

EXHIBIT B

ESCROW AGREEMENT

between

CITY OF DULUTH, MINNESOTA

and

**U.S. BANK NATIONAL ASSOCIATION
St. Paul, Minnesota**

as Escrow Agent

Dated as of _____, 2016

Relating to

City of Duluth, Minnesota

**General Obligation DECC Improvement Bonds, Series 2008A
dated August 7, 2008**

This Escrow Agreement, dated as of _____, 2016 (the “Escrow Agreement”), is between the CITY OF DULUTH, MINNESOTA, a home rule charter city and political subdivision of the State of Minnesota (the “Issuer”), and U.S. BANK NATIONAL ASSOCIATION, in St. Paul, Minnesota, a national banking association (the “Escrow Agent”).

BACKGROUND:

WHEREAS, the Issuer has heretofore issued its \$40,635,000 General Obligation DECC Improvement Bonds, Series 2008A, dated August 7, 2008 (the “2008 Bonds”), of which \$38,335,000 in principal amount maturing on February 1 in the years 2017 through 2034 is outstanding; and the 2008 Bonds maturing on and after February 1, 2019, of which \$36,810,000 in principal amount is outstanding and is herein referred to as the “Refunded Bonds,” and the 2008 Bonds maturing on February 1, 2017 and February 1, 2018, of which \$1,525,000 in principal amount is outstanding and is herein referred to as the “Unrefunded Portion of the 2008 Bonds”; and

WHEREAS, the Issuer has called for the prepayment and redemption of the Refunded Bonds maturing on and after February 1, 2019, on February 1, 2018 (the “Redemption Date”); and

WHEREAS, the Issuer shall pay from its funds and not out of the Escrow Account (hereinafter defined), the principal of and interest on the Unrefunded Portion of the 2008 Bonds; and

WHEREAS, the Resolution adopted by the Issuer pursuant to which the 2008 Bonds were issued, a copy of which is attached as **Exhibit D** (the “2008 Resolution”), provide for the payment, prepayment and redemption of the Refunded Bonds, on the dates and at a price equal to the principal amount plus accrued interest after notice of the call for redemption is given by mailing such notice to the registered owner of each bond to be redeemed not less than 30 days, nor more than 60 days, prior to the applicable redemption date; and

WHEREAS, the Issuer has determined to provide, by the issuance of its \$_____ General Obligation DECC Improvement Refunding Bonds, Series 2016A, dated _____, 2016 (the “2016 Bonds”), funds which will be used for the purpose of payment, prepayment and redemption of the principal and interest on the Escrow Payment Obligations, as hereinafter defined; and

WHEREAS, the 2008 Bonds are registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York (“DTC”); and

WHEREAS, proceeds of the 2016 Bonds are to be used to purchase certain federal securities hereinafter specified, which together with an initial cash balance are to be held in escrow by the Escrow Agent and are to be set apart and irrevocably segregated in a special escrow account sufficient to ensure the payment of the Escrow Payment Obligations when due.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Authority. The Issuer has, in accordance with the resolution of its governing body, adopted on February 8, 2016, and the Certificate as to Terms of Bond Sale (collectively, the “Resolution”), issued and sold the 2016 Bonds for the purpose of refunding the Refunded Bonds. The Issuer hereby funds an escrow account pursuant to this Escrow Agreement (the “Escrow Account”), from which the following shall be paid: for paying the interest due on the Refunded Bonds on August 1, 2016, February 1, 2017, August 1, 2017 and February 1, 2018, and for the prepayment and redemption of the Refunded Bonds maturing on and after February 1, 2019, on the Redemption Date (collectively, the “Escrow Payment Obligations”).

Section 2. Directions to Escrow Agent.

A. In order to fund the Escrow Account, the Issuer directs the Escrow Agent that the proceeds of the 2016 Bonds in the amount of \$_____ be applied by the Escrow Agent:

i. to the purchase of obligations of the United States of America described in **Exhibit B** (the “Federal Securities”);

ii. to establish a beginning cash deposit in the Escrow Account (the “Cash Balance”) as set forth on **Exhibit A**;

iii. to the Escrow Payment Obligations described in Section 1 hereof;

iv. to pay the escrow agent and paying agent fees pursuant to Section 9 hereof; and

v. to transfer the additional proceeds as set forth on **Exhibit A** to the Issuer.

