Draft
7/19/13

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2013

New Issue/ Book-Entry-Only | **Ratings: Moody's: ___**
Fitch: ___
S&P: ___
(See "RATINGS" herein)

$[2013A Amount]*	**$[2013B Amount]***
Limited Obligation Bonds	**Taxable Limited Obligation Bonds**
Series 2013A	**Series 2013B**

DURHAM
1869
CITY OF MEDICINE

Evidencing Proportionate Undivided Interests
in the Rights to Receive Certain Revenues Pursuant to
an Installment Purchase Contract
Between New Durham Corporation and the

CITY OF DURHAM, NORTH CAROLINA

Dated: Date of Delivery | **Due: October 1, as shown on the inside cover**

This Official Statement has been prepared by the City of Durham, North Carolina (the "City") to provide information in connection with the execution and delivery of the Limited Obligation Bonds, Series 2013A (the "2013A Bonds") and the Taxable Limited Obligation Bonds, Series 2013B (the "2013B Bonds" and together with the 2013A Bonds, the "2013 Bonds"). Selected information is presented on this cover page for the convenience of the user. Prospective purchasers of the 2013 Bonds should read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

Purpose: The proceeds of the 2013 Bonds will be used, together with any other available funds, to pay the costs related to (a) the acquisition, construction and equipping of certain municipal improvements described herein, (b) refunding the City's payment obligations under its General Obligation Housing Bonds (Taxable), Series 2000 and (c) the execution, sale and delivery of the 2013 Bonds. See "**THE 2013 PROJECTS,**" "**PLAN OF REFUNDING**" and "**ESTIMATED SOURCES AND USES**" herein.

Security: The 2013 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 2001, between New Durham Corporation (the "Corporation") and The Bank of New York, the successor to which is The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee and Central Carolina Bank and Trust Company as co-trustee, as supplemented by Supplemental Indenture, Number 2, dated as of October 1, 2013, between the Corporation and the Trustee. The proceeds of the 2013 Bonds will be advanced by the Corporation to the City pursuant to an Installment Purchase Contract, dated as of July 1, 2001, as amended by Amendment Number One to the Installment Purchase Contract and as further amended by Amendment Number Two to the Installment Purchase Contract (collectively, the "Contract"), each between the City and the Corporation. The 2013 Bonds evidence proportionate undivided interests in the rights to receive certain Revenues (as defined herein), including the Installment Payments (as defined herein) to be made by the City under the Contract. The City's obligations under the Contract are secured by a Deed of Trust and Security Agreement, dated as of July 1, 2001, as supplemented by a Notice of Extension of Deed of Trust to Additional Property, dated as of August 1, 2010 (collectively, the "Deed of Trust"), each from the City to the deed of trust trustee named therein for the benefit of the Corporation, granting a first lien of record on the Premises (as defined herein), subject to certain permitted encumbrances as described herein. Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the registered owners of the 2013 Bonds substantially all of its rights under the Contract, including its right to receive the Installment Payments thereunder, all of its rights under the Deed of Trust and all moneys and securities held by the Trustee in certain funds and accounts under the Indenture. The 2013 Bonds are payable on a parity with the 2010 Bonds and any Additional Certificates (each as defined herein) hereafter executed and delivered under the Indenture.

THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2013 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE CITY PURSUANT TO THE CONTRACT, AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS UNDER THE INDENTURE AND, TO THE EXTENT PROVIDED IN THE INDENTURE, THE PROCEEDS DERIVED FROM THE EXERCISE OF CERTAIN RIGHTS AND REMEDIES GRANTED UNDER THE CONTRACT, INCLUDING FORECLOSURE AND SALE OF THE PREMISES PURSUANT TO THE DEED OF TRUST. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE TO THE OWNERS OF THE 2013 BONDS.

See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS**" herein.

Interest Payment Dates: April 1 and October 1 of each year, commencing April 1, 2014.

Denominations/ Registration: $5,000 or integral multiples thereof. Book-entry-only through DTC (see Appendix E hereto).

Prepayment: The 2013 Bonds are subject to optional and mandatory sinking fund prepayment prior to their maturities as described herein.

Tax Treatment: In the opinion of each of Co-Bond Counsel, under existing law (1) assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended, the portion of the Installment Payments designated and paid as interest on the 2013A Bonds (a) 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, 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, (2) the portion of the Installment Payments designated and paid as interest on the 2013B Bonds will be taxable as ordinary income for federal income tax purposes and (3) the portion of the Installment Payments designated and paid as interest on the 2013 Bonds is exempt from State of North Carolina income taxation. See **"TAX TREATMENT"** herein.

Delivery Date: On or about October __, 2013.

Financial Advisor: Stephens Inc., Charlotte, North Carolina

Counsel: Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and The Banks Law Firm, P.A., Durham, North Carolina, Co-Bond Counsel; Patrick W. Baker, Esq., Durham, North Carolina, City Attorney; Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, counsel to the Corporation and Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, counsel to the Underwriters.

BofA Merrill Lynch **BAIRD**

September __, 2013

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*Preliminary; subject to change.

MATURITY SCHEDULE*

$[2013A Amount] Limited Obligation Bonds
Series 2013A

Due October 1	Principal Amount	Interest Rate	Yield

_____

$[2013B Amount] Taxable Limited Obligation Bonds
Series 2013B

Due October 1	Principal Amount	Interest Rate	Yield

$______ ____% Term 2013B Bonds due October 1, 20__, Yield ____%

*Preliminary; subject to change.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2013 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2013 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 2013 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the City, the Corporation and other sources believed to be reliable. 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.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Evidencing Proportionate Undivided Interests in the Rights to Receive Certain Revenues Pursuant to an Installment Purchase Contract Between New Durham Corporation and the

CITY OF DURHAM, NORTH CAROLINA

INTRODUCTION

The purpose of this Official Statement, which includes the appendices, is to provide certain information in connection with the execution, sale and delivery of $[2013A Amount]* Limited Obligation Bonds, Series 2013A (the "2013A Bonds") and $[2013B Amount]* Taxable Limited Obligation Bonds, Series 2013B (the "2013B Bonds" and together with the 2013A Bonds, the "2013 Bonds"). The 2013 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 2001 (the "Original Indenture"), between New Durham Corporation (the "Corporation") and The Bank of New York, the successor to which is The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee and Central Carolina Bank and Trust Company as co-trustee, as supplemented by Supplemental Indenture, Number 2, dated as of October 1, 2013 (the "Second Supplement" and together with the Original Indenture and the First Supplement described below, the "Indenture"), between the Corporation and the Trustee.

The Corporation has heretofore executed and delivered under the Original Indenture, as supplemented by Supplemental Indenture, Number 1, dated as of August 1, 2010 (the "First Supplement") between the Corporation and the Trustee, the $39,140,000 Limited Obligation Bonds, Series 2010A (the "2010A Bonds"), of which $27,835,000 remains outstanding and $17,885,000 Taxable Limited Obligation Bonds, Series 2010B (the "2010B Bonds" and together with the 2010A Bonds, the "2010 Bonds"), all of which remains outstanding.

The proceeds of the 2013 Bonds will be used to provide funds, together with any other available funds, to pay the costs related to (a) the acquisition, construction and equipping of certain municipal improvements described herein, (b) refunding the City's payment obligations under its General Obligation Housing Bonds (Taxable), Series 2000 and (c) the execution, sale and delivery of the 2013 Bonds. See "**THE 2013 PROJECTS,**" '**PLAN OF REFUNDING**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

The 2013 Bonds and the 2010 Bonds evidence proportionate undivided interests in the rights to receive certain Revenues (as defined in the Indenture), which include the installment payments (the "Installment Payments") to be made by the City of Durham, North Carolina (the "City") pursuant to an Installment Purchase Contract, dated as of July 1, 2001 (the "Original Contract"), as amended by Amendment Number One to the Installment Purchase Contract, dated as of August 1, 2010 (the "First Contract Amendment") and as further amended by Amendment

*Preliminary; subject to change.

Number Two dated as of October 1, 2013 (the "Second Contract Amendment") and together with the Original Contract, the "Contract"), each between the City and the Corporation. The City is required under the Contract to make Installment Payments in an amount sufficient to pay the principal and interest with respect to, or the principal of and interest on, as applicable, the 2013 Bonds, the 2010 Bonds and any Additional Certificates hereafter executed and delivered pursuant to the Indenture (together with the 2013 Bonds and 2010 Bonds, the "Certificates"), subject to its right of nonappropriation as described herein.

Authorization. The City has entered into the Original Contract and will enter into the Second Contract Amendment pursuant to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Contract is subject to the approval of, and has been approved by, the Local Government Commission of North Carolina (the "LGC"). See "**THE LOCAL GOVERNMENT COMMISSION**" herein.

