

SHLF draft of March 17, 2005

TRUST AGREEMENT

by and between

TOWN OF CHAPEL HILL PUBLIC FACILITIES CORPORATION

and

FIRST-CITIZENS BANK & TRUST COMPANY, as Trustee

Dated as of May 1, 2005

Relating to the execution and delivery of

\$25,000,000

Certificates of Participation

(Town of Chapel Hill Operations Center), Series 2005

THIS TRUST AGREEMENT is dated as of May 1, 2005, is between **TOWN OF CHAPEL HILL PUBLIC FACILITIES CORPORATION**, a North Carolina nonprofit corporation (the "Corporation"), and **FIRST-CITIZENS BANK & TRUST COMPANY**, as trustee (the "Trustee"), and relates to the execution and delivery of \$25,000,000 Certificates of Participation (Town of Chapel Hill Operations Center), Series 2005 (the "2005 Certificates").

RECITALS:

The Corporation and the Town of Chapel Hill, North Carolina (the "Town"), have entered into an Installment Financing Contract also dated as of May 1, 2005 (the "Financing Contract"). The Financing Contract provides for the advance to the Town of funds to be used, together with other available funds, to pay the costs of the acquisition, construction and improvement of a new Town "Operations Center," and to pay financing costs.

The Town will make "Installment Payments" under the Financing Contract in amounts sufficient to repay with interest the amount advanced under the Financing Contract. The Installment Payments in turn will be sufficient to pay the components of principal and interest represented by the 2005 Certificates.

The Corporation is providing for the execution and delivery of the 2005 Certificates to raise funds for the advance under the Financing Contract. The 2005 Certificates evidence proportionate and undivided ownership interests in the Installment Payments.

As security for the payment of the Certificates, the Corporation has agreed to assign to the Trustee, without recourse against the Corporation, the specific security described below.

Unless the context clearly requires otherwise, capitalized terms used in this Trust Agreement and not otherwise defined will have the meanings set forth in Exhibit A.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained in this Trust Agreement, the parties agree as follows:

ARTICLE I **THE CERTIFICATES**

Section 1.01. Provision for 2005 Certificates. The Corporation will

prepare and execute, and the Trustee will authenticate and deliver, 2005 Certificates in an aggregate principal amount of \$25,000,000 evidencing proportionate and undivided ownership interests in the Installment Payments.

Section 1.02. Form and Details; Payments. The 2005 Certificates will be designated "Certificates of Participation (Town of Chapel Hill Operations Center), Series 2005," and will be in substantially the form of Exhibit B, with such changes as this Trust Agreement permits or requires.

The 2005 Certificates will be dated date of their initial issuance and delivery, will be issuable only as fully registered certificates in denominations of \$5,000 and multiples thereof, will be separately numbered R-1 upward, will be payable as to interest semiannually until payment on each Certificate Payment Date at the following rates (calculated on the basis of a 360-day year consisting of twelve 30-day months), and will be payable as to principal on June 1 in the following years and amounts:

<u>Date (June 1)</u>	<u>Principal Amount (\$)</u>	<u>Rate (%)</u>
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[To come.]

Each 2005 Certificate will be payable as to interest (a) from its date, if such 2005 Certificate is authenticated prior to the Record Date preceding the first Certificate Payment Date, (b) from the succeeding Certificate Payment Date, if such 2005 Certificate is authenticated between a Record Date and the succeeding Certificate Payment Date, or (c) otherwise from the Certificate Payment Date that is, or immediately precedes, the date on which such 2005 Certificate is authenticated; provided, however, that if at the time of authentication of any 2005 Certificate payment of interest is in default, such 2005 Certificate will be payable as to interest from the date to which interest has been paid.

Principal, premium, if any, and interest on all Certificates will be payable in lawful money of the United States of America.

Section 1.03. Prepayment Dates and Prices. The Certificates are subject to prepayment as described in Section 3.01.

Section 1.04. Delivery of 2005 Certificates. The Trustee will authenticate and deliver the 2005 Certificates when there have been filed with or delivered to it the following:

(a) Original executed counterparts of this Trust Agreement, the Financing Contract and the Deed of Trust.

(b) A certified copy of a resolution or resolutions of the Town Council, approving the forms of the Financing Contract and the Deed of Trust, authorizing their execution and delivery and approving the execution and delivery of the this Trust Agreement and the 2005 Certificates.

(c) Executed 2005 Certificates in the aggregate principal amounts, bearing interest at such rates and payable as to principal and interest at such times and in such amounts as are provided in this Trust Agreement.

(d) A request and authorization, signed by any Corporation officer and by a Town Representative, to the Trustee to authenticate and deliver the 2005 Certificates to such person or persons named therein upon payment to the Trustee with respect to the 2005 Certificates of a specified sum.

(e) A certificate signed by a Town Representative directing the Trustee as to the application of proceeds from the sale of 2005 Certificates to various funds and accounts established under this Trust Agreement.

Section 1.05. Additional Certificates. So long as the Financing Contract remains in effect, the Corporation may provide for Additional Certificates to be executed and delivered under this Trust Agreement to provide funds (a) to complete the Facilities, (b) to expand or improve the Facilities, (c) to refund any Outstanding Certificates, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Certificates, (e) for any other purpose that may be allowed by law from time to time, or (f) for any combination of such purposes.

The Trustee will authenticate and deliver the Additional Certificates when there have been filed with or delivered to it the following:

(i) Certified copies of resolutions of the Town Council and the Corporation's governing board approving the terms and conditions under which the Additional Certificates are to be issued and authorizing the execution of an amendment to the Financing Contract providing for payment of Contract Payments as required by the issuance of the Additional Certificates.

(ii) An executed copy of the Financing Contract, as so amended, together with evidence satisfactory to the Trustee that the LGC has approved such amendment (if such approval is then required by law).

(iii) An executed copy of an amendment or supplement to this Trust Agreement providing for the issuance of the Additional Certificates, which sets forth the payment and prepayment terms of such Additional Certificates, together with such other terms as may be appropriate.

(iv) An Opinion of Special Counsel to the effect that the issuance of such Additional Certificates is permitted under the terms of this Trust Agreement and has been duly authorized, and that the issuance of such Additional Certificates will not adversely affect the exclusion from federal gross income to which interest components of Installment Payments are otherwise entitled.

(v) A certificate signed by a Town Representative directing the Trustee as to the application of the proceeds from the sale of the Additional Certificates.

The Trustee will not authenticate and deliver any Additional Certificates if any default under this Trust Agreement or under the Financing Contract is continuing.

Simultaneously with the delivery of the Additional Certificates, the proceeds (including any accrued interest) of the Additional Certificates will be applied as provided in the certificate described in (v) above.

Each of the Additional Certificates executed and delivered pursuant to this Section will evidence an assignment of a proportionate and undivided ownership interest in Installment Payments under the Financing Contract, as amended, proportionately and ratably secured with the 2005 Certificates and all other Additional Certificates, if any, executed and delivered pursuant to this Section, without preference, priority or distinction of any Certificates over any other. No Additional Certificates will be so proportionately and ratably secured without compliance with the provisions of this Section.

After the execution and delivery of any such Additional Certificates, such will be "Certificates" under this Trust Agreement and subject to all of its terms and conditions, except as may be provided in the supplement to this Trust Agreement provided for in (iii) above.

ARTICLE II

ADDITIONAL PROVISIONS FOR THE FORM, REGISTRATION AND EXCHANGE OF CERTIFICATES

Section 2.01. Book-Entry-Only Form. (a) The Certificates will be executed and delivered by means of a book-entry system, with one certificate for each maturity immobilized at The Depository Trust Company (“DTC”), New York, New York, and not available for distribution to the public. Transfer of beneficial ownership interests in the Certificates in the principal amounts of \$5,000 or any multiple thereof will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal, premium, if any, and interest with respect to the Certificates will be payable to DTC or its nominee as registered owner of the Certificates. Transfer of principal, premium, if any, and interest to DTC participants will be DTC's responsibility, and transfer of principal, premium, if any, and interest with respect to the Certificates to beneficial owners of the Certificates by DTC participants will be the responsibility of such participants and other nominees of beneficial owners. Neither the Trustee, the Corporation nor the Town will be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

(b) If (i) DTC determines not to continue to act as securities depository for the Certificates or (ii) a Town Representative so directs, the Corporation will provide for the discontinuance of the book-entry system with DTC, in accordance with DTC's rules and procedures. If the Town identifies an alternate qualified securities depository to replace DTC, that depository will replace DTC and all references to DTC in this Trust Agreement will be deemed references to such alternate depository. If the Town fails to identify another qualified securities depository to replace DTC, the Corporation will deliver fully-registered certificates as replacements for Certificates in book-entry form. Such certificates will be in such form as the Corporation, with the Town's approval, may hereafter authorize.

Section 2.02. Execution. The Certificates will be signed on the Corporation's behalf by the manual or facsimile signature of its President or any Vice President, and the Corporation's seal will be impressed or imprinted on the Certificates by facsimile or otherwise and attested by the manual or facsimile signature of the Corporation's Secretary or any Assistant Secretary. If any Corporation officer whose signature is on a Certificate no longer holds that office at the time the Trustee authenticates such Certificate, such Certificate will nevertheless be valid. If a person signing a Certificate is the proper officer on the actual date of execution, the Certificate will be valid even if that person is not the proper officer on the nominal date of action.

