

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
SPECIAL MEETING

July 8, 1993

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

A special meeting of the Board of the Metropolitan Sewerage District was held July 8, 1993, at 8:30 a.m., to consider proposals for Underwriting the proposed refunding of the 1991 Series A and 1992 Series A&B Revenue Bonds.

Vice Chairman Post called the meeting to order at 8:45 a.m. with the following members present: Bryson, Dent, Joyner, Post, Selby, and Slosman. Those members absent were: Casper, Frizsell, Ivey, Penny and Wallace.

Others Present were: W. H. Mull, Engineer-Manager, John Stevens, General Counsel, Mr. Garnett C. Ball with Municipal Advisors, Inc., David Gray and Tom Pierce with Robinson-Humphrey, Matthew C. Burril and Ella Ferrell with Hilliard-Lyons, Lisa Vanderbeek and Bob Douglas with A. G. Edwards, Rick Green and Dan Boyd with Wachovia, Russ Martin with Merrill-Lynch, High Tanner and Jack Sherman with J.C. Bradford, George Woodall and Dick Brigden with Interstate/Johnson Lane Corp. and Linda Dickson, MSD.

**2. Presentations of Proposals for Underwriting Proposed 1993 Refunding Bonds - (Mr. Garnett C. Ball with Municipal Advisors, Inc. will assist the Board in the evaluation of the proposals);**

Mr. Mull Introduced Mr. Garnett C. Ball of Municipal Advisors, Inc. who will assist the Board in the selection of underwriters. Mr. Ball gave a brief report on his work experience and the background of Municipal Advisors, Inc. In consideration of the proposals to be presented, Mr. Ball stated that the Board should focus on what the firms are saying, the chemistry of the firms and sales capability in North Carolina. Mr. Ball further stated that the Board will need to decide some basic parameters on how it would like to proceed and what gross and present value savings the District is looking for. Mr. Ball suggested that following the presentations, the Board should select 3 or 4 firms and authorize those firms to enter into a negotiation with management, one member of the Board, and MAI to determine what level of fees are reasonable and what the structure should be and make a recommendation to the Finance Committee and/or the full Board no later than July 12, 1993. Mr. Ball reported that in his review of the fees and structure of those proposals previously presented, that the fees were higher than necessary. In addition, the run date for the numbers are a couple of weeks old and interest rates have come down approximately 10 basis points since that time.

At 8:45 a.m. Mr. Slosman moved that the Board go into Executive Session to consider the retainment of an independent contractor. Mr. Dent seconded the motion. Voice vote was unanimous in favor of the motion.

At 8:50 a.m. the Board reconvened the regular meeting.

Mr. Mull presented a letter from Mr. Robert M. High, Deputy Treasurer with the Local Government Commission (LGC) stating that the Executive Committee of the LGC formally approved the District's request to distribute a preliminary official statement prior to a request for LGC approval in August. However, the bonds may not be priced until after LGC approval has been obtained. In addition, Mr. Mull presented a list of firms that were sent the request for proposal.

The Proposals were presented as follows:

a. Robinson-Humphrey Company, Inc. - David Grey and Tom Pierce

Mr. Grey gave a brief summary on the background of The Robinson-Humphrey Company, Inc. and reported that at the time of the initial analysis, April 29, 1993, interest rates were approximately 20 basis points higher, however, due to lower interest rates as of this date, the bond size has increased to a point where the District can realize a substantial savings by refunding its bonds prior to the August 13, 1993 deadline. Mr. Grey presented a Refunding Analysis showing two different structures; a Uniform Savings Structure and a Savings at Closing Structure. The Uniform Savings structure showed a Gross Savings of \$2,084,032, a Present Value Savings of \$1,193,678, a percent of the Refunded Bonds at 4.9458%. The Savings at Closing structure showed a Gross Savings of \$1,226,959, a Present Value Savings of \$1,182,850 and a percent of the Refunded Bonds at 4.9004%. Mr. Grey further reported that an analysis was performed on both structures and it was determined that the structure weighted with Capital Appreciation Bonds (CAB's) produced a higher savings and that both structures have CAB's incorporated. Mr. Grey discussed current yields and debt structure and reported that the following assumptions were based on recent transactions: Cost of Issuance at 60 basis points is 6/10 of 1%; the Underwriter's Discount at 53.5 basis points is 1/2 of 1% against the par amount of the issue (approximately \$140,000) and the Insurance Premium at 35 basis points is on an uninsured model, which outperforms an insured model. A discussion followed as to the time involved in going through the rating agencies if the District decided to proceed with an uninsured issue and the difference between a CAB issue and a fixed rate issue. Mr. Grey then presented a Savings Reports and a list of Robinson-Humphrey's Public Finance experience in North Carolina and Water & Sewerage experience from 1991 to date. Following a brief discussion regarding the fee structure, Mr. Grey expressed his appreciation to the Board for hearing Robinson-Humphrey's proposal.

b. Hilliard-Lyons - Mr. Matthew Burril

Mr. Burril presented a brief summary of Hilliard-Lyons experience in municipal bond underwriting, management and retail base. Mr. Burril reported that the objective of his presentation is to be named as co-manager for refunding of the bonds with good access to local issues. Mr. Burril further reported that Hilliard-Lyons is well capitalized and has not had a loss in any year since 1922 or a losing quarter since 1972. Mr. Burril stated that in running valuations on the bonds and how they are trading on the long run, the 6 3/4 bonds are running at approximately 110 to 111% of par and trade very well. Following questions with regard to insured versus uninsured bonds, and the firm's expectations as to the amount of the deal they would be able to handle, Mr. Burril stated that Hilliard-Lyons would be comfortable in handling up to 50% of the deal and reminded the Board that as a co-manager, there would be no additional cost to the District.

Mr. Ball explained that whoever is selected as managing underwriter the District can insure that firms such as Hilliard-Lyons will have an adequate amount of bonds to sell by naming the firm a "Major Bracket Underwriter" (preferred underwriter) or make the firm a co-manager, which gives strength in terms of structuring and distribution. Mr. Stevens reported that for the first three bond issues the District named one principal manager with three co-managers, all of whom participated in the development of documents, shared in the underwriting fee and all had a local presence, except for one, who had substantial statewide institutional presence. Mr. Stevens further reported that in the last issue there was only one underwriter but there was a locked in allocation of

bonds to various firms recommended by the District. A discussion followed regarding fees and uninsured versus insured bonds. Mr. Ball recommended that the District proceed with applying for insurance with the rating agencies, which will give the District the option of going both ways. Mr. Burril expressed his firm's appreciation for the opportunity to make a presentation.

c. A.G. Edwards - Bob Douglas and Lisa Vanderbeek

Mr. Bob Douglas presented A.G. Edward's Annual Report and stated that they are very capable in handling the transaction and have priced the proposal in a competitive fashion to reflect the firms eagerness to work with the District. Mr. Douglas than introduced Ms. Vanderbeek who gave a brief overview of the firm's experience and reported that through the first quarter of 1993, A.G. Edwards was the 11th ranked underwriter of refunding issues in the country, having managed 46 issues with a total par amount of approximately \$950 million. Ms. Vanderbeek presented a Refinancing Summary which proposes to refund all of the District's outstanding 1991 A Bonds and all of the outstanding 1992 B Bonds, except for the term bond maturing in 2012. Ms. Vanderbeek further reported that in looking at the refunding portion of the 1992 A Bonds, it was determined that they could not be refunded and that it was not economically feasible to refund a term bond maturing in 2012, (not callable in the 1992 B new money portion of the issue). Ms. Vanderbeek stated that in using this structure, the District will realize a Cumulative Savings of \$2,741,930.38 and a Net Present Value Savings of \$1,377,643.76 at a % of Par Amount of 4.30%, assuming affirmation of the District's Bond rating and that the new money allocation of the Series 1992 B is a proper tax allocation and subject to review by Bond Counsel. Ms. Vanderbeek presented a proposed fee schedule showing the total proposed fee at \$7.032 per thousand, (approximately \$246,618.75), which does not include the bond counsel fee and other hard fees, such as rating agency fees, printing, etc. Ms. Vanderbeek stated that the hard cost should not be a factor in the selection of an underwriter and that those costs would be bid at a later date and included in the cost of issuance. A Discussion followed regarding callable bonds. Ms. Vanderbeek stated that A.G Edwards recommends a 10 year call with a lower premium. Mr. Stevens asked for a clarification on the use of insurance. Mr. Vanderbeek stated that A.G. Edwards looked at insurance and determined that it was not beneficial because the interest rate is not low enough to offset the premium you would have to pay an insurance company. Following a brief discussion, Ms. Vanderbeek stated that A.G. Edwards is very interested in working with the District and expressed her appreciation to the Board for the opportunity to present its proposal.