Security for 2013 Bonds. To secure the performance by the City of its obligations under the Contract, including the payment of the Installment Payments thereunder, the City has heretofore executed and delivered to a deed of trust trustee, for the benefit of the Corporation or its assignee, (i) a Deed of Trust and Security Agreement, dated as of July 1, 2001 (the "Original Deed of Trust"), granting a first lien of record on the sites of the City's Maintenance Facility, Fire Station #14 and the former PSNC Building, as more particularly described in Exhibit A to the Original Deed of Trust, together with all improvements and fixtures located and to be located thereon (the "2001 Premises") and (ii) a Notice of Extension of Deed of Trust to Additional Property, dated as of August 1, 2010 (the "First Extension of Deed of Trust", together with the Original Deed of Trust, the "Deed of Trust"), extending the lien created by the Original Deed of Trust to include the sites of City Hall and City Hall Annex, as more particularly described in Exhibit A to the Extension of Deed of Trust, together with all improvements and fixtures located and to be located thereon (the "2010 Premises" and together with the 2001 Premises, the "Premises"), subject only to certain permitted encumbrances as described in the Contract and the Deed of Trust. The Deed of Trust authorizes future obligations under the Contract to be evidenced by Additional Certificates executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed $140,000,000 and such future obligations are incurred not later than thirty years from the date of the Original Deed of Trust. The 2013 Bonds will be secured by the Deed of Trust on a parity with the 2010 Bonds and any Additional Certificates hereafter executed and delivered pursuant to the Indenture.

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2013 Bonds, the 2010 Bonds and any other Additional Certificates executed and delivered thereunder, (a) all rights, title and interest of the Corporation in the Contract (except for certain reserved rights), including its right to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Premises and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account and any and all other personal property of every name and nature from time to time pledged or hypothecated, as and for additional security under the Indenture, by the Corporation in favor of the Trustee. See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS**" herein.

Details of the 2013 Bonds. The 2013 Bonds will be dated as of their date of delivery, and will mature, subject to the prepayment provisions described herein, on October 1 in the years and amounts set forth on the inside cover page hereof. Interest on the 2013 Bonds will be payable on each April 1 and October 1, beginning April 1, 2014, at the rates set forth on the inside cover page hereof. Individual purchases of the 2013 Bonds will be made in denominations of $5,000 or whole multiples thereof.

Book-Entry Only Form. The 2013 Bonds will initially be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the 2013 Bonds. The Trustee will make payments of principal of and interest on the 2013 Bonds to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such payments to its participants for subsequent distribution to the beneficial owners of the 2013 Bonds. See Appendix E hereto for a more complete description of DTC and the book-entry-only system for the 2013 Bonds.

Tax Status. See "**TAX TREATMENT**" herein.

Continuing Disclosure. Pursuant to the Second Contract Amendment, the City will undertake to provide continuing disclosure of certain annual financial information and operating data and certain material events. See "**CONTINUING DISCLOSURE**" herein.

Professionals. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Charlotte, North Carolina and Robert W. Baird & Co., Winston-Salem, North Carolina (the "Underwriters"), are underwriting the 2013 Bonds. Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and The Banks Law Firm, P.A., Durham, North Carolina, are serving as Co-Bond Counsel. Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, is serving as counsel to the Underwriters. Patrick W. Baker, Esq., Durham, North Carolina, is the City Attorney. Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, is serving as counsel to the Corporation. Stephens Inc., Charlotte, North Carolina, is serving as financial advisor to the City.

Definitions; Document Summaries. See Appendix C hereto for a summary of certain provisions of the Contract, the Indenture and the Deed of Trust and for the definition of certain capitalized terms used herein. Unless otherwise indicated, capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Contract and the Indenture.

Additional Information; Copies of Documents. During the initial offering period, the Underwriters will provide to potential investors copies in reasonable quantity of the Contract, the Indenture and the Deed of Trust and will answer questions relating to this Official Statement (or will direct inquiries to the appropriate persons). After the initial offering period, copies in reasonable quantity of the applicable documents can be obtained at the principal corporate trust office of the Trustee.

THE 2013 BONDS

General

The 2013 Bonds will be dated as of their date of delivery, and will mature, subject to prior prepayment as described below, on October 1 in the years and amounts set forth on the inside cover page hereof. Interest on the 2013 Bonds will be payable on each April 1 and October 1, beginning April 1, 2014, at the rates set forth on the inside cover page hereof.

The 2013 Bonds will be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the 2013 Bonds and will be subject to the provisions of the book-entry only system described in Appendix E. Individual purchases of the 2013 Bonds will be made only in denominations of $5,000 or whole multiples thereof. The Trustee will make payments of principal of and interest on the 2013 Bonds to DTC, which will in turn remit such payments to its participants for subsequent distribution to the beneficial owners of the 2013 Bonds. See Appendix E hereto for a further description of DTC and the book-entry only system for the 2013 Bonds.

Prepayment Provisions

Optional Prepayment. The 2013 Bonds maturing on or before October 1, 20__ are not subject to optional call and prepayment before maturity. The 2013 Bonds maturing after October 1, 20__ may be prepaid before their maturities, at the option of the City, either in whole or in part on any date on or after October 1, 20__ at a prepayment price equal to 100% of the principal amount of 2013 Bonds to be so prepaid together with accrued interest to the date fixed for prepayment, if any, without premium, all in the manner provided in the Indenture.

Mandatory Sinking Fund Prepayment. The 2013B Bonds maturing on October 1, 20__ are subject to mandatory sinking fund prepayment in each year on and after October 1, 20__, by lot from the principal components of the Installment Payments required to be paid by the City under the Contract with respect to each such prepayment date, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, together with accrued interest thereon from the interest components of the Installment Payments required to be paid by the City pursuant to the Contract with respect to each such prepayment date, to the date fixed for prepayment, as follows:

Year	Amount

*Maturity

At its option, to be exercised on or before the 45th day next preceding any mandatory prepayment date, the City may (a) deliver to the Trustee for cancellation such 2013B Bonds or portions thereof in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory prepayment obligation for any 2013B Bonds which before such date have been purchased or prepaid (otherwise than through mandatory sinking fund prepayment) and canceled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund prepayment obligation. Each such 2013B Bond or portion thereof so delivered or previously purchased or prepaid and canceled shall be credited at 100% of the principal amount thereof against the Installment Payment obligation corresponding to such mandatory prepayment date and the principal amount of 2013B Bonds to be prepaid on such date shall be accordingly reduced. To the extent that the aggregate principal amount of such 2013B Bonds or portions thereof exceeds the Installment Payment obligation due on such mandatory prepayment date, any excess over such amount shall be credited against future Installment Payment obligations, as directed by the City, and the principal amount of 2013B Bonds to be prepaid shall be accordingly reduced.

General Prepayment Provisions. If called for prepayment in part, the 2013 Bonds to be prepaid shall be prepaid from the series and in such order as the City shall select, except for a prepayment described in "—Mandatory Sinking Fund Prepayment", and within the same maturity of each series as selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the 2013 Bonds is discontinued, the Trustee will select 2013 Bonds to be prepaid by lot within each maturity in such manner as the Trustee in its discretion may determine; provided, however, that, if prepaid in part, the 2013 Bonds will be prepaid only in multiples of $5,000.

Notice of prepayment identifying the 2013 Bonds or portions thereof to be prepaid shall be given by the Trustee in writing not less than 30 days nor more than 60 days before the date fixed for prepayment (1) by electronic delivery or other means authorized by DTC's rules and procedures if DTC is the Owner of the 2013 Bonds, (2) by first-class mail, postage prepaid (a) if DTC or its nominee is no longer the Owner of the 2013 Bonds, to the then-registered Owners of the 2013 Bonds at their addresses appearing on the registration books maintained by the Trustee and (b) to the LGC and (3) by electronic delivery or other authorized means to the Municipal Securities Rulemaking Board for posting on the "EMMA" continuing disclosure system or to any successor system. Notwithstanding the foregoing, (i) if notice is properly given, failure to receive an appropriate notice shall not affect the validity of the proceedings for such prepayment, (ii) failure to give any such notice or any defect therein shall not affect the validity of the proceedings for prepayment of the 2013 Bonds or portions thereof with respect to which notice was correctly given and (iii) failure to give any such notice to the parties described in clauses (2) and (3) above or any defect therein shall not affect the validity of any proceedings for prepayment of the 2013 Bonds.