Section 2.03. Authentication. The Certificates will bear a certificate of authentication, substantially in the form set forth in Exhibit B, and no Certificate will

be valid until the Trustee has duly executed the certificate of authentication and inserted the authentication date thereon. The Trustee will authenticate each Certificate with the signature of an authorized officer or employee, but it will not be necessary for the same person to authenticate all of the Certificates. Only such authenticated Certificates will be entitled to any right or benefit under this Trust Agreement, and such certificate on any Certificate issued under this Trust Agreement will be conclusive evidence that the Certificate has been duly issued and is secured by the provisions hereof.

Section 2.04. Registration and Exchange of Certificates; Persons Treated as Owners. Certificates may be exchanged and transferred only on a register which the Trustee will establish and maintain. Upon surrender for transfer of any Certificate to the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or the Owner's duly authorized attorney, the Trustee will authenticate a new Certificate or Certificates in an equal total principal amount and registered in the name of the transferee; provided, however, that the Trustee is not required to exchange or register the transfer of any Certificate after the giving of notice calling such Certificate for prepayment.

Certificates may be exchanged for an equal total principal amount of Certificates of different but authorized denominations. The Trustee will authenticate and deliver Certificates that the Owner making the exchange is entitled to receive, bearing certificate numbers not then Outstanding.

The Trustee will deliver to the transferee any applicable notice of prepayment when it effects a transfer or exchange of any Certificate after the mailing of notice calling the Certificate or any portion of the Certificate for prepayment.

The Owner will be the absolute owner of the Certificate for all purposes, and payment of principal, premium, if any, and interest will be made only to or upon the written order of the Owner or the Owner's legal representative, except that interest payments will be made to the person shown as the owner of the Certificate as of the applicable Record Date.

The Trustee must require the payment by an Owner requesting exchange or transfer of any tax or other governmental charge required to be paid in respect of the exchange or transfer, but must not impose any other charge.

Section 2.05. Mutilated, Lost, Stolen or Destroyed Certificates.

- (a) If any Outstanding Certificate is damaged, mutilated, lost, stolen or

destroyed, the Corporation will execute, and the Trustee will authenticate and deliver, a replacement Certificate, of the same tenor as the damaged, mutilated, lost, stolen or destroyed Certificate, in the manner provided below.

(b) Application for exchange and substitution of damaged, mutilated, lost, stolen or destroyed Certificates must be made to the Trustee. In every case, the applicant for a replacement Certificate must furnish to the Corporation, the Town and the Trustee such security or indemnity as each may require to save it harmless. In every case of loss, theft or destruction of a Certificate, the applicant must also furnish to the Corporation, the Town and the Trustee evidence to their satisfaction of the loss, theft or destruction of such Certificate. In the case of damage or mutilation of a Certificate, the applicant will surrender the Certificate so damaged or mutilated.

(c) Notwithstanding the foregoing, if any such Certificate has matured, and no default is then continuing in the payment of the principal or interest with respect to such Certificate, the Town may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a substitute Certificate, provided security or indemnity is furnished as provided above in the case of a lost, stolen or destroyed Certificate.

(d) The Trustee will charge the Owner of such Certificate with all expenses in connection with the issuance of any substitute Certificate. Every substitute Certificate issued pursuant to the provisions of this Section because any Certificate is lost, stolen or destroyed, whether or not the lost, stolen or destroyed Certificate may be found at any time, or may be enforceable by anyone, will be entitled to all the benefits of this Trust Agreement equally and proportionally with any and all other Certificates duly executed and delivered hereunder.

Section 2.06. Cancellation. Whenever a Certificate is delivered to the Trustee for cancellation (upon payment, prepayment or otherwise) or for transfer, exchange or replacement, the Trustee will promptly destroy the Certificate and deliver a written certificate of such destruction to the Town.

Section 2.07. Temporary Certificates. Prior to the preparation of Certificates in definitive form the Corporation may execute, and the Trustee may authenticate and deliver, temporary Certificates in such denominations as the Town may determine, but otherwise in substantially the form set forth in Exhibit B, with appropriate variations, omissions and insertions. The Corporation will promptly prepare, execute and deliver to the Trustee before the first Certificate Payment Date for such Certificates in definitive form and thereupon, upon surrender of Certificates

in temporary form, the Trustee will authenticate and deliver in exchange therefor Certificates in definitive form of the same maturity having an equal aggregate principal amount. Until exchanged for Certificates in definitive form, Certificates in temporary form will be entitled to the lien and benefit of this Trust Agreement.

Section 2.08. Non-Presentment of Certificates. (a) If any Certificate is not presented for payment when the principal with respect to the same becomes due (whether at maturity, upon acceleration or call for prepayment or otherwise), all liability to the Owner thereof for the payment of such Certificate will be completely discharged if funds sufficient to pay such Certificate and the premium, if any, and interest due with respect thereto are held by the Trustee for such Owner's benefit, and thereupon it will be the Trustee's duty to hold such funds subject to subsection (b) below, without liability for interest thereon, for the benefit of such Owner, who will thereafter be restricted exclusively to such funds for any claim of whatever nature under this Trust Agreement with respect to such Certificate.

(b) Notwithstanding any provision of this Trust Agreement to the contrary, the Trustee will dispose of moneys held by it for the payment of principal, premium, if any, or interest with respect to Certificates left unclaimed for five years after the date the principal with respect to the same becomes due in accordance with N.C. Gen. Stat. Sec. 116B-51 or any successor provision. The Owners of such Certificates will thereafter be entitled to look only to their remedies under N.C. Gen. Stat. Chapter 116B or any successor provision, and all liability of the Town and the Trustee with respect to such moneys will cease.

ARTICLE III

PREPAYMENT

Section 3.01. Prepayment Dates and Prices. The 2005 Certificates may not be prepaid except as provided in this Section.

(a) 2005 Certificates maturing on or after June 1, 2015, are subject to prepayment at the Town's option on or after June 1, 2014, in whole or in part at any time, upon payment of the following prepayment prices (expressed as a percentage of principal amount to be prepaid), plus interest accrued to the prepayment date:

Prepayment Period
(Both Dates Inclusive)

Price

June 1, 2015, and thereafter

100 %

(b) 2005 Certificates maturing on June 1, _____, and June 1, _____, are required to be prepaid in part prior to maturity pursuant to the terms of the sinking fund requirements of Section 3.05 at a prepayment price equal to the principal amount to be prepaid plus interest accrued to the prepayment date, without premium.

(c) The 2005 Certificates are subject to prepayment in whole or in part on any Certificate Payment Date from Net Proceeds transferred to the Prepayment Account pursuant to Section 4.06 at a prepayment price equal to the principal amount to be prepaid plus interest accrued to the prepayment date, without premium.

(d) The amendment or supplement to this Agreement providing for the issuance of Additional Certificates, as provided in Section 1.05 (iii), will provide for the prepayment terms and conditions of any Additional Certificates.

Section 3.02. Selection of Certificates for Prepayment.

(a) If less than all of the Certificates are to be prepaid pursuant to subsection 3.01(a) or 3.01(c), they will be prepaid as among maturities in such manner as the Town may elect.

(b) If less than all of the Certificates of any maturity are to be prepaid, the Trustee will select the Certificates to be prepaid by lot; provided, however, that so long as a book-entry system with DTC is used for determining beneficial ownership of Certificates, if less than all of the Certificates within a maturity are to be prepaid, DTC will determine which of the Certificates within any such maturity are to be prepaid in accordance with DTC's own rules and procedures.

(c) In any case, (1) the portion of any Certificate to be prepaid will be in the principal amount of \$5,000 or some multiple thereof, and (2) in selecting Certificates for prepayment, each Certificate will be considered as representing that number of Certificates which is obtained by dividing the principal amount of such Certificate by \$5,000. If a portion of a Certificate will be called for prepayment, a new Certificate in principal amount equal to the unpaid portion thereof will be issued to the registered owner upon the surrender thereof.

Section 3.03. Prepayment Notices. (a) The Trustee, upon being satisfactorily indemnified with respect to expenses, will send notice of prepayment no less than 30 nor more than 60 days prior to the prepayment date, by registered or certified mail,

return receipt requested, as follows:

- (1) If DTC or its nominee is the registered owner of the Certificates, to DTC.
- (2) If no book-entry-only system of registration is in effect, to each of the registered owners of the Certificates at their addresses as shown on the Trustee's registration books.

(3) In any case, to at least two national information services which disseminate redemption and prepayment information, such as the following:

(A) Financial Information, Inc.'s
Daily Called Bond Service
30 Montgomery Street, 10th Floor
Jersey City, New Jersey 07302
Attention: Editor;

(B) Kenny Information Service's
Called Bond Service
55 Broad Street, 28th Floor
New York, New York 10004;

(C) Moody's Municipal and Government
Called Bond Record
99 Church Street, 8th Floor
New York, New York 10007
Attention: Municipal News Report; and

(D) Standard & Poor's Called Bond Record
55 Water Street
New York, New York 10041.

Failure to give any notice specified in (1) or (2), as applicable, or any defect therein, will not affect the validity of any proceedings for the prepayment of any Certificates with respect to which no such failure has occurred. Failure to give any notice specified in (3), or any defect therein, will not affect the validity of any proceedings for the prepayment of any Certificates with respect to which the notice specified in (1) or (2) is correctly given. Any notice mailed as provided herein will conclusively be presumed to have been given regardless of whether actually received by any Owner.

(b) Any prepayment notice, except a prepayment notice in respect of a sinking fund payment date, may state that the prepayment to be effected is conditioned upon the Trustee's receipt on or prior to the prepayment date of moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be prepaid, and that if such moneys are not so received such notice shall be of no force or effect and such Certificates shall not be required to be prepaid. If such notice contains such a condition and the Trustee does not receive moneys sufficient to pay the principal of and premium, if any, and interest on such Certificates on or prior to the prepayment date, the prepayment will not be made and the Trustee will, within a reasonable time thereafter, give notice, in a manner in which the prepayment notice was given, that such moneys were not so received.