d. Wachovia Bank of North Carolina, N.A. - Rick Green and Dan Boyd

Mr. Rick Green of Wachovia Bank of North Carolina, N.A., gave a brief summary of Wachovia's experience in municipal bonds, government securities and water and sewer transactions in North Carolina. Mr. Green presented a chart showing the percent of total NC general obligation debt managed/co-managed by Wachovia since 1987 and reported that as a participant in the municipal market, Wachovia has purchased over 50% of all the general obligation issues that have come to market and has the ability to access investors, both on a grass roots basis in North Carolina as well as institutional and national investors that will buy North Carolina paper at a lower interest rate. In addition, Mr. Green presented charts showing Wachovia's Retail Offices; Marketing Plan for the District's Financing (with an emphasis on North Carolina Retail Investors); Financing Structure Considerations and Services Provided. With regard to Refunding Considerations, Mr. Green reported that because the Series 1992 A bonds, which refunded the 1986 Bonds, would not be eligible for refunding, the analysis focused only on the 1991A and 1992B bonds. Mr. Green further reported that based on current conditions, Wachovia does not recommend refunding the 1992B bonds. Mr. Green stated that In refunding the entire 1991A bonds, the Cumulative Savings would be

\$633,896 with a Net Present Value Savings of \$390,776 or 2.77% of the outstanding issue. A discussion followed as to the reasons for not refunding the 1992B bonds and whether Wachovia considered refunding only the term and callable bonds or the whole issue. Mr. Green reported that analysis refunded all but the 2012 issue which was not callable and that because of time restraints, they were not able to go through each maturity but if necessary, would be happy to do a further analysis. Mr. Green presented a spread sheet showing a total cost of issuance at \$8.08 per thousand. Mr. Slosman asked for a clarification on the total cost. Mr. Green stated that the total cost of approximately \$127,583, assumes refunding the 1991 A Bonds only. Mr. Stevens asked where the verification fee would fall. Mr. Green stated that the verification fee, under Local Government Commission guidelines, is part of the cost of issuance. A brief discussion followed regarding other cost and whether Wachovia is interested in being a manager or a co-manager. Mr. Green stated that Wachovia would be interested in either aspect, but because they are a bank, they are not able to underwrite the issue in terms of being able to direct the risk capital, but is able to bring its management and distribution expertise into the transaction. Following a question as to whether the analysis is based on an insured or uninsured issue, Mr. Green reported that the analysis was based on a rated issue.

Mr. Ball stated that what Mr. Green was saying is that when the negative arbitrage is to great, the result is a loss, therefore, he would have to compare Wachovia's numbers with those of other firms. Mr. Ball further stated that the District does not have to give approval until the actual day the bonds are sold, therefore, there is very little expense involved in the process because the firm or firms selected would not get paid unless the District agreed to do the issue. A brief discussion followed. Mr. Green expressed his appreciation to the Board for their time in hearing Wachovia's presentation.

e. Merrill Lynch & Company - Russ Martin

Mr. Russ Martin gave a brief presentation on Merrill Lynch & Company's presence in North Carolina and its sales capability and reported that Merrill-Lynch has sold more municipal bonds in North Carolina, both in the primary and secondary markets, than all other investment banks combined. Mr. Martin presented a chart showing Merrill Lynch's capital strength and commitment in underwriting municipal issues. In addition, Mr. Martin presented a Summary of Refunding Results and stated that the Arbitrage and Escrow yields are very efficient at 5.334346% and 5.333781% respectively with an Average Life at 18.915 years. Mr. Martin reported that the Par amount of refunded bonds is \$25,555,000.00 with a Present Value of prior debt at 5.334346% (approximately \$30,042,254.49) and a Net Savings of \$1,245,554.59. Mr. Dent asked if the analysis considered refunding both the 1991 A and 1992 A&B Bonds. Mr. Martin stated that there are some bonds that cannot be refunded but those that can be refunded are a part of the analysis. With regard to the Statement of Input Assumptions, Mr. Slosman asked if the underwriters discount and other fees are included in the total of \$10.00 per thousand cost of issuance. Mr. Martin stated that although other cost are involved, the underwriters fee is included in the total cost, but the cost of underwriters counsel is not included.

Mr. Ball stated that the analysis shows the original issue discounted at \$600,000+, which is an incentive to brokers in selling the bonds, therefore, should be evaluated along with the charge for cost of issuance. Mr. Ball further stated that in order to pay that, it would be necessary to issue more bonds than needed if the bonds went under par. In addition, the analysis shows that the further you get away from today's date the harder it is to sell the bonds, the longer the bond holder has to hold the bonds, the more risk the bond holder sees. Therefore, the bond holder is either going to have to sell a lot harder or have to pass along some of the savings to the bond holder,



one of the two, and this gives them some flexibility in how they sell their bonds.

Mr. Martin stated that the bonds will be very easy to sell, but from the retail side it will be harder to sell premium bonds until you get into the institutions. Mr. Martin then presented information on the Bond Debt Service and a Savings report showing a Present Value Savings of \$1,245,554.59. Mr. Martin stated that if the District prefers the debt service savings in the first couple of years, the schedule can be altered without a sizeable effect on the savings.

Mr. Ball reported that at the option of the Board, instead of taking the savings, the District could pay the principal for earlier years, which would greatly enhance the savings.

Mr. Martin reported that one penny on the rate is approximately \$60,000, which would keep a little over a penny's pressure off the rate or if the District threw the 65 and then 73 back into the principal, it would generate a stepping down of its requirement after the 12th or 15th year, substantially adding to the total savings. Mr. Martin then presented reports on the Escrow Requirements, Cost and Sufficiency. A brief discussion followed regarding the run date. Mr. Martin expressed his appreciation to the Board for its time in hearing the presentation and stated that Merrill-Lynch looked forward to working with the District.

f. J.C. Bradford & Company - Hugh Tanner and Jack Sherman

Mr. Sherman gave a brief presentation on the history of J.C. Bradford's Municipal Bond experience, Underwriting Qualifications and North Carolina Presence. Mr. Sherman emphasized the team approach of J.C. Bradford & Company and First Charlotte, which is the North Carolina municipal banking, underwriting, sales and trading headquarters. Mr. Sherman reported that J.C. Bradford prepared eight different scenarios for the refunding of the bonds and gave a brief summary on the assumptions made in each scenario. Mr. Sherman presented a Summary report for refunding the 1991 A and 1992 A&B bonds on a callable basis, both individually and cumulative. Mr. Sherman reported that on a cumulative basis, the Present Value Savings would be \$1,333,265 at 2.931%, (an approximate \$72,000 to 73,000 savings per year and a gross savings of approximately \$2.7 million). Mr. Sherman further reported that in the preparation of the analysis, they assumed using SLUGS because they removed the inefficiencies in the escrow. As a comparison, Mr. Sherman presented a Refunding Analysis and charts for refunding all Term Bonds with a 6.75% Coupon with a cumulative Present Value Savings of \$974,594 at 3.590%. A discussion followed regarding the difference in refunding callable bonds as opposed to term bonds. Mr. Sherman reported that by refunding all of the bonds the annual savings would be \$5,000 to \$7,000, however there are advantages of doing both. Mr. Ball questioned the refunding of the 1992 A bonds since these bonds refunded the 1986 bonds after the cut-off date of January 1, 1992. Mr. Sherman stated that new figures can be made available in a short period of time. Regarding the term bonds, Mr. Ball reported that if the District decided to refund the term bonds the issue size would be smaller, therefore, there would not be as many bonds to sell. Mr. Sherman expressed his appreciation to the Board for hearing J.C. Bradford's proposal.