If at the time of mailing of notice of prepayment, there shall not have been deposited with the Trustee money sufficient to prepay all the 2013 Bonds or portions thereof called for prepayment, which money is or will be available for prepayment of such 2013 Bonds, such notice is required to state that it is conditional on the deposit of the prepayment money with the Trustee not later than the opening of business on the prepayment date, and such notice shall be of no effect unless such money is so deposited.

Before the date fixed for prepayment, funds will be deposited with the Trustee to pay the 2013 Bonds or portions thereof called for prepayment, together with accrued interest to the prepayment date and any required prepayment premium. Upon the giving of notice and the deposit of such funds for prepayment pursuant to the Indenture, interest on the 2013 Bonds or portions thereof so called for prepayment will no longer accrue after the date fixed for prepayment.

The 2013 Bonds or portions thereof called for prepayment will be due and payable on the prepayment date at the prepayment price, together with accrued interest thereon to the prepayment date. If the required notice of prepayment has been given and money sufficient to pay the prepayment price, together with accrued interest thereon to the prepayment date, has been deposited with the Trustee, the 2013 Bonds or portions thereof so called for prepayment will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2013 Bonds will have no rights in respect of such 2013 Bonds or portions thereof so called for prepayment except to receive payment of the prepayment price and accrued interest to the prepayment date from such funds held by Trustee. Upon surrender and cancellation of any 2013 Bonds called for prepayment in part only, a new 2013 Bonds of the same series, maturity and interest rate and of authorized denominations, in an aggregate principal amount equal to the unprepaid portion thereof, will be executed on behalf of the Corporation and authenticated and delivered by the Trustee.

If an Event of Default has occurred and is continuing under the Indenture, there will be no prepayment of less than all of the 2013 Bonds Outstanding.

SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS

The 2013 Bonds and the 2010 Bonds, together with all other outstanding Certificates under the Indenture, evidence proportionate undivided interests in the rights to receive certain Revenues pursuant to the Contract. Revenues are defined to include (a) all Net Proceeds not applied to the replacement of the Equipment or the Facilities; (b) all Installment Payments; and (c) all other revenues derived from the Contract, excluding Additional Payments. Notwithstanding the foregoing, the Owner of each 2013 Bond is not entitled to receive more than the amount of principal, premium, if any, and interest represented by such 2013 Bond.

Installment Payments and Additional Payments

Under the Contract, the City is required to make the Installment Payments directly to the Trustee in amounts sufficient to provide for the payment of the principal (whether at maturity, by prepayment or otherwise), premium, if any, and interest on, or with respect to, as applicable, the Certificates, as the same become due and payable.

The City is also obligated under the Contract to pay as Additional Payments to such persons as are entitled thereto, the reasonable and customary expenses and fees of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the City or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon in the event that the City fails to pay the same).

Budget and Appropriation

Pursuant to the Contract, the City shall (a) cause its budget officer (as statutorily defined) to include the Installment Payments coming due in each Fiscal Year under the Contract in the corresponding annual budget request and (b) require that the deletion of such funds from the City's final budget be made only pursuant to an express resolution of the City Council which explains the reason for such action. Nothing contained in this paragraph, however, obligates the City to appropriate moneys so budgeted.

In connection with the Installment Payments and the Additional Payments, the appropriation of funds therefor is within the sole discretion of the City Council.

Deed of Trust

The obligations of the City under the Contract are secured by the Deed of Trust, granting a first lien of record on the Premises to the deed of trust trustee named therein for the benefit of the Corporation or its assignee, subject only to certain permitted encumbrances as set forth in the Contract and the Deed of Trust. The Deed of Trust authorizes future obligations evidenced by Additional Certificates executed and delivered under the Indenture to be secured by the Deed of Trust, provided that, the total amount of present and future obligations secured thereby at any one time does not exceed $140,000,000 and such future obligations are incurred not later than 30 years from the date of the Original Deed of Trust. The 2013 Bonds will be secured by the lien of the Deed of Trust on a parity with the 2010 Bonds and any Additional Certificates hereafter executed and delivered pursuant to the Indenture.

The Premises consist of the sites of the City's Maintenance Facility, Fire Station #14, the former PSNC Building, City Hall and City Hall Annex, together with all improvements and fixtures located and to be located thereon, as more particularly described in the Deed of Trust.

The Original Deed of Trust and the First Extension of Deed of Trust have been recorded in the office of the Register of Deeds of Durham County, North Carolina (the "County"), and the liens created thereby are currently insured by a title insurance policy in the amount of $57,030,000 issued by Chicago Title Insurance Company (the "Title Policy").

Indenture

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Premises and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account and any and all other personal property of every name and nature from time to time pledged or hypothecated, as for additional security under the Indenture, by the Corporation in favor of the Trustee.

Enforceability

NEITHER THE CONTRACT NOR THE 2013 BONDS CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE CITY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE THE OWNERS OF THE 2013 BONDS PURSUANT TO THE CONTRACT.

THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2013 BONDS UPON A DEFAULT BY THE CITY UNDER THE CONTRACT ARE LIMITED TO THOSE SPECIFIED IN THE CONTRACT AND THE INDENTURE, INCLUDING EXERCISING THE RIGHTS OF THE BENEFICIARY UNDER THE DEED OF TRUST AND THE RIGHTS OF THE TRUSTEE IN THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE.

The 2013 Bonds will not constitute a debt or general obligation of the Corporation and will not give the Owners of the 2013 Bonds any recourse to the assets of the Corporation, but will be payable solely from amounts payable by the City under the Contract, from amounts realized from the foreclosure and sale of the Premises pursuant to the Deed of Trust and from amounts held in certain funds and accounts under the Indenture for such purpose.

The Indenture, the Contract and the Deed of Trust are subject to bankruptcy, insolvency, fraudulent conveyance and other related laws affecting the enforcement of creditors' rights generally and, to the extent that certain remedies under such instruments require, or may require, enforcement by a court, to such principles of equity as the court having jurisdiction may impose.

See "**THE CONTRACT – *Remedies on Default***" in Appendix C hereto for a more complete description of the rights and powers of the Trustee upon the occurrence of an event of default under the Contract.

Additional Certificates

Under the conditions described in the Indenture and so long as no Event of Default has occurred and is continuing under the Indenture, the Corporation may execute and deliver Additional Certificates under the Indenture without the consent of the Owners of the Certificates then Outstanding under the Indenture to provide funds to pay (a) the cost of completing the construction, acquisition, installation, rehabilitation and equipping of the Facilities in excess of the amount therefor in the Construction Fund pursuant to the Indenture; (b) the cost of completing the acquisition and installation of the Equipment; (c) the cost of expanding the Facilities or constructing, acquiring, installing, rehabilitating and equipping other facilities for utilization by the City for public purposes and in an amount not to exceed the Cost of Construction as evidenced by a certificate of the architect, selected and hired by the City; (d) the cost of acquiring and installing additional Equipment for utilization by the City for public purposes an din an amount not to exceed the Cost of Construction; (e) the cost of refunding of all or any portion of the Certificates then Outstanding; and (f) the cost of the execution, delivery and sale of the Additional Certificates, and such other costs reasonably related to the refunding, as shall be agreed upon by the Corporation and the Trustee.

The 2013 Bonds are payable on a parity with the 2010 Bonds and any Additional Certificates hereafter executed and delivered pursuant to the Indenture. The Installment Payments made under the Contract will be deposited as received by the Trustee in the Certificate Fund held by the Trustee under the Indenture. Moneys in such Certificate Fund will be withdrawn and used to pay the principal and interest with respect to, or the principal of and interest on, as applicable, the 2013 Bonds, the 2010 Bonds or any other Additional Certificates then Outstanding under the Indenture as the same become due and payable. If on any date the moneys on deposit in such Certificate Fund are insufficient to pay all of the principal and interest with respect to, or the principal of and interest on, as applicable, such Certificates which are due and payable on such date, such moneys will be used to pay such principal and interest with respect to, or such principal of and interest on, as applicable, such Certificates entitled to receive principal or interest on such date in the manner provided in the Indenture. See "**THE INDENTURE** – ***Application of Moneys***" in Appendix C hereto.

THE CORPORATION

The Corporation was incorporated as a nonprofit corporation under the nonprofit corporation laws of the State of North Carolina on July 14, 1986. The Corporation's general purpose, as stated in its Articles of Incorporation, includes promoting the general welfare of the citizens of the City by encouraging the revitalization of Downtown Durham and assisting the City through the acquisition, construction and operation or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public.

The Board of Directors of the Corporation consists of three individuals, who serve for one year terms or until their successors are duly elected and qualified. The current officers of the Corporation are as follows:

President
Vice President
Secretary/Treasurer
Asst. Secretary

The Corporation's officers and directors serve without compensation. The Corporation has no employees.