(c) Each prepayment notice must specify (1) the complete designation, including Series, of the Certificates to be prepaid, (2) the certificate and CUSIP numbers of the Certificates to be prepaid, (3) the dated dates and maturity dates and the interest rates of the Certificates to be prepaid, (4) the date fixed for prepayment, (5) the principal amount of Certificates or portions thereof to be prepaid, (6) the applicable prepayment price, (7) the address of the place or places of payment, (8) the Trustee's name and telephone number, and the name of a contact person, (9) that payment of the principal amount and premium, if any, with respect to such Certificates will be made upon presentation and surrender of the Certificates to be prepaid to the Trustee, (10) that interest accrued to the date fixed for prepayment will be paid as specified in such notice, and (11) that on and after the established prepayment date interest on Certificates which have been prepaid will cease to accrue.

In preparing such notices, the Trustee will take into account, to the extent applicable, any regulatory statement of any Federal or state administrative body having jurisdiction over the tax-exempt securities industry, including, without limitation, Release No. 34-23856 of the Securities and Exchange Commission or any subsequent amending or superseding release.

Section 3.04. Certificates Payable on Prepayment Date; Interest Ceases To Accrue. If on or before the date fixed for prepayment funds are deposited with the Trustee to pay the principal, premium, if any, and interest accrued to the prepayment date with respect to the Certificates called for prepayment, the Certificates or portions thereof thus called for prepayment will cease to accrue interest from and after the prepayment date, will no longer be entitled to the benefits provided by this Agreement and will not be deemed to be Outstanding under this Agreement.

Section 3.05. Mandatory Sinking Fund Prepayment. The Trustee, from amounts received from or on behalf of the Town, will prepay 2005 Certificates

maturing on June 1, 2021, on June 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the prepayment date as follows:

<u>Year</u>	<u>Amount</u>
2019	
2020	
2021	

Notwithstanding the foregoing, on or before the 70th day next preceding any sinking fund payment date, the Town may do any or all of the following:

(1) pay to the Trustee for deposit in the Prepayment Account such amount as the Town may determine, accompanied by a certificate signed by a Town Representative directing the Trustee to apply such amount to the purchase of Certificates required to the prepaid on such sinking fund payment date; the Trustee must thereupon use all reasonable efforts to expend the greatest portion of such funds as may be practicable in the purchase of such Certificates at a price not exceeding the principal amount thereof plus accrued interest to the purchase date; or

(2) deliver to the Trustee for cancellation Term Certificates required to be prepaid on such sinking fund payment date in any aggregate principal amount desired; or

(3) instruct the Trustee to apply a credit against the Town's sinking fund payment obligation for any such Term Certificates that previously have been prepaid (other than through the operation of the sinking fund requirements) and canceled by the Trustee but not previously applied as a credit against any sinking fund payment obligation.

The Trustee will credit against the Town's sinking fund payment obligation on such sinking fund payment date the amount of such Certificates so purchased, delivered or previously prepaid as described in paragraphs (1), (2) or (3) above.

Within seven days of receipt of such amount, Term Certificates or instruction to apply as a credit (as described in paragraphs (1), (2) and (3) above), any amounts remaining in the Principal Account in excess of the amount required to fulfill the remaining required sinking fund prepayment obligation on the next sinking fund payment date will, as directed by a Town Representative, either be (A) transferred to the Interest Account or (B) used to prepay Certificates as soon as practicable.

Any funds received by the Trustee pursuant to paragraph (1) above but not expended as provided therein for the purchase of Certificates within twenty days after such 70th day will be transferred to the Principal Account to the extent the amounts in the Principal Account are insufficient to fulfill the required payment on the next principal or sinking fund payment date. To the extent amounts in the Principal Account are not so insufficient, the Trustee will, as directed by a Town Representative, either (A) transfer such funds to the Interest Account or (B) use the funds to prepay Certificates as soon as practicable.

ARTICLE IV

PROJECT FUND; OTHER FUNDS AND ACCOUNTS

Section 4.01. Creation and Use of Project Fund. The Trustee will establish a special fund designated as the “Town of Chapel Hill 2005 Operations Center -- Project Fund.” The Trustee will keep such Fund separate and apart from all other funds and moneys held by it, and will hold and administer such Fund as provided in this Trust Agreement. Moneys in the Project Fund will be expended only for Project Costs, except as provided in Section 4.03.

Section 4.02. Deposit of Moneys; Payment of Project Costs.

(a) The Trustee will deposit into the Project Fund the amount specified in the certificate referenced in Section 1.04(e), any amount to be deposited therein as specified in the certificate referenced in Section 1.05(v), any amounts received as refunds of State sales tax with respect to expenditures for Project Costs previously paid for from Project Fund amounts and all other amounts paid to it for deposit in the Project Fund.

(b) Subject to the limitations in paragraph (d) below, the Trustee will disburse moneys in the Project Fund from time to time, either to pay Project Costs directly or to reimburse the Town for previous expenditures for Project Costs, upon receipt by the Trustee of a requisition substantially in the form of Exhibit C. The Trustee may rely conclusively on such requisitions as authorization for such payments and will have no duty or responsibility to verify any matters therein.

(c) Unless otherwise directed by the Town, the Trustee will disburse moneys from the Project Fund that are due to the Town by wire transfer to such bank account or accounts in the United States as the Town may designate from time to time by notice to the Trustee.

(d) The Trustee shall not, however, be required to (but may in its discretion) disburse any moneys from the Project Fund during the continuation of any Event of Default.

Section 4.03. Transfers of Unexpended Proceeds. Upon receipt of the Completion Certificate, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys to be retained therein pursuant to the Completion Certificate) and deposit such moneys in the Payment Fund to be applied to the payment of principal and interest with respect to the 2005 Certificates as directed by a Town Representative.

Section 4.04. Other Funds and Accounts. The Trustee will establish the following special funds and accounts, will keep the same separate and apart from all other funds and moneys held by it, and will hold and administer the same as provided herein:

(a) Town of Chapel Hill 2005 Operations Center Payment Fund, and therein an Interest Account, a Principal Account and a Prepayment Account; and

(b) Town of Chapel Hill 2005 Operations Center Net Proceeds Fund.

Section 4.05. Payment Fund. (a) The Trustee will deposit in the Interest Account in the Payment Fund any amount specified in the certificate referenced in Section 1.04(e), and will deposit in the proper account all other amounts paid to it for deposit in the Payment Fund.

(b) The Trustee will pay the principal and interest with respect to Certificates from the Principal Account and the Interest Account, respectively, as the same become due.

(c) The Trustee will determine whether any amounts are on deposit with the Trustee that are to be credited against the amount of the Town's Installment Payments at the times and in the manner provided for in Section 2.1(b) of the Financing Contract.

(d) On the second Business Day preceding each Certificate Payment Date, the Trustee will first set aside an amount sufficient to pay the interest with respect to the Certificates becoming due and payable on such Certificate Payment Date, and then an amount sufficient to pay the principal with respect to the Certificates becoming due and payable on such Payment Date, and will transfer on the Certificate Payment Date the amounts due to DTC as registered owner of the Certificates.

(e) If the amount on deposit in the Principal Account or the Interest Account is insufficient for the purposes thereof two Business Days before any Certificate Payment Date, the Trustee will notify the Town of the amount of such insufficiency and the Trustee will transfer to such Accounts such amounts as may be necessary therefor from any amounts on deposit in the Prepayment Account.

If the amount on deposit in the Interest Account on any Certificate Payment Date exceeds the amount payable on account of interest on the Certificates on such date, the Trustee will, as directed by a Town Representative, retain such excess in the Interest Account or transfer such excess to the Principal Account to be credited against subsequent required deposits thereto.

If the amount on deposit in the Principal Account on any June 1 exceeds the amount required on such date to pay principal of Certificates coming due on such date (whether by reason of maturity or mandatory redemption), then the Trustee will, as directed by a Town Representative, retain such excess in the Principal Account or transfer such excess to the Interest Account to be credited against subsequent required deposits thereto.

(f) The Trustee will deposit in the Prepayment Account of the Payment Fund all amounts paid to it for deposit therein, and, except as provided in subsection (g) below, will use such amounts within 12 months of their deposit therein as directed by a Town Representative (i) to pay Certificates called for prepayment on their prepayment dates, or (ii) to purchase, for cancellation, Certificates at or below their prepayment price on the next date on which such Certificates may be prepaid.

The Trustee will transfer any amounts not so used within 12 months of their deposit in the Prepayment Account to the Interest Account in the Payment Fund for use on the next Certificate Payment Date to pay interest with respect to the Certificates, and pending such use will invest such funds in Permitted Investments having a yield not in excess of the Restricted Yield.

Subject to retaining moneys necessary to pay Certificates that have been called for prepayment but not yet presented for payment, the Trustee will use amounts in the Prepayment Account as needed to make transfers to the Interest Account or the Principal Account to the extent the balances therein may be insufficient for the purposes thereof.

(g) The Trustee will hold amounts transferred to the Prepayment Account from the Net Proceeds Fund pursuant to Section 4.06(b) and apply such amounts to

the prepayment of Certificates pursuant to Section 3.01(c) as directed by a Town Representative.

Section 4.06. Net Proceeds Fund. (a) The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in Section 6.2(c) of the Financing Contract. The Trustee will invest and reinvest all amounts on deposit in the Net Proceeds Fund in Permitted Investments having a yield not in excess of the Restricted Yield, to the extent such amounts are on deposit therein on any date following the later of (i) the third anniversary of the Closing Date or (ii) 30 days from the payment of such Net Proceeds to the Town or the Trustee, as applicable.

