

RESOLUTION APPROVING THE ISSUANCE OF THE PUBLIC WORKS COMMISSION REVENUE NOTES, SERIES 2005 OF THE CITY OF FAYETTEVILLE, APPROVING THE FORM OF THE NOTE RESOLUTION ADOPTED BY CITY COUNCIL AND THE RELATED CERTIFICATE OF DETERMINATION AND AUTHORIZING THE EXECUTION OF THE RELATED OFFICIAL STATEMENT, PURCHASE AGREEMENT WITH THE UNDERWRITERS OF THE NOTES AND PREPAYMENT AGREEMENT WITH CAROLINA POWER & LIGHT COMPANY

WHEREAS, the Public Works Commission of the City of Fayetteville, North Carolina (Fayetteville being referred to hereafter as the "City" and its Public Works Commission as the "Commission") and Carolina Power & Light Company d/b/a/ Progress Energy Carolinas, Inc. ("PEC") have reached agreement on the terms of a "Prepayment Agreement" by the terms of which the Commission has agreed to pay PEC a lump sum prepayment for capacity and energy (the "Prepayment") to be sold by PEC to the Commission pursuant to the Master Power Purchase & Sale Agreement, dated March 27, 2002, between PEC and the Commission (the "Power Purchase Agreement"), in exchange for which PEC will give the Commission a discount of approximately ten percent (10%) on the purchase price that would otherwise be due to PEC for deliveries of power pursuant to the Power Purchase Agreement and will deliver an irrevocable standby letter of credit with a face amount equal to the amount of the Prepayment from Wachovia Bank, National Association, as collateral for the performance of its obligations under the Prepayment Agreement (the "Letter of Credit"); and

WHEREAS, the Commission is desirous of having the City issue its Public Works Commission Revenue Notes, Series 2005 (the "Series 2005 Notes"), in an aggregate principal amount not to exceed \$145,000,000 and sufficient for the purpose of providing funds, together with any other available funds, to (i) make the Prepayment on or before December 31, 2005, (ii) pay the premium for the issuance of an insurance policy by the Financial Security Assurance Inc. with respect to the Series 2005 Notes and (iii) pay the expenses of issuing the Series 2005 Notes;

WHEREAS, the Commission has been apprised that the City Council adopted on October 24, 2005 a resolution authorizing the Series 2005 Notes (the "Note Resolution") and approved on November 14, 2005 the form of a Certificate of Determination containing various findings of the Chief Financial Officer of the City and amendments to various provisions of the Resolution (the "Certificate of Determination"); and

WHEREAS, the Commission has received the Preliminary Official Statement dated November 10, 2005 of the City relating to the Notes (the "POS") and the form of a Purchase Agreement to be entered into between the Local Government Commission of North Carolina and the underwriters named therein and approved by the City and the Commission (the "Purchase Agreement"); and

WHEREAS, the Commission is desirous of having the City approve the Purchase Agreement and issue the Notes and of authorizing Commission representatives, for and on behalf

of the Commission, to execute the final Official Statement relating to the Series 2005 Notes, the Purchase Agreement and the Prepayment Agreement and to accept the Letter of Credit;

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

1. The Commission hereby approves the Note Resolution and the Certificate of Determination and hereby requests the City to issue the Series 2005 Notes in accordance with the terms thereof.

2. The Commission hereby authorizes and directs the appropriate officers and employees of the Commission to execute and deliver the following:

the Official Statement, in substantially the same form of the POS presented to the Commission;

the Purchase Agreement, in substantially the same form presented to the Commission; and

the Prepayment Agreement, in substantially the same form presented to the Commission.

3. The Commission hereby authorizes and directs the appropriate officers and employees of the Commission to accept the Letter of Credit, in substantially the same form as is annexed to the form of the Prepayment Agreement presented to the Commission, and to hold the Letter of Credit in safekeeping as collateral for the performance by PEC of its undertakings under the Prepayment Agreement. In the event that PEC shall fail to perform any of its obligations under the Prepayment Agreement with the result that an Event of Default or an Event of Termination, as defined therein, shall occur and PEC shall not make restitution for such event in accordance with the Prepayment Agreement, the Commission hereby authorizes and directs the General Manager and the Chief Financial Officer, or either of them, to complete, execute and present the Notice of Draw attached to the Letter of Credit to demand payment according to the terms and provisions of the Notice of Draw and to apply the proceeds of any such draw in accordance with the provisions of Section 2.07(f) of the Note Resolution as contained in the Certificate of Determination.

4. 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 issuing the Series 2005 Notes and to effect the transactions contemplated by the Note Resolution, the Prepayment Agreement, the Official Statement and the Purchase Agreement.

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

ADOPTED, this 16<sup>th</sup> day of November, 2005.

PUBLIC WORKS COMMISSION  
OF THE CITY OF FAYETTEVILLE

A handwritten signature in dark ink, appearing to read "Terri Union", is written over a horizontal line.

Terri Union, Chairman

Attest:

A handwritten signature in dark ink, appearing to read "Michael G. Lallier", is written over a horizontal line.

Michael G. Lallier, Secretary