

ORDER/RESOLUTION NO. 03-02

AN ORDER/RESOLUTION OF THE CITY OF SOMERSET KENTUCKY
DECLARING OFFICIAL INTENT WITH RESPECT TO REIMBURSEMENT
FROM SUBSEQUENT BORROWINGS FOR TEMPORARY ADVANCES
MADE FOR CAPITAL EXPENDITURES.

WHEREAS, Treasury Regulation § 1.150-2 (the "Reimbursement Regulations"), issued pursuant to Section 150 of the Internal Revenue Code of 1986, as amended, (the "Code") prescribes certain requirements by which proceeds of tax-exempt bonds, notes, certificates or other obligations included in the meaning of "bonds" under Section 150 of the Code ("Obligations") used to reimburse advances made for Capital Expenditures (as hereinafter defined) paid before the issuance of such Obligations may be deemed "spent" for purposes of Sections 103 and 141 to 150 of the Code and therefore, not further subject to any other requirements or restrictions under those sections of the Code; and

WHEREAS, such Reimbursement Regulations require that the Issuer (as hereinafter defined) make a Declaration of Official Intent (as hereinafter defined) to reimburse any Capital Expenditure paid prior to the issuance of the Obligations intended to fund such Capital Expenditure and require that such Declaration of Official Intent be made no later than sixty (60) days after payment of the Capital Expenditure and further require that the Allocation (as hereinafter defined) of the proceeds of such Obligations to reimburse such Capital Expenditures occur no later than eighteen (18) months after the later of the date the Capital Expenditure was paid or the date the property acquired with the Capital Expenditure was placed in service, except that any such Allocation must be made no later than three years after such Capital Expenditure was paid; and

WHEREAS, the City of SOMERSET, Kentucky (the "City") wishes to ensure compliance with the Reimbursement Regulations.

NOW, THEREFORE, be it ordered and resolved as follows by the City Council of the City of SOMERSET, Kentucky:

Section 1. Definitions. The following definitions apply to the terms used herein:

"Allocation" means written evidence that proceeds of Obligations issued subsequent to the payment of a Capital Expenditure are to effect the reimbursement of the City for such payments.

"Capital Expenditures" means any expense for an item that is properly depreciable or amortizable or is otherwise treated as a capital expenditure for purposes of the Code, as well as any costs of issuing Reimbursement Bonds.

"Declaration of Official Intent" means a written declaration that the City intends to fund a Capital Expenditure with an issue of Reimbursement Bonds and reasonably expects to be reimbursed from the proceeds of such an issue.

"Issuer" means the City of Spartanburg, Kentucky or any agency and instrumentality of the City.

"Reimbursement" means the restoration to the City of money temporarily advanced from other funds of the City to pay for Capital Expenditures before the issuance of Obligations intended to fund such Capital Expenditures. "To reimburse" means to make such a restoration.

"Reimbursement Bonds" means Obligations that are issued to reimburse the City for Capital Expenditures previously paid by or for the City.

"Reimbursement Regulations" means Treasury Regulations § 1.150-2 and any amendments thereto or superseding regulations, whether in proposed, temporary or final form, as applicable, prescribing conditions under which the proceeds of Obligations when allocated or applied to a reimbursement will be treated as "spent" for purposes of Sections 103 and 141 to 150 of the Code.

Section 2. Declaration of Official Intent.

(a) The City declares that it reasonably expects that the Capital Expenditures described in Section (b), which will be paid prior to the issuance of any Obligations intended to fund such Capital Expenditures, will be reimbursed with the proceeds of Obligations, representing a borrowing by the Issuer in the maximum principal amount, for such reimbursements, of \$ 15,000,000; and

(b) the Capital Expenditure(s) to be reimbursed are to be used for CONSTRUCTION OF WATER PARK.

Section 3. Reasonable Expectations. The City does not expect any other funds (including the money advanced to make the Capital Expenditures that are to be reimbursed), to be reserved, allocated on a long-term basis, or otherwise set aside by the City or any other entity, with respect to the Capital Expenditures described in 2(b).

Section 4. Open Meetings. It is found and determined that all formal actions of this City Council concerning and relating to the adoption of this Order/Resolution were adopted in an open meeting of this City Council; and that all deliberations of this City Council and of any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with the requirements of the Kentucky Revised Statutes.

Section 5. Effective Date. This Order/Resolution shall be effective from and after its date of adoption as provided by law.

This Order/Resolution was introduced, seconded and adopted at a duly convened meeting of the City Council of the City of Somerset, Kentucky, held on the 11th day of August, 2003.

J. Wiles

Mayor

Attest:
[Signature]

City Clerk

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting City Clerk of the City of Summit, Kentucky, that the foregoing is a full, true, and correct copy of an Order/Resolution adopted by the City Council of the City, at a meeting duly held on August 11, 2003, that said Order/Resolution appears as a matter of public record in the official records of the City, that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820, and 61.825, that a quorum was present at said meeting, that said Order/Resolution has not been modified, amended, revoked, or repealed; and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as City Clerk of said City on this 11 day of August, 2003.



City Clerk

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