(b) The Trustee will disburse Net Proceeds for replacement or repair as provided in Section 6.3(c) of the Financing Contract, or transfer such proceeds to the Prepayment Account in the Payment Fund for application as provided in Section 4.05(g), in either case as directed by a Town Representative as provided in Section 6.3 of the Financing Contract. The Trustee shall not, however, be required to (but may in its discretion) disburse any moneys from the Net Proceeds Fund during the continuation of an Event or Default.

(c) If the Town directs the Trustee to apply amounts on deposit in the Net Proceeds Fund to the prepayment of Certificates pursuant to Section 6.3(a) or 6.3(b) of the Financing Contract, the Trustee will provide for such prepayment pursuant to Section 3.01(c) at the earliest practicable date. Pending disbursement for prepayment, the Trustee will hold such amounts in the Net Proceeds Fund and invest such amounts only in Federal Securities having a maturity date not later than the prepayment date.

(d) After all principal and interest with respect to the Certificates has been paid in full, and all the Trustee's fees and expenses have been paid, or provision has been made for the payment thereof satisfactory to the Trustee, the Trustee will pay any moneys remaining in the Net Proceeds Fund to the Town.

ARTICLE V

SECURITY PROVISIONS

Section 5.01. Security Provisions.

(a) *Assignment of Rights under Financing Contract.* The Corporation transfers and absolutely assigns to the Trustee, for the benefit of the Owners and without recourse against the Corporation, all of the Corporation's rights under the Financing Contract, including, without limitation, (i) the right to receive and collect all

of the Installment Payments, (ii) the right to take all actions and give all consents under the Financing Contract, and (iii) the right to exercise such rights and remedies conferred on the Corporation pursuant to the Financing Contract as may be necessary or convenient (A) to enforce payment of the Contract Payments and any other amounts required to be deposited in any Fund established under this Trust Agreement, or (B) otherwise to protect the Owners' interests if the Town defaults under the Financing Contract. Any Installment Payments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the Trustee's agent, and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof.

(b) *Assignment of Rights under Deed of Trust.* The Corporation transfers and absolutely assigns to the Trustee, for the benefit of the Owners and without recourse against the Corporation, all of the Corporation's rights as beneficiary under the Deed of Trust.

(c) *Assignment of Moneys and Investments.* The Corporation absolutely assigns to the Trustee, for the benefit of the Owners and without recourse against the Corporation, all moneys and investments thereof held by the Trustee in the Funds and Accounts under this Trust Agreement. The Trustee will hold all such moneys in trust and will apply the same to the purposes specified herein and in the Financing Contract.

The foregoing assignments are absolute and not for the purpose of security.

Notwithstanding the foregoing assignments, the Corporation will retain its rights to notices, indemnification and payment of costs under the Financing Contract and the Deed of Trust.

Section 5.02. Limited Obligation. Each Certificate will evidence a proportionate and undivided ownership interest in Installment Payments. The Certificates are payable solely from Installment Payments as, when and if the same are received by the Trustee, except to the extent payable from the proceeds of the Certificates, income from investments, and Net Proceeds as provided in this Trust Agreement and the Financing Contract, which Installment Payments and other moneys have been pledged as provided herein to secure payment of the Certificates.

ARTICLE VI

INVESTMENT OF MONEYS IN FUNDS

Section 6.01. Investments Authorized.

(a) Subject to the further provisions of this Article VI, the Trustee will invest and reinvest moneys held by it hereunder, upon the written direction of a Town Representative, in Permitted Investments. Such investments, if registrable, will be registered in the name of the Trustee or its assignee for the benefit of the Owners and held by the Trustee. If the Town does not provide the Trustee with written direction as to any investment or reinvestment provided for under this Trust Agreement, the Trustee will invest or reinvest such moneys in the North Carolina Capital Management Trust (or its successor).

(b) The Trustee will invest and reinvest amounts on deposit from time to time in the Project Fund only in Permitted Investments having a yield not in excess of the Restricted Yield to the extent any such amounts remain on deposit therein (or remain on deposit in the Payment Fund after being transferred there pursuant to Section 4.03) on any date following the later of (a) the third anniversary of the Closing Date or (b) 30 days from their deposit in the Project Fund.

(c) The Trustee may purchase or sell, to itself or to any affiliate, as principal or agent, investments of funds held under this Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment, and may make any investment through its bond or investment department.

(d) The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section.

(e) Moneys will be invested in Permitted Investments having maturities not extending beyond the date on which the Town estimates such moneys are to be needed for their intended purposes. Investments will be considered as maturing on the date on which they are prepayable without penalty at the holder's option or the date on which the Trustee may require their repurchase without penalty pursuant to a repurchase agreement.

Section 6.02. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners, and such moneys, and any income or interest earned thereon, will be expended only as provided in this Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the Town.

Section 6.03. Investments Part of Fund. Any income, profit or loss on the investment of moneys held by the Trustee hereunder will be credited to the

respective fund to which such moneys are credited, except as otherwise provided herein.

Section 6.04. Accounting. The Trustee will furnish to the Town, not less frequently than monthly, an accounting of all investments made by the Trustee in all funds and accounts held by the Trustee. Such accounting will be supplied in the form of the Trustee's customary statements. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Section 6.05. Valuation. For the purpose of determining the amount on deposit in any Fund or Account held hereunder, the Trustee will value all Permitted Investments credited to such Fund or Account at the market value thereof. Such valuations will be made at least every six months and at such additional times as the Town may request, but in no event more frequently than monthly.

Section 6.06. Disposition. The Trustee will sell, or present for prepayment, and reduce to cash any Permitted Investment in a Fund or Account at the best price obtainable whenever the cash balance in such Fund or Account is insufficient for the purposes thereof.

Section 6.07. Commingling of Moneys in Funds. The Trustee, with the Town's written consent, may commingle any of the funds held by it pursuant to this Trust Agreement with any other separate fund or funds for investment purposes only; provided, however, that the Trustee will separately account for all Funds or Accounts held by it under this Trust Agreement.

Section 6.08. Tax Covenants. The Town, the Corporation and the Trustee covenant with the Owners that, notwithstanding any other provision of this Trust Agreement, they will make no use or investment of the proceeds of the Certificates which will cause the Certificates to be "arbitrage bonds" or "private activity bonds" within the meaning of the Code.

Section 6.09. Information Concerning Investments. The Trustee will establish and maintain written records regarding investments made under this Article VI, and will supply such information to the Town at its request, including information as to: (a) purchase date; (b) purchase price; (c) information establishing that the purchase was at a fair market value as of the purchase date (e.g., the published quoted bid by a dealer in such an investment on the purchase date); (d) any accrued interest paid; (e) face amount; (f) coupon rate; (g) periodicity of interest payments; (h) disposition price; (i) any accrued interest received; and (j) disposition date.

Section 6.10. Restricted Yield Investments. The Trustee may invest funds held hereunder without regard to yield despite any provision herein directing investment with regard to the Restricted Yield, provided that prior to making such an investment, the Trustee receives an Opinion of Special Counsel that such an investment will not adversely affect the exclusion from gross income that would otherwise be applicable to interest components of Installment Payments.

ARTICLE VII

DISCHARGE OF TRUST AGREEMENT

Section 7.01. Certificates Deemed Paid; Discharge of Trust Agreement. Any Certificate will be deemed paid for all purposes of this Trust Agreement when (a) payment of the principal and interest with respect to such Certificate to the due date of such principal and interest (whether at maturity, upon prepayment or otherwise) either (i) has been made in accordance with the terms of the Certificates or (ii) has been provided for by irrevocably depositing with the Trustee or other fiduciary in escrow (A) cash sufficient to make such payment or (B) Federal Securities maturing as to principal and interest in such amounts and at such times as will insure, without reinvestment, the availability of sufficient moneys to make such payment (which will be evidenced by a certificate or report, in form and substance satisfactory to the Trustee, of an Appropriate Consultant acceptable to the Trustee), and which are not subject to redemption or purchase prior to maturity at the option of anyone other than the holder, and (b) all compensation and expenses of the Trustee pertaining to each Certificate in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction. When a Certificate is deemed paid, it will no longer be secured by or entitled to the benefits of this Trust Agreement, and all rights to payment of such Certificates will be limited to payment from moneys or Federal Securities under (a)(ii) above, and except that it may be transferred, exchanged, registered or replaced as provided in Article II.

Notwithstanding the foregoing, no deposit under clause (a)(ii) above will be made until the Town has furnished the Trustee an Opinion of Special Counsel to the effect that the deposit of such cash or Federal Securities will not cause the Certificates to become "arbitrage bonds" within the meaning of the Code. Also, if the Certificate is to be prepaid prior to maturity, notice of prepayment of the Certificate must be given in accordance with Article II for such deposit to be deemed a payment of such Certificate. If the Certificate is not to be paid or prepaid within the next 60 days, the Town must give the Trustee, in form satisfactory to the Trustee, irrevocable instructions (A) to provide notice, as soon as practicable, in accordance with Article II, that the deposit required by (a)(ii) above has been made with the Trustee and that the Certificate is deemed to be paid under this Article and stating the maturity or

prepayment date upon which moneys are to be available for the payment of the principal with respect to the Certificate, and (B) to give notice of prepayment not less than 30 nor more than 60 days prior to the prepayment date for such Certificate as provided in Section 3.03.

