

RESOLUTION APPROVING THE FINANCING TEAM FOR,
AND MAKING THE FINDINGS AND DETERMINATIONS
REQUIRED BY THE NORTH CAROLINA LOCAL
GOVERNMENT COMMISSION WITH RESPECT TO, THE
ISSUANCE OF PUBLIC WORKS COMMISSION VARIABLE
RATE REVENUE REFUNDING BONDS, SERIES 2003 OF
SAID CITY, AND REQUESTING THE NORTH CAROLINA
LOCAL GOVERNMENT COMMISSION TO SELL SAID
BONDS BY NEGOTIATED SALE.

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 and March 27, 2001 (collectively, the "Amendatory Orders" and, together with the 1990 Bond Order, the "Original Bond Order"), the City amended 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, 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, 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 Public Works Commission of the City (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, 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, 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, the City has determined to amend and restate the Original Bond Order (the "Original Bond Order" as so amended and restated, the "Bond Order"); and

WHEREAS, the Commission has been advised that the City may obtain an acceptable level of debt service savings by advance refunding a portion of its outstanding, callable Public Works Commission Revenue Bonds, Series 1995A, Series 1997 and Series 1999 (collectively, the "Refunding Candidates") by issuing refunding bonds and using any other available funds as authorized by the Bond Order; and

WHEREAS, the Commission is desirous of having the City issue its Public Works Commission Variable Rate Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), in an aggregate principal amount not to exceed \$80,000,000, for the purpose of providing funds, together with other available funds, to (i) advance refund a portion of the Refunding Candidates, (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 2003 Bonds, (iii) pay the premium for the issuance of a municipal bond insurance policy with respect to the Series 2003 Bonds if such insurance is cost effective, (iv) pay the premium for the issuance of a financial guaranty insurance policy and (v) pay the expenses of issuing the Series 2003 Bonds; and

WHEREAS, the City proposes to enter into an ISDA Master Agreement and related Confirmation, to be dated as of the date of their execution, with Salomon Brothers Holding Company Inc., for the purpose of swapping the interest rate on a portion of the Series 2003 Bonds to a fixed rate; and

WHEREAS, the Bond Order authorizes the issuance of refunding revenue bonds of the City in one or more series from time to time for the purposes, among other authorized purposes, of (i) redeeming prior to maturity all or any part of the revenue bonds outstanding under the

Bond Order and paying the interest to accrue thereon to the date fixed for redemption, and (ii) paying any expenses in connection with such refunding; and

WHEREAS, the Commission is desirous of having the City file an application for the approval of the issuance of the Series 2003 Bonds with the Local Government Commission of North Carolina (the "Local Government Commission") and wishes to authorize certain action in connection therewith;

WHEREAS, the City adopted a resolution on November 25, 2002 approving the financing team and making certain findings and determinations with respect to the issuance of the Series 2003 Bonds, and the Commission is in agreement with such findings and determinations;

NOW, THEREFORE, THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA DOES HEREBY DETERMINE AND RESOLVE, as follows:

1. The Commission hereby finds and determines in connection with the issuance of the Series 2003 Bonds that (i) the issuance of the Series 2003 Bonds is necessary or expedient, (ii) the proposed principal amount of the Series 2003 Bonds is adequate and not excessive for the proposed purpose of such issue, (iii) the proposed refunding is feasible, (iv) the City's debt management procedures and policies are good, and reasonable assurances have been given that its debt will continue to be managed in strict compliance with law, and (v) under current economic conditions the Series 2003 Bonds can be marketed at a reasonable interest cost to the City.

2. The Commission hereby authorizes and directs the officers and employees of the Commission to take such action as they may deem necessary or appropriate to assist the City in filing an application with the Local Government Commission for approval of the issuance of the Series 2003 Bonds pursuant to Section 159-86 of the General Statutes of North Carolina, as amended.

3. The Commission recommends the selection of the following professionals to assist the Commission and the City in connection with such financing and requests that the Local Government Commission approve such selection:

Bond Counsel	Sidley Austin Brown & Wood LLP Rand & Gregory, P.A.
Underwriter	Salomon Smith Barney Inc.
Underwriter's Counsel	Hunton & Williams The Charleston Group, P.A.
Trustee/Bond Registrar	The Bank of New York

Co-Trustee	Central Carolina Bank, a Division of National Bank of Commerce
Remarketing Agent	Salomon Smith Barney Inc.
Escrow Agent	The Bank of New York
Verification Agent	Grant Thornton LLP
Liquidity Provider	Dexia Credit Local
Liquidity Provider Counsel	Kutak Rock LLP
Swap Provider	Salomon Brothers Holding Company Inc.
Swap Provider Counsel	King & Spalding
Swap Advisor	Swap Financial Group, LLC
Bond Insurer	Financial Security Assurance Inc.

4. The Local Government Commission is hereby requested to sell the Series 2003 Bonds at private sale without advertisement to any purchaser or purchasers thereof, at such prices as the Local Government Commission determines to be in the best interest of the City, subject to the approval of the City.

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

6. Any resolutions heretofore adopted in respect of the provisions and findings hereof are hereby rescinded and replaced by this resolution.

ADOPTED this the 4th day of December, 2002.

PUBLIC WORKS COMMISSION


Chairman


Secretary