

RESOLUTION APPROVING AND AGREEING TO THE TERMS AND PROVISIONS OF THAT CERTAIN BOND ORDER AUTHORIZING THE ISSUANCE OF PUBLIC WORKS COMMISSION VARIABLE RATE REVENUE AND REVENUE REFUNDING BONDS, SERIES 2003A, APPROVING AND AGREEING TO THE TERMS AND PROVISIONS OF THAT CERTAIN BOND ORDER AUTHORIZING THE ISSUANCE OF PUBLIC WORKS COMMISSION VARIABLE RATE REVENUE REFUNDING BONDS, SERIES 2003B, REQUESTING THAT THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA ADOPT SAID BOND ORDER AUTHORIZING SAID PUBLIC WORKS COMMISSION VARIABLE RATE REVENUE AND REVENUE REFUNDING BONDS, SERIES 2003A AND SAID BOND ORDER AUTHORIZING SAID PUBLIC WORKS COMMISSION VARIABLE RATE REVENUE REFUNDING BONDS, SERIES 2003B, AND AUTHORIZING THE APPLICATION OF AVAILABLE FUNDS TO THE REDEMPTION OF GO SYSTEM INDEBTEDNESS

WHEREAS, pursuant to a bond order adopted by the City Council of the City of Fayetteville, North Carolina (the "City") on November 5, 1990 (the "1990 Bond Order"), the City has heretofore issued its \$63,008,898.20 Public Works Commission Revenue Bonds, Series 1990 (the "Series 1990 Bonds") for the purpose of refunding the Series 1987 Bonds (as defined in the 1990 Bond Order) and financing the construction of the 1990 Project (as defined in the 1990 Bond Order), and the Bond Order (as hereinafter defined) permits the issuance of additional bonds for, among other things, the purpose of financing the construction of additional facilities and for refunding outstanding revenue bonds; and

WHEREAS, pursuant to bond orders adopted by the City Council of the City on December 7, 1992, October 25, 1993, April 24, 1995, November 17, 1997, November 15, 1999, March 27, 2001 and January 13, 2003 (collectively, the "Amendatory Orders" and, together with the 1990 Bond Order, the "Bond Order"), the City amended and supplemented certain provisions of the 1990 Bond Order; and

WHEREAS, pursuant to two bond orders adopted by the City Council on December 7, 1992, the City has heretofore issued its Public Works Commission Revenue Bonds, Series 1992A (the "Series 1992A Bonds"), in the aggregate principal amount of \$12,630,000, and its Public Works Commission Revenue Bonds, Series 1992B (the "Series 1992B Bonds"), in the aggregate principal amount of \$15,560,000, for the purpose of providing funds, together with other available funds, to pay the cost of certain capital improvements to the System (as defined in the Bond Order) and related costs; and

WHEREAS, pursuant to a bond order adopted by the City Council on October 25, 1993, the City has heretofore issued its Public Works Commission Revenue Refunding Bonds, Series 1993 (the "Series 1993 Bonds"), in the aggregate principal amount of \$73,955,000, for the purpose of providing funds, together with other available funds, to refund the Series 1990 Bonds; and

WHEREAS, pursuant to a bond order adopted by the City Council on April 24, 1995, the City has heretofore issued its Public Works Commission Revenue Bonds, Series 1995A (the "Series 1995A Bonds"), in the aggregate principal amount of \$34,985,000, for the purpose of providing funds, together with other available funds, to pay the cost of (a) constructing and equipping certain buildings for use by the Commission and (b) constructing and installing certain capital additions to the Water and Sewer System (as defined in the Bond Order); and

WHEREAS, pursuant to a bond order adopted by the City Council on November 17, 1997, the City has heretofore issued its Public Works Commission Revenue Bonds, Series 1997 (the "Series 1997 Bonds"), in the aggregate principal amount of \$40,755,000, for the purpose of providing funds, together with other available funds, to pay the cost of constructing and installing certain capital additions to the Water and Sewer System; and

WHEREAS, pursuant to a bond order adopted by the City Council of the City on November 15, 1999, the City has heretofore issued its Public Works Commission Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), in the aggregate principal amount of \$19,325,000, for the purpose of providing funds, together with other available funds, to pay the cost of constructing and installing certain capital additions to the Water and Sewer System; and

