

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
February 18, 1992

1. Call to Order and Roll Call:

The regular monthly meeting of the Board of the Metropolitan Sewerage District was held in the Boardroom of MSD's Administration Building at 2:00 p.m. on Tuesday, February 18, 1992. Chairman Smith called the meeting to order at 2:05 p.m. with the following members present: Bryson, Edwards, Ivey, Maas, McDonald, Penny, Post and Wallace.

Others present were: W. H. Mull, Engineer-Manager, John Stevens, General Counsel, Dean Huber and Bill Morris of Hendon Engineering Associates, Inc., Mr. Doyle Freeman and Mr. Jim Erwin of Henderson County, Debra Price representing Council of Independent Business Owners, Bob Tinkler representing the League of Women Voters, Stan Boyd, Angel Morris, and Susan Presley MSD.

2. Minutes of the January 21, 1992 Board Meeting:

Mr. Edwards moved that the minutes of the January 21, 1992 meeting be adopted as written. Ms. Bryson seconded. Voice vote was unanimous in favor of the motion.

3. Report of Engineer-Manager:

a. Proposal for Engineering Services, Beaverdam Interceptor Sewer (McGill Assoc.);

Mr. Mull presented a proposal from McGill Associates, P.A. for Engineering Services for the Beaverdam Interceptor Sewer Line. Mr. Mull reported the proposal was presented to the Sewer System Consolidation Committee February 10, 1992 and the committee recommended approval of the contract for a lump sum fee for Final Engineering Design and Construction of \$49,100.00 and Construction Administration and Post Construction Services for a maximum not to exceed fee of \$38,150.00. In addition, Mr. Mull presented a map showing the location of the project, which is one of the projects under the Priority I Interceptor Sewer Improvements. Following a brief discussion on the location of the lines, Mr. Edwards moved that the Board approve the proposal as presented. Mr. Post seconded. Roll call vote was as follows: 8 Ayes; 0 Nays.

b. Tentative Schedule for Bond Issue;

Mr. Mull presented a schedule of events in the refunding of the Series 1992A Sewerage System Revenue Bonds and stated that a special Board meeting will be held February 25, 1992 to approve the Preliminary Office Statement, Draft of the Bond Purchase Agreement, and Series Resolution. In addition, Mr. Mull reported that a meeting is scheduled for March 19, 1992 in New York with the Rating Agencies (Moody's and Standard & Poor's) and a special Board meeting will be held April 2, 1992 to adopt the Series Resolution followed by the Bond Closing April 15-16, 1992. Mr. Mull stated that a meeting was held with the Local Government Commission on February 14, 1992, to draft the first draft of the Preliminary Official Statement. Following a meeting of the Bond Finance Committee and it's request for additional information on the need for a new bond issue, Mr. Mull presented a cash flow analysis prepared by Mr. Dean Huber of Hendon Engineering and stated that a list of projects are forthcoming on another Reimbursement Resolution which will be presented to the Board at it's next regular meeting. Mr. Mull further stated that two factors are involved in any decision to go ahead with a new bond issue now for additional money instead of a year from now; 1). a cost savings to the District of approximately \$20,000.00 (one issue instead of two) and 2.) a low interest rate of 6.625%. Mr. Mull reported that enough projects are in place to warrant consideration of a new bond issue of approximately \$20.5 million along with the refunding of the 1986 bond issue. Mr. Mull presented a listing of interest rates ranging from the current rate of 6.625% up to 8.000% (prepared by Interstate/Johnson Lane Corporation) showing the proforma debt service and debt service increase at higher than current rates over the life of the issue. Following a lengthy discussion regarding the need for additional money for Sewer Consolidation needs, and whether the District should consider a single refunding issue of the 1986 bonds or take advantage of low interest rates and approve a combined issue Dr. Maas moved that the Board approve going forward with the preparation of a new bond issue up to \$22.5 million in conjunction with

refunding of the 1986 Bond issue. Ms. McDonald seconded. Voice vote was unanimous in favor of the motion.