g. Interstate/Johnson Lane Corporation - George Woodall and Dick Brigden

Mr. Woodall presented a brief history on Interstate/Johnson Lane and its relationship with the District and clarified Mr. Ivey's position in relation to that of Interstate/Johnson Lane Corporation. Mr. Stevens asked for a more detailed definition. Mr. Woodall stated that it has cost Mr. Ivey, as a member of the Board, in that he is not eligible to receive a finders fee. Mr. Woodall presented a brief history of the firm, its market presence, financing credentials, recently managed transactions and tax-exempt

transactions managed/co-managed since 1985. In addition Mr. Woodall presented a Financing Timetable and Description of Services that will need to take place if the District decides to proceed. Mr. Woodall reported that Interstate/Johnson Lane has already taken steps to get the District on the Local Government Commission's calendar with a scheduled sale date of August 2, 1993 and have discussed the District's financing with a number of bond insurance companies in getting an insurance commitment. Mr. Woodall explained that Interstate/Johnson Lane is at an advantage in that it will not have to do an extensive due diligence, because of its familiarity with the District over the year. Mr. Woodall further reported that bond counsel stands ready to update the Preliminary Official Statement so that the District can move in a timely manner. Mr. Woodall presented an estimate of underwriting costs and reported that the total underwriting expenses comes to \$8.24 per thousand (approximately \$277,111). Following a brief discussion regarding co-manager fees and whether such fees are negotiable, Mr. Woodall explained the effect of a dollars difference in the cost of issuance. Mr. Woodall presented a revised Sensitivity Analysis and reported that if the District refunded the 1991 A callable bonds only the Total Savings would be \$537,673 with a Present Value Savings of \$324,475 at a 2.94%. If the District refunded the 1992 A&B Term Bonds due 2016 and 2022 the Total Savings would be \$1,532,805 with a Present Value Savings of \$767,840 at 4.19%. In combining refunding of the 1991A callable bonds and 1992 A&B Term Bonds due 2016 and 2022 the Total Savings would be \$2,070,478 with a Present Value Savings of \$1,092,315 at 3.72%. Mr. Woodall reported that the reason for the change in figures since his last presentation is there has been a 20 basis point movement in the market, plus the cost of issuance is less conservative. A discussion followed regarding the costs of issuance. Mr. Woodall reported that the costs shown does not reflect the cost of an audit or engineering report because these reports can be obtained through the insurance companies. Mr. Woodall expressed his appreciation to the Board for their time in hearing Interstate/Johnson Lane's presentation.

Mr. Ball reported that the process from now on in is the selection of an underwriting team and working through the entire next month addressing issues. Mr. Ball further reported that his responsibility as a Financial Advisor would, if selected, take charge of the day to day details, to essentially referee the investment bankers in this process and to evolve from everyone's input the best financing the District can get in terms of the structure and the negotiation of fees and interest rates. Mr. Ball stated that Municipal Advisor's fee structure for serving as Financial Advisor is 1/10 of 1%, for the first \$20 million and 1/10 of 1% for the next \$10 million, (\$15,000 to \$30,000) approximately one-half of the cost charged by bond counsel. Mr. Ball further stated that 2 of the 7 firms have indicated that they are not interested in management, but would like to be assured that they will have bonds to sell, therefore, the Board should insure that those firms will have bonds to sell by locking in their allocation. In addition, the Board should narrow its selection down to four firms and negotiate with those firms the elements of their fees aside from those fees for underwriting and come back to the Board with a recommendation for a senior manager and two co-managers, which would maximize the sales force. There being no further discussion, Mr. Slosman moved that the Board approve a resolution approving Mr. Ball, of Municipal Advisors as the Financial Advisor at the fees previously presented. Following a clarification on the fees, Mr. Ball stated that his firm would not charge any out-of-pocket expenses for North Carolina. With no further discussion, Mr. Selby seconded the motion. Roll call vote was as follows: 6 Ayes; 0 Nays. The resolution is as follows:

#### RESOLUTION

WHEREAS, the Metropolitan Sewerage District of Buncombe County, North Carolina, has been made aware that interest rates have fallen since issuing its 1991 and

1992 Bonds; and

WHEREAS, several investment bankers have shown to the District possible savings of debt service associated with refunding portions of the 1991A and 1992 A&B Bonds in the present value range of 3.5% to 4.97%; and

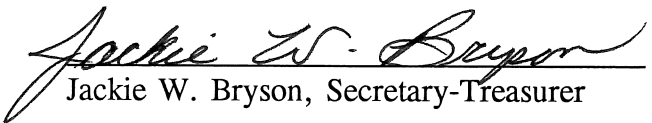
WHEREAS, the District has several new Board Members who have not participated in a municipal bond sale and it would be especially helpful for them and for all of the Board Members to have the benefit of the individual attention and expertise of a financial advisor to assist the Board in the selection of underwriters and in managing a bond refunding; and

WHEREAS, Municipal Advisors, Incorporated of Virginia Beach, Virginia (MAI) has previously been engaged by the District to assist it in a comprehensive management study; and

WHEREAS, MAI has the expertise to assist the District in selecting among underwriters and in serving as its financial advisor;

NOW, THEREFORE, BE IT RESOLVED that the Metropolitan Sewerage District Board hereby appoints Municipal Advisors, Incorporated of Virginia Beach, Virginia to serve as its Financial Advisor in connection with the refunding of its 1991 and 1992 Bonds subject to the approval of the North Carolina Local Government Commission.

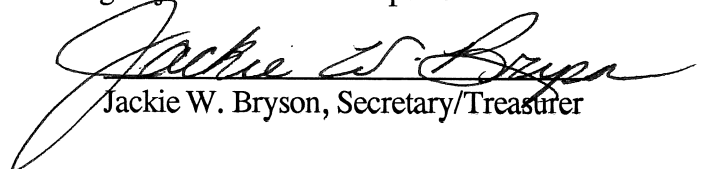
The foregoing resolution was duly adopted at a specially called meeting of the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina held at the district offices at Riverside Drive, Asheville, North Carolina, at 8:30 a.m. on July 8, 1993.

  
Jackie W. Bryson, Secretary-Treasurer

With regard to the selection of underwriters, Mr. Stevens stated that he was concerned about the Board delegating to a Committee the selection, since this is a Board responsibility. However, if the Board feels like it is in a position to select 3 or 4 firms and then delegate the responsibility of fee negotiation with staff, the Bond Finance Committee and Financial Advisor, it would be okay, but the Committee cannot technically make a decision on behalf of the Board. Mr. Stevens further stated that Board members who are not present might feel uncomfortable if management, or particularly the Committee, proceeds to make that selection, but the Board can delegate to Administration the responsibility and if the Board is comfortable with delegating to staff, who will in turn consult with the Finance Committee and the Financial Advisor the responsibility of picking an underwriting team that would be fine, but eventually the Board will have to ratify that decision. There being no further discussion the Board set a special meeting for July 12, 1993 to consider the selection.

### 3. Adjournment

There being no further business the meeting adjourned at 12:30 p.m.

  
Jackie W. Bryson, Secretary/Treasurer

## RESOLUTION

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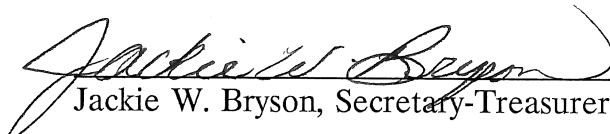
WHEREAS, the District has several new Board Members who have not participated in a municipal bond sale and it would be especially helpful for them and for all of the Board Members to have the benefit of the individual attention and expertise of a financial advisor to assist the Board in the selection of underwriters and in managing a bond refunding; and

WHEREAS, Municipal Advisors, Incorporated of Virginia Beach, Virginia (MAI) has previously been engaged by the District to assist it in a comprehensive management study; and

WHEREAS, MAI has the expertise to assist the District in selecting among underwriters and in serving as its financial advisor;

NOW, THEREFORE, BE IT RESOLVED that the Metropolitan Sewerage District Board hereby appoints Municipal Advisors, Incorporated of Virginia Beach, Virginia to serve as its Financial Advisor in connection with the refunding of its 1991 and 1992 Bonds subject to the approval of the North Carolina Local Government Commission.