WHEREAS, pursuant to a bond order adopted by the City Council of the City on March 27, 2001, the City has heretofore issued its Public Works Commission Revenue Refunding Bonds, Series 2001, in the aggregate principal amount of \$19,175,000, for the purpose of providing funds, together with other available funds, to refund the Series 1992A Bonds and certain maturities of the Series 1992B Bonds; and

WHEREAS, pursuant to a bond order adopted by the City Council of the City on January 13, 2003, the City has heretofore issued its Public Works Commission Revenue Refunding Bonds, Series 2003, in the aggregate principal amount of \$78,280,000, for the purpose of providing funds, together with other available funds, to refund certain maturities of the Series 1995A Bonds, Series 1997 Bonds and Series 1999 Bonds; and

WHEREAS, the City has determined that it can achieve substantial debt service savings by refunding all of its outstanding Series 1993 Bonds (the "Bonds to be Refunded"); and

WHEREAS, the City has determined to issue its Public Works Commission Variable Rate Revenue and Revenue Refunding Bonds, Series 2003A (the "Series 2003A Bonds"), in an aggregate principal amount not exceeding \$60,000,000, for the purpose of providing funds, together with any other available funds, to (i) construct and install certain capital additions to the System (as defined in the Bond Order), (ii) refund a portion of the Bonds to be Refunded, (iii) make a cash deposit, or pay the premium for a municipal bond debt service reserve insurance policy in an amount equal to the Reserve Fund Requirement (as defined in the Bond Order) for

the Series 2003A Bonds, (iv) pay the premium for the issuance of a municipal bond insurance policy with respect to the Series 2003A Bonds, (v) pay the premium for the issuance of a financial guaranty insurance policy and (vi) pay the expenses of issuing the Series 2003A Bonds; and

WHEREAS, the City has also determined to enter into an interest rate exchange (swap) transaction with Citigroup Financial Products Inc. (the "Swap Provider") whereby the City will undertake to pay the Swap Provider a fixed rate on an amount equal to the principal amount of the Series 2003A Bonds and the Swap Provider will undertake to pay the City a variable rate on the same principal amount, all with the intended effect that the variable rate payable by the Swap Provider will offset the variable rate payable by the City on the Series 2003A Bonds and the City will pay only the fixed rate payable to the Swap Provider plus principal on the Series 2003A Bonds; and

WHEREAS, the City has determined to issue its Public Works Commission Variable Rate Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds"), in an aggregate principal amount not exceeding \$30,000,000, for the purpose of providing funds, together with any other available funds, to (i) refund a portion of the Bonds to be Refunded, (ii) make a cash deposit, or pay the premium for a municipal bond debt service reserve insurance policy in an amount equal to the Reserve Fund Requirement (as defined in the Bond Order) for the Series 2003B Bonds, (iii) pay the premium for the issuance of a municipal bond insurance policy with respect to the Series 2003B Bonds and (iv) pay the expenses of issuing the Series 2003B Bonds; and

WHEREAS, all of the outstanding Series 1993 Bonds will be refunded by the Series 2003A Bonds and the Series 2003B Bonds; and

WHEREAS, senior staff of the Commission has recommended the application of up to \$11,000,000 of available funds of the Commission to redeem GO System Indebtedness (as defined in the Bond Order) as part of an integrated plan of restructuring the City's debt, both revenue bonds and general obligation bonds, related to the Commission and its System to reduce the maximum annual debt service on Bonds and GO System Bonds (as such terms are defined in the Bond Order), afford the Commission greater flexibility in responding to the potential changes of deregulation of the electric industry in North Carolina and obtain debt service savings; and

WHEREAS, the issuance of the Series 2003A Bonds and the Series 2003B Bonds is part of such integrated plan to restructure the City's debt; and

WHEREAS, the staff of the Commission has presented to the Commission at this meeting drafts of a bond order authorizing the Series 2003A Bonds (the "Series 2003A Bond Order") and a bond order authorizing the Series 2003B Bonds (the "Series 2003B Bond Order"); and

WHEREAS, it is now contemplated that the Series 2003A Bond Order and the Series 2003B Bond Order will be considered by the City Council of the City at its meeting on August 25, 2003; and