The Corporation's role in the financing described in this Official Statement will be limited. The Corporation's officers, directors and counsel will have the opportunity to review this Official Statement and the principal financing documents and to assist in their preparation. The Corporation has executed and delivered the Original Indenture, the Original Contract, the First Supplement and the First Contract Amendment. The Corporation will execute and deliver the Second Contract Amendment and the Second Supplement. Counsel to the Corporation will deliver certain legal opinions in connection with the transaction. The Corporation and the City expect, however, that the Corporation will have no continuing responsibilities or involvement with respect to the 2013 Projects or with respect to monitoring compliance with the terms of the Contract, the Deed of Trust or the Indenture.

THE 2013 PROJECTS

The 2013 Projects consist of (1) acquiring land for City projects (2) constructing, renovating or improving parks and other facilities, (3) improving streets, sidewalks and other transportation projects, (4) acquiring governmental equipment, (5) completing energy management projects, (6) renovating the Durham Bulls Athletic Park and (7) certain other public improvements as outlined in the City's Capital Improvement Plan.

The 2013 Projects are expected to cost approximately $________, with approximately $______ of such amount to be used to reimburse the City for land, construction and equipment acquisition costs. Construction of the 2013 Projects is expected to be completed by the end of the _____ quarter, 20__.

PLAN OF REFUNDING

A portion of the proceeds of the 2013B Bonds will be used to refund, on the date of delivery of the 2013B Bonds, all of the City of Durham, North Carolina General Obligation Housing Bonds (Taxable), Series 2000 maturing on May 1 in the years 2015 through 2018, inclusive (the "Refunded 2000 Bonds").

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:

Par Amount of the 2013A Bonds
Net Original Issue Premium of the 2013A Bonds
Par Amount of the 2013B Bonds

Total

Uses:

Costs of the 2013 Projects
Refunding of Refunded 2000 Bonds
Costs of Issuance[1]

Total

[1] Includes legal fees, Underwriters' discount, title insurance premium, rating agency fees, fees and expenses of the Trustee and miscellaneous fees and expenses.

ANNUAL INSTALLMENT PAYMENT REQUIREMENTS

The following table sets forth for each Fiscal Year ending June 30, the amount of principal and interest required to be paid under the Contract with respect to the 2013A Bonds and the 2013B Bonds.

		2013A Bonds		2013B Bonds			
Fiscal Year Ending June 30	Principal of and Interest on 2010 Bonds	Principal	Interest	Principal	Interest	2013 Bonds Total[1]	Total
Total[1]							

[1] Totals may not foot due to rounding.

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

General

The City may make its Installment Payments under the Contract from any source of funds legally available to it in each Fiscal Year and appropriated therefor.

General Fund Revenues

The City's general fund revenues (excluding fund balance appropriations) for the Fiscal Year ended June 30, 2012 were $________. For the Fiscal Year ended June 30, 2012 and for the Fiscal Year ended June 30, 2013, the City imposed an ad valorem tax of $.__ per $100 assessed value. For the Fiscal Year ended June 30, 2013, $0.01 per $100 of assessed value is expected to generate approximately $_______. The General Statutes of North Carolina permit cities to impose ad valorem taxes of up to $1.50 per $100 assessed value for certain purposes without the requirement of voter approval. See Appendix B hereto for a detailed description of the sources and uses of the City's general fund revenues for the Fiscal Year ended June 30, 2012.

CERTAIN RISKS OF 2013 BOND OWNERS

Insufficiency of Collateral and Limitations on City's Obligation

The Contract provides for payment of Installment Payments by the City to pay the principal and interest with respect to the 2013 Bonds, the 2010 Bonds and any Additional Certificates as the same shall become due. Upon failure by the City to make such Installment Payments (whether as a result of an Event of Non-Appropriation or otherwise) or upon the occurrence of any Event of Default under the Contract, the Trustee may declare the principal with respect to the 2013 Bonds, the 2010 Bonds and any Additional Certificates to be immediately due and payable, may direct the Deed of Trust Trustee to foreclose on the Premises pursuant to the Deed of Trust and to enter, take possession of and attempt to dispose of the Premises (subject to applicable law), and may apply the net proceeds received on account of such disposition to payment of amounts due under the 2013 Bonds, the 2010 Bonds and any Additional Certificates. See "**THE CONTRACT** – ***Remedies on Default***" in Appendix C hereto. The amount of such net proceeds may be affected by (1) the condition of the Premises and (2) the occurrence and extent of any damage, destruction, loss or theft of the Premises which is not repaired or replaced and for which there are not received or appropriated moneys from insurance or from any risk management program which may be in effect with respect to the Premises.

Various factors could negatively affect the value of the Premises upon foreclosure. Examples of such factors include zoning restrictions and encumbrances on, and restrictive covenants and environmental issues with respect to, the Premises.

There can be no assurance that the moneys available in the funds and accounts held by the Trustee will be sufficient to provide for the payment of the principal and interest with respect to the 2013 Bonds. Section 160A-20 of the General Statutes of North Carolina provides that no deficiency judgment may be rendered against the City for breach of any contractual obligation authorized under Section 160A-20, and the taxing

power of the City is not and may not be pledged directly or indirectly to secure any moneys owing by the City under the Contract. The remedies afforded to the Trustee and the Owners of the 2013 Bonds on a default by the City under the Contract are limited to those of a secured party under the laws of the State of North Carolina, including foreclosing on the Premises under the Deed of Trust.

The 2013 Bonds are not a debt or general obligation of the City or payable from any assets of the Corporation or payable from any assets of the City's directors, officers, agents or employees.

Nonappropriation of Moneys to Pay Installment Payments

The appropriation of moneys to make the Installment Payments under the Contract is within the sole discretion of the City. If the City fails to appropriate such moneys, the only sources of payment for the 2013 Bonds will be the moneys, if any, available in the respective funds and accounts held by the Trustee under the Indenture and the proceeds of any attempted foreclosure. The amount of such proceeds may be adversely affected by (a) the costs and expenses in enforcing the lien on and security interest in the Premises, (b) the condition of the Premises and (c) the occurrence of any damage, destruction, loss or theft of the Premises which is not repaired or replaced and for which there are not received or appropriated moneys from insurance policies or any risk management program.

Uninsured or Underinsured Casualty

If the Premises, or any portion thereof or title thereto, is partially or totally damaged or destroyed by any casualty or taken by governmental authority, the City is obligated pursuant to the Contract to apply the Net Proceeds of any insurance policies, performance or payment bonds, condemnation or damage awards to the prompt repair or replacement of the damaged or destroyed Equipment and Facilities. After the Completion Date, if such Net Proceeds are insufficient to pay in full the cost of repair or replacement of such Equipment and Facilities, the City may complete the work and pay any cost in excess of the amount of such Net Proceeds. Subject to the limitations set forth in the foregoing section, the Deed of Trust and the Contract require that certain insurance be maintained by the City with respect to the Facilities and Equipment and allows the City to self-insure subject to limitations contained in the Contract. The insurance on the Premises may not cover all risks to which the Premises is subject. Proceeds of a disposition of the Premises may be reduced by the condition of the Premises, thereby reducing proceeds available for payment of the 2013 Bonds.

CONTINUING DISCLOSURE

In the Second Contract Amendment, the City will undertake, for the benefit of the beneficial owners of 2013 Bonds to provide to the Municipal Securities Rulemaking Board (the "MSRB"):

(a) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2013, 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;

(b) by not later than seven months from the end of each Fiscal Year of the City, beginning with the Fiscal Year ended June 30, 2013, 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 heading "THE CITY – Debt Information" and "– Tax Information" (excluding any information on overlapping or underlying units) in Appendix A of this Official Statement, to the extent such items are not included in the audited financial statements referred to in paragraph (a) above;

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the following events with respect to the 2013 Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on the debt service reserves reflecting financial difficulties;

(4) unscheduled draws on any credit enhancements reflecting financial difficulties;

(5) substitution of any credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events affecting the tax status of the 2013B Bonds;

(7) modification of the rights of the Beneficial Owners of the 2013 Bonds, if material;

(8) call of any of the 2013 Bonds, if material, and tender offers;

(9) defeasance of any of the 2013 Bonds;

(10) release, substitution or sale of any property securing repayment of the 2013 Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the City;

(13) 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;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

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

The City may meet the continuing disclosure filing requirements described above either (1) by providing the required information to the MSRB in an electronic format as prescribed by the MSRB, or (2) providing such information in a manner the Securities and Exchange Commission subsequently authorizes.