4. Report of Officers

None

5. Report of Committees:

Chairman Smith welcomed Mr. O.R. (Pete) Post, III appointed to the Board by the Town of Montreat to fill the expired term of Steve Aceto.

Chairman Smith stated that Mr. George Ivey resigned as Chairman and Member of the Bond Finance Committee to avoid the appearance of a possible conflict of interest since he is employed by the District's current underwriters (selected prior to his employment with that company) and that Ms. McDonald has agreed to chair the committee. In addition, Chairman Smith appointed Mr. Pete Post as Chairman of the Capital Improvements Plan Committee and Mr. Charles Dent as Chairman of the Sewer System Consolidation Committee. Dr. Maas expressed his appreciation to Mr. Ivey as a member of the Board and suggested that Mr. Ivey serve as an advisor to the Bond Finance Committee on unrelated issues.

a. Sewer System Consolidation - Mr. Smith:

Reporting for the Sewer System Consolidation Committee, Chairman Smith stated that the committee met February 10, 1992 to discuss the status of several construction projects being handled by McGill Associates. Mr. Smith further stated that in addition to the Beaverdam Project, previously discussed, the committee considered a proposal regarding additional capacity for the proposed Buncombe County Jail and recommended that the District follow the guidelines established in the Sewer Line Upgrade and Rehabilitation Policy (adopted at the January 21 Board Meeting) and not participate in the upgrade of the line.

b. Right-of-Way Committee - Mr. Edwards

Mr. Edwards reported the Right-of-Way Committee met February 11, 1992 to discuss the status of the North Swannanoa Interceptor Sewer Project. Mr. Edwards reported that Hendon Engineering Associates, Inc. is working on obtaining two encroachment agreements from the NCDOT and Southern Railroad and that soil borings have been done to determine if an open cut or tunneling should be used, along with final traffic routing for construction of the line. Mr. Edwards further reported that Sayles Biltmore Bleacheries is in bankruptcy and has an offer to purchase the property and that MSD attorneys are presently negotiating with the purchasers for an easement agreement. Mr. Edwards stated that an easement acquisition for a section of property over the Blue Ridge Parkway is in the process of approval and execution and that nineteen easement agreements have been obtained; one through payment of \$685.00, 3 by providing taps, and 15 with no compensation.

d. Bond Finance Committee - Ms. McDonald

Ms. McDonald reported the Bond Finance Committee met January 31, 1992 to discuss the refunding of the 1986 bond issue, what company was going to be the underwriter and whether or not to consider a new bond issue. Ms. McDonald stated that following a lengthy discussion, the committee voted unanimously to recommend that the District proceed with a single underwriter (Interstate/Johnson Lane) contingent on the fact that Interstate/Johnson Lane secure a selling team satisfactory to the District and that its underwriter's discount be approved by the District Board and the Local Government Commission. In addition, Ms. McDonald stated that following refunding or new money and/or both, the committee agreed that the Committee would recommend that the District solicit proposals from a number of underwriters for any future bond issues. Following a

brief discussion, Ms. Bryson moved that the Board approve the recommendation of the committee to appoint Interstate/Johnson Lane as sole manager for this next issue or issues providing that company select a selling team satisfactory to the District and that the District and the Local Government Commission are satisfied with the discount fee; and that for any future bond issue or issues the District solicit proposals from a number of underwriters for the services. Mr. Penny seconded. Voice vote was unanimous in favor of the motion with Mr. Ivey abstaining.

6. Unfinished Business:

Mr. Mull reported that concerning the Resolution passed by the Board January 21, 1992 regarding MSD's cooperation with Buncombe County in a co-composting facility that MSD staff has been in contact with Buncombe County and that a meeting will take place to discuss the technical aspects of the proposal. Ms. Wallace requested that the Sludge Committee be notified of the meeting with the County.

