

RESOLUTION OF THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE DECLARING ITS INTENTION TO REIMBURSE ITSELF FROM THE PROCEEDS OF ONE OR MORE TAX-EXEMPT FINANCINGS BY THE CITY OF FAYETTEVILLE, NORTH CAROLINA FOR CERTAIN EXPENDITURES MADE AND/OR TO BE MADE IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF CERTAIN CAPITAL IMPROVEMENTS

WHEREAS, the City of Fayetteville, North Carolina (the "Issuer") is a municipal corporation organized and existing under the laws of the State of North Carolina; and

WHEREAS, the Public Works Commission of the City of Fayetteville (the "Commission") has, in accordance with the provisions of Chapter VI of the City Charter of the Issuer, been created as an independently operated utility for the proper management of all facilities or projects owned or used by the Issuer, within and without the corporate limits of the Issuer, for the purpose of providing electric, water and sanitary sewer services, with responsibility for the entire supervision and control of the management, operation, maintenance, improvement and extension of the public utilities of the Issuer; and

WHEREAS, the Commission has made, beginning no earlier than September 14, 1996 and will make, on and after the date of adoption of this resolution, certain expenditures (the "Expenditures") in connection with the acquisition, construction and/or equipping of water and sewer improvements (collectively, the "Project"), as more fully described in Exhibit A attached hereto; and

WHEREAS, the Commission has determined that those moneys previously advanced no more than 60 days prior to the date of adoption of this resolution and to be advanced on and after the date hereof to make the Expenditures are available only for a temporary period and it is necessary for the Commission to reimburse itself for the Expenditures from the proceeds of one or more issues of tax-exempt revenue bonds by the Issuer (the "Bonds");

NOW, THEREFORE, THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE DOES HEREBY RESOLVE, AS FOLLOWS:

Section 1. The Commission hereby declares the Commission's intent to reimburse itself from the proceeds of the Bonds for the Expenditures with respect to the Project made on and after September 14, 1996, which date is no more than 60 days prior to the date of adoption of this resolution. The Commission reasonably expects on the date hereof that it will reimburse the Expenditures from the proceeds of the Bonds.

Section 2. Each Expenditure was and will be either (a) of a type properly chargeable to capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the Commission so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.

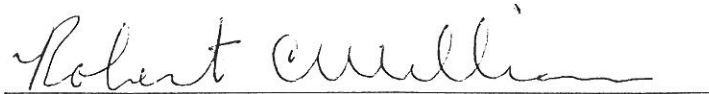
Section 3. The maximum principal amount of the Bonds expected to be issued for the Project, taking into account the application of \$6,000,000 from the capital reserve funds of the Commission and \$11,000,000 set aside by the Commission for use in annexation areas, is \$50,000,000.

Section 4. The Commission will make a reimbursement allocation, which is a written allocation by the Commission that evidences the Commission's use of proceeds of the Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The Commission recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

Section 5. The Commission recommends that the City Council of the Issuer adopt a reimbursement resolution substantially in the form attached hereto as Exhibit B at its regular meeting on Monday, November 18, 1996.

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

PASSED AND ADOPTED this 13th day of November, 1996.



Chairman, Public Works Commission
Of the City of Fayetteville

Attest:



Secretary, Public Works
Commission of the City Fayetteville

EXHIBIT A

DESCRIPTION OF PROJECT

The project for which the Expenditures have been and/or will be paid consists of the following:

1. the expansion and improvement of the Cross Creek and Rockfish Creek water reclamation facilities (estimated cost \$6,135,284);
2. the construction of improvements and addition to the P.O. Hoffer and Glenville Lake water treatment facilities (estimated cost \$7,187,334);
3. the extension of water and sanitary sewer lines (estimated cost \$12,623,780 for water and \$5,761,369 for sewer); and
4. the construction and installation of water and sewer mains and lines in areas annexed by the City of Fayetteville in 1996 (estimated cost \$27,382,334);

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE
DECLARING ITS INTENTION TO REIMBURSE THE PUBLIC WORKS
COMMISSION OF THE CITY OF FAYETTEVILLE FROM THE PROCEEDS OF
ONE OR MORE TAX-EXEMPT FINANCINGS BY THE CITY OF FAYETTEVILLE,
NORTH CAROLINA FOR CERTAIN EXPENDITURES MADE AND/OR TO BE MADE
IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION AND EQUIPPING
OF CERTAIN CAPITAL IMPROVEMENTS**

WHEREAS, the City of Fayetteville, North Carolina (the "Issuer") is a municipal corporation organized and existing under the laws of the State of North Carolina; and

WHEREAS, the Public Works Commission of the City of Fayetteville (the "Commission") has, in accordance with the provisions of Chapter VI of the City Charter of the Issuer, been created as a independently operated utility for the proper management of all facilities or projects owned or used by the Issuer, within and without the corporate limits of the Issuer, for the purpose of providing electric, water and sanitary sewer services, with responsibility for the entire supervision and control of the management, operation, maintenance, improvement and extension of the public utilities of the Issuer; and

WHEREAS, the Commission has made, beginning no earlier than September 14, 1996 and will make, on and after November 13, 1996 the date of adoption of a reimbursement resolution by the Commission, certain expenditures (the "Expenditures") in connection with the acquisition, construction and/or equipping of water and sewer improvements (collectively, the "Project"), as more fully described in Schedule I attached hereto; and

WHEREAS, the City Council has determined that those moneys previously advanced no more than 60 days prior to the date of adoption of said resolution and to be advanced on and after the date of adoption of said resolution to make the Expenditures are available only for a temporary period and it is necessary for the Commission to be reimbursed for the Expenditures from the proceeds of one or more issues of tax-exempt revenue bonds by the Issuer (the "Bonds");

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE DOES HEREBY RESOLVE, AS FOLLOWS:

Section 1. The City Council hereby declares the Issuer's intent to reimburse the Commission from the proceeds of the Bonds for the Expenditures with respect to the Project made on and after September 14, 1996, which date is no more than 60 days prior to the date of adoption of the resolution referred to in the preamble hereto. The Issuer reasonably expects on the date hereof that it will reimburse the Expenditures from the proceeds of the Bonds.

DESCRIPTION OF PROJECT

The project for which the Expenditures have been and/or will be paid consists of the following:

1. the expansion and improvement of the Cross Creek and Rockfish Creek water reclamation facilities (estimated cost \$6,135,284);
2. the construction of improvements and addition to the P.O. Hoffer and Glenville Lake water treatment facilities (estimated cost \$7,187,334);
3. the extension of water and sanitary sewer lines (estimated cost \$12,623,780 for water and \$5,761,369 for sewer); and
4. the construction and installation of water and sewer mains and lines in areas annexed by the City of Fayetteville in 1996 (estimated cost \$27,382,334);