B. The Issuer further directs that the Federal Securities and the Cash Balance shall be used to pay the Escrow Payment Obligations on the dates set forth in Section 1 hereof.

C. The amount of the Federal Securities, together with investment income thereon, and the Cash Balance, is sufficient to pay the Escrow Payment Obligations when due.

Section 3. Escrow Account.

A. The Escrow Agent acknowledges receipt of the Federal Securities and Cash Balance and agrees that it will hold such Federal Securities and Cash Balance in the Escrow Account, which shall be a special, segregated and irrevocable Escrow Account in the name of the Issuer.

B. The deposit made to the Escrow Account constitutes an irrevocable deposit for the benefit of the holders of the Refunded Bonds. The Federal Securities, together with any interest earned thereon and the Cash Balance in the Escrow Account shall be held in the Escrow Account and shall be applied solely in accordance with the provisions hereof and of the Resolution.

C. It is recognized that title to the Federal Securities and Cash Balance and other amounts held in the Escrow Account from time to time shall remain vested in the Issuer, but subject always to the prior charge and lien thereof of this Escrow Agreement and the use thereof required to be made by the provisions of this Escrow Agreement. The Escrow Agent shall hold all such Federal Securities, Cash Balance and other monies in the Escrow Account separate and apart from all other funds and securities of the Escrow Agent, and shall never commingle such Federal Securities or Cash Balance with any other monies.

D. Except as set forth herein, or as may be directed by the Issuer if accompanied by a legal opinion of nationally-recognized bond counsel in form and substance satisfactory to the Escrow Agent, the Escrow Agent shall have no power or duty to invest any monies held hereunder or to make substitutions of the Federal Securities held hereunder or to sell, transfer or otherwise dispose of the Federal Securities acquired hereunder, except to collect the principal thereof at maturity and the interest thereon as the same become due and payable. In the event the Escrow Account is reinvested, such reinvestment shall comply with the provisions of Minnesota Statutes, Section 475.67.

Section 4. Escrow Verification Report. The Issuer and the Escrow Agent acknowledge receipt of a report by a certified public accountant of _____ of _____, _____ (the "Escrow Verification Report"), verifying that the Federal Securities, together with the interest to be earned thereon and the Cash Balance in the Escrow Account, will be sufficient to pay the Escrow Payment Obligations as provided for in Section 1.

Section 5. Issuer Covenants.

A. The Issuer covenants that it will not repeal or amend the 2008 Resolution or the Resolution authorizing the 2016 Bonds.

B. The Issuer covenants that upon receipt of notice from the Escrow Agent pursuant to Section 6.E. of this Agreement that monies on hand in the Escrow Account and available for payment of the Escrow Payment Obligations as provided for in Section 1, will not be sufficient to make any payment when due to the holders of any of the Refunded Bonds, the Issuer will forthwith deposit in the Escrow Account, but only from monies on hand and legally available for such purpose, such additional monies as may be required to pay fully the amount so to become due and payable, and the Issuer recognizes its obligation under Minnesota Statutes, Section 475.61, to levy ad valorem taxes on all taxable property over which the Issuer has jurisdiction to the extent required to produce the monies necessary for this purpose.

C. The Issuer covenants that any monies held in trust by the Escrow Agent for the payment and discharge of any of the Refunded Bonds which remain after the Redemption Date

and are returned to the Issuer in accordance with this Agreement, will be utilized in accordance with the Resolution.

Section 6. Duties of the Escrow Agent.

A. The Escrow Agent agrees with respect to the notice of defeasance and the notice of redemption for the Refunded Bonds attached as Exhibit C that as the Refunded Bonds are registered in the name of Cede & Co., as nominee for DTC, the Escrow Agent will send the Notice, on behalf of the Issuer, to DTC at the location shown in Section 14 of this Escrow Agreement, in a secure fashion (that is, a legible facsimile transmission, registered or certified mail, or overnight delivery service) and verify the timely receipt by DTC of the Notices as follows: (i) within 30 days of the date hereof for the notice of defeasance; and (ii) not more than 60 days nor less than 32 days prior to the Redemption Date for the notice of redemption. (Notice to DTC required hereunder will be deemed sufficient if given in accordance with the then-applicable DTC Operational Arrangements.)