When all Outstanding Certificates are deemed paid under the foregoing provisions of this Section, the Trustee will upon request acknowledge the discharge of the lien of this Trust Agreement and the Deed of Trust and repay any excess amounts remaining on deposit in the Funds established under this Trust Agreement to the Town; provided, however, that the obligations under Article II in respect of the transfer, exchange, registration, discharge from registration and replacement of Certificates will survive the discharge of the lien of this Trust Agreement, and further provided that in the case of a deposit made under (a)(ii) above, the Certificates will continue to constitute proportionate and undivided ownership interests in Installment Payments arising under the Financing Contract.

No deposit will be made or accepted and no use made of any such deposit that would cause any Certificates to be treated as "arbitrage bonds" within the meaning of the Code.

Section 7.02. Application of Trust Money. The Trustee will hold in trust money or Federal Securities deposited with it pursuant to Section 7.01 and will apply the deposited money and the money paid with respect to the Federal Securities in accordance with this Trust Agreement only to the payment of principal, premium, if any, and interest with respect to the Certificates.

ARTICLE VIII

DEFAULTS; REMEDIES

Section 8.01. Events of Default. An "Event of Default" is any of the following:

(a) Default in the payment of the principal with respect to any Certificate when the same will become due and payable, whether at the stated maturity thereof or upon proceedings for mandatory (but not optional) prepayment.

(b) Default in the payment of any installment of interest with respect to any Certificate when the same will become due and payable.

(c) The occurrence of any Event of Default as defined in the Financing Contract.

Section 8.02. Acceleration. If any Event of Default occurs and is continuing, then (a) the Trustee, by notice to the Town, or (b) the Majority Owners, by notice to the Town and the Trustee, may declare the principal of and accrued interest with respect to the Certificates to be due and payable immediately, and such principal and interest will thereupon become and be immediately due and payable. The Trustee will immediately give notice of acceleration to the Owners. The Trustee may rescind an acceleration and its consequences if all existing Events of Default have been cured or waived, if the rescission would not conflict with any judgment or decree.

Section 8.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal or interest with respect to the Certificates or to enforce the performance of any provision of this Trust Agreement, the Certificates, the Financing Contract or the Deed of Trust.

The Trustee may maintain a proceeding even if it does not possess any of the Certificates or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default will not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 8.04. Waiver of Past Defaults. The Majority Owners, by notice to the Trustee, may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent to it.

Section 8.05. Majority's Control. The Majority Owners may, upon satisfactory indemnification of the Trustee, direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that conflicts with law or this Trust Agreement or, subject to Section 9.01, that the Trustee determines is unduly prejudicial to the rights of other Owners or would involve the Trustee in personal liability.

Section 8.06. Limitation on Suits. An Owner may not pursue any remedy with respect to this Trust Agreement or the Certificates (except as provided in Section 8.07) unless (a) the Owner gives the Trustee notice stating that an Event of Default is continuing, (b) the Majority Owners make a written request to the Trustee to pursue the remedy, (c) such Owner or Owners offer to the Trustee indemnity satisfactory to

the Trustee against any loss, liability or expense, and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

An Owner may not use this Trust Agreement to prejudice the rights of another Owner or to obtain a preference or priority over the other Owners.

Section 8.07. Rights To Receive Payment. The right of any Owner to receive payment of principal, premium, if any, and interest with respect to a Certificate, on or after the due dates expressed in the Certificate, or to bring suit for the enforcement of any such payment on or after such dates, will not be impaired or affected without such Owner's consent.

Section 8.08. Collection Suit by Trustee. If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Town for the whole amount remaining unpaid.

Section 8.09. Trustee May File Proofs of Claim. (a) The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Owners allowed in any judicial proceedings relative to the Town, the Corporation, their creditors or their property and, unless prohibited by law or applicable regulations, may vote on behalf of the Owners in any election of a trustee in bankruptcy or other person performing similar functions.

(b) If the Trustee incurs expenses or renders services in any proceedings which result from an Event of Default, or from any event or occurrence which, with the passage of time, would become an Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 8.10. Priorities. If the Trustee collects any money pursuant to this Article, it will deposit the same in a special account the Payment Fund and pay out such money in the following order:

(a) If the principal with respect to all Certificates will not have become or will not have been declared due and payable, all such moneys in the Payment Fund will be applied:

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal at a rate equal to the rate paid with respect to the Certificates, and, if the amount available will not be sufficient to pay in full all of the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(b) If the principal with respect to all Certificates will have become or will have been declared due and payable, all such money will be applied (i) first to pay the Trustee's fees and expenses, and then (ii) to the payment of principal and interest then due with respect to the Certificates, without preference or priority of principal or interest, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal with respect to all Certificates will have been declared due and payable and if such declaration will thereafter have been rescinded and annulled under the provisions of Section 8.02, then, subject to the provisions of subsection (b) above, if the principal with respect to all Certificates will later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Payment Fund will be applied in accordance with the provisions of subsection (a) above.

The Trustee may fix a payment date for any payment to the Owners under this Section.

Section 8.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Trust Agreement or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys'

fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee or any authorized suit by any Owner or Owners.

ARTICLE IX

THE TRUSTEE

Section 9.01. Rights and Duties.

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Not later than September 1 of each year, the Trustee will notify the LGC of the principal amount of Certificates Outstanding as of the preceding June 30.

(c) Except during the continuance of an Event of Default:

(i) the Trustee need perform only those duties that are specifically set forth in this Trust Agreement and no other; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Agreement which the Trustee actually and in good faith believes to be genuine and to have been signed or presented by the proper person. The Trustee, however, must examine the certificates and opinions to determine whether they conform to the requirements of this Trust Agreement.

(d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of subsection (a) above;

(ii) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 8.05; and

(iii) no provision of this Trust Agreement requires the Trustee to

expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Every provision of this Trust Agreement that in any way relates to the Trustee is subject to all the provisions of this Section 9.01.

(f) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee may not require indemnity as a condition to declaring the principal and interest with respect to the Certificates to be due immediately under Section 8.02. No permissive right of the Trustee shall be construed as a duty.

(g) The Trustee will not be liable for interest on any cash held by it except as the Trustee may agree with the Town.

(h) The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on advice from counsel as to legal matters.

(i) The Trustee may act through agents or co-trustees and will not be responsible for the misconduct or negligence of any agent or co-trustee appointed with due care.

(j) If an event occurs which with the giving of notice or lapse of time would be an Event of Default, and if the event is continuing and if it is known to the Trustee, the Trustee will so notify the Owners and the LGC within 15 days after such becomes known to the Trustee. Except in the case of a default in payment on any Certificates, the Trustee may withhold such notice from Owners (but not from the LGC) if and so long as it in good faith determines that withholding the notice is in the interest of Owners.

(k) At any and all reasonable times, the Trustee and its agents will have the right to inspect the Sites, the Facilities and all books and records of the Corporation or of the Town related thereto. Notwithstanding anything in this Trust Agreement to the contrary, the Trustee and its agents will have the right to require such additional evidence, certificates or Opinions of Counsel as the Trustee may deem appropriate to establish the Town's right to the withdrawal of any funds held hereunder or to require the Trustee's taking of any other action hereunder.

(l) The Trustee shall not be liable for any debts contracted or for damages to persons or to property injured or damaged, or for salaries or nonfulfillment of contracts, relating to the Facilities.

(m) The Trustee shall have no duty to inspect or oversee the construction or completion of the Facilities.

(n) In any judicial proceeding to which the Corporation or the Town is a party and which in the Trustee's opinion has a substantial bearing on the interests of Owners, the Trustee may intervene on the Owners' behalf, and will do so if requested in writing by the Majority Owners, and the Trustee will have a lien therefor on any and all funds any time held by it under this Trust Agreement.

Section 9.02. Trustee's Individual Rights. The Trustee in its individual or any other capacity may become the Owner or pledgee of Certificates and may otherwise deal with the Corporation or with the Town or its affiliates with the same rights it would have if it were not Trustee.

Section 9.03. Disclaimer. The Trustee makes no representation as to the validity or adequacy of this Trust Agreement or the Certificates, and the Trustee will not be accountable for the Town's use of the proceeds from the Certificates.

Section 9.04. Eligibility. The Corporation will maintain a Trustee for this Trust Agreement that is a corporation organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized under such laws and the laws of the State to exercise corporate trust powers, is subject to supervision or examination by the United States, any state or the District of Columbia and has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Section 9.05. Resignation; Removal; Replacement. The Trustee may resign by notifying the Town. The Majority Owners may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee. So long as no Event of Default is continuing under this Agreement or the Financing Contract, the Town may remove the Trustee at any time by notifying the removed Trustee.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Town, will promptly appoint a successor Trustee. No corporation will be eligible for appointment as successor Trustee unless such corporation (a) meets the requirements of Section 9.04 and (b) either has previously

been approved by the LGC for service as a corporate trustee or obtains such approval from the LGC.

A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Town. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Trust Agreement.

If the Trustee fails to comply with Section 9.04, the Town or any Owner may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Town or the Majority Owners may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 9.06. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to another corporation, the resulting, surviving or transferee corporation without any further act will be the successor Trustee.

Section 9.07. Acceptance of Financing Contract Terms. By its execution of this Trust Agreement, the Trustee hereby signifies its acceptance of its responsibilities under the Financing Contract, and agrees to be bound thereby.

