

ESCROW AGREEMENT

This Escrow Agreement (the "Agreement") is dated as of August 1, 2021, and is between the Town of Chapel Hill, North Carolina (the "Town"), and U.S. Bank National Association (the "Escrow Agent").

RECITALS:

The Town has previously provided for the issuance of \$28,800,000 (original aggregate principal amount) Limited Obligation Bonds, Series 2012 (the "Prior Bonds"). The Town is now providing for the redemption and refunding of some of the outstanding Prior Bonds. Exhibit A specifies the Prior Bonds that are being refunded (the "Refunded Bonds").

The Town will provide for a portion of the proceeds of its \$_____ Taxable Limited Obligation Bonds, Series 2021B (the "2021 Bonds"), to be used for this defeasance and refunding. The Escrow Agent will hold funds for the refunding pursuant to this Agreement and the provisions of a resolution adopted by the Town's governing Town Council on June 23, 2021 (the "2021 Resolution").

Now, therefore, in consideration of the foregoing and of the mutual covenants in this Agreement, the Town and the Escrow Agent agree as follows:

SECTION 1. There is established with the Escrow Agent a special and irrevocable trust fund designated as the "Town of Chapel Hill 2021 Refunding Escrow Fund" (the "Escrow Fund"). The Escrow Agent will hold the Escrow Fund as a trust fund separate and apart from all other funds of the Town or of the Escrow Agent. The Escrow Agent must use the funds on deposit in the Escrow Fund solely for the payment and redemption of the Refunded Bonds and for the other purposes provided for in this Agreement.

SECTION 2. To secure the payment of the principal of and interest on the Refunded Bonds, the Town pledges and sets over to the Escrow Agent the amounts specified in Section 3 for deposit in the Escrow Fund, in trust for the benefit and security of the owners of the Refunded Bonds, subject to the terms and conditions of this Agreement.

SECTION 3. (a) The Escrow Agent acknowledges receipt of the following funds:

From the Town, from the proceeds of the 2021 Bonds	\$ _____
From other Town funds	_____

(b) The Town directs the Escrow Agent to apply the funds described in paragraph (a) as shown in the following table, and the Escrow Agent agrees to make this application:

To purchase the securities shown on Exhibit B (the "Escrow Investments")	\$ _____
Held in cash uninvested	_____
For a total of	\$ _____

The Escrow Agent will hold the Escrow Investments and other funds described above in the Escrow Fund. Exhibit C shows the schedule of expected receipts from the Escrow Investments and required disbursements from the Escrow Fund.

SECTION 4. The Town represents and warrants that the Escrow Investments will earn interest and mature in such amounts and at such times as will be sufficient, together with other funds held in the Escrow Fund, to pay the remaining debt service on the Refunded Bonds through the redemption date specified in Exhibit A.

If the moneys in the Escrow Fund are insufficient for the purposes of this Agreement, the Town is responsible for the timely deposit to the credit of the Escrow Fund of such additional amounts as may be required to cure the deficiency. The Escrow Agent will notify the Town of any insufficiency as soon as it knows of the deficiency, but the Escrow Agent is not responsible for the Town's failure to make any deposits. The Escrow Agent will make neither investments nor distributions unless and until the Escrow Agent has collected funds.

SECTION 5. No substitution of the Escrow Investments is permitted.

SECTION 6. The Escrow Agent will collect payments of the principal of and interest on the Escrow Investments on the respective due dates. On each payment date for the Refunded Bonds, the Escrow Agent will transfer sufficient moneys from the amounts available in the Escrow Fund for the payment of the principal and interest due on the Refunded Bonds on that date.

The amounts due on the Refunded Bonds on each remaining payment date are set forth in Exhibit C. The Town consents to the Escrow Agent's reliance on the dates and amounts set forth in Exhibit C.

The Escrow Agent will make these payments to The Depository Trust Company, unless the Town notifies the Escrow Agent in writing that the Refunded Bonds are no longer in book-entry-only form.