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 Second Contract Amendment will also provide that if the City fails to comply with the undertaking described above, the Trustee or any beneficial owner of the 2013 Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking will not be an event of default under the Contract and will not result in any acceleration of payment of the principal component of the Installment Payments under the Contract (or the related 2013 Bonds). All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the 2013 Bonds.

Pursuant to the Second Contract Amendment, the City will reserve the right to modify from time to time the information to be provided or the format of the presentation of such information to the extent necessary or appropriate in the judgment of the City, provided that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the 2013 Bonds pursuant to the terms of the applicable Indenture.

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

The undertaking with respect to the 2013 Bonds described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal and interest with respect to the 2013 Bonds.

[For each of the previous five years, the City has complied, in all material respects, with its existing continuing disclosure obligations.]

THE LOCAL GOVERNMENT COMMISSION

The Contract has been approved by the LGC. The LGC is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon the recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the LGC's Secretary, who heads the LGC's administrative staff.

A major function of the LGC is the approval, sale and delivery of substantially all North Carolina local government general obligation and revenue bonds and notes and the approval of contracts entered into under Section 160A-20 of the North Carolina General Statutes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the LGC furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

LEGAL MATTERS

Certain legal matters related to the authorization, execution, sale and delivery of the 2013 Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and The Banks Law Firm, P.A., Durham, North Carolina, Co-Bond Counsel. Certain legal matters will be passed upon for the City by Patrick W. Baker, Esq., Durham, North Carolina, City Attorney, for the Corporation by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, counsel to the Corporation, and for the Underwriters by Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, counsel to the Underwriters.

Parker Poe Adams & Bernstein LLP serves as Co-Bond Counsel for the City and, from time to time, it and Robinson, Bradshaw & Hinson, P.A., counsel to the Underwriters, have represented the Underwriters as counsel in other financing transactions. Neither the City nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the City or for the Underwriters on the successful execution and delivery of the 2013 Bonds.

TAX TREATMENT

The 2013A Bonds

General. On the date of execution and delivery of the 2013A Bonds, Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and The Banks Law Firm, P.A., Research Triangle Park, North Carolina ("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 portion of the Installment Payments designated and paid as interest with respect to the 2013A 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 Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the portion of the Installment Payments designated and paid as interest with respect to the 2013A 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 2013A 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 2013A 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 execution and delivery of the 2013A Bonds to maintain the excludability of the portion of the Installment Payments designated and paid as interest with respect to the 2013A Bonds from gross income for federal income tax purposes. Co-Bond Counsel's opinions are 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 Contract to comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2013A Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2013A Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinions of Co-Bond Counsel assume 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 execution and delivery of the 2013A Bonds. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2013A 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 the portion of the Installment Payments designated and paid as interest with respect to the 2013A Bonds.

If the portion of the Installment Payments designated and paid as interest with respect to the 2013A 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 City is not required to prepay the 2013A Bonds or to pay any additional interest or penalty. The Internal Revenue Service ("IRS") 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 IRS will commence an audit of the 2013A Bonds. Prospective purchasers and owners of the 2013A Bonds are advised that, if the IRS does audit the 2013A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2013A 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 2013A Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2013A Bonds should be aware that ownership of the 2013A Bonds and the accrual or receipt of the portion of the Installment Payments designated and paid as interest with respect to the 2013A 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 2013A Bonds. Co-Bond Counsel do not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2013A 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 2013A 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 portion of the Installment Payments designated and paid as interest with respect to the 2013A 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 2013A Bonds or otherwise prevent the owners of the 2013A Bonds from realizing the full current benefit of the status of the portion of the Installment Payments designated and paid as interest with respect to the 2013A Bonds.

Co-Bond Counsel are further of the opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2013A 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 opinion is 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 is not binding on the IRS or the courts; rather, such opinion represents Co-Bond Counsel's professional judgment based on Co-Bond Counsel's review of existing law, and in reliance on the representations and covenants that Co-Bond Counsel deem 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 their opinions, Co-Bond Counsel do 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 2013A Bonds maturing on October 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 allocable 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 allocated 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 2013 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 2013A Bonds maturing on October 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.

The 2013B Bonds

General. On the date of initial execution and delivery of the 2013B Bonds, Co-Bond Counsel will each render an opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2013B 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 with respect to, the 2013B Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the 2013B Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of 2013B 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 2013B Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (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 2013B 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 2013B 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 2013B Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest with respect to, the 2013B 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 2013B Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding 2013B 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 with respect to, the 2013B Bonds. Co-Bond Counsel express no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the 2013B 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 2013B Bonds is expected to be satisfied. Subject to certain exceptions, the portion of the Installment Payments designated and paid as interest to the owners of 2013B 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 2013B Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the 2013B Bonds for federal income tax reporting purposes.

Tax Classification of 2013B Bonds. Co-Bond Counsel are of the opinion that, under existing law, the 2013B Bonds will be treated for federal income tax purposes as indebtedness, and the portion of the Installment Payments designated and paid as interest with respect to the 2013B 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.

Market Discount. The resale of any 2013B Bond by any owner of such 2013B Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any 2013B Bond will generally be equal to the amount, if any, by which the stated prepayment price at maturity of such 2013B Bond immediately after its acquisition by suchowner exceeds such owner's adjusted tax basis in such 2013B Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a 2013B Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, prepayment or other disposition of, such 2013B Bond as ordinary income to the extent of any "accrued market discount" on such 2013B 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 2013B Bond will be treated as accruing on a straight-line basis over the term of such 2013B Bond, or, at the election of the owner of such 2013B Bond, under a constant yield method. Prospective purchasers of 2013B 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 with respect to, 2013B Bonds acquired at a market discount.

Premium. If a 2013B 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 2013B Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of 2013B Bonds. If a 2013B Bond is sold or prepaid, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or prepayment and the seller's adjusted basis in the 2013B Bond. Such adjusted basis generally will equal the cost of the 2013B Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the 2013B Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a 2013B Bond will generally give rise to capital gain or loss if the 2013B 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 2013B 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 advisers on this subject.

Foreign Investors. Generally, payments of the portion of the Installment Payments designated and paid as interest with respect to the 2013B Bonds to an owner of 2013B 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 2013B 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 2013B Bonds and proceeds from the sale of the 2013B 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 2013B Bonds. Co-Bond Counsel are further of the opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2013B 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), CO-BOND COUNSEL ARE REQUIRED TO INFORM YOU THAT THIS DISCUSSION OF TAX TREATMENT OF THE 2013B BONDS

(1) IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PROSPECTIVE PURCHASER OF THE 2013B 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 2013B BONDS AND THE TRANSACTIONS DESCRIBED HEREIN.

EACH PROSPECTIVE PURCHASER OF THE 2013B 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 2013B BONDS.

LITIGATION

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the 2013 Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the 2013 Bonds or the validity thereof, or the creation, organization, corporate existence or powers of the Corporation or the City, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Contract, the Deed of Trust or the Indenture by the Corporation or the City or the validity or enforceability thereof.

FINANCIAL ADVISOR

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

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), and Fitch Ratings ("Fitch") have given the 2013 Bonds the respective ratings set forth on the front cover page hereof. The ratings reflect only the view of such rating agencies, and an explanation of the significance of such ratings may be obtained from such rating agencies. Certain information and materials not included in this Official Statement were furnished to such rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2013 Bonds.

UNDERWRITING

The Underwriters have agreed under the terms of a Contract of Purchase to purchase all of the 2013A Bonds, if any of the 2013A Bonds are to be purchased, at a purchase price equal to the par amount of the 2013A Bonds, plus a net original issuance premium of $________ and less an Underwriters' discount of $________. The Underwriters have agreed under the terms of a Contract of Purchase to purchase all of the 2013B Bonds, if any of the 2013B Bonds are to be purchased, at a purchase price equal to the par amount of the 2013B Bonds and less an Underwriters' discount of $________. The Underwriters' obligation to purchase the 2013 Bonds is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriters' obligation to purchase the 2013A Bonds is contingent upon the concurrent delivery of the 2013B Bonds and the Underwriters' obligation to purchase the 2013B Bonds is contingent upon the concurrent delivery of the 2013A Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments

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. This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the Corporation and the City.