7. New Business

Ms. Ann Laveck presented an interesting video on the operation of the TV Inspection Vehicle showing cleaning of sewer lines and the discovery of a lost manhole. Mr. Mull stated that another video is forthcoming for Board review.

At 3:15 p.m. Dr. Maas moved that the Board go into Executive Session to consider acquisition of real property and rights of way. Ms. McDonald seconded. Voice vote was in favor of the motion.

At 5:05 p.m. the Board reconvene the regular meeting.

Mr. Edwards moved that the Board approve \$1,000.00 for the aquisition of an easement for parcel #31 and \$1,500.00 for parcel #53 on the Swannanoa Interceptor Project. Ms. McDonald seconded. Roll call vote was as follows: 9 Ayes; 0 Nays.

8. Date of Next Regular Meeting: March 17, 1992

9. Adjournment:

There being no further business, the meeting adjourned at 5:15 p.m.


Jackie W. Bryson, Secretary/Treasurer

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

SPECIAL MEETING

February 25, 1992

1. **Call to Order and Roll Call:**

A Special Meeting of the Board of the Metropolitan Sewerage District was held in the Boardroom of MSD's Administration Building at 2:00 p.m. on Tuesday, February 25, 1992. In the absence of Chairman Smith and Vice Chairman Ivey, Ms. Diane McDonald called the meeting to order at 2:05 p.m. with the following members present: Bryson, Dent, Edwards, Frizzell, Maas, Penny and Wallace.

Others present were: W. H. Mull, Engineer-Manager, John S. Stevens, General Counsel, Mr. George Woodall of Interstate/Johnson Lane Corporation, Mr. Lee King of Kenmure Enterprises/Reems Creek Golf Club, and Mr. Alfred Adams, Attorney for Mr. King.

2. **Consideration of approval of the Preliminary Official Statement, Purchase Contract, Escrow Deposit Agreement and Series Resolution with authority delegated to the Finance Committee to approve pricing:**

Mr. Stevens reviewed the Series Resolution authorizing the District to apply to the Local Government Commission for approval to issue the Series 1992A and the Series 1992B Bonds (collectively, the "1992 Bonds"), to issue the same and to take other necessary action in connection therewith. He reported that the proceeds of the Series 1992A Bonds will be used with other available monies to purchase a "basket" of short-term government obligations maturing no later than July 1, 1996 when the Series 1986A bonds can first be called for redemption that will be placed in escrow with other available monies with Wachovia Bank of North Carolina, N.A. to advance refund the District's currently outstanding Series 1986A Bonds and to pay the expenses of issuance of the Series 1992A Bonds and such refunding. He further reported that the proceeds of the Series 1992B Bonds will be used to pay the costs of that portion of the District's capital improvements program described in the Preliminary Official Statement under the heading "The 1992 Improvements," to make the required deposit to the Debt Service Reserve Fund resulting from the issuance of the Series 1992B Bonds and to pay the expenses of issuing the Series 1992B Bonds.

Mr. George I. Woodall, Senior Vice President of Interstate/Johnson Lane Corporation, the managing underwriter of the proposed 1992 Bonds, then made a presentation to the Board. He indicated that his firm is monitoring interest rates daily and currently plans to mail the Preliminary Official Statement to potential purchasers of the 1992 Bonds on or about March 20, 1992. At currently prevailing rates the District could expect to issue the Series 1992A Bonds at an average interest rate of 6.44% (with a 6.624% coupon on the longest term bond of the Series) and to achieve cumulative savings of approximately \$1,335,000.00 from an advance refunding of the Series 1986A Bonds. Those cumulative savings translate into net present value savings of approximately \$700,000.00. Immediately prior to the proposed mailing date of the Preliminary Official Statement, his firm will prepare an estimate of the potential savings based on short and long-term interest rates then prevailing, and the District will be consulted regarding its desire to proceed with the offering of the 1992 Bonds at such time.