If the Refunded Bonds are converted to certificated form, the Town agrees that not later than thirty days prior to the next ensuing interest payment date for the Refunded Bonds, it

will appoint a paying agent for the Refunded Bonds and give the Escrow Agent written notice of this appointment. In that case, the Escrow Agent will make payments to the paying agent appointed by the Town with respect to the Refunded Bonds.

The Escrow Agent will make these payments without regard to whether the owners have presented any of the Refunded Bonds to the Town or otherwise.

If any amounts remain in the Escrow Fund on June 15, 2022, the Escrow Agent will promptly disburse these amounts as the Town may at that time direct.

SECTION 7.The Escrow Investments, moneys representing principal of and interest earned on Escrow Investments, and any other funds on deposit in the Escrow Fund from time to time are hereby made subject to an express lien and trust for the benefit of the owners of the Refunded Bonds until used and applied in accordance with this Agreement.

SECTION 8.The Escrow Agent acknowledges receipt of a certified copy of the 2021 Resolution calling the Refunded Bonds for redemption, and of a copy of the Finance Officer's certificate contemplated by the 2021 Resolution related to the final call for redemption. The Town confirms that it has specifically and irrevocably elected to redeem all of the Refunded Bonds as described on Exhibit A.

The Town irrevocably directs the Escrow Agent to, and the Escrow Agent agrees that it will, promptly after the original execution and delivery of this Escrow Agreement, provide for a notice of refunding in substantially the form of Exhibit D to be posted with the EMMA continuing disclosure system of the Municipal Securities Rulemaking Board (the "MSRB") with respect to the Refunded Bonds.

The Town irrevocably directs the Escrow Agent to, and the Escrow Agent agrees that it will, at least thirty days but not more than sixty days before June 1, 2022, cause a redemption notice substantially in the form of Exhibit E (a) to be sent to The Depository Trust Company both (i) by registered or certified mail, postage prepaid, to Supervisor, Call Notification Department, The Depository Trust Company, 55 Water St., 50th Floor, New York NY 10041-0004, and (ii) by electronic mail to redemptionnotification@dtcc.com, and (b) to be posted with the MSRB's EMMA continuing disclosure system with respect to the Refunded Bonds.

SECTION 9.The Escrow Agent's liability to make the payments required by this Agreement with respect to the Refunded Bonds is limited to the principal of and interest received on the Escrow Investments and the other funds on deposit in the Escrow Fund. The Escrow Agent is not liable for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions of this Agreement.

This Agreement is between the Town and the Escrow Agent only. The Escrow Agent's duties under this Agreement are only to the Town and the owners of the Refunded Bonds.

The Escrow Agent has no responsibility to the Town or any other person in connection with this Agreement except for those responsibilities specifically provided in this Agreement. The Escrow Agent is not responsible for anything done or omitted to be done by it except with regard to its own negligence, willful misconduct or default in the performance of any obligation imposed on it under this Agreement. The Escrow Agent, except as specifically provided for in

this Agreement, is not a party to, nor is it bound by or need it consider the terms or provisions of, any other agreement or undertaking between the Town and any other person. The Escrow Agent assents to and is to give consideration only to the terms and provisions of this Agreement. Unless specifically provided in this Agreement, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the Town's performance or failure of performance with respect to agreements with others. The Escrow Agent's sole duty under this Agreement is to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Agreement, as this Agreement constitutes the complete agreement and understanding by all parties to this Escrow Agreement.

If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent is obligated to exercise reasonable care and diligence in making the determination. In the event of error in making such a determination, the Escrow Agent will be liable for its own negligence or willful misconduct. In determining the occurrence of any event or contingency, the Escrow Agent may request from the Town or any other person reasonable additional evidence as the Escrow Agent in its reasonable discretion may deem appropriate to determine any fact relating to the event or contingency, and in this connection may inquire and consult with the Town, among others, at any time. The Escrow Agent may consult with legal counsel (including in-house counsel), and the opinion of counsel as to any legal matters will be full and complete authority and protection to the Escrow Agent as to any action taken or omitted by it in good faith and in accordance with that opinion.