The foregoing resolution was duly adopted at a specially called meeting of the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina held at the district offices at Riverside Drive, Asheville, North Carolina, at 8:30 a.m. on July 8, 1993.

  
Jackie W. Bryson, Secretary-Treasurer

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
SPECIAL MEETING

July 12, 1993

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

A special meeting of the Board of the Metropolitan Sewerage District was held July 12, 1993, at 10:30 a.m., to consider the approval of underwriters for refunding portions of the 1991 Series A and 1992 Series A&B Revenue Bonds.

Vice Chairman Post called the meeting to order at 10:40 a.m. with the following members present: Bryson, Dent, Joyner, Penny, Post, Selby and Slosman. Those members absent were: Casper, Frizsell, Ivey and Wallace.

Others Present were: W. H. Mull, Engineer-Manager, John S. Stevens, General Counsel and Garnett C. Ball, Jr. with Muncipal Advisors, Inc.

At 10:42 a.m. Mr. Dent moved that the Board go into Executive Session to consider a personnel matter and selection of a financial advisor. Mr. Slosman seconded the motion. Voice vote was unanimous in favor of the motion

At 11:15 a.m. Mr. Penny moved that the Board reconvene the regular meeting. Mr. Dent seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Slosman moved that the Board accept the resignation of George E. Ivey, with regret. Mr. Joyner seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Stevens reviewed portions of the North Carolina Statutes relating to Local Government Bond sales and the role and responsibility of the Local Government Commission in that process.

**2. Consideration of Approval of Underwriter(s) for Refunding of Portions of the 1991 Series A and 1992 Series A&B Revenue Bonds;**

Mr. Ball, Financial Advisor for the District reported that in consideration of the proposals received he was of the opinion that the District needs the capability to sell the bonds to as many customers as possible and create a demand for the bonds, thereby decreasing the cost that is paid for the bonds. Mr. Ball presented a summary of the seven firms that presented proposals on July 8, 1993 and reported that of the seven firms, excluding Hilliard-Lyons, six proposals from various investment banking firms were present, all of which were different. Five of the six firms reported that they had evaluated the purchase of insurance and felt it was not cost effective, although they did feel that because of the time frame involved that it might be necessary and one firm stated that the bonds should be insured. Mr. Ball further reported that the insurance premium, should it be insured and depending on the size of the issue, would exceed \$200,000, (Interstate/Johnson Lane Corporation calculated the insurance premium at \$207,000) therefore, if the District does not buy the insurance and pay the premium up front, it can afford to pay a little higher interest rate, but the question is how much higher does that interest have to be, (Robinson-Humphrey stated that the interest rates should be between 5 and 10 basis points higher).

Mr. Ball briefly pointed out the importance of the follow issues: Do the firms have an Asheville office? How many offices are located in North Carolina? and the fee structure for handling the financing. With regard to the fee structure, Mr. Ball reported that the District paid a little over \$10.00 per thousand on the last issue and the proposals presented, in terms of price, range from a low of \$5.35 with Robinson-Humphrey and up to \$10.00 with Merrill-Lynch and J.C. Bradford. Mr. Ball further reported that the proposals received had a mismatch of what was included in the fee structure; in some cases, expenses and the cost of the underwriters counsel were included in the fees. In

addition, all proposals came in with numbers run to indicate what possible savings there might be and all had interest rates that had a net interest cost of within 10 basis points of one another. Mr. Ball stated that he did not place a lot of credit on that since what is important to the District is what they will sell the bonds for and what rate those bonds will generate when they are sold.

As an example, Mr. Ball pointed out that in Robinson-Humphrey's presentation they talked about refunding only the callable bonds of the 1991 A and a mixture of the 1992 A&B Series bonds to take advantage of the tax law. Mr. Ball stated that Robinson-Humphrey's value was higher, but its scale to price the new bonds was lower; approximately 8 to 10 basis points.

In review of the presentations, Mr. Ball presented the following overview of his assumptions: Hilliard-Lyons asked to be a co-manager and basically wanted bonds to sell. A.G. Edwards, Inc. stated that all the bonds should be refunded and had the highest issue at \$35 million. Wachovia Bank stated that they could not refund the 1992 bonds because the District would not save money by doing so. Mr. Ball reported that in review of Wachovia's runs on the 1992 issue, the rates were a little higher. Merrill-Lynch showed a non-insured refunding but had a large amount of original issue discount of \$700,000, which gives Merrill-Lynch the ability to place the bonds quickly with institutions. J.C. Bradford and First Charlotte's presentation was very innovative with eight different scenarios given. Interstate/Johnson Lane stated that because of the time frame and because it would be more cost effective, the bonds should be insured.

Mr. Ball reported there were two reasons behind his recommendation. First, the flexibility of the team and its ability to work as a team, therefore, he discounted Interstate/Johnson Lane Corporation on the basis that he did not feel the flexibility and sharing as a team. Second, with regard to the fee structure, Robinson-Humphrey quoted a fee, including all expenses, of \$5.97 per thousand based on a \$30 million issue to include an estimated fee of \$20,000 for underwriters counsel.

A lengthy discussion followed regarding the size of the issue and the costs involved. Mr. Ball explained his methodology in the comparison of fees between the different firms and stated that during the next week he will define the best structure for the District, in terms of which bonds should be refunded and the matter of whether to insure or not, should be left open. Mr. Ball further stated that he hoped to put together a team (investment bankers, and underwriters counsel) to meet as early as tomorrow to start working together and sort out the various issues. Mr. Penny inquired as to who will serve as co-manager. Mr. Ball reported that as a result of his conversations with Robinson-Humphrey, Interstate/Johnson Lane and Moore Van Allen, the District will need to select another underwriters counsel. Mr. Stevens stated that if the District selects Robinson-Humphrey as Senior Underwriter, they will be responsible to select underwriters counsel. Mr. Stevens further stated that the underwriters counsel does its work and answers to the underwriter and is not the attorney for the District. In addition, the District pays for bond counsel who represents those persons who buy the bonds.

Mr. Ball reported that the firms involved are looking for three things: First, the firm's name printed on the Official Statement, and in the correct order; Second, to make as much as possible in management fees and third, to obtain a large amount, or all of the bonds to be sold. A discussion followed as to Mr. Ball's recommendation in using a "Co-Senior Manager" and "Book Runner" and, Interstate/Johnson Lane's response to serving as a Co-Senior Manager. Mr. Ball stated that Interstate/Johnson Lane's interest is being the Book Running Manager for the financing. Mr. Ball further reported that there is another option to Robinson-Humphrey serving as Senior Manager with two Co-Managers, in that the District can offer Interstate/Johnson Lane the position

as Co-Senior Manager. A brief discussion followed with regard to other options. Following Mr. Stevens clarification on Mr. Ball's recommendation, a brief discussion followed regarding Interstate/Johnson Lane's asset as a team participant and the basis for selecting Robinson-Humphrey as the Senior Co-Manager. Mr. Ball then presented a resolution addressing his recommendations:

#### RESOLUTION

WHEREAS, the Metropolitan Sewerage District of Buncombe County, North Carolina has been made aware that interest rates have fallen since issuing its 1991 and 1992 Bonds; and

WHEREAS, several investment bankers have shown to the District possible savings of debt service associated with refunding portions of the 1991A and 1992A&B Bonds in the present value range of 3.5% to 4.97%; and

WHEREAS, the District wishes to maintain the least possible debt service cost in order to keep sewerage rates to its customers as low as possible and better serve the citizens within the District; and

WHEREAS, the District has conducted an evaluation process during which it received proposals from and evaluated six different underwriters and have heard presentations from them and considered their qualifications, background and experience and presentations; and

WHEREAS, the District needs to engage bond counsel in order to refund its bonds and the District has previously engaged the Brown Wood firm in New York to serve as bond counsel and has been pleased with the service and cost of the Bown Wood firm;

NOW, THEREFORE, BE IT RESOLVED, the Metropolitan Sewerage District Board authorizes its staff and previously appointed Financial Advisor to take all necessary steps to further explore the refunding of the 1991 and 1992 Bonds. The District further appoints the following investment bankers and bond counsel, subject to the approval of the North Carolina Local Government Commission:

The Robinson-Humphrey Company, Inc. to serve as Senior Co-Manager with Interstate/Johnson Lane with the Robinson-Humphrey, Inc. to be the Senior of the two, as Co-Senior Managers and with Wachovia Bank of North Carolina, N.A. and J.C. Bradford & Co. to serve as so designated that the Robinson-Humphrey Company, Inc. shall serve as sole Senior Manager with Wachovia Bank of North Carolina, N.A., J.C. Bradford & Co. and A. G. Edwards & Sons, Inc., to serve as Co-Managers.