APPENDIX A

THE CITY

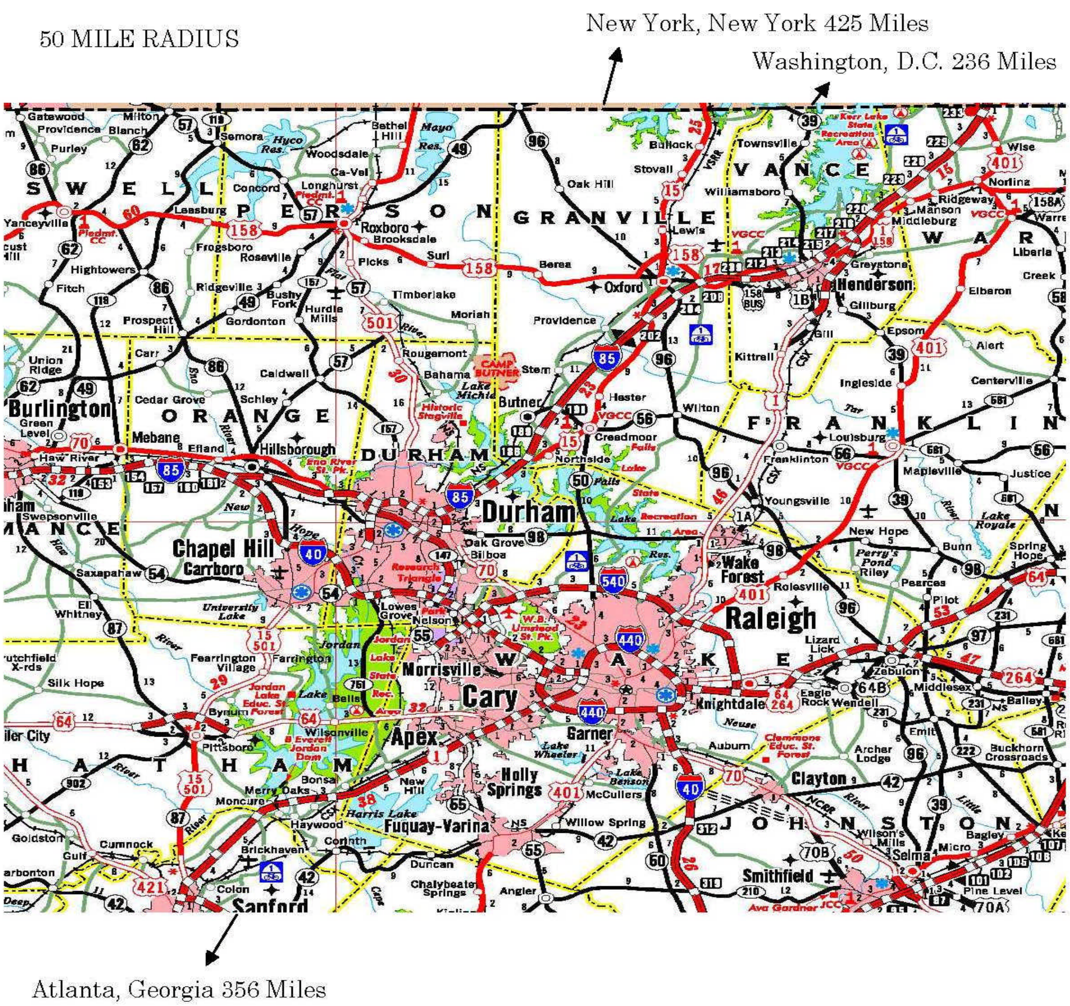
THE CITY

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 108.51 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:

1990	2000	2010
136,612	187,035	228,330

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

2009	2010	2011	2012
225,093	225,404	233,769	238,384

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

Year	County[1]	State
2007	$39,473	$34,761
2008	39,967	35,741
2009	37,748	34,001
2010	37,917	34,604
2011	38,654	36,028
2012		37,049

[1]Separate data for the City are not available.

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

Economic and Institutional Profile [to be updated]

In 2012 *American City Business Journals* ranked the City as the 12th strongest economy in America. The City's diverse economy is rooted in health care services, medical research, education, electronics and telecommunications.

Through the third quarter of 2011, $1.2 billion was announced in expansion with over 4,400 new jobs announced. For example, in May of 2011, AW North Carolina, a manufacturer of transmission components for Toyota, announced a $106 million expansion that was slated to add another 360 workers. This expansion drove the company's employment to 1,260, its highest level ever. Medicago, a Canadian biotechnology company, completed construction of the new $42 million scalable research, design and production facility in the Research Triangle Park (the "Park"), located adjacent to the City. 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.

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 and 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 has completed multiple phases of $280 million renovations to a 430,000 square-foot warehouse to serve as its cloud computing center, the company's first foray into providing cloud computing services. 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.

HEALTH CARE SERVICES AND FACILITIES

Often referred to as the "City of Medicine," the City is home to four hospitals. These hospitals and their related clinics provide approximately 2,000 patient beds and a broad range of health services. Nearly 30 percent of the City's work force is engaged in health-related occupations.

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. DUH opened a 267,000 square foot cancer center in 2012 and is in the process of constructing a new hospital tower and learning center. The construction is expected to 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 impatient and ambulatory services, and serves as a major referral center for North Carolina, southern Virginia, northern South Carolina, and eastern Tennessee.

NC Specialty Hospital is a private hospital with specialties in orthopedic, ophthalmology, ear, nose, and throat surgeries including sports medicine, gynecology, oral, plastic, podiatry, general and reconstructive surgery.

Additionally, the Park is the site of a number of healthcare-related enterprises, including research and development conducted by BD Technologies, National Institute of Environmental Health Sciences, U.S. Environmental Protection Agency, National Toxicology Program, Eisai, GlaxoSmithKline, Biogen Idec, Diosynth Biotechnology, Talecris Biotherapeutics, The Hamner Institutes for Health Sciences, The Constella Group (recently acquired by SRA International), Alpha Vax, RTI International, United Therapeutics, Sython Pharmaceuticals, and North Carolina Health Care Information and Communications Alliance (NCHICA).

EDUCATIONAL INSTITUTIONS

The City is home to three institutions of higher education, including 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.

Duke University, a nationally recognized university and health care provider, had a 2012-2013 full-time enrollment of 15,427 students and is the largest single employer in the City. It is the major beneficiary of the Duke Endowment and operates, through a controlled affiliate, DUH, one of the leading medical centers in the United States.

North Carolina Central University ("NCCU") had a 2012-2013 full-time enrollment of 8,115 students and ranks among the top 20 employers in the City. Located adjacent to 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.

Durham Technical Community College had a 2012-2013 full-time enrollment of ____ students and, as a community-based institution, 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 North Carolina School of Science and Mathematics, a school for students gifted and talented in science and mathematics, is also 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 680.

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.

RESEARCH TRIANGLE PARK

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 Park, a nationally recognized center for research and light manufacturing. 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/Genbank, 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. The research institutions of the Park employ an estimated 42,000 employees with an annual payroll in excess of $2.7 billion.

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.

DOWNTOWN DURHAM

The City has made substantial investments in its downtown. Over the past decade, 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.

Retail Sales

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

Fiscal Year Ended June 30	Total Taxable Sales	Increase (Decrease) Over Previous Year
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 populations in excess of 5,000.

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

Taxable sales in the County for the fiscal years ended June 30, 2008 through 2012 are shown in the following table:

Fiscal Year Ended June 30	Total Taxable Sales	Increase (Decrease) Over Previous Year
2008	$3,703,207,039	—%
2009	3,630,249,377	(2.0)
2010	4,022,517,616	10.81
2011	4,163,245,973	3.5
2012	4,434,078,534	6.5

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

Construction Activity

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:

	Commercial		Residential		
Fiscal Year Ended or Ending June 30	Number of Permits	Value	Number of Permits	Value	Total Value
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
2011	776	461,139,907	2,314	263,776,376	724,916,283
2012	899	301,844,138	2,210	292,624,061	594,468,199
2013	758	398,138,106	2,465	366,345,026	764,483,132

Source: City Inspection Department.

Employment

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

	2009	2010	2011	2012	2013		2009	2010	2011	2012	2013
January	6.8%	8.9%	8.3%	7.8%	7.9%	July	8.1%	8.6%	8.6%	8.2%	
February	7.3	8.9	8.3	7.7	7.1	August	8.0	8.5	8.7	8.0	
March	7.0	8.7	8.0	7.5	6.9	September	7.9	8.1	8.2	7.3	
April	6.9	8.3	7.8	7.2	6.6	October	8.0	8.0	8.0	7.3	
May	7.6	8.5	8.1	7.6	7.1	November	8.0	8.2	7.7	7.3	
June	8.0	8.7	8.7	8.1		December	8.0	7.9	7.6	7.4	

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.