WHEREAS, the Series 2003A Bonds will be issued and secured pursuant to the Bond Order and the Series 2003A Bond Order, and the Series 2003B Bonds will be issued and secured pursuant to the Bond Order and the Series 2003B Bond Order; and

WHEREAS, the City Council of the City is desirous of receiving the Commission's concurrence and agreement with the terms and provisions of the Series 2003A Bond Order and the Series 2003B Bond Order; and

WHEREAS, the Commission is in agreement with such terms and provisions;

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE:

1. The Series 2003A Bond Order and the Series 2003B Bond Order, in substantially the forms presented to this meeting, and the swap transaction, are hereby approved with such further supplements, modifications, amendments and changes as may be approved by the officers of the Commission, such approval to be evidenced by the execution of a certificate of the Commission to be delivered at the respective times of issuance of the Series 2003A Bonds and the Series 2003B Bonds.

2. The Commission agrees to fulfill all its obligations under the Bond Order and the Series 2003A Bond Order, and the Commission concurs with all the terms and provisions thereof, including, but not limited to:

- a. The form of the Series 2003A Bonds;
- b. The interest rates borne by the Series 2003A Bonds (provided such rates are within the parameters provided for in Section 14.10 of the Series 2003A Bond Order);
- c. The mechanisms and procedures for securing the Series 2003A Bonds, including the issuance of a municipal bond insurance policy with respect to the Series 2003A Bonds;
- d. The mechanisms and procedures for the payment of the principal of, premium, if any, and interest on the Series 2003A Bonds;
- e. The pledge of the Net Revenues (as defined in the Bond Order) granted by the Bond Order, as supplemented by the Series 2003A Bond Order;
- f. The mechanisms and procedures for disbursement of the proceeds of the Series 2003A Bonds;
- g. The procedures for amending or supplementing the Series 2003A Bond Order;
- h. The undertaking of all obligations of the City under the Series 2003A Bond Order by the Commission and the compliance with the terms and conditions

of the City under the Bond Order and the Series 2003A Bond Order by the Commission; and

i. All other matters in the Series 2003A Bond Order with respect to the Series 2003A Bonds.

3. The Commission agrees to fulfill all its obligations under the Bond Order and the Series 2003B Bond Order, and the Commission concurs with all the terms and provisions thereof, including, but not limited to:

a. The form of the Series 2003B Bonds;

b. The interest rates borne by the Series 2003B Bonds (provided such rates are within the parameters provided for in Section 14.10 of the Series 2003B Bond Order);

c. The mechanisms and procedures for securing the Series 2003B Bonds, including the issuance of a municipal bond insurance policy with respect to the Series 2003B Bonds;

d. The mechanisms and procedures for the payment of the principal of, premium, if any, and interest on the Series 2003B Bonds;

e. The pledge of the Net Revenues (as defined in the Bond Order) granted by the Bond Order, as supplemented by the Series 2003B Bond Order;

f. The mechanisms and procedures for disbursement of the proceeds of the Series 2003B Bonds;

g. The procedures for amending or supplementing the Series 2003B Bond Order;

h. The undertaking of all obligations of the City under the Series 2003B Bond Order by the Commission and the compliance with the terms and conditions of the City under the Bond Order and the Series 2003B Bond Order by the Commission; and

i. All other matters in the Series 2003B Bond Order with respect to the Series 2003B Bonds.

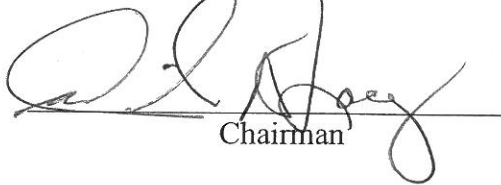
4. The City Council of the City is hereby requested to adopt the Series 2003A Bond Order and the Series 2003B Bond Order, in substantially the forms of the drafts presented to this Commission.

5. Senior staff of the Commission is hereby authorized and directed to apply up to \$11,000,000 in available funds of the Commission to the early redemption of GO System Indebtedness.


6. This resolution shall take effect immediately upon its passage.

ADOPTED this the 13th day of August, 2003.

PUBLIC WORKS COMMISSION


Chairman

ATTEST:


Secretary