ARTICLE X

AMENDMENTS OF AND SUPPLEMENTS TO TRUST AGREEMENT, CERTIFICATES, FINANCING CONTRACT OR DEED OF TRUST

Section 10.01. Without Owners' Consent. (a) The Corporation and the Trustee may amend or supplement this Trust Agreement or the Certificates without notice to or consent of any Owner for the following purposes:

- (i) to cure any ambiguity, inconsistency or formal defect or omission;
- (ii) to grant to the Trustee for the benefit of the Owners additional

rights, remedies, powers or authority;

(iii) to subject to this Trust Agreement additional collateral or to add other agreements of the Corporation or the Town;

(iv) to modify this Trust Agreement or the Certificates to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute at the time in effect, or to permit the qualification of the Certificates for sale under the securities laws of the United States or of any state of the United States;

(v) to provide for Certificates in certificated, registered form pursuant to Section 2.01(b), or for the execution and delivery of Additional Certificates;

(vi) to evidence the succession of a new Trustee; or

(vii) to make any change that does not materially adversely affect the rights of the Owners.

(b) The Corporation may enter into, and the Trustee may consent to, any amendment of or supplement to the Financing Contract or the Deed of Trust, without notice to or consent of any Owner, if the amendment or supplement is required or permitted (i) by the provisions of the Financing Contract or this Trust Agreement, (ii) to cure any ambiguity, inconsistency or formal defect or omission, (iii) in connection with any authorized amendment of or supplement to this Trust Agreement, or (iv) to make any change that does not materially adversely affect the rights of the Owners.

Section 10.02. With Owners' Consent. (a) If the preceding Section does not permit an amendment of or supplement to this Trust Agreement or the Certificates without any consent of Owners, the Corporation and the Trustee may enter into such amendment or supplement with the consent of the Majority Owners.

(b) If the preceding Section does not permit an amendment of or supplement to the Financing Contract or the Deed of Trust without any consent of Owners, the Corporation may enter into, and the Trustee may consent to, such amendment or supplement with the consent of the Majority Owners.

(c) Without the consent of each Owner affected, however, no amendment or supplement to this Trust Agreement, the Certificates, the Financing Contract or the Deed of Trust may (i) extend the maturity of the principal or interest with respect to any Certificate, (ii) reduce the principal amount of, or rate of interest on, any Certificate, (iii) effect a privilege or priority of any Certificate or Certificates over any

other Certificate or Certificates, (iv) reduce the percentage of the principal amount of the Certificates required for consent to such amendment or supplement, (v) impair the exclusion of interest on the Certificates from the federal gross income of the Owner of any Certificate, (vi) eliminate any mandatory prepayment of the Certificates, extend the due date for any call for mandatory prepayment, reduce the prepayment price or otherwise change the prepayment terms of such Certificates, (vii) create a lien ranking prior to or on a parity with the lien of this Trust Agreement on the property pledged hereunder (except with respect to a parity pledge for the benefit of the Owners of Additional Certificates), or (viii) deprive any Owner of the lien created by this Trust Agreement on such property.

In addition, if moneys or Federal Securities have been deposited or set aside with the Trustee pursuant to Article VII for the payment of Certificates and those Certificates will not have in fact been actually been paid in full, no amendment to the provisions of that Article will be made without the consent of the Owner of each Certificate affected.

Section 10.03. Procedure for Amendment with Owners' Written Consent.

(a) If the consent of the Owners is required pursuant to Section 10.02 for an amendment or supplement to this Trust Agreement, the Certificates or the Financing Contract, the Trustee will establish a record date, and Owners as of such date will be the Owners with the right to consent to such amendment or supplement. Such record date will be a date not later than five Business Days after the date the Trustee receives direction from the Corporation to solicit such consents.

(b) The Trustee will send, by first class mail, a copy of such supplement or amendment, together with a request to the Owners for their consent thereto, to each Owner at its address as set forth in the Certificate registration books maintained pursuant to Section 2.04, but failure to receive copies of such supplement or amendment and request so mailed will not affect the validity of the supplement or amendment when assented to as provided in this Section. The request mailed by the Trustee will also designate a date not more than 60 nor less than 30 days following the mailing date by which consent must be returned to be effective.

(c) Such supplement or amendment will not become effective unless there will be filed with the Trustee the written consent of the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.04) and notices will have been mailed as hereinafter in this Section provided. Each such consent will be effective only if accompanied by proof of ownership of the Certificates for which such consent is

given, which proof will be such as is permitted by Section 10.10.

(d) If DTC is the registered owner of the Certificates, the Trustee will take such actions as may be appropriate to solicit the consents provided for in this Section from beneficial owners in accordance with DTC's rules and regulations, as the same may be in effect from time to time.

Section 10.04. Disqualified Certificates. Certificates owned or held by or for the account of the Town or the Corporation or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with the Town or the Corporation (except any Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and will not be entitled to take any action provided for in this Trust Agreement.

The Trustee may provide for each Owner, before his or her consent provided for in this Article X will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified.

Notwithstanding the foregoing provisions of this Section, it is the intent of the Corporation, the Town and the Trustee that the ownership or holding of Certificates by the Corporation or the Town will not, by itself, give rise to an extinguishment of the Certificates or any obligation arising under this Trust Agreement or the Financing Contract.

Section 10.05. Effect of Consents. After an amendment or supplement becomes effective, it will bind every Owner. Any such consent will be binding upon and irrevocable by the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice provided for in Section 10.09 has been mailed.

Section 10.06. Notation on or Exchange of Certificates. If an amendment or supplement changes the terms of a Certificate, the Trustee may require the Owner of such Certificate to deliver it to the Trustee. The Trustee may place an appropriate notation on the Certificate about the changed terms and return it to the Owner. Alternatively, if the Trustee, the Corporation and the Town so determine, the Corporation, in exchange for the Certificate, will execute, and the Trustee will authenticate and deliver, a new Certificate that reflects the changed terms.

Section 10.07. Trustee's Execution of Amendments and Supplements. The Trustee will execute and deliver any amendment or supplement to the Trust Agreement or the Certificates authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If the amendment or supplement has such an adverse effect, the Trustee may, but need not, execute and deliver the same. In executing and delivering an amendment or supplement, the Trustee will be entitled to receive and (subject to Section 9.01) will be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized by this Trust Agreement.

Section 10.08. Town's Consent Required. No amendment or supplement to this Trust Agreement, the Certificates, the Financing Contract or the Deed of Trust will become effective unless the Town delivers to the Trustee its prior written consent to the amendment or supplement.

Section 10.09. Notice to Owners. The Trustee shall cause notice of the execution of each supplement or amendment to this Agreement, the Certificates or the Financing Contract to be mailed to the Owners. The notice will, at the Trustee's option, either (a) briefly state the nature of the amendment or supplement and that copies of it are on file with the Trustee for inspection by Owners, or (b) enclose a copy of such amendment or supplement.

Section 10.10. Owners' Consents. Any consent or other instrument required by this Trust Agreement to be signed by Owners may be in any number of concurrent documents and may be signed by an Owner or by the Owner's agent appointed in writing. Proof of the execution of such instrument or of the instrument appointing an agent and of the ownership of Certificates, if made in the following manner, will be conclusive for any purposes of this Trust Agreement with regard to any action taken by the Trustee.

(a) The fact and date of a person's signing an instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged before the officer the execution of the writing, or by an affidavit of any witness to the signing.

(b) The fact of ownership of Certificates, the amount or amounts, numbers and other identification of such Certificates and the date of holding will be proved by the registration books kept pursuant to this Trust Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Notices.

(a) Any communication provided for in this Trust Agreement or the Certificates must be in writing.

(b) Any communication under this Trust Agreement will be sufficiently given and deemed given when delivered by hand or on the date shown as the date of delivery on a United States Postal Service return receipt, if addressed as follows:

(i) if to the Town, to Town of Chapel Hill, Attention: Town Manager, Regarding: Notice under 2005 COPS Financing Trust Agreement, Town Hall, 405 Martin Luther King Jr. Blvd., Chapel Hill, North Carolina 27514.

(ii) if to the Corporation, to Town of Chapel Hill Public Facilities Corporation, Attention: Ralph D. Karpinos, Registered Agent, Regarding: Notice under 2005 COPS Financing Trust Agreement, Chapel Hill Town Hall, 405 Martin Luther King Jr. Blvd., Chapel Hill, North Carolina 27514.

(iii) if to the Trustee, to First-Citizens Bank & Trust Company, Corporate Trust Services Division, Regarding: Notice under 2005 COPS Financing Trust Agreement for Chapel Hill, North Carolina, Mailcode DAC61, 100 East Tryon Rd., Raleigh, NC 27603.

(c) Any communication sent under this Agreement will be sent to the Town and the Trustee, along with any other parties to which the communication may be addressed.

(d) Any addressee may designate additional or different addresses for communications by notice given under this Section to each of the others.

Section 11.02. Limitation of Rights. Nothing expressed or implied in this Trust Agreement or the Certificates gives any person other than the Trustee, the Corporation, the Town and the Owners any right, remedy or claim under or with respect to this Trust Agreement.

Section 11.03. Severability. If any provision of this Trust Agreement is determined to be unenforceable, that will not affect any other provision of this Trust Agreement.

Section 11.04. Non-Business Days. If a Certificate Payment Date is not a Business Day, then payment will be made on the next Business Day, and no interest will accrue for the intervening period. When any other action is provided herein to be done on a day or within a time period named, and the day or the last day of the period is not a Business Day, the action may be done on the next ensuing Business Day.

Section 11.05. Governing Law. The parties intend that North Carolina law will govern this Trust Agreement. To the extent permitted by law, the parties agree that any action brought with respect to this Trust Agreement will be brought in the North Carolina General Court of Justice in Orange County, North Carolina.

Section 11.06. Limitation on Liability of Officers and Agents. No officer, agent or employee of the Corporation, the Town or the LGC will be subject to any personal liability or accountability by reason of his execution of this Trust Agreement, the Certificates or any other documents related to the transactions contemplated hereby. Such officers or agents will be deemed to execute such documents in their official capacities only, and not in their individual capacities. This Section will not relieve an officer, agent or employee of the Town or the Corporation from the performance of any official duty provided by law or this Trust Agreement.