Mr. Woodall explained that the level of savings achievable by the District from the advance refunding of the Series 1986A Bonds is affected as much by changes in short-term interest rates on the government obligations that will be purchased for placement in the escrow account with Wachovia as it is by changes in long-term tax

exempt rates. Currently, those short-term rates are below the average interest rate on the currently outstanding Series 1986A Bonds, which is the legal maximum rate of interest the District can earn on the Government obligations to be purchased to fund the escrow account. If short-term interest rates increase, the District will be able to earn more on those investments and will not have to purchase as great an amount of them to fund the escrow account. Interstate/Johnson Lane Corporation will also be closely monitoring changes in short-term rates on government obligations.

Following a brief discussion regarding prevailing short and long-term interest rates and the current status of the proposed issue of 1992 Bonds, Mr. Penny recommended the Bond Finance Committee meet prior to the next meeting of the District Board.

Mr. Stevens briefly described the Purchase Contract, which defines the relationship between the District and the Local Government Commission (referred to in the Series Resolution) for the sale of the Bonds and the Escrow Deposit Agreement, which provides for the creation and funding of an escrow account to defease the 1986A Bonds. Mr. Stevens then presented the Preliminary Official Statement, which describes the District, historical background, what the District has done and what it proposes to do. Mr. Stevens reported that this document was prepared in part by the Engineer-Manager as to the findings of the condition of the District and the flow of money and that the Bond Underwriter, with the help of Bond Counsel in New York, were responsible for drafting the document. Mr. Stevens stated that additionally, the document describes the need for the Bonds, the reason for the refunding, and the reason for the issuance of the new Bonds. Mr. Stevens then presented Appendix A of the Preliminary Official Statement which describes in detail the existing system, capital improvements program, the sludge handling facilities, the hydro project, interceptor and collector lines, a biographical sketch of Board members and MSD staff, rates, fees and charges, budget and environmental regulations.

Following Board review, Mr. Dent moved that the Board adopt the Series Resolution, a copy of which is attached to these minutes. Mr. Penny seconded. Roll call vote was as follows: 8 Ayes; 0 Nays

In addition to the above documents, Mr. Stevens presented a Reimbursement Resolution which authorizes the reimbursement of money for project costs. Mr. Stevens stated that the effect of this resolution will be to decrease the possibility that the District might run into arbitrage problems with the new bond issue and use of a portion of the money to pay some earlier expenses. Mr. Mull stated that by passing this resolution the District can save part of the money now available to finance the Swannanoa Interceptor Sewer and use these proceeds to reimburse the District for a part of the cost of the plant expansion and Interceptor Sewer lines. Following a brief discussion Ms. Bryson moved that the Board adopt the Reimbursement Resolution. Mr. Edwards seconded. Roll call vote was as follows: 8 Ayes; 0 Nays

2: Consideration of Various Right's of Way;

Ms. Angel Morris stated that staff has been working with the Town of Weaverville and Reems Creek Golf Community in the assignment of some easements acquired by the Town of Weaverville and problems now evident with regard to the Capacity Depletion Fee. Ms. Morris presented four (4) easement agreements between private property owners and Kenmure Enterprises, Inc. during the development of the Reems Creek Golf Community and explained that the agreements state that property owners have the right to hook into the system at no cost except for the cost of a line from the home to the sewer tap and that the only other charges they would be responsible to pay are charges relating to continuing sewer service. Ms. Morris reported

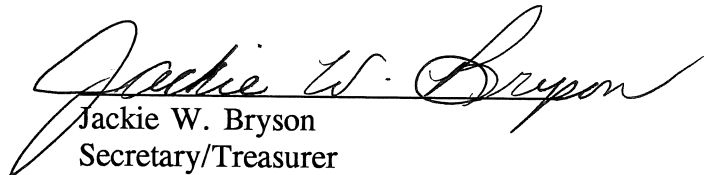
that in the application process to tap into the system, one of the four parties who signed an easement agreement (Mr. & Mrs. Brank) found that they were required to pay a Capacity Depletion Fee of \$600.00 for which they were not aware, and because they had signed an agreement they reported this situation to Mr. Lee King, of Kenmure Enterprises, Inc.