B. The Escrow Agent agrees with respect to payments of principal of or interest coming due on the Refunded Bonds on and prior to the Redemption Date that it shall remit from the Escrow Account the money required for payment of the principal of and interest due on the Refunded Bonds as set forth in Section 1 (i) directly to the holders of the Refunded Bonds if it is the paying agent for the 2008 Bonds, or (ii) to the paying agent for the 2008 Bonds, if the Escrow Agent is not such paying agent, as applicable.

C. The Escrow Agent shall collect the matured principal of and interest on the Federal Securities as they become due and payable.

D. The Escrow Agent shall immediately notify the Issuer if at any time it shall appear to the Escrow Agent that the monies on hand in the Escrow Account and available for payment of the Escrow Payment Obligations will not be sufficient to make any payment when due to the holders of any of the Refunded Bonds.

E. The Escrow Agent shall return to the Issuer any monies held in trust for the payment and discharge of any of the Refunded Bonds which remain after the Redemption Date.

Section 7. Reliance by Escrow Agent. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Escrow Agent shall be entitled to rely upon a certificate signed on behalf of the Issuer by the Mayor or the Clerk as sufficient evidence of the facts therein contained. The Escrow Agent may accept a certificate of the Clerk of the Issuer to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

Section 8. Limitation of Escrow Agent Liability. It is understood and agreed that the responsibilities of the Escrow Agent under this Escrow Agreement are limited to: (a) the safekeeping and segregation of the Federal Securities, Cash Balance and other monies deposited in the Escrow Account; (b) the collection of and accounting for the principal and interest payable with respect thereto; (c) the application of money in the Escrow Account as herein provided; and (d) providing the Notice of Defeasance and the Notice of Redemption as required by

Section 6.A. herein; provided, however, that no provision of this Escrow Agreement herein contained shall be construed to require the Escrow Agent to keep the identical monies, or any part thereof, received for the Escrow Account on hand, but monies of an equal amount (except to the extent such are represented by investments permitted under this Escrow Agreement) shall always be maintained on hand as funds held by the Escrow Agent as trustee, belonging to the Issuer and a special account shall at all times be maintained on the books of the Escrow Agent, together with such investments. In the event of the Escrow Agent's failure to account for any money or obligations held by it in the Escrow Account, such money and obligations shall be and remain the property of the Issuer, and if for any reason such money or obligations cannot be identified, all other assets of the Escrow Agent shall be impressed with a trust for the amount thereof, and the Issuer shall be entitled to a preferred claim upon such assets.

Section 9. Fees of Escrow Agent. The Escrow Agent also acknowledges receipt of the sum of \$_____ which shall be used for the payment of the fees and expenses of the Escrow Agent in connection with and for services rendered by it pursuant to this Escrow Agreement and the initial paying agent fees. The Escrow Agent shall have no lien whatsoever upon, and hereby expressly waives any such lien or any claim against, any of the Federal Securities and monies in the Escrow Account for the payment of said fees and expenses. If the fees or expenses are less than estimated, the Escrow Agent shall, as soon as reasonably practicable, return the unused monies to the Issuer.

Section 10. Concerning the Bondholders. This Escrow Agreement shall be binding upon and inure to the benefit of the Issuer and the Escrow Agent and their respective successors and assigns. In addition, this Escrow Agreement shall constitute a third-party beneficiary contract for the benefit of the holders of the Refunded Bonds. Such third-party beneficiaries shall be entitled to enforce performance and observance by the Issuer and the Escrow Agent of the respective agreements and covenants herein contained as fully and completely as if such third-party beneficiaries were parties hereto. Any bank into which the Escrow Agent may be merged or with which it may be consolidated or any bank resulting from any merger or consolidation to which it shall be a party or any bank to which it may sell or transfer all or substantially all of its corporate trust business shall be a successor escrow agent without the execution of any document or the performance of any further act.

Section 11. Term. This Escrow Agreement shall terminate when the Refunded Bonds have been paid in accordance with the provisions of this Escrow Agreement. If any Refunded Bonds are not presented to the bond registrar and paying agent for the Refunded Bonds for payment when due and payable, the nonpayment thereof shall not prevent the termination of this Escrow Agreement.