Section 11.07. Records. The Trustee will keep complete and accurate records of all moneys received and disbursed by it under this Trust Agreement, which will be available for inspection by the Town, the Corporation and any Owner, or any of their agents at any time during regular business hours upon reasonable prior notice.

Section 11.08. Binding Effect. This Trust Agreement will be binding upon and inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 11.09. Waiver of Notice. Whenever in this Trust Agreement the giving of notice is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.10. Counterparts. This Trust Agreement may be signed in several counterparts, including separate counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 11.11. Definitions; Rules of Construction. Unless the context clearly requires otherwise, capitalized terms used in this Trust Agreement and not

otherwise defined have the meanings set forth in Exhibit A, and this Trust Agreement will be interpreted in accordance with the rules of construction set forth in Exhibit A.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be executed in their corporate names by their duly authorized officers, all as of the date first above written.

ATTEST: (SEAL)

**TOWN OF CHAPEL HILL PUBLIC
FACILITIES CORPORATION**

[Name]
Secretary

[Name]
President

**FIRST-CITIZENS BANK & TRUST
COMPANY, as Trustee**

By: _____

Printed name: _____
Authorized Officer

[Trust Agreement dated as of May 1, 2005]

Exhibit A -- Definitions; Rules of Construction

Definitions. All capitalized terms used herein and not otherwise defined will have the meanings ascribed thereto in the Financing Contract. In addition, for all purposes of this Trust Agreement, unless the context requires otherwise, the following terms will have the following meanings.

"2005 Certificates" means the \$25,000,000 Certificates of Participation (Town of Chapel Hill Operations Center), Series 2005, issued pursuant to this Trust Agreement.

"Additional Certificates" means any Certificates delivered pursuant to Section 1.05.

"Appropriate Consultant" has the meaning assigned in the Financing Contract.

"Business Day" means any day (a) other than a day on which banks in the city of the Trustee's principal corporate trust office are required or authorized to close and (b) on which the New York Stock Exchange is not closed.

"Certificate Payment Date" means each June 1 and December 1 beginning December 1, 2005, and with respect to any Additional Certificates means the dates specified for principal and interest payments with respect to such Additional Certificates.

"Certificates" means, together, the 2005 Certificates and all Additional Certificates.

"Code" means the Internal Revenue Code of 1986, as amended, including regulations, rulings and revenue procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended, as applicable to the Certificates. Reference to any specific Code provision will be deemed to include any successor provisions.

"Corporation Representative" means the Corporation's President or any other person at the time designated to act on the Corporation's behalf in matters related to this Trust Agreement (or for any specific matters) by a written instrument furnished to the Trustee containing the specimen signature of such person and signed on the Corporation's behalf by any of its officers (other than the person being designated as a Corporation Representative).

"Deed of Trust" means the Deed of Trust and Security Trust Agreement dated as of May 1, 2005, from the Town to a deed of trust trustee for the Corporation's benefit, as it may be duly amended or supplemented.

"DTC" means The Depository Trust Company, New York, New York, or its successors as the securities depository maintaining a book-entry system for recording beneficial ownership interests in the Certificates

"Event of Default" has the meaning set forth in Section 8.01.

"Federal Securities" means, to the extent such are legal investments for the Town's funds at the time of purchase, (a) direct obligations of the United States of America for which its full faith and credit are pledged, or (b) securities or obligations evidencing direct ownership interests in specified portions (principal or interest) of obligations described in (a).

"Financing Contract" means the Installment Financing Contract dated as of May 1, 2005, between the Town and the Corporation, as it may be duly amended or supplemented.

"Independent Counsel" has the meaning assigned in the Financing Contract.

"Interest Account" means the account of that name in the Payment Fund established in Section 4.04.

"LGC" means the North Carolina Local Government Commission, or any successor to its functions.

"Majority Owners" means, as of any date, the Owners of at least a majority in principal amount of the Certificates then Outstanding.

"Net Proceeds" has the meaning assigned in the Financing Contract.

"Net Proceeds Fund" means the fund by that name established in Section 3.04.

"Opinion of Counsel" or "Opinion of Special Counsel" means a written opinion of Independent Counsel or Special Counsel, as appropriate.

"Outstanding," when used with reference to Certificates, or "Certificates Outstanding," means all Certificates which have been authenticated and delivered by the Trustee under this Trust Agreement, except the following:

(a) Certificates canceled or purchased by or delivered to the Trustee for cancellation;

(b) Certificates that have become due (at maturity or on prepayment, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which the Trustee holds sufficient moneys;

(c) Certificates deemed paid in accordance with Section 7.01; and

(d) Certificates in lieu of which others have been authenticated under Section 2.04 (relating to registration and exchange of Certificates) or Section 2.05 (relating to mutilated, lost, stolen, destroyed or undelivered Certificates).

"Owner," when used with reference to Certificates, means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

"Payment Fund" means the fund by that name established in Section 4.04.

"Permitted Investments" means such investments as from time to time are authorized investments for the Town's funds under Section 159-30 of the North Carolina General Statutes, as determined at the time of investment.

"Prepayment Account" means the account of that name in the Payment Fund established in Section 4.04.

"Principal Account" means the account of that name in the Payment Fund established in Section 4.04.

"Project Costs" has the meaning assigned in the Financing Contract.

"Project Fund" means the fund by that name established in Section 4.01.

"Record Date" means the close of business on the 15th day of the month (whether or not a Business Day) preceding a Certificate Payment Date.

"Restricted Yield" means a "yield," within the meaning of Treas. Regs. Secs. 1.103-13(c), -13(d), 1.148-9T(a), or any successor or other provision that may be applicable, not in excess of a "yield" equal to _____%.

"Special Counsel" means such attorney or firm of attorneys nationally recognized on the subject of municipal obligations as may be selected by the Town and approved by the Corporation (which approval will not be unreasonably withheld).

"State" means the State of North Carolina.

"Term Certificates" means any Certificates (including the 2005 Certificates maturing June 1, 2021) that are subject to mandatory redemption pursuant to sinking fund requirements.

"Town" means the Town of Chapel Hill, North Carolina, or its successors.

"Trust Agreement" means this Trust Agreement, as it may be duly amended or supplemented.

"Trustee" means the bank or trust company from time to time serving as trustee under this Trust Agreement, whether the original or a successor Trustee.

Rules of Construction. Unless the context otherwise requires,

(a) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;

(b) unless otherwise indicated, references to Articles, Sections and Exhibits are to the Articles, Sections and Exhibits of this Trust Agreement;

(c) words importing the singular will include the plural and vice versa and words importing the masculine gender will include the feminine and neuter genders as well.

(d) the headings and Table of Contents are solely for convenience of reference and will not constitute a part of this Trust Agreement nor will they affect its meanings, construction or effect;

(e) words importing the prepayment or calling for prepayment of Certificates will not be deemed to refer to or connote the payment of Certificates at their stated maturity; and

(f) all references to the payment of Certificates are references to payment of principal of and premium, if any, and interest with respect to the Certificates.

Exhibit B – Form of Certificate

REGISTERED

Number R-X

REGISTERED

**CERTIFICATE OF PARTICIPATION
(Town of Chapel Hill Operations Center), Series 2005**

**in certain payments to be made
under an installment financing contract with**

TOWN OF CHAPEL HILL, NORTH CAROLINA

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
	June 1, ____	_____	

REGISTERED OWNER: *******CEDE & CO.*******

PRINCIPAL AMOUNT: ****** THOUSAND DOLLARS******
 ******(\$_____,000)*****

THIS CERTIFIES that the registered owner hereof, or registered assigns or legal representative, is the owner of a proportionate and undivided interest in certain payments to be made by the Town of Chapel Hill, North Carolina (the “Town”), arising under an Installment Financing Contract dated as of May 1, 2005 (the “Financing Contract”), between the Town and Town of Chapel Hill Public Facilities Corporation (the “Corporation”).

Principal is payable to such owner in the amount stated above on the maturity date stated above, subject to prepayment as described below, and interest is payable on each June 1 and December 1, beginning December 1, 2005 (the “Certificate Payment Dates”), at the annual rate stated above (calculated on the basis of a 360-day year consisting of twelve 30-day months).

Interest is payable (a) from the Dated Date stated above, if this Certificate is authenticated prior to the Record Date, as defined below, preceding December 1, 2005, (b) from the succeeding Certificate Payment Date, if this Certificate is authenticated between a Record Date and the succeeding Certificate Payment Date, or

(c) otherwise from the Certificate Payment Date that is, or immediately precedes, the date on which this Certificate is authenticated (unless payment of interest hereon is in default, in which case this Certificate will bear interest from the date to which interest has been paid). Principal and interest are payable in lawful money of the United States of America.

This Certificate is one of an issue of the \$25,000,000 Certificates of Participation (Town of Chapel Hill Operations Center), Series 2005 (the "Certificates"), of like date and tenor, except as to number, denomination, rate of interest, privilege of prepayment and maturity. The Certificates are executed and delivered under, and are equally and ratably secured by, a Trust Agreement dated as of May 1, 2005 (the "Trust Agreement"), between the Corporation and First-Citizens Bank & Trust Company, as trustee (the "Trustee").