Company	Product or Service	Approximate Number of Employees
Manufacturing:		
International Business Machines	Hardware and software for networking and personal computers	10,000
Cree, Inc. [2]	Semiconductor materials	2,000
AW North Carolina, Inc.	Automotive manufacturing	1,600
bioMerieux	Biological diagnostics	650
Burts Bees	Natual Body Care Products	550
Teleflex Medical	Medical products	500
PBM Graphics	Printing and graphics communications	500
GE Aviation	Jet Aircraft Assembly	425
Non-Manufacturing		
Duke University and Medical Center[1]	Education, health care and research	33,750
Durham Public Schools	Public education	5,440
GlaxoSmithKline, Inc.[2]	Pharmaceuticals	3,700
Blue Cross-Blue Shield of North Carolina	Health insurance	2,401
Durham City Government	Municipal Government	2,401
Fidelity Investments	Financial Services	2,400
Veterans Affairs Medical Center	Healthcare	2,160
RTI International	Contract research	2,000
Quintiles Transnational Corp	Clincal research	2,000
Durham County Government	County Government	1,248
National Institute of Environmental Health Sciences	Agency for Environmental Health	1,100

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

[2]Corporate headquarters.

Source: Greater Durham Chamber of Commerce, as of July 2013.

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. The terms for City Council seats are staggered and elections are held every two years. Council members serve four-year terms and the Mayor serves two-year terms. 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:

	Elementary Grades K-5		Middle Grades 6-8		Secondary Grades 9-12	
School Year	**Number**	**ADM[1]**	**Number**	**ADM[1]**	**Number**	**ADM[1]**
2008-09	29	15,911	9	5,757	14	10,831
2009-10	29	16,050	9	5,887	14	10,614
2010-11	29	16,003	10	6,062	14	10,501
2011-12	30	15,827	10	7,008	14	9,836
2012-13	30	15,590	10	6,663	14	10,235

[1]Average 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 and North Carolina Department of Public Instruction.

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 718 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. RDU is home to eight air carriers and their regional partners. Combined, they fly customers to nearly 40 destinations on 400 flights daily. 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 29 aircraft gates. 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 Durham Station 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, 2011, there were 5,646,870 customer boardings the DATA fixed route bus service and 107,912 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 transferred 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, 2011, carried approximately 1.3 million riders. The City has no financial responsibility for the Triangle Transit Authority itself.

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 89,000 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 the City of Raleigh is also under construction.

The City's water supply and distribution facilities currently supply approximately 28.0 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 27.9 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 and 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/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 recently constructed 3 MG Tank will be placed into service in late 2013, bringing the total storage capacity to 22 million gallons.

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 both the Jordan Lake watershed and 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 storm water 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 storm water 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. Non-residential customers are billed for water at the third tier. Charges for wastewater treatment for all customers are billed at a uniform rate. Service charges for water and sewer are designed to cover as much of the fixed costs of operations as possible. This structure is designed to provide sufficient revenues for it to be self-supporting.

The City also provides sold waste collection and disposal services. July 1, 2013, Waste Industries, LLC began operating the City's transfer station. The refuse is hauled by a contractor from the City's transfer station to a regional landfill facility located in Roseboro, North Carolina. 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.

The City is a co-owner of the Durham Convention Center and owns the Durham Performing Arts Center (DPAC), both of which are located in Downtown Durham.

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, 2013. 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

	Principal Outstanding as of			
General Obligation Bonds	**June 30, 2010**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Water Bonds	$ 2,574,196	$ 2,410,543	$ 2,240,745	$ 2,064,805
Sanitary Sewer Bonds	11,117,044 [1]	5,778,315	3,526,214	1,135,678
Refunding Bonds	91,415,000 [1]	80,535,000	69,760,000	69,740,000[1]
Other Bonds	102,568,760	143,296,142 [1,]	134,223,041	170,154,517 [1]
Total Bonds	$207,675,000 [2]	$232,020,000 [2]	$209,750,000 [2]	$243,095,000 [2]

[1]Bonds Issued:

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 Taxable General Obligation Bonds, (Build America Bonds), Series 2010B, 2.7286% true interest cost.

2012-13 $11,915,000 General Obligation Bonds, Series 2012A, 8.71 years average maturity, 2.4382% true interest cost.

$4,820,000 Taxable General Obligation Bonds, Series 2012B, 1.97 years average maturity, .6194% true interest cost.

$39,774,000 General Obligation Bonds, Series 2012C, 11.49 years average maturity, 2.6114$ true interest cost.

$11,790,000 General Obligation Refunding Bonds, Series 2012D, 7.74 years average maturity, 1.8537% true interest cost.

[2]This amount excludes refunded bonds.

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.

GENERAL OBLIGATION DEBT RATIOS

At June 30	Total GO Debt[1]	Assessed Valuation	Total GO Debt to Assessed Valuation	Population[2]	Total GO Debt Per Capita
2008	$188,095,000	$17,131,529,646	1.098%	221,082	$850.79
2009	227,865,000	22,027,592,873	1.034	225,093	1,012.31
2010	207,675,000	22,396,393,035	.927	225,404	921.35
2011	232,020,000	22,722,445,181	1.021	233,769	992.52
2012	209,750,000	23,039,756,969	0.910		

[1]These amounts exclude refunded bonds as described under "Outstanding General Obligation Debt" herein.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

	UTILITY		NON-UTILITY		TOTAL[1]	
	Existing Debt		Existing Debt		Existing Debt	
Fiscal Year	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
2013-2014	$6,869,464.04	$9,177,399.73	$15,780,535.96	$24,082,169.55	$22,650,000.00	$33,259,569.28
2014-2015	5,098,798.12	7,073,520.51	14,881,201.88	22,493,805.01	19,980,000.00	29,567,325.52
2015-2016	4,406,194.30	6,142,009.58	14,263,805.70	21,160,940.94	18,670,000.00	27,302,950.52
2016-2017	4,425,617.37	5,950,529.87	13,824,382.63	20,013,605.65	18,250,000.00	25,964,135.52
2017-2018	4,087,515.86	5,409,492.05	13,737,484.14	19,229,863.97	17,825,000.00	24,639,356.02
2018-2019	3,856,112.05	4,994,099.51	13,068,887.95	17,859,750.51	16,925,000.00	22,853,850.02
2019-2020	3,437,001.50	4,399,161.26	13,322,998.50	17,542,415.76	16,760,000.00	21,941,577.02
2020-2021	3,528,171.62	4,332,956.66	13,246,828.38	16,885,464.86	16,775,000.00	21,218,421.52
2021-2022	3,129,094.18	3,770,931.82	12,795,905.82	15,854,851.70	15,925,000.00	19,625,783.52
2022-2023	1,872,826.72	2,377,208.15	11,387,173.28	13,923,277.37	13,260,000.00	16,300,485.52
2023-2024	1,870,465.31	2,304,920.41	11,384,534.69	13,481,783.35	13,255,000.00	15,786,703.76
2024-2025	1,865,742.50	2,229,306.82	11,384,257.50	13,036,121.44	13,250,000.00	15,265,428.26
2025-2026	1,536,812.46	1,825,500.36	8,308,187.54	9,515,354.90	9,845,000.00	11,340,855.26
2026-2027	994,404.80	1,225,723.14	3,880,595.20	4,788,055.37	4,875,000.00	6,013,778.51
2027-2028	994,404.80	1,183,078.33	3,880,595.20	4,629,409.68	4,875,000.00	5,812,488.01
2028-2029	994,404.80	1,139,419.35	3,880,595.20	4,467,945.66	4,875,000.00	5,607,365.01
2029-2030	993,474.57	1,094,124.34	3,876,525.43	4,300,195.78	4,870,000.00	5,394,320.12
2030-2031	993,474.57	1,049,198.65	3,876,525.43	4,134,417.85	4,870,000.00	5,183,616.50
2031-2032	413,954.58	438,791.85	2,266,045.42	2,396,889.40	2,680,000.00	2,835,681.25
2032-2033	413,954.58	422,233.67	2,266,045.42	2,309,660.08	2,680,000.00	2,731,893.75
	$51,781,888.73	$66,539,606.06	$191,313,111.27	$252,105,978.83	$243,095,000.00	$318,645,584.89

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.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

Purpose	Date Approved	Amount Authorized and Unissued
Cultural Resources	11/08/05	$ 200,000
Parks and Recreation	11/08/05	1,888,000
Neighborhood Improvement	11/08/05	155,000
Streets	11/08/05	469,000
Water and Sewer	11/08/05	930,000
Streets	11/02/10	1,365,000
Refunding	04/16/12	3,210,000
		$ 8,217,000

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2013

				Debt Authorized and Unissued		Total GO Debt		
Unit	2011 Population[1]	Assessed Valuation	Tax Rate Per $100	Utility	Other	Utility	Other	Total GO Debt Per Capita
Durham County	272,314	$29,921,778,080	$.7459	$ —	$107,680,000	$ —	$273,900,000[2]	$1,005.82

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

[2]Excludes 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:

Fiscal Year Ending June 30	Computer Leases and Leases and Installment Purchase Contracts under G.S. § 160A-19 or 20
2014	$16,234,637
2015	15,870,281
2016	17,615,325
2017	9,995,005
2018	9,238,175
2019-23	36,573,658
2024-29	25,643,459
2030-34	18,445,758

The City is obligated, pursuant to a note executed on June 10, 1994 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 $750,000 outstanding as of June

30, 2013. 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 2012 to 2020, 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.