Section 12. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the parties to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 13. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. This Escrow Agreement shall be governed by the laws of the State of Minnesota.

Section 14. Notices. Unless otherwise provided by the respective parties, all notices to each of them shall be addressed as follows:

To the Issuer:	City of Duluth, Minnesota Attention: Chief Financial Officer 107 City Hall 411 West First Street Duluth, MN 55802
To the Municipal Advisor:	Public Financial Management, Inc. 800 Nicollet Mall, Suite 2710 Minneapolis, MN 55402
To Bond Counsel:	Fryberger, Buchanan, Smith & Frederick, P.A. Attention: Robert E. Toftey 302 West Superior Street, Suite 700 Duluth, MN 55802
To the Escrow Agent:	U.S. Bank National Association Attention: Corporate Trust Services EP-MN-WS3C 60 Livingston Avenue, 3 rd Floor St. Paul, MN 55107
To the Registrar and Paying Agent for the Refunded Bonds:	Wells Fargo Bank, National Association Corporate Trust and Escrow Services 625 Marquette Avenue, 11 th Floor MAC Code N9311-115 Minneapolis, MN 55479
To DTC:	The Depository Trust Company Attention: Call Notification Department, 4th Floor 570 Washington Blvd. Jersey City, NJ 07310

Section 16. Exhibits. The Exhibits to this Escrow Agreement are as follows:

Exhibit A	Sources and Uses of Funds
Exhibit B	Federal Securities
Exhibit C-1	Notice of Defeasance and Call for Redemption
Exhibit C-2	Notice of Call for Redemption
Exhibit D	2008 Resolution

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

CITY OF DULUTH, MINNESOTA

By _____
Mayor

By _____
City Clerk

U.S. BANK NATIONAL ASSOCIATION

By _____
Its _____

(Signature page to Escrow Agreement between the City of Duluth, Minnesota, and U.S. Bank National Association, as Escrow Agent)

EXHIBIT A

<i>SOURCES OF FUNDS</i>	
Proceeds of the 2016 Bonds	
Accrued Interest	0.00
TOTAL	

<i>USES OF FUNDS</i>	
Federal Securities	
Cash Balance	
Escrow Agent Fees	**
Balance of Cost of Issuance and Rounding Amount	*
TOTAL	

* \$_____ of the proceeds of the 2016 Bonds to Issuer for costs of issuance and rounding amount

** \$_____ of the proceeds of the 2016 Bonds shall be retained by the Escrow Agent for its fees and expenses as set forth in Section 9.

EXHIBIT B

**FEDERAL SECURITIES
(U.S. TREASURY)**

EXHIBIT C-1

NOTICE OF DEFEASANCE AND CALL FOR REDEMPTION \$40,635,000 GENERAL OBLIGATION DECC IMPROVEMENT BONDS, SERIES 2008A OF THE CITY OF DULUTH, MINNESOTA

NOTICE IS HEREBY GIVEN that, by order of the City Council of the City of Duluth, Minnesota (the “City”), the City has deposited with U.S. Bank National Association (the “Escrow Agent”) pursuant to an Escrow Agreement dated as of _____, 2016, U.S. Government Obligations in an amount, together with interest thereon, which will be sufficient to pay the interest on all outstanding bonds of the maturities set forth below of the City designated as General Obligation DECC Improvement Bonds, Series 2008A, dated August 7, 2008 (the “Bonds”), on August 1, 2016, February 1, 2017, August 1, 2017 and February 1, 2018, and to prepay and redeem all of the Bonds maturing on and after February 1, 2019, on February 1, 2018 (the “Redemption Date”). The Bonds which are defeased and their CUSIP numbers are as follows:

Number	Maturity	Principal Amount*	Interest Rate	CUSIP Number**
R-10	2019	\$ 900,000	4.000%	264438 NR9
R-11	2020	1,025,000	4.250%	264438 NS7
R-12	2021	1,160,000	4.500%	264438 NT5
R-13	2022	1,310,000	4.500%	264438 NU2
R-14	2023	1,470,000	4.500%	264438 NV0
R-15	2024	1,640,000	4.625%	264438 NW8
R-16	2025	1,825,000	4.750%	264438 NX6
R-17	2026	2,025,000	4.750%	264438 NY4
R-18	2027	2,240,000	4.750%	264438 NZ1
R-19	2028	2,470,000	5.000%	264438 PA4
R-20	2029	2,720,000	5.000%	264438 PB2
R-21	2030	2,990,000	5.000%	264438 PC0
R-22	2031	3,275,000	5.000%	264438 PD8
R-23	2034	11,760,000	5.000%	264438 PG1

Note – the 2017 and 2018 maturities of the Bonds have not been defeased.