The law firm of Brown Wood shall serve as bond counsel.

The foregoing resolution was duly adopted at a specially called meeting of the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina held at the district offices at Riverside Drive, Asheville, North Carolina, at 10:30 A.M. on July 12, 1993.

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Jackie W. Bryson, Secretary-Treasurer

Following a brief discussion, Mr. Dent moved that the Board adopt the resolution as outlined by counsel. Mr. Selby seconded the motion. Voice vote was unanimous in

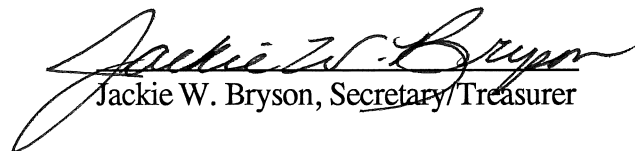


favor of the motion.

Mr. Stevens gave a brief background on Brown & Wood's experience as Bond Counsel for the District and recommended that the District continue to use Brown & Wood on this issue. Mr. Slosman moved that the Board adopt the recommendation of Counsel. Ms. Bryson seconded the motion. Voice vote was unanimous in favor of the motion.

**3. Adjournment**

There being no further business the meeting adjourned at 12:15 p.m.

  
Jackie W. Bryson, Secretary/Treasurer

## RESOLUTION

WHEREAS, the Metropolitan Sewerage District of Buncombe County, North Carolina has been made aware that interest rates have fallen since issuing its 1991 and 1992 Bonds; and

WHEREAS, several investment bankers have shown to the District possible savings of debt service associated with refunding portions of the 1991A and 1992A&B Bonds in the present value range of 3.5% to 4.97%; and

WHEREAS, the District wishes to maintain the least possible debt service cost in order to keep sewerage rates to its customers as low as possible and better serve the citizens within the District; and

WHEREAS, the District has conducted an evaluation process during which it received proposals from and evaluated six different underwriters and have heard presentations from them and considered their qualifications, background and experience and presentations; and

WHEREAS, the District needs to engage bond counsel in order refund its bonds and the District has previously engaged the Brown Wood firm in New York to serve as bond counsel and has been pleased with the service and cost of the Brown Wood firm;

NOW, THEREFORE, BE IT RESOLVED, the Metropolitan Sewerage District Board authorizes its staff and previously appointed Financial Advisor to take all necessary steps to further explore the refunding of the 1991 and 1992 Bonds. The District further appoints the following investment bankers and bond counsel, subject to the approval of the North Carolina Local Government Commission:

The Robinson-Humphrey Company, Inc. to serve as Senior Co-Manager with Interstate/Johnson Lane with the Robinson-Humphrey, Inc. to be the Senior of the two, as Co-Senior Managers and with Wachovia Bank of North Carolina, N.A. and J.C. Bradford & Co. to serve as Co-Managers; provided, that if Interstate/Johnson Lane declines to serve as so designated that the Robinson-Humphrey Company, Inc. shall serve as sole Senior Manager with Wachovia Bank of North Carolina, N.A., J.C. Bradford & Co. and A.G. Edwards & Sons, Inc., to serve as Co-Managers.

The law firm of Brown Wood shall serve as bond counsel.

The foregoing resolution was duly adopted at a specially called meeting of the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina held at the district offices at Riverside Drive, Asheville, North Carolina, at 10:30 A.M. on July 12, 1993.

  
Jackie W. Bryson, Secretary-Treasurer

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**  
**July 21, 1993**

**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 Wednesday, July 21, 1993. Vice Chairman Post presided with the following members present: Casper, Dent, Frizzell, Joyner, Penny, Post, Selby and Slosman. Those members absent were: Bryson and Wallace.

Others present were: W. H. Mull, Engineer-Manager, John Stevens, General Counsel, Bob Holbrook and Bill Morris of Hendon Engineering Associates, Inc., Rusty Pulliam with Walden Partners, Bob Tinkler with the League of Women Voters, Marc Fender and Linda Dickson MSD.

**2. Minutes of the June 15, June 30, July 8 and July 12, 1993 Board Meetings:**

Following a question regarding the June 15, 1993 minutes on the status of the Beaverdam Creek Interceptor, Mr. Dent moved that the minutes of the June 15, June 30, July 8 and July 12, 1993 meetings be adopted as presented. Mr. Casper seconded the motion. Voice vote was unanimous in favor of the motion.

**3. Election of Chairman, Vice Chairman, Secretary/Treasurer and Assistant Secretary/Treasurer:**

Vice Chairman Post expressed the Board's appreciation to Mr. George Ivey for his years of excellent service as a member of the District Board.

Vice Chairman Post called for nominations for Chairman. Mr. Joyner nominated Mr. Pete Post. Mr. Penny seconded the motion. Mr. Dent moved that the nominations be closed and that the Board elect Mr. Post Chairman. Mr. Frizzell seconded the motion. Voice vote was unanimous in favor of the motion.

Chairman Post called for nominations for Vice Chairman. Mr. Penny nominated Mr. Benson Slosman. Mr. Casper seconded the motion. Mr. Dent moved that the nominations be closed and that the Board elect Mr. Slosman Vice Chairman. Mr. Frizzell seconded the motion. Voice vote was unanimous in favor of the motion.

Chairman Post recommended that the Board re-elect Ms. Jackie Bryson as Secretary/Treasurer. Mr. Penny moved on the recommendation of the Chairman. Mr. Frizzell seconded the motion. Voice vote was unanimous in favor of the motion.

Chairman Post recommended that the Board re-elect Mr. Charles Dent as Assistant Secretary/Treasurer. Mr. Frizzell moved on the recommendation of the Chairman. Mr. Selby seconded the motion. Voice vote was unanimous in favor of the motion.

**4. Report of Engineer-Manager;**

**a. Consideration of Bids for Annual Contract for Asphalt Pavement Repair - Sewer Maintenance;**

Mr. Mull presented a copy of APAC Carolina, Inc's annual contract for restoration of streets and highway rights-of-way following maintenance performed by the District on the wastewater collection system. Mr. Mull reported that the contract was advertised for bid on two separate occasions with the second request mailed to 19 contractors. However, in each instance, APAC Carolina, Inc. was the only bidder. Mr. Mull presented a proposal bid sheet showing the unit costs for 1993, totaling \$213,700.00 compared to the bid sheet for 1992, totaling \$146,460.00 (an increase of \$67,240.00 over the 1992 contract). Mr. Mull further reported that the contract was presented to the Sewer System Consolidation Committee, July 12, 1993 and the Committee recommended awarding the contract to

APAC Carolina, Inc. in the amount of \$213,700.00. A lengthy discussion followed as to why other contractors did not submit bids; the reason for the increase in costs and whether the District could negotiate the price of the contract. Mr. Stevens reported that the statutes allows for negotiation of the contract if the contract is in excess of the amount that is budgeted. Mr. Penny suggested that the District consider the possibility of an agreement with the City of Asheville for the required paving. There being no further discussion, Mr. Slosman moved that the Board authorize the Engineer-Manager to enter into an inter-local agreement with the City of Asheville for the required paving at costs that are favorable to the District, and if able to do so, reject the bid of APAC Carolina, Inc. as being excessive. If the District is unable to reach an agreement with the City on a timely basis, the Engineer-Manager be directed to award the bid to APAC Carolina, Inc. Mr. Penny seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