The Escrow Agent has the right to petition any court of competent jurisdiction to resolve any dispute arising under this Agreement.

If the Escrow Agent fails to account for any of the investments or funds held under this Agreement, those investments or funds will be and remain the property of the Escrow Fund in trust for the owners of the Refunded Bonds as provided in this Agreement.

The funds and securities received by the Escrow Agent under this Agreement are not a banking deposit by the Town. The Town has no right or title with respect to these funds and securities. The funds and securities received by the Escrow Agent under this Agreement are not subject to checks or drafts drawn by the Town or claims against the Town by any creditor of the Town, other than the owners of the Refunded Bonds.

SECTION 10. The trust created under this Agreement is irrevocable. This Agreement will terminate when the Escrow Agent has made all payments as contemplated by Section 6 and the Escrow Agent has made the final report contemplated by Section 13. The Escrow Agent will thereupon be released and discharged from this Agreement, and the owners of the Refunded Bonds may then look only to the Town for the payment of the Refunded Bonds.

SECTION 11. The Town will pay all necessary and proper fees, compensation and expenses of the Escrow Agent under this Agreement. The Town agrees, to the extent permitted by law, to indemnify the Escrow Agent and hold it harmless against any liability it may incur while acting in good faith in its capacity as Escrow Agent under this Agreement, including, but not limited to, payment of any court costs and reasonable legal fees, costs and expenses. The Town will pay, or provide for the payment of, these costs, from sources other than the Escrow Fund. In no event will any of those costs, charges, expenses, and indemnification give rise to

any claim against the Escrow Fund. The Escrow Agent agrees that it will assert no lien against the Escrow Fund in connection with any payment owed to it.

SECTION 12. The Escrow Agent agrees to perform all the duties and obligations imposed upon it by this Agreement.

The Escrow Agent may resign and thereby become discharged from the duties and obligations created by this Agreement by giving written notice to the Town. This resignation will take effect only upon the Town's appointment of a new escrow agent.

If the Town fails to appoint a successor Escrow Agent within 45 days of notice from the departing Escrow Agent, the departing Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. The court may thereupon appoint a successor Escrow Agent after such notice, if any, as the court may deem proper.

The Escrow Agent may be removed at any time by an instrument, or concurrent instruments, in writing, executed by the owners of not less than 51% in aggregate principal amount of the unpaid Refunded Bonds, such instruments to be filed with the Town, and notice in writing given by such owners to the Town and (unless all of the owners of the unpaid Refunded Bonds have consented to the removal) sent not less than 60 days before the removal is to take effect.

The Escrow Agent may also be removed at any time for any material breach of trust or for acting or proceeding in material violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement, by any court of competent jurisdiction upon the application of the Town or the owners of not less than 10% in aggregate principal amount of the unpaid Refunded Bonds.

Upon the appointment of any successor escrow agent, the departing Escrow Agent will execute any agreements, assignments and other documents as may be necessary to vest in the successor escrow agent all the title, rights, duties and obligations of the Escrow Agent under this Agreement and in the Escrow Investments and other funds deposited or to be deposited or received by the Escrow Agent under this Agreement, as the Town may reasonably request. Upon acceptance by the successor escrow agent of the responsibilities under this Agreement, all further title, rights, duties and obligations of the departing Escrow Agent under this Agreement cease and are discharged, except for rights or liabilities accrued to or by the Town or the Escrow Agent.

Any company or national banking association into which the Escrow Agent may be merged or converted, or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent may be a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its municipal corporate trust business, will be the successor to the Escrow Agent without the execution or filing of any paper or further act by the successor Escrow Agent.

Upon the taking of office of any successor Escrow Agent, the new Escrow Agent must promptly cause notice of its appointment and contact information (identifying this Agreement) to be posted with the MSRB's EMMA continuing disclosure system with respect to the Refunded Bonds.