The Bonds being called for redemption and prepayment are being called at a price of par plus accrued interest to the Redemption Date on which date all interest on said Bonds will cease to accrue. Holders of the Bonds hereby called for redemption are requested to present their Bonds for payment at the office of Wells Fargo Bank, National Association, Corporate Trust Operations, P.O. Box 1517, Minneapolis, Minnesota 55480-1517, on or before the Redemption Date.

* Indicates full call of stated maturity.

** Neither the City nor the Escrow Agent shall be responsible for the selection of or use of the CUSIP number, and no representation is made as to its correctness indicated in the Notice of Defeasance and Call for Redemption. CUSIP numbers are included solely for the convenience of the Holders.

Dated: _____, 2016

BY ORDER OF THE CITY COUNCIL OF THE CITY
OF DULUTH, MINNESOTA

EXHIBIT C-2

NOTICE OF CALL FOR REDEMPTION \$40,635,000 GENERAL OBLIGATION DECC IMPROVEMENT BONDS, SERIES 2008A OF THE CITY OF DULUTH, MINNESOTA

NOTICE IS HEREBY GIVEN that, by order of the City Council of the City of Duluth, Minnesota (the “City”), there have been called for redemption and prepayment on

February 1, 2018,

all outstanding Bonds of the City designated as General Obligation DECC Improvement Bonds, Series 2008A, dated August 7, 2008, having stated maturity dates of February 1 in the years 2019 through 2034, both inclusive, totaling \$36,810,000 in outstanding principal amount, and with the following CUSIP numbers:

Number	Maturity	Principal Amount*	Interest Rate	CUSIP Number**
R-10	2019	\$ 900,000	4.000%	264438 NR9
R-11	2020	1,025,000	4.250%	264438 NS7
R-12	2021	1,160,000	4.500%	264438 NT5
R-13	2022	1,310,000	4.500%	264438 NU2
R-14	2023	1,470,000	4.500%	264438 NV0
R-15	2024	1,640,000	4.625%	264438 NW8
R-16	2025	1,825,000	4.750%	264438 NX6
R-17	2026	2,025,000	4.750%	264438 NY4
R-18	2027	2,240,000	4.750%	264438 NZ1
R-19	2028	2,470,000	5.000%	264438 PA4
R-20	2029	2,720,000	5.000%	264438 PB2
R-21	2030	2,990,000	5.000%	264438 PC0
R-22	2031	3,275,000	5.000%	264438 PD8
R-23	2034	11,760,000	5.000%	264438 PG1

The Bonds are being called at a price of par plus accrued interest to February 1, 2018, on which date all interest on said Bonds will cease to accrue. Holders of the Bonds hereby called for redemption are requested to present their Bonds for payment at the office of Wells Fargo Bank, National Association, Corporate Trust Operations, P.O. Box 1517, Minneapolis, Minnesota 55480-1517, on or before February 1, 2018.

Important Notice: In compliance with the Economic Growth and Tax Relief Reconciliation Act of 2001, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time of payment by the redeeming institutions if they are not provided with your social security number or federal employer identification number, properly certified. This requirement is fulfilled by submitting a W-9 Form, which may be obtained at a bank or other financial institution.

* Indicates full call of stated maturity.

** Neither the City nor the escrow agent shall be responsible for the selection of or use of the CUSIP number, and no representation is made as to its correctness indicated in the Notice of Call for Redemption. CUSIP numbers are included solely for the convenience of the Holders.

U.S. BANK NATIONAL ASSOCIATION, as Escrow
Agent for the City of Duluth, Minnesota

EXHIBIT D
2008 RESOLUTION