**b. Consideration of Bids for Construction of Vine Street Sanitary Sewer Rehabilitation:**

Mr. Mull presented a bid tabulation for the Construction of the Vine Street Sanitary Sewer Rehabilitation Project. Mr. Mull reported that the project was first bid in August of 1992 with Hobson Construction Company the apparent low bidder at \$90,000.00, (approximately \$12,000 to \$15,000 over the amount estimated for this project) therefore, the bid was rejected and the project was rebid on June 25, 1993 with a bid opening July 7, 1993. The bids are as follows: Hobson Construction Company (apparent low bidder) with a total base bid of \$70,982.00; Steppe Construction, Inc. with a total base bid of \$76,044.00; Terry Brothers Construction Company with a total base bid of \$80,184.00; NEO Construction Company with a total base bid of \$86,066.20 and Wheeler Construction Company, Inc. with a total base bid of \$115,043.00. Mr. Mull presented a letter from Mr. Walter I. Currie, Attorney for the District, stating that the bid of Hobson Construction Company is unacceptable since the bidder did not submit bid security in any form, therefore, the bid should be rejected. Mr. Currie further stated that all other bids, bonds, and powers of attorney are in acceptable form. Mr. Mull further reported that the bids were reviewed by the Sewer System Consolidation Committee July 12, 1993 and because the apparent low bid of Hobson Construction Company was rejected, the Committee recommended approval of the bid of Steppe Construction, Inc. in the amount of \$76,044.00. Mr. Dent moved that the Board adopt the recommendation of the Sewer System Consolidation Committee. Mr. Penny seconded the motion. Following a brief discussion, roll call vote was as follows: 8 Ayes; 0 Nays.

Mr. Penny moved that the Board reject the apparent low bid of Hobson Construction Company on the basis that it did not submit a bid security in any form. Mr. Slosman seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

**c. Consideration of Proposal for Engineering Services for Hilton Inn Golf Course Sewer Rehabilitation (Mulberry Hill Mobile Home Park) - David D. Smith and Company;**

Mr. Mull presented a proposal from David D. Smith & Company for Engineering services for the Hilton Inn Golf Course Sewer Rehabilitation project, (Mulberry Hill Mobile Home Park) in the amount of \$3,500.00 (8% of the total estimated construction cost of \$41,250.00) and stated that following review of the proposal by the Sewer System Consolidation Committee, July 12, 1993, the Committee recommended approval of the proposal. Mr. Mull gave a brief background on the Board's actions with regard to Mr. Winkler, the developer of the Mulberry Hill Mobile Home Park and explained the District's formula for moving projects up in the Capital Improvement Plan (CIP) schedule. Mr. Mull further reported that Mr Winkler's share of the costs for rehabilitation of the line is \$13,750.00 and that the cost for capacity depletion fees, (based on 50 mobile homes at \$600.00 each) is \$30,750.00. Mr. Joyner stated that he felt it was unfair to charge Mr. Winkler a share of the cost of construction to hook into a line that has been overflowing for such a long time and questioned the District's reasoning behind the approval of funds

for a project in South Asheville over a project that will provide affordable housing to those persons in a low income area. A lengthy discussion followed regarding repair of the line, the additional capacity that would be realized as a result of the new development and the possibility of doing some of the smaller projects in-house. There being no further discussion, Mr. Dent moved that the Board adopt the recommendation of the Sewer System Consolidation Committee. Mr. Frizzell seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

**d. Consideration of Proposal for Archeological Survey - North Swannanoa Sewer Rehabilitation, Phase II - N.C. Dept. of Cultural Resources:**

Mr. Mull presented a letter from Mr. David Moore, Staff Archaeologist with the North Carolina Department of Cultural Resources regarding proposals for the North Swannanoa Interceptor, Phase II Archaeology Survey. Mr. Moore stated that the proposals by New South Associates, Garrow & Associates and Appalachian State University are technically superior to the others and feature appropriate schedules and budgets. In addition, Mr. Moore stated that it should be noted that the proposal of Appalachian State University offers a lower cost for an equal or greater amount of field work. The proposals are as follows: Appalachian State University, Boone, North Carolina with a total cost of \$16,993.00; Costal Carolina Research, Inc., Tarboro, N.C. with a total cost of \$19,577.97; American Preservation Consultants, St. Augustine, Florida with a total cost of \$31,539.00; New South Associates, Stone Mountain, Georgia with a total cost of \$55,788.28 and Garrow & Associates, Raleigh, North Carolina with a total cost of \$56,993.48. Mr. Mull reported that the proposals were presented to the Right-of-Way Committee, June 30, 1993 and the Committee recommended approval of the proposal from Appalachian State University in the amount of \$16,993.00. Following a brief discussion as to why Hall & Baker, who worked on the first phase of the project did not submit a proposal, Mr. Penny moved that the Board adopt the recommendation of the Right-of-Way Committee. Mr. Dent seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays

**e. Report on Insurance Claim - 707 Merrimon Avenue (Pulliam);**

Mr. Mull presented a letter from The Travelers Company regarding the claim of Mr. Rusty Pulliam at 707 Merrimon Avenue stating that following review of the District's policy, it must decline coverage for the reported incident on the grounds that Mr. Pulliam's alleged loss does not meet the definition of "occurrence" or "property damage". In addition, Mr. Mull presented a letter from McLean Insurance Agency stating that they have reported this claim to the Directors and Officer's carrier. Mr. Mull reported that the claim was presented to the Sewer System Consolidation Committee July 12, 1993 and the Committee recommended that an inquiry be made into whether the District has an Errors and Omissions Policy, and if no such policy exists, take action to reimburse Mr. Pulliam for his costs in relocation of the line in the amount of \$14,407.50. Mr. Mull further reported that the insurance agents stated there is a possibility that the District does have an Errors & Omissions coverage, however, such coverage would have a \$5,000 to \$10,000 deductible, but to date no word has been received from the insurance agent. Mr. Penny moved that the Board approve reimbursement to Mr. Pulliam in an amount not to exceed \$14,407.50 subject, however, to amounts received first from the insurance carrier. Mr. Slosman seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

**f. Discussion of Dechlorination Facilities - (Bob Holbrook, Hendon Engineering):**

Mr. Mull presented a letter from Hendon Engineering Associates, Inc. and a memorandum from Marc Fender regarding the need for a dechlorination facility. Mr. Mull gave a brief description of recent modifications to the NPDES permit relating to chlorination (the current process used in the disinfection of the effluent). Mr. Mull reported that in order to provide an effective chlorine dosage, that will not discharge excess chlorine in the

effluent, Hendon Engineering Associates, Inc. has recommended a dechlorination method by feeding sulfur dioxide into the effluent just prior to discharge, which will be a requirement of the State in the near future. Mr. Mull further reported that the total estimated capital cost of the dechlorination system is \$61,000.00 with an annual operating cost for chemicals of \$23,400.00 and that the installation of the piping, concrete slabs and electrical connections can be accomplished by MSD personnel. Mr. Mull stated that because the prefabricated sulfur dioxide system will need to be procured by a public equipment bid, he requested that the Board approve proceeding with the engineering and the advertisement for bid for the equipment. A lengthy discussion followed regarding the use of other processes and operational costs and whether the funds to build this facility are included in the budget. Mr. Mull further stated that the cost to build this facility is not included in the budget but that the funds will come out of the General Fund under the line item for special MSD projects. Mr. Holbrook reported that this process is being used throughout the country for systems with chlorination in order to meet requirements at a minimal cost. However, Mr. Holbrook stated that there are two other ways of disinfection; ozonation and radiation, both of which have a high capital costs. Mr. Fender stated that the system will give the District the ability to consistently meet the requirements of the NPDES Permit. There being no further discussion, Mr. Dent moved that the Board authorize proceeding with the installation of the dechlorination system at a cost of \$61,000. Mr. Casper seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

**5. Report of Officers:**

None

**6. Report of Committees:**

**a. Capital Improvement Plan Committee - June 17, 1993 and July 16, 1993 - Mr. Post**

Mr. Post reported that the Capital Improvement Plan Committee (CIP) met June 17, 1993 to discuss projects to be included in the five to twenty year CIP Plan and alternatives for changing from a five to a seven year plan, in order to spread out the costs of projects over a longer period of time. The Committee agreed to recommend to the Finance Committee that the District move the five year CIP plan to a seven year plan and to consider selling bonds as a means to supplement funding for CIP projects. Mr. Post further reported that the Capital Improvement Plan Committee met again on July 16, 1993 to review the following issues:

**1. History of Project Budgets and Cash Flow Analysis for Initial "Five Year" CIP:**

Mr. Post reported that Mr. Bill Morris of Hendon Engineering Associates, Inc. presented spreadsheets and graphs for three options of projected budgets and cash flow analysis for the initial Five Year CIP Plan, and current plan, in order that the Committee could put together some funding recommendations for the Sewer Service Charge and Budget Committees. Mr. Post briefly discussed the three options and stated that following a detailed discussion, the Committee asked for two other options; one with no user fee increases, but with a shift in interceptor project schedules and a second option with a \$5,000,000 bond issue with no further shifting in interceptor project schedules. In addition, the Committee discussed the possibility of ad valorem tax revenues.