SECTION 13. (a) On or before July 15, 2022 the Escrow Agent must send to the Town a complete statement of all transactions concerning the Escrow Fund through the final disbursement of funds from the Escrow Fund as provided for in Section 6. The Town will promptly send a copy of the report to the North Carolina Local Government Commission.

SECTION 14. This Agreement may be amended to (a) correct language or to cure any ambiguity or defective provisions, omission, mistake or manifest error contained in this Agreement, or (b) to provide for the deposit of additional cash or securities in the Escrow Fund. All amendments must be in writing signed by all parties to this Agreement, but no consent of any owners of Refunded Bonds is required.

SECTION 15. (a) The parties intend that North Carolina law will govern this Agreement and all matters of its interpretation.

(b) This Agreement may be executed in several counterparts, all or any of such may be regarded for all purposes as one original and which will constitute and be but one and the same instrument.

(c) All of the Town's representations, covenants and indemnifications in this Agreement will survive this Agreement's termination.

(d) This Agreement will inure to the benefit of and be binding upon the parties and their respective successors and assigns.

(e) The Escrow Agent may act upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other instrument or document which the Escrow Agent in good faith believes to be genuine and to be what it purports to be.

(f) Any notice, authorization, request, or demand required or permitted to be given to the Town or the Escrow Agent under this Agreement must be in writing and will be deemed on the date shown on a certified mail receipt, or a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

to the Town, to

Town of Chapel Hill, North Carolina
Attention: Finance Officer
Re: Notice under 2021 refunding bond escrow agreement
405 Martin Luther King Jr. Blvd.
Chapel Hill, NC 27514

to the Escrow Agent, to

U.S. Bank National Association
Attention: Corporate Trust Services
Regarding: Notice under 2021 Refunding Bond Escrow
Agreement for Town of Chapel Hill, North Carolina

5540 Centerview Dr., Suite 200
Raleigh, NC 27606

Either party may change its addresses for notices by written notice of the change given under this Agreement.

(g) Whenever under the terms of this Agreement the performance date of any act to be done under this Agreement falls on a day which is not a legal banking day in the State of North Carolina, and upon which the Escrow Agent is not open for business, the performance of that act on the next succeeding business day of the Escrow Agent will be in full compliance with this Agreement. Whenever time is referred to in this Agreement it will be the time recognized by the Escrow Agent (at the office specified in subsection (f) above) in the ordinary conduct of its normal business transactions.

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

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by duly authorized officers as of the date first above written.

**Town of Chapel Hill,
North Carolina**

By: _____
Amy Oland
Finance Officer

**U.S. Bank National Association, as Escrow
Agent**

By: _____

Name: _____

Title: _____

[Escrow Agreement dated as of August 1, 2021]

EXHIBIT A
BONDS BEING REDEEMED AND REFUNDED

All of the Prior Bonds maturing on and after June 1, 2022 (2022 through 2027), are refunded. The Bonds maturing on June 1, 2022 are defeased and will be paid in the ordinary course. The Bonds maturing on and after June 1, 2023, will be redeemed on June 1, 2022.

EXHIBIT B
INITIAL ESCROW SECURITIES

Security Description*	Par Amount (\$)	Interest Rate (%)	Maturity Date

* All are United States Treasury Securities – State and Local Series.

EXHIBIT C
OPERATION OF THE ESCROW FUND

<u>Date</u>	<u>Available Cash</u>	<u>Receipts from Escrow Investment</u>	<u>Total Funds Available</u>	<u>Escrow Requirement</u>	<u>Balance after Payment</u>
xxxx*	xxx**				xxx**
12/1/2021	xxx				
6/1/2022				xxxx***	

* Closing date

**Initial cash deposit at closing

*** Includes \$_____ in redeemed principal

REFUNDING NOTICE**Town of Chapel Hill, North Carolina****Chapel Hill Public Facilities Corporation
Limited Obligation Bonds, Series 2012****[dated June 27, 2012; original principal amount \$28,800,000]**

TAKE NOTICE that the **Town of Chapel Hill, North Carolina (the "Town")**, has elected to redeem and will redeem on June 1, 2022, all of the outstanding Bonds of the above-referenced issue that mature on and after June 1, 2023. These Bonds will be redeemed at a redemption price equal to the principal amount thereof. The Bonds maturing June 1, 2022, have been defeased by the Town, and those Bonds and will be paid in the ordinary course.