The Corporation is advancing funds under the Financing Contract to provide funds to the Town, together with other available funds, to pay the cost of acquiring, constructing and improving certain public facilities and to pay certain financing costs, as more fully described in the Trust Agreement and the Financing Contract. The Town will repay the amounts advanced by making Installment Payments, as defined in and pursuant to the Financing Contract, which are designed to be sufficient in times and amounts to provide for timely payment of the Certificates. To further secure its obligations under the Financing Contract, the Town has granted, for the Corporation's benefit, a security interest in certain of the financed facilities, the underlying real property and certain other property (the "Trust Property") pursuant to the Financing Contract and a Deed of Trust and Security Agreement dated as of May 1, 2005 (the "Deed of Trust"). The Corporation has assigned substantially all of its rights under the Financing Contract and as beneficiary under the Deed of Trust, including its right to receive Installment Payments, to the Trustee, without recourse against the Corporation, for the benefit of the owners of the Certificates.

The Certificates are payable solely from amounts paid by the Town pursuant to the Financing Contract, except to the extent payable from the proceeds of the Certificates, income from investments and certain net insurance and condemnation awards, which revenues and other moneys have been pledged as described in the Trust Agreement and the Financing Contract to secure payment of the Certificates. **Neither the Certificates nor the Town's obligation to make payments under the Financing Contract constitutes a pledge of the Town's faith and credit within the meaning of any constitutional provision.**

Reference is made to the Trust Agreement and all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature

and extent of the security, the rights, duties and obligations of the Corporation and the Trustee, the rights of the Owners of the Certificates and the terms upon which the Certificates are executed, delivered and secured, to all of which provisions the owner of this Certificate, by the acceptance hereof, agrees. Additional Certificates secured by an interest in the Trust Property on a parity with the interest securing the Certificates may be issued under the terms and conditions set forth in the Trust Agreement.

The Certificates are issued by means of a book-entry system, with one certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public. Transfer of beneficial ownership interests in the Certificates in the principal amount of \$5,000 or any integral multiple thereof will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal and interest on the Certificates are payable to DTC or its nominee as registered owner of the Certificates. Neither the Trustee, the Corporation nor the Town is responsible or liable for such transfer of ownership or payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

If (a) DTC determines not to continue to act as securities depository for the Certificates or (b) a Town Representative so elects, the Corporation and the Trustee will discontinue the book-entry system with DTC in accordance with DTC's rules and procedures. If the Town fails to identify another qualified securities depository to replace DTC, the Corporation will prepare and execute, and the Trustee will authenticate and deliver in exchange, replacement Certificates in the form of fully-registered certificates.

The Certificates may not be prepaid prior to maturity except as provided in this Certificate and in the Trust Agreement.

Certificates maturing on or after June 1, 2015, are subject to prepayment at the Town's option on or after June 1, 2014, in whole at any time or in part on any Certificate Payment Date, upon payment of the following prepayment prices (expressed as a percentage of principal amount to be prepaid) plus interest accrued to the prepayment date:

Prepayment Period
(Both Dates Inclusive)

Price

June 1, 2015, and thereafter

100 %

The Certificates are subject to prepayment in whole or in part on any Certificate Payment Date from Net Proceeds, as defined in the Financing Contract, credited towards the prepayment of Installment Payments under the Financing Contract as a result of certain casualty and other losses to the Facilities, as described in the Financing Contract, at a prepayment price equal to the principal amount to be prepaid plus interest accrued to the prepayment date, without premium.

The Trustee will prepay Certificates maturing on June 1, 2021, on June 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the prepayment date as follows:

<u>Year</u>	<u>Amount</u>
2019	
2020	
2021	

The amount of Certificates to be prepaid on any sinking fund payment date may be reduced in accordance with the provisions of the Trust Agreement.

If less than all of the Certificates are to be prepaid, they will be prepaid in such manner as the Town may elect. If less than all the Certificates of any maturity are called for prepayment, the Trustee will select the Certificates to be prepaid by lot; provided, however, that so long as a book-entry system with DTC is used for recording beneficial ownership of Certificates, if less than all of the Certificates within a maturity are to be prepaid, DTC and its participants will determine which of the Certificates within any such maturity are to be prepaid in accordance with DTC's own rules and procedures.

In any case, (1) the portion of any Certificate to be prepaid will be in the principal amount of \$5,000 or some multiple thereof, and (2) in selecting Certificates for prepayment, each Certificate will be considered as representing that number of Certificates which is obtained by dividing the principal amount of such Certificate by \$5,000. If a portion of a Certificate will be called for prepayment, a new Certificate in principal amount equal to the unpaid portion thereof will be issued to the Owner upon the surrender thereof.

The Trustee will send notice of prepayment by registered or certified mail to DTC or its nominee as the Owner of the Certificates. The Trustee will mail such notice not more than 60 days nor less than 30 days prior to the date fixed for

prepayment. Neither the Trustee, the Corporation nor the Town is responsible for sending notices of prepayment to anyone other than DTC or its nominee.

If on or before the date fixed for prepayment funds will be deposited with the Trustee to pay the principal, premium, if any, and interest accrued to the prepayment date with respect to the Certificates called for prepayment, the Certificates or portions thereof thus called for prepayment will cease to accrue interest from and after the prepayment date, will no longer be entitled to the benefits provided by the Trust Agreement and will not be deemed to be Outstanding under the Trust Agreement.

The Owner of this Certificate has no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein, or to take any action with respect to any event of default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Trust Agreement. Changes to or supplements of the Trust Agreement may be made to the extent and in the circumstances permitted by the Trust Agreement.

The Certificates are issuable only as fully-registered Certificates without coupons in denominations of \$5,000 principal amount and any integral multiple thereof. Ownership of this Certificate will be registered on the Certificate Register (as defined in the Trust Agreement) to be kept for that purpose by the Trustee, which will act as certificate registrar for the Certificates. This Certificate may be exchanged, and its transfer may be effected, only by the Owner hereof in person or by attorney duly authorized in writing at the aforesaid office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender and cancellation of this Certificate. Upon exchange or registration of such transfer a new registered Certificate or Certificates of the same maturity and interest rate and of authorized denomination or denominations for the same aggregate principal amount will be issued in exchange therefor.

The Corporation and the Trustee may deem and treat the person in whose name this Certificate will be registered on the Certificate Register as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Corporation nor the Trustee will be affected by any notice to the contrary, except that interest payments will be made to the persons shown as Owners on the Trustee's registration books on the 15th day (whether or not a business day) (the "Record Date") preceding each Certificate Payment Date.

All acts, conditions and things required by the Constitution and laws of the State

of North Carolina to happen, exist or be performed precedent to and in the execution and delivery of this Certificate have happened, exist and have been performed.

This Certificate will not be entitled to any benefit under the Trust Agreement or be valid or obligatory for any purpose until the Trustee will have executed the Certificate of Authentication appearing hereon.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to signed by the [facsimile] signature of its President, to be countersigned by the [facsimile] signature of its Secretary, [a facsimile of] its seal to be printed hereon and this Certificate to be dated May 1, 2005.

COUNTERSIGNED: (SEAL)

[Sample only – do not sign]

Secretary

Town of Chapel Hill
Public Facilities Corporation

[Sample only – do not sign]

President

Town of Chapel Hill
Public Facilities Corporation

CERTIFICATE OF AUTHENTICATION

This Certificate is one of the Certificates referred to in the within-mentioned Trust Agreement.

Date of Authentication: _____

**FIRST-CITIZENS BANK &
TRUST COMPANY, as Trustee**

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

(Please print or type transferee's name and address, including zip code)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE:

the within certificate and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney, to transfer said certificate on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

(Signature of Owner)

NOTICE: Signature(s) must be guaranteed by a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program

NOTICE: The signature above must correspond with the name the Owner as it appears on the front of this certificate in every particular without alteration or enlargement or any change whatsoever.

Exhibit C – Form of Requisition

[To Be Prepared on Town's Letterhead for Submission]

[Date] _____

FIRST-CITIZENS BANK &
TRUST COMPANY, as Trustee
Regarding: Requisition under 2005
Trust Agreement for Town of Chapel Hill (North Carolina)
Corporate Trust Services Division,
Mailcode DAC61
100 East Tryon Rd.
Raleigh, NC 27603

RE: Request by the Town of Chapel Hill, North Carolina (the "Town"), for disbursement of funds from a Project Fund created under a Trust Agreement dated as of May 1, 2005, between Town of Chapel Hill Public Facilities Corporation and First-Citizens Bank & Trust Company, as trustee.

To the Trustee:

Pursuant to the terms and conditions of the above-referenced Trust Agreement, the Town authorizes and requests the disbursement of funds from the Project Fund established under such Trust Agreement for the Project Costs described below. Capitalized terms used in this requisition and not otherwise defined have the meanings ascribed in the Trust Agreement.

This is requisition number ____ from the Project Fund.

Amount	
Payee	
Payee's address	
Amount requested	

The Town of Chapel Hill makes this requisition pursuant to the following

representations:

1. The Town has appropriated in its current Fiscal Year funds sufficient to pay the Installment Payments and estimated Additional Payments due in the current Fiscal Year.
2. The purpose of this disbursement is for partial payment on the project contemplated under the Trust Agreement.
3. The requested disbursement has not been subject to any previous requisition.
4. No notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable herein to any of the persons, firms or corporations named herein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of this requisition.
5. This requisition contains no items representing payment on account of any percentage entitled to be retained on the date of this requisition.
6. No Event of Default is continuing, and no event or condition is existing which, with notice or lapse of time or both, would become an Event of Default.
7. The Town has insurance in place that complies with the insurance requirements of the Financing Contract.

Attached is evidence that the amounts shown in this requisition are properly payable at this time, such as bills, receipts, invoices, architects' payment certifications or other appropriate documents.

**TOWN OF CHAPEL HILL,
NORTH CAROLINA**

By: *[Exhibit Form Only – Do Not Sign]*

Title: _____