**2. Sewer Service Charges and Options for Financing Capital Improvement Plans:**

Mr. Post stated that because of a lack of time, these issues were not discussed. With regard to project funds, Mr. Post stated that this issue will need to be addressed in the near future, (perhaps at another scheduled retreat) either through



raising rates, issuing new bonds or delay of the North Swannanoa Interceptor, Phase II project by two years. Mr. Post further stated that according to the State representative, there would not be a problem with delaying the project as long as the District continued to acquire rights-of-way, the design was completed, and that there is a contingency in the plan allowing for on-going repairs of the line. Mr. Penny questioned whether some of the projects were on a pay-as-you-go basis. Mr. Stevens stated that the original plan was adopted by the Board following a recommendation by a Blue Ribbon Committee, and a consultant (Ernst & Young) who recommended a blend of pay-as-you-go and bonds to pay for projects. Mr. Stevens suggested that a copy of this report be distributed to each member of the Board. A lengthy discussion followed as to why the District has such a lack of funds, the District's agreement with the municipalities and whether the District would be in violation if the CIP schedule is not met as planned.

Mr. Joyner stated that Hendon Engineering Associates, Inc. did an excellent job in its preparation of spread sheets and presentation to the CIP Committee, and as a result of Hendon Engineering's comments regarding easement acquisitions, Mr. Joyner expressed his views on the need for a continued public relation effort by the District and stressed the importance of Board members attending CIP meetings to gain an understanding of its operation.

**b. Finance Committee - June 30, 1993 - Mr. Post**

Mr. Post reported that the Finance Committee met June 30, 1993 to discuss those items previously reported in the Engineer-Manager's report.

**c. Right-of-Way Committee - June 30, 1993 - Mr. Slosman**

Mr. Slosman reported that the Right-of-Way Committee met June 30, 1993 to discuss several rights-of-way issues and reviewed a Compensation Chart showing how Right-of-Way acquisitions are assessed.

**d. Retreat Planning Committee - July 6, 1993 - Mr. Post**

Mr. Post reported that the Retreat Planning Committee met July 6, 1993 to discuss the upcoming Board Retreat scheduled for August 27 and 28, 1993 and the Committee agreed that the meeting should be open-ended, in that the Friday schedule be extended into the evening hours and the Saturday schedule extended until 5:00 p.m. Mr. Post further reported that a letter was received from Mr. Richard of Municipal Advisors, Inc. stating that he would be available to serve as a resource at the retreat at a cost of \$2,500.00 plus expenses and that Mr. Tom Elmore of Land of Sky Regional Council has agreed to serve as facilitator. Mr. Post stated that following review of suggested agenda items, the Committee agreed that the primary focus of the retreat should include a Strategic Plan, Mission Statement and Consultant's Report, and that other issues such as capacity depletion fees and rights-of-way policies should be prioritized in order of importance. Mr. Post further stated that it was suggested that the Board use meeting rooms at UNC-A or Warren Wilson College instead of holding the retreat at Pisgah View Ranch and that the Committee will meet next month with the facilitator to discuss details of the retreat. A brief discussion followed regarding the agenda items.

**e. Sewer System Consolidation Committee - July 12, 1993 - Mr. Dent**

Mr. Dent reported that the Sewer System Consolidation Committee met July 12, 1993 to discuss several items previously discussed in the Engineer-Manager's report. In addition, the Committee discussed a capacity depletion fee credit for the Park Terrace development and a request from Biltmore Dairy Farms concerning capacity depletion fees for the Four Mile Branch Drainage Area.

**7. Unfinished Business: Status of Proposed 1993 Refunding Bonds and Consideration of Approval of Resolutions and Notice of Public Hearing;**

Mr. Stevens gave a brief overview of the refunding process and stated Board members will be required to read several documents that will assist them in the understanding of the Preliminary Official Statement (POS) and asked that when they receive a copy of the POS that they check it carefully for accuracy and that a meeting will be held August 5, 1993 to review the document. Mr. Stevens reported that the Financial Advisor and Underwriters are presently working toward refunding the bonds and for information purposes, reported that the managers are as follows: Senior (Book Running) Manager, Robinson-Humphrey Company, Inc.; Junior Senior Manager, Interstate Johnson/Lane Corporation and Co-Managers, Wachovia Bank and J.C. Bradford.

Following a presentation by Mr. Stevens of the Series Resolution and an explanation of the sections therein, Mr. Penny moved that the Board adopt the Series Resolution as presented. Mr. Dent seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

Mr. Stevens presented a Resolution adopting an Order Supplementing the Bond Order adopted by the District Board on May 23, 1985, as amended and explained that the resolution changes the Bond Order to allow for Capital Appreciation Bonds. Mr. Dent moved that the Board adopt the Resolution as presented. Mr. Selby seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

In addition, Mr. Stevens presented a Notice of Public Hearing to be held August 5, 1993 by the District Board regarding the refunding of its Revenue Bonds. Mr. Penny moved that the Board authorize the advertisement of a public hearing to be held August 5, 1993. Mr. Dent seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Post reported that the Local Government Commission will meet July 22, 1993 with representatives from the District, Consulting Engineers, Bond Counsel and MSD Attorney to review the draft of the POS and other bond documents and encouraged Board members to attend. In addition, Mr. Joyner encouraged Board members to attend the Local Government Commission meeting scheduled for August 3, 1993.

Following a brief discussion as to why Interstate/Johnson Lane decided to serve as Junior Senior Manager, Mr. Mull reported that A.G. Edwards & Son, Inc. has expressed an interest in being a co-manager and therefore requested that the Resolution of July 12, 1993 be amended to include A.G. Edwards & Sons, Inc. as a co-manager. Mr. Slosman moved that the resolution be amended to include A.G. Edwards & Sons, Inc. Mr. Selby seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Mull announced that the Bond Closing will be held in New York August 12th and 13th and encouraged Board Members to attend. Mr. Mull reported that because Ms. Dickson has worked in gathering information for the Official Statement for this issue and her presence would be important to the closing, that the Board approve the District's payment of her expense to attend. Mr. Dent moved that the Board authorize the expense for Ms. Dickson to the Closing. Mr. Selby seconded the motion. Roll call vote was as follows: 7 Ayes; 0 Nays.

**8. New Business:**

Mr. Joyner presented a letter addressing his concerns regarding the Operations and Maintenance Budget report of June 30, 1993, reflecting total expenditures for 1992 and 1993, and noted that the over budgeted expenditures total \$327,131.55. Mr. Joyner reported that when passing the District's current budget that it was done without definitive information concerning anticipated revenues and suggested that the Board instruct staff that

line items are not to be exceeded unless it is brought to the Board's attention along with a recommendation for transferring the needed funds from other line items. Mr. Mull stated that each of the overages, including the insurance proposal, were reviewed by the Budget Committee in April and that the Board should be made aware of those overages in the various line items. A lengthy discussion followed regarding Mr. Joyner's concerns. Mr. Post suggested that the Finance Committee come up with an amended budget at mid-year and that a monthly financial report be made available to the financial advisor to be discussed at the Board retreat. In addition, Mr. Post suggested that the Organizational Study be mailed to each Board member prior to the next regular meeting.

Mr. Selby inquired into the District's position regarding the situation with Carolina Water, Inc. Mr. Mull reported that the residents of Mount Carmel have requested that the District take over the sewerage system from Carolina Water, Inc. but the District has never purchased a sewer system, however, the District is treating wastewater from that system. Mr. Mull explained the procedures in taking over a system that is located out of the District. A brief discussion followed.