The CUSIP numbers and other details of the Bonds to be redeemed are as follows:

<u>CUSIP</u>	<u>Maturity Date (June 1)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Price*</u>	<u>Interest Rate (%)</u>
159442 AK8	2022	2,010,000	**	5.00
159442 AL6	2023	2,040,000	100.000	5.00
159442 AM4	2024	1,840,000	100.000	5.00
159442 AN2	2025	1,650,000	100.000	5.00
159442 AP7	2026	355,000	100.000	3.375
159442 AQ5	2027	370,000	100.000	3.50
159442 AR3	2032	2,060,000	100.000	4.00

*As a percentage of par.

**Defeased only, and will be paid in the regular course; not subject to early redemption.

The CUSIP numbers listed above are included solely for the convenience of the Bondowners. Neither the Town nor the Escrow Agent (as identified below) is responsible for the use of the CUSIP numbers, and no representation is made as to their correctness on the securities or as indicated on any redemption notice.

Interest on the Bonds will cease to accrue from and after June 1, 2022.

Payment of the redemption price for the Bonds will be made on presentation and surrender of the Bonds through The Depository Trust Company.

The Town has deposited with the Escrow Agent United States Treasury Obligations sufficient to pay the redemption price in a timely manner.

Additional notice of redemption will be provided to registered owners of the Bonds to be redeemed not less than 30 days prior to the redemption date.

Persons seeking additional information may contact the undersigned Escrow Agent at [telephone number].

U.S. Bank National Association,
as Escrow Agent
Raleigh, North Carolina

REDEMPTION NOTICE

Town of Chapel Hill, North Carolina

**Chapel Hill Public Facilities Corporation
Limited Obligation Bonds, Series 2012
[dated June 27, 2012; original principal amount \$28,800,000]**

TAKE NOTICE that the **Town of Chapel Hill, North Carolina (the "Town")**, has elected to redeem and will redeem on June 1, 2022, all of the outstanding Bonds of the above-referenced issue that mature on and after June 1, 2023. These Bonds will be redeemed at a redemption price equal to the principal amount thereof.

The CUSIP numbers and other details of the Bonds to be redeemed are as follows:

<u>CUSIP</u>	<u>Maturity Date (June 1)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Price*</u>	<u>Interest Rate (%)</u>
159442 AL6	2023	2,040,000	100.000	5.00
159442 AM4	2024	1,840,000	100.000	5.00
159442 AN2	2025	1,650,000	100.000	5.00
159442 AP7	2026	355,000	100.000	3.375
159442 AQ5	2027	370,000	100.000	3.50
159442 AR3	2032	2,060,000	100.000	4.00

*As a percentage of par.

The CUSIP numbers listed above are included solely for the convenience of the Bondowners. Neither the Town nor the Escrow Agent (as identified below) is responsible for the use of the CUSIP numbers, and no representation is made as to their correctness on the securities or as indicated on any redemption notice.

Interest on the Bonds will cease to accrue from and after June 1, 2022.

Payment of the redemption price for the Bonds will be made on presentation and surrender of the Bonds through The Depository Trust Company.

The Town has deposited with the Escrow Agent United States Treasury Obligations sufficient to pay the redemption price in a timely manner.

All owners submitting their Bonds must also submit Internal Revenue Service Form W-9. Failure to provide a completed Form W-9 will result in 31% backup withholding to bondowners pursuant to the Interest and Dividend Tax Compliance Act of 1983. Form W-9 may be obtained from the Internal Revenue Service.

Persons seeking additional information may contact the undersigned Escrow Agent at [telephone number].

U.S. Bank National Association,
as Escrow Agent
Raleigh, North Carolina