DEBT OUTLOOK

The City will continue to evaluate capital needs 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			
	2010	**2011**	**2012**	**2013**[3]
Assessed Valuation:				
Assessment Ratio	100%	100%	100%	100%
Real Property[1]	$19,178,933,959	$19,512,984,666	$19,709,610,537	
Personal Property	2,824,334,215	2,886,870,486	3,030,215,835	
Public Service Companies[2]	332,774,842	322,590,029	299,930,597	
Total Assessed Valuation	$22,336,043,016	$22,722,445,181	$23,039,756,969	
Rate per $100	.540	.5519	.5575	
Levy	$ 124,325,478	$ 127,688,355	$ 129,656,385	

[1]Percentage of appraised value has been established by statute.

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

[3]Unaudited.

TAX COLLECTIONS

Fiscal Year Ended or ending June 30	Prior Years' Levies Collected	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2009	$1,219,052	$118,274,341	98.19%
2010	1,666,863	120,471,073	96.90
2011	1,317,370	126,034,143	98.70
2012	1,430,508	128,038,167	98.75
2013[1]			

[1]Unaudited.

TEN LARGEST TAXPAYERS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Company	Taxable Assessed Valuation	Percentage of Total Assessed Valuation
Cree, Inc.	$ 288,150,248	1.25%
Southpoint Mall LLC	170,877,755	0.74
International Business Systems	168,222,834	0.73
Duke Energy Corporation	127,035,677	0.55
Northwood RTC LLC	81,324,370	0.35
AREP Meridian LLC	79,736,560	0.35
AJ Fletcher Foundation	77,164,371	0.33
Hines Global REIT	74,310,646	0.32
Quintiles, Inc.	74,223,668	0.32
Frontier Communications	71,823,346	0.31

Source: Durham County Tax Assessor.

2012-13 Year-End Budget Results

The City's General Fund is tracking close to budget, with savings on expenditures of $2,400,000 offsetting an estimated property tax revenue shortfall of $2,400,000. Personnel costs are expected to be below budgeted levels by $1,000,000 and operating costs are expected to be below budget by $800,000. Sales taxes have begun to rebound and are expected to exceed prior year by approximately 3%. Year-end fund balance levels are expected to be consistent with prior year and above 12% of adjusted General Fund expenditures as required by City Council Resolution.

2013-14 Budget Outlook

The City's total budget for fiscal year 2013-14 is $376.5 million, an increase of $3.4 million or a little less than 1% from fiscal year 2012-13. The proposed General Fund budget is $169.6 million, a $7.0 million decrease (4%) from prior year. The decrease is primarily associated with accounting/budgeting changes related to the establishment of a special revenue fund for last year's penny tax increase for housing and moving other property tax revenue into dedicated funds primarily for debt service and transit. The effect of these changes is not material to the City as a whole.

The proposed budget includes no property tax increase for General Fund operations. The balanced budget also includes public safety needs by funding all sworn law enforcement positions as well as new technology for police and emergency response vehicles to maintain access to criminal information and to decrease emergency response time. Other fees or increases include a monthly $1.80 monthly solid waste collection fee for capital needs; a $10 per month parking fee increase for parking lots and decks; a $1 special event parking increase; and water and sewer as well as storm water rate increases.

Pension Plans

The City participates in the North Carolina Local Governmental Employees' Retirement System and two other pension plans.

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 7.07 percent of eligible payroll for general employees and 7.18 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 other pension plans see the Notes to the City's Audited Financial Statements in Appendix B.

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% to 100% 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 began 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. The City contracted with an actuarial firm to determine its unfunded OPEB liability at December 31, 2010 and annual funding requirements. The study reported that the City's unfunded liability is $104.4 million on the assumed rate of return of 4% on funds set aside to pay for OPEB benefits. The ARC at the current level of benefits is $10.8 million. It is important to note, however, that fully 32% ($33.4 million) of the total actuarial OPEB liability is associated with the implicit subsidy of retirees' health insurance costs.

The City has moved to replace existing benefits for new employees with a defined contribution post-employment health benefit. On May 19, 2008, City Council approved the implementation of a Retirement Health Savings (RHS) plan. The RHS plan moves new employees (those hired after June 30, 2008) to a defined contribution type plan. Participants make tax-free contributions of a portion of their salary to an individual account held in trust. The City makes a flat rate contribution each pay period for participating employees. The employee's contribution is portable and the employer's contribution vests 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 up to $1,000 per plan year. 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 Notes to the City's Audited Financial Statements in Appendix B.

Contingent Liabilities

These contingent liabilities are as of **_______**, 2013.

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 majority of the claims asserted against the City and its employees were dismissed by the Fourth Circuit Court of Appeals in December, 2012, with only a single state constitutional claim remaining against the City itself and a single state law claim for obstruction of justice surviving against the two primary police investigators. Plaintiffs have petitioned the U.S. Supreme Court to review the decision of the Fourth Circuit. It is expected that the Supreme Court will determine whether it will grant certiorari at some point in the Fall of 2013.

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 Fourth Circuit dismissed all of the claims in this suit as to all City-related defendants, save the state constitutional claim against the City itself. Plaintiffs have petitioned the U.S. Supreme Court to review the decision of the Fourth Circuit. It is expected that the Supreme Court will determine whether it will grant certiorari at some point in the Fall of 2013.

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. The Fourth Circuit dismissed all of the claims in this suit as to all City-related defendants, save the state constitutional claim against the City itself. Plaintiffs did not appeal the Fourth Circuit's decision, but litigation of the single remaining claim has been stayed pending the outcome of the appeals requests in the other two cases.

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 expectation of a loss which could have a substantial adverse impact on the City's financial

The City is involved in several pending lawsuits and claims, which it intends to defend vigorously. In the opinion of the City's attorney and management, the disposition of these matters is not expected to have a material adverse effect on the City's financial position.

APPENDIX B

FINANCIAL INFORMATION CONCERNING THE CITY OF DURHAM, NORTH CAROLINA

Financial Statements

The financial statements of the City have been audited by certified public accountants for the Fiscal Year ended June 30, 2012. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the office of David Boyd, Finance Director, City of Durham, 101 City Hall Plaza, Durham, North Carolina 27701.

The following financial statements are the basic financial statements of the City, the notes thereto and the Management's Discussion and Analysis of the financial activities of the City, lifted from the audited Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 2012. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the City's financial activities based on currently known facts, decisions or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the City have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

FORM OF OPINION OF EACH OF CO-BOND COUNSEL

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the 2013 Bonds will be available only in a book-entry system. The actual purchasers of the 2013 Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the 2013 Bonds purchased. So long as The Depository Trust Company ("DTC"), New York, New York, or its nominee is the registered owner of the 2013 Bonds, references in this Official Statement to the Owners of the 2013 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the 2013 Bonds, payment of interest and other payments with respect to the 2013 Bonds to DTC participants or to beneficial owners, confirmation and transfer of beneficial ownership interests in the 2013 Bonds and of other transactions by and between DTC, DTC participants and beneficial owners is based on information furnished by DTC.

DTC will act as securities depository for the 2013 Bonds. The 2013 Bonds will be 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 2013 Bond in the aggregate principal amount of each maturity of the 2013 Bonds will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2013 Bonds (the "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 2013 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 2013 Bonds, except in the event that use of the book-entry system for the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such name as may be requested by an authorized representative of DTC. The deposit of 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2013 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2013 Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2013 Bonds may wish to ascertain that the nominee holding the 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2013 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC is treated as the owner of the 2013 Bonds for substantially all purposes under the Indentures, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the City or to DTC, it may be difficult to transmit information of potential interest to beneficial owners in an effective and timely manner. **Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the 2013 Bonds that may be transmitted by or through DTC**.

Principal, premium, if any, and interest payments with respect to the 2013 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC (nor its nominee) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. THE CITY CANNOT AND DOES NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2013 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, physical 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, physical certificates will be printed and delivered to DTC.

The City, the Corporation and the Trustee shall have no responsibility or obligation to the Participants or The Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, or the maintenance of any records; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the 2013 Bonds, the sending of any amount due to any Beneficial Owner in respect of the 2013 Bonds, or the sending of any transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the General Indenture to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial redemption of the 2013 Bonds; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the 2013 Bonds, including any action taken pursuant to an omnibus proxy.

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