Mr. Joyner inquired as to whether staff has checked into the availability of Worker's Compensation through the League of Municipalities. Mr. Mull stated that the Insurance Committee will review this issue prior to January, 1994.

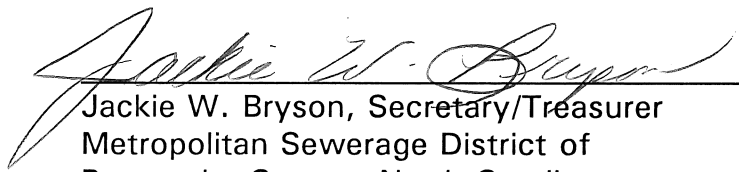
9. **Date of Next Regular Meeting: August 18, 1993.**

10. **Adjournment:**

There being no further business the meeting was adjourned at 4:15 p.m.

I, Jackie W. Bryson, Secretary/Treasurer to the District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina, do hereby certify that the above is a true and correct copy of the minutes of the July 21, 1993 meeting, adopted by the Metropolitan Sewerage District Board at its regular meeting held August 18, 1993.

WITNESS my hand and seal of said District this 18th day of August, 1993.

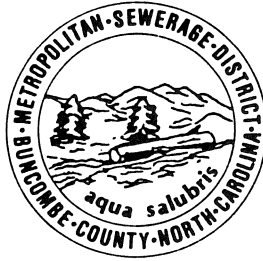
  
\_\_\_\_\_  
Jackie W. Bryson, Secretary/Treasurer  
Metropolitan Sewerage District of  
Buncombe County, North Carolina

# MSD Metropolitan Sewerage District of Buncombe County, North Carolina

W. H. Mull, P.E., Engineer-Manager  
P.O. Box 8969, Asheville, N.C. 28814  
Telephone: Area Code 704-254-9646

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John S. Stevens, General Counsel



George E. Ivey, Chairman  
O. R. Post, Vice-Chairman  
Jackie W. Bryson  
Larry Casper  
Charles M. Dent  
Kenneth E. Frizzell  
Joe Joyner  
Charles W. Penny  
Bob Selby  
E. Benson Slosman  
Carolyn R. Wallace

## CERTIFICATION

I, Charles M. Dent, Assistant Secretary/Treasurer to the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina, do hereby certify that the attached is a true and correct copy of the Series Resolution of the District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina authorizing the issuance of not exceeding \$39,000,000 Sewerage System Revenue Refunding Bonds, Series 1993A of said District pursuant to the provisions of Section 211 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.

Witness my hand and seal of said District this 21st day of July, 1993.

Charles M. Dent, Assistant Secretary/Treasurer  
Board of the Metropolitan Sewerage District of  
Buncombe County, North Carolina

SERIES RESOLUTION OF THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$39,000,000 SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 1993A OF SAID DISTRICT PURSUANT TO THE PROVISIONS OF SECTION 211 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 (a) \$14,710,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 1991A (the "Series 1991A Bonds"), which are currently outstanding in the principal amount of \$14,125,000, (b) \$20,845,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 1992A (the "Series 1992A Bonds"), which are currently outstanding in the principal amount of \$20,425,000, and (c) \$22,500,000 principal amount of its Sewerage System Revenue Bonds, Series 1992B (the "Series 1992B Bonds"), which are currently outstanding in the principal amount of \$22,215,000, 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 and July 21, 1993 (collectively the "Order"); 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 all or a portion of the Series 1991A Bonds, all of the Series 1992B Bonds which are stated to mature on July 1, 2022, all or a portion of the Series 1992B Bonds which are stated to mature on July 1, 2016 and all or a portion of the Series 1992A Bonds which are stated to mature on July 1, 2016 and to pay the cost of such refunding by issuing a series of revenue refunding 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;

NOW, THEREFORE, THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE 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 1991A Bonds, the Series 1992A Bonds and the 1992B 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. Pursuant to the Enabling Act and Section 211 of the Order, the District Board hereby authorizes the issuance of not exceeding \$39,000,000 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 1993A" (the "Series 1993A 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 1993A Bonds by the Local Government Commission.

Section 4. The proceeds of the Series 1993A Bonds, together with any other available funds, will be used to (i) pay at maturity or redeem prior to maturity all or a portion of the outstanding Series 1991A Bonds, redeem prior to maturity the outstanding Series 1992B Bonds which are stated to mature on July 1, 2022, redeem prior to maturity all or a portion of the outstanding Series 1992B Bonds which are stated to mature on July 1, 2016 as shall be determined by the Chairman and the Engineer-Manager of the District and redeem prior to maturity all or a portion of the outstanding Series 1992A Bonds which are stated to mature on July 1, 2016 as shall be determined by the Chairman and the Engineer-Manager of the District, (ii) pay the interest to accrue on such bonds to be refunded to the date or dates fixed for redemption and (iii) pay expenses incurred by the District in connection with the issuance of the Series 1992A Bonds, the Series 1992A Bonds and such refunding of the Series 1991A Bonds, the Series 1992A Bonds and the Series 1992B Bonds.

Section 5. Wachovia Bank of North Carolina, N.A., Winston-Salem, North Carolina, is hereby designated as Bond Registrar for the Series 1993A Bonds.

Section 6. The Local Government Commission is hereby requested to sell the Series 1993A 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 1993A Bonds is not less than ninety-eight percent (98%) of the face value of the Series 1993A Bonds plus one hundred percent (100%) of any accrued interest, that the maximum interest rate (or yield) on the Series 1993A Bonds does not exceed six and one-tenth per centum (6.10%) per annum and that the maximum maturity of the Series 1993A Bonds does not exceed July 1, 2022.

Section 7. The Local Government Commission is hereby requested to sell the Series 1993A 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 1993A Bonds is not less than ninety-eight percent (98%) of the face value of the Series 1993A Bonds plus one hundred percent (100%) of any accrued interest, that the maximum interest rate (or yield) on the Series 1993A Bonds does not exceed six and one-tenth per centum (6.10%) per annum and that the maximum maturity of the Series 1993A Bonds does not exceed July 1, 2022.

Section 8. The Chairman and the Engineer-Manager of the District are each hereby authorized to consult with the Local



Government Commission and prospective purchasers in connection with the private sale of the Series 1993A 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.

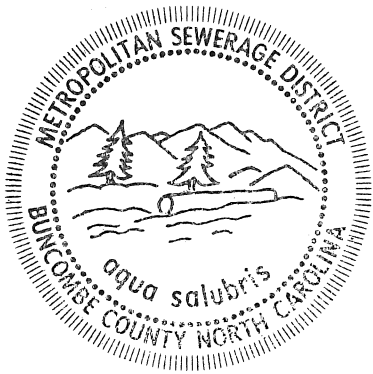
Section 9. The Chairman and the Engineer-Manager of the District are each hereby authorized to consult with the Local Government Commission and prospective purchasers in connection with the preparation of a Preliminary Official Statement relating to a public offering of the Series 1993A Bonds and, subject to the provisions of this Resolution, a purchase contract relating to the sale of the Series 1993A Bonds between one or more prospective purchasers and the Local Government Commission and, with the advice of counsel, to approve and authorize on behalf of the District the distribution and use of copies of such Preliminary Official Statement and such purchase contract in connection with the public offering of the Series 1993A Bonds.

Section 10. 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 1991A Bonds and the Series 1992B Bonds (the "Escrow Agent"), subject to the right of the District Board to appoint another Escrow Agent. The Chairman and the Engineer-Manager of the District are each hereby authorized to participate in the preparation of an escrow deposit agreement between the Escrow Agent and the District to effectuate the refunding contemplated by this Resolution and to approve and authorize on behalf of the District the distribution and use of copies of such escrow deposit agreement in connection with the public offering of the Series 1993A Bonds.

Section 11. The Engineer-Manager of the District is hereby authorized to appoint on behalf of the District a verification agent to perform the mathematical verification that the interest on and the maturing principal amounts of the government obligations and the cash deposit to be escrowed pursuant to such escrow deposