June 1, 2013 at the principal amount thereof without premium, plus accrued interest to the prepayment date.

PAYMENT SCHEDULE FOR REFUNDED 2005B CERTIFICATES

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
06/01/12		\$, .
12/01/12		, .
06/01/13		\$, .
12/01/13		, .
06/01/14		\$, .
12/01/14		, .
06/01/15	\$7,965,000	, .

The Refunded 2005B Certificates maturing on and after June 1, 2016 are to be called on June 1, 2015 at the principal amount thereof without premium, plus accrued interest to the prepayment date.

SCHEDULE II

FEDERAL SECURITIES – REFUNDED 2003 CERTIFICATES ACCOUNT

<u>TYPE OF SECURITY</u>	<u>MATURITY DATE</u>	<u>FIRST INTEREST PAYMENT</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>
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An amount equal to \$. has been deposited in the Refunded 2003 Certificates Account of the Escrow Fund on the Issue Date to establish the Initial Cash Balance in the Refunded 2003 Certificates Account of the Escrow Fund and shall be held uninvested as cash.

FEDERAL SECURITIES – REFUNDED 2005B CERTIFICATES ACCOUNT

<u>TYPE OF SECURITY</u>	<u>TYPE OF SLG</u>	<u>MATURITY DATE</u>	<u>FIRST INTEREST PAYMENT</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>
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An amount equal to \$. has been deposited in the Refunded 2005B Certificates Account of the Escrow Fund on the Issue Date to establish the Initial Cash Balance in the Refunded 2005B Certificates Account of the Escrow Fund and shall be held uninvested as cash.

EXHIBIT A-1

NOTICE OF PREPAYMENT

\$14,000,000

***Taxable Certificates of Participation, Series 2003
Evidencing Proportionate Undivided Interests in Rights
to Receive Certain Revenues pursuant to an Installment Purchase Contract between
New Durham Corporation and the City of Durham, North Carolina***

<u>*CUSIP</u>	<u>MATURITY</u>	<u>RATE</u>	<u>PRICE</u>	<u>AMOUNT</u>
	June 1, 2023	6.40%	100%	\$7,085,000

Notice is hereby given by the City of Durham, North Carolina of its intention to prepay the Taxable Certificates of Participation, Series 2003, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues pursuant to an Installment Purchase Contract between First Durham Corporation and the City of Durham, North Carolina (the "Refunded 2003 Certificates") maturing on June 1, 2023 on June 1, 2013 (the "Prepayment Date") at the prepayment price (the "Prepayment Price") of 100% of the principal amount thereof without premium, plus accrued interest to the Prepayment Date.

Since the Refunded 2003 Certificates are held under the book entry system, payment will be made directly to the registered holder. United States Treasury Obligations and uninvested cash sufficient to pay the Prepayment Price have been deposited with the Escrow Agent. Consequently, on the Prepayment Date, the Refunded 2003 Certificates will cease to bear interest.

When presenting the Refunded 2003 Certificates for payment, holders of the Refunded 2003 Certificates should provide their tax identification number (via Form W-9) to avoid withholding of 28% of the principal paid as required by Federal Tax Law. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty. Accordingly, please provide all appropriate certifications when presenting the Refunded 2003 Certificates for payment.

CITY OF DURHAM, NORTH CAROLINA

**By: DEUTSCHE BANK NATIONAL TRUST
COMPANY , as trustee**

Date: [Between April 2, 2013 and April 30, 2013]

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

LGC by U.S. Mail; and

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

EXHIBIT A-2

NOTICE OF PREPAYMENT

\$34,885,000

***Certificates of Participation, Series 2005B
Evidencing Proportionate Undivided Interests in Rights
to Receive Certain Revenues pursuant to an Installment Purchase Contract between
New Durham Corporation and the City of Durham, North Carolina***

<u>*CUSIP</u>	<u>MATURITY</u>	<u>RATE</u>	<u>PRICE</u>	<u>AMOUNT</u>
	June 1, 2016	4.25%	100%	\$1,175,000
	June 1, 2017	5.25	100	1,200,000
	June 1, 2019	4.00	100	400,000
	June 1, 2019	5.25	100	1,000,000
	June 1, 2021	5.25	100	1,400,000
	June 1, 2023	5.00	100	1,400,000
	June 1, 2025	5.00	100	1,390,000

Notice is hereby given by the City of Durham, North Carolina of its intention to prepay the Certificates of Participation, Series 2005B, Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues pursuant to an Installment Purchase Contract between First Durham Corporation and the City of Durham, North Carolina (the "Refunded 2005B Certificates") maturing on and after June 1, 2016 on June 1, 2015 (the "Prepayment Date") at the prepayment price (the "Prepayment Price") of 100% of the principal amount thereof without premium, plus accrued interest to the Prepayment Date.

Since the Refunded 2005B Certificates are held under the book entry system, payment will be made directly to the registered holder. United States Treasury Obligations and uninvested cash sufficient to pay the Prepayment Price have been deposited with the Escrow Agent. Consequently, on the Prepayment Date, the Refunded 2005B Certificates will cease to bear interest.