Mr. King stated that the easement agreements were made with the full knowledge of the Town of Weaverville and that no mention was made to the property owners or himself that property owners would be required to pay anything other than the continuing monthly sewer charges. Mr. King further stated that in a meeting with McGill Associates (the firm representing the Town of Weaverville) and MSD staff that it was understood that anything the Town of Weaverville had agreed to would carry forward and that he was present at today's meeting to ask that the four (4) easement agreements be honored. A discussion followed with regard to conveyance of the sewer lines to the MSD and the policy deadline regarding waiver of the Capacity Depletion Fee.

Mr. Alfred Adams, Attorney for Mr. King stated they were not made aware of the October 1, 1991 policy deadline by either the Town of Weaverville or the District prior to October 28, 1991, when the easements were signed over to the MSD. Following a lengthy discussion on fees that have been waived in the past and whether this waiver would set a precedent, Mr. Dent moved that the Board waive the tap fees but not the Capacity Depletion Fee. Mr. Edwards seconded. Voice vote was unanimous in favor of the motion.

3. **Adjournment:**

There being no further business, the meeting was adjourned at 3:30 p.m.


Jackie W. Bryson
Secretary/Treasurer

SERIES RESOLUTION OF THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$22,000,000 SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 1992A AND NOT EXCEEDING \$23,000,000 SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992B OF SAID DISTRICT PURSUANT TO THE PROVISIONS OF SECTIONS 211 AND 210 OF THE BOND ORDER ADOPTED BY SAID DISTRICT BOARD ON MAY 23, 1985, AS AMENDED, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE.

WHEREAS, the Metropolitan Sewerage District of Buncombe County (the "District"), a public body and body politic and corporate in the County of Buncombe, State of North Carolina, is authorized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively the "Enabling Act"), to acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, repair, maintain and operate any sewerage system or part thereof within and without the District, to issue revenue bonds of the District to pay the cost of a sewerage system and to issue revenue refunding bonds; and

WHEREAS, the District has heretofore issued \$20,700,000 principal amount of its Sewerage System Revenue Bonds, Series 1986A (the "Series 1986A Bonds") pursuant to the Enabling Act and a bond order adopted by the District Board of the District (the "District Board") on May 23, 1985, as amended on June 4, 1985 (which bond order, as so amended and as proposed to be amended pursuant to a resolution passed by the District Board on May 16, 1991 is collectively called the "Order"); and the Series 1986A Bonds are currently outstanding in the principal amount of \$19,680,000; and

WHEREAS, Section 211 of the Order authorizes the issuance of revenue refunding bonds of the District from time to time for the purpose of providing funds, with any other available funds, for (a) paying at maturity or redeeming prior to maturity all or any part of the outstanding bonds of any series issued pursuant to the Order, including the payment of any redemption premium thereon, and (b) if deemed necessary by the District Board, paying the interest to accrue thereon to the date fixed for redemption or stated maturity date or dates and any expenses in connection with such refunding; and

WHEREAS, the District has determined to proceed with the refunding of the Series 1986A Bonds and to pay the cost of such

refunding by issuing a series of revenue refunding bonds and using any other available funds; and

WHEREAS, Section 210 of the Order authorizes the issuance of additional revenue bonds of the District in one or more series from time to time for the purpose of providing funds for (a) paying all or any part of the cost of acquiring and constructing any Additional Improvements, as defined in the Order, (b) making the deposit to the credit of the Debt Service Reserve Fund established by the Order required for each such series of additional bonds and (c) establishing other reserves and paying other expenses incidental and necessary or convenient thereto; and

WHEREAS, the District has determined to complete new sludge handling facilities at the District's sewage treatment plant and to rehabilitate, repair or replace certain sewer lines as described under the heading "The 1992 Improvements" in the Preliminary Official Statement mentioned below, such additions and improvements to the Sewerage System, as defined in the Order, constituting Additional Improvements, and to pay the cost of such Additional Improvements by issuing an additional series of revenue bonds and using any other available funds; and

WHEREAS, the District Board has received information to the effect that the District will be able to satisfy the requirements of Section 211 of the Order with respect to such series of revenue refunding bonds and Section 210 of the Order with respect to such series of revenue bonds;

NOW, THEREFORE, THE DISTRICT BOARD OF THE METROPOLITAN SEWER-AGE DISTRICT OF BUNCOMBE COUNTY DOES HEREBY DETERMINE AND RESOLVE, as follows:

Section 1. Capitalized words and terms used in this Series Resolution (this "Resolution") and not otherwise defined herein shall have the same meanings in this Resolution as such words and terms are given in the Order.

Section 2. The District Board hereby finds and determines in connection with authorizing the issuance of revenue refunding bonds of the District pursuant to Section 211 of the Order, as hereinafter provided, that (i) the issuance of such refunding bonds is necessary or expedient for the District, (ii) the proposed principal amount of such refunding bonds is adequate and not excessive for the proposed purpose of such issue, (iii) the refunding of the Series 1986A Bonds to be effectuated by the issuance of such refunding bonds is feasible, (iv) the District's debt management procedures and policies are good and are managed in strict compliance with law and (v) under current economic

conditions such refunding bonds can be marketed at a reasonable interest cost to the District.

Section 3. The District Board hereby finds and determines in connection with authorizing the issuance of revenue bonds of the District pursuant to Section 210 of the Order, as hereinafter provided, that (i) the issuance of such bonds is necessary or expedient for the District, (ii) the proposed principal amount of such bonds is adequate and not excessive for the proposed purpose of such issue, (iii) the Additional Improvements proposed to be funded with the proceeds of such bonds and any other available funds are feasible, (iv) the District's debt management procedures and policies are good and are managed in strict compliance with law and (v) under current economic conditions such bonds can be marketed at a reasonable interest cost to the District.

Section 4. Pursuant to the Enabling Act and Section 211 of the Order, the District Board hereby authorizes the issuance of not exceeding \$22,000,000 principal amount of revenue refunding bonds of the District, such bonds to be designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 1992A" (the "Series 1992A Bonds"), to be dated as of such date, to consist of Capital Appreciation Bonds or Current Interest Bonds, Serial Bonds or Term Bonds or any combination thereof, to mature in such principal amounts on such dates, to have such Sinking Fund Requirements, to bear interest at such rates on such dates, to be subject to redemption prior to their respective maturities, to be issued in such form, to be numbered and to have such other terms and provisions as shall be provided in a resolution to be passed by the District Board after the award of the Series 1992A Bonds by the Local Government Commission.

Section 5. The proceeds of the Series 1992A Bonds, together with any other available funds, will be used to (i) pay at maturity and redeem prior to maturity the outstanding Series 1986A Bonds and pay the interest to accrue thereon to the stated maturity dates or date fixed for redemption as provided in the Escrow Deposit Agreement mentioned below and (ii) pay expenses incurred by the District in connection with the issuance of the Series 1992A Bonds and such refunding of the Series 1986A Bonds.

Section 6. Pursuant to the Enabling Act and Section 210 of the Order, the District Board hereby authorizes the issuance of not exceeding \$23,000,000 principal amount of revenue bonds of the District, such bonds to be designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds, Series 1992B" (the "Series 1992B Bonds"), to be dated as of such date, to consist of Capital Appreciation Bonds or Current Interest Bonds, Serial Bonds or Term Bonds or any combination thereof, to mature in such principal amounts on such dates, to have such Sinking Fund

Requirements, to bear interest at such rates on such dates, to be subject to redemption prior to their respective maturities, to be issued in such form, to be numbered and to have such other terms and provisions as shall be provided in a resolution to be passed by the District Board after the award of the Series 1992B Bonds by the Local Government Commission.

Section 7. The proceeds of the Series 1992B Bonds, together with any other available funds, will be used to (i) pay the Cost of the 1992 Improvements, as defined below, (ii) deposit to the credit of the Debt Service Reserve Fund an amount which, together with other funds available therefor, will be equal to the increase in the Debt Service Reserve Requirement in connection with the issuance of the Series 1992B Bonds and (iii) pay expenses incurred by the District in connection with the issuance of the Series 1992B Bonds. The "1992 Improvements" mean the Additional Improvements as described in the preamble of this Resolution or as modified by the District with the approval of an Appropriate Consultant.

Section 8. Wachovia Bank of North Carolina, N.A., Winston-Salem, North Carolina, is hereby designated as Bond Registrar for the Series 1992A Bonds and the Series 1992B Bonds.

Section 9. The Local Government Commission is hereby requested to sell the Series 1992A Bonds at private sale without advertisement to any purchaser or purchasers thereof, at such prices as said Commission determines to be in the best interest of the District, subject to the approval of the District Board; provided, however, that the purchase price of the Series 1992A Bonds is not less than ninety-eight percent (98%) of the face value of the Series 1992A Bonds plus one hundred percent (100%) of any accrued interest, that the maximum interest rate (or yield) on the Series 1992A Bonds does not exceed seven per centum (7%) per annum and that the maximum maturity of the Series 1992A Bonds does not exceed July 1, 2016.

Section 10. The Local Government Commission is hereby requested to sell the Series 1992B Bonds at private sale without advertisement to any purchaser or purchasers thereof, at such prices as said Commission determines to be in the best interest of the District, subject to the approval of the District Board; provided, however, that the purchase price of the Series 1992B Bonds is not less than ninety-eight percent (98%) of the face value of the Series 1992B Bonds plus one hundred percent (100%) of any accrued interest, that the maximum interest rate (or yield) on the Series 1992B Bonds does not exceed seven and one-quarter per centum (7-1/4%) per annum and that the maximum maturity of the Series 1992B Bonds does not exceed July 1, 2022.

Section 11. The Chairman and the Engineer-Manager of the District Board are each hereby authorized to consult with the Local Government Commission and prospective purchasers in connection with the private sale of the Series 1992A Bonds and the Series 1992B Bonds, subject to the provisions of this Resolution, and such officers are hereby directed to present their recommendations with respect to such sale to the District Board.

Section 12. The Preliminary Official Statement relating to the public offering of the Series 1992A Bonds and the Series 1992B Bonds and the Purchase Contract relating to the sale of the Series 1992A Bonds and the Series 1992B Bonds between Interstate/Johnson Lane Corporation, as the prospective underwriter (the "Underwriter"), and the Local Government Commission, each substantially in the form of the draft thereof presented to the District Board, are hereby approved, and the Chairman and the Engineer-Manager of the District Board are each hereby authorized to approve such changes in such Preliminary Official Statement and such Purchase Contract for and on behalf of the District Board as they, with the advice of counsel, may deem necessary and appropriate, subject to the provisions of this Resolution. The District approves and authorizes the distribution and use of copies of such Preliminary Official Statement and such Purchase Contract, with such changes as are authorized by this Resolution, by the Underwriter in connection with the public offering of the Series 1992A Bonds and the Series 1992B Bonds.

Section 13. Wachovia Bank of North Carolina, N.A., in the City of Winston-Salem, North Carolina, is hereby appointed the escrow agent in connection with the refunding of the Series 1986A Bonds (the "Escrow Agent"), subject to the right of the District Board to appoint another Escrow Agent as provided in the Escrow Deposit Agreement mentioned below, and as such shall perform its responsibilities as provided in such Escrow Deposit Agreement. Such Escrow Deposit Agreement, substantially in the form of the draft thereof presented to the District Board (the "Escrow Deposit Agreement"), and the creation of the Escrow Fund and other arrangements described therein to attain said refunding are hereby approved, and the Chairman and the Secretary and Treasurer of the District Board are each hereby authorized to approve such changes in the Escrow Deposit Agreement as are necessary and to execute the Escrow Deposit Agreement in the name and on behalf of the District.

Section 14. Ernst & Young is hereby appointed to perform the mathematical verification that the interest on and the maturing principal amounts of the Government Obligations and the Cash Deposit, as each such term is defined in the Escrow Deposit Agreement, will be sufficient to assure that moneys will be available to the Escrow Agent to pay the Series 1986A Bonds and the

interest and redemption premiums thereon as described in the Escrow Deposit Agreement.

Section 15. The officers, agents and employees of the District and the officers and agents of the Trustee, the Bond Registrar and the Escrow Agent are hereby authorized and directed to do all acts and things required of them by the provisions of the Order, the Escrow Deposit Agreement and this Resolution for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 16. This Resolution shall take effect immediately upon its passage.

RESOLUTION OF THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA DECLARING ITS INTENTION TO REIMBURSE SAID DISTRICT FROM THE PROCEEDS OF A TAX-EXEMPT FINANCING FOR CERTAIN EXPENDITURES TO BE MADE IN CONNECTION WITH CERTAIN CAPITAL IMPROVEMENTS

WHEREAS, the Metropolitan Sewerage District of Buncombe County (the "District") is a public body and body politic and corporate organized and existing under the laws of the State of North Carolina; and

WHEREAS, the District will make expenditures on and after the date hereof with respect to expenses incurred and to be incurred (the "Expenditures") in connection with completing new sludge handling facilities at the District's sewage treatment plant and rehabilitating, repairing or replacing certain sewer lines (the "Project"), as more fully described in Exhibit A attached hereto; and

WHEREAS, the District Board of the District (the "District Board") has determined that the funds advanced and to be advanced to pay Expenditures are or will be available for a temporary period and it is necessary to reimburse the District for Expenditures made on and after the date hereof with respect to the Project from the proceeds of one or more issues of tax-exempt bonds (the "Bonds"); and

WHEREAS, as of the date hereof, there are no funds of the District or of any other entity that is part of the controlled group of entities of which the District is deemed a part under Treasury Regulations sections 1.103-18 and 1.150-1(f) (the "Controlled Group"), that are, or are reasonably expected to be, allocated on a long-term basis, reserved or otherwise available pursuant to the budgets of the District or of any other entity that is part of the Controlled Group to finance the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD AS FOLLOWS:

Section 1. The District Board hereby adopts this declaration of official intent under Treasury Regulations Section 1.103-18(c)(2)(i) and declares its intent to reimburse the District with the proceeds of a tax-exempt financing for Expenditures made on and after the date hereof with respect to the Project.

Section 2. On the dates of the Expenditures, all reimbursable costs of the Project will be of a type properly chargeable to a capital account under general federal income tax principles.

Section 3. The maximum principal amount of debt expected to be issued for the Project is \$25,699,000.

Section 4. The passage of this resolution is consistent with the budgetary and financial circumstances of the District and all other entities that are part of the Controlled Group.

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

Section 6. Beginning no later than 30 days after the passage of this resolution and ending on the date on which the Bonds are issued, this resolution will be reasonably and continuously available for inspection by the general public, on each business day and during normal business hours, at the offices of the District located at 2225 Riverside Drive, Asheville, North Carolina 28804.

Exhibit A

DESCRIPTION OF PROJECT

Completion of new sludge handling facilities at the District's sewerage treatment plant - \$8,285,000.

Rehabilitation, repair or replacement of certain sewer lines, as follows:

North Swannanoa Interceptor - \$10,156,000

South French Broad Interceptor - \$3,643,000

Beaverdam Interceptor - \$1,454,000

Sweeten Creek Interceptor - \$2,161,000