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

CITY OF DURHAM, NORTH CAROLINA

**By: DEUTSCHE BANK NATIONAL TRUST
COMPANY, as trustee**

Date: [Between April 2, 2015 and April 30, 2015]

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

LGC by U.S. Mail; and

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

EXHIBIT B-1

NOTICE OF DEFEASANCE

\$14,000,000

***Taxable Certificates of Participation, Series 2003
Evidencing Proportionate Undivided Interests in Rights
to Receive Certain Revenues pursuant to an Installment Purchase Contract between
New Durham Corporation and the City of Durham, North Carolina***

<u>*CUSIP</u>	<u>MATURITY</u>	<u>RATE</u>	<u>PRICE</u>	<u>AMOUNT</u>
	June 1, 2023	6.40%	100%	\$7,085,000

NOTICE IS HEREBY GIVEN by the City of Durham, North Carolina (the “City”) that, pursuant to the Indenture of Trust dated as of August 1, 2003 between New Durham Corporation and Deutsche Bank National Trust Company, as trustee (the “2003 Indenture”), authorizing the execution and delivery of the Taxable Certificates of Participation, Series 2003 Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues pursuant to an Installment Purchase Contract between New Durham Corporation and the City of Durham, North Carolina (the “2003 Certificates”), that there has been deposited with the undersigned certain Federal Securities, as permitted under the 2003 Indenture, the principal of and the interest on which when due, and without reinvestment thereof, are sufficient to pay (1) the maturing interest with respect to the 2003 Certificates maturing on June 1, 2023 (the “Refunded 2003 Certificates”), until June 1, 2013 (the “Prepayment Date”), and (2) 100% of the principal of the Refunded 2003 Certificates on the Prepayment Date, at which time the outstanding principal and interest with respect to the Refunded 2003 Certificates will be paid in full. Deutsche Bank National Trust Company, as trustee, has received irrevocable written instructions from the City to prepay the Refunded 2003 Certificates on the Prepayment Date. Consequently, on the Prepayment Date, the Refunded 2003 Certificates will cease to bear interest. The Refunded 2003 Certificates are deemed to have been paid in accordance with Article VI of the 2003 Indenture.

CITY OF DURHAM, NORTH CAROLINA

By: DEUTSCHE BANK NATIONAL TRUST COMPANY, as trustee

Date: [As soon as practicable after the execution and delivery of the Escrow Agreement]
To: EMMA, by posting electronically, in PDF format, to
www.MSRB.org/msrb1/control/default.asp.

EXHIBIT B-2

NOTICE OF DEFEASANCE

\$34,885,000

Certificates of Participation, Series 2005B

Evidencing Proportionate Undivided Interests in Rights

***to Receive Certain Revenues pursuant to an Installment Purchase Contract between
New Durham Corporation and the City of Durham, North Carolina***

<u>*CUSIP</u>	<u>MATURITY</u>	<u>RATE</u>	<u>PRICE</u>	<u>AMOUNT</u>
	June 1, 2016	4.25%	100%	\$1,175,000
	June 1, 2017	5.25	100	1,200,000
	June 1, 2019	4.00	100	400,000
	June 1, 2019	5.25	100	1,000,000
	June 1, 2021	5.25	100	1,400,000
	June 1, 2023	5.00	100	1,400,000
	June 1, 2025	5.00	100	1,390,000

NOTICE IS HEREBY GIVEN by the City of Durham, North Carolina (the “City”) that, pursuant to the Indenture of Trust dated as of August 1, 2003 between New Durham Corporation and Deutsche Bank National Trust Company, as trustee (the “2003 Indenture”), as supplemented by Supplemental Indenture, Number 1 dated as of May 1, 2005 (the “First Supplement”), between New Durham Corporation and Deutsche Bank National Trust Company, as trustee, authorizing the execution and delivery of the Certificates of Participation, Series 2005B Evidencing Proportionate Undivided Interests in Rights to Receive Certain Revenues pursuant to an Installment Purchase Contract between New Durham Corporation and the City of Durham, North Carolina (the “2005B Certificates”), that there has been deposited with the undersigned certain Federal Securities, as permitted under the 2003 Indenture, the principal of and the interest on which when due, and without reinvestment thereof, are sufficient to pay (1) the maturing interest with respect to the 2005B Certificates maturing on and after June 1, 2016 (the “Refunded 2005B Certificates”), until June 1, 2015 (the “Prepayment Date”), and (2) 100% of the principal of the Refunded 2005B Certificates on the Prepayment Date, at which time the outstanding principal and interest with respect to the Refunded 2005B Certificates will be paid in full. Deutsche Bank National Trust Company, as trustee, has received irrevocable written instructions from the City to prepay the Refunded 2005B Certificates on the Prepayment Date. Consequently, on the Prepayment Date, the Refunded 2005B Certificates will cease to bear interest. The Refunded 2005B Certificates are deemed to have been paid in accordance with Article VI of the 2003 Indenture.

CITY OF DURHAM, NORTH CAROLINA

By: DEUTSCHE BANK NATIONAL TRUST COMPANY, as trustee

Date: [As soon as practicable after the execution and delivery of the Escrow Agreement]
To: EMMA, by posting electronically, in PDF format, to
www.MSRB.org/msrb1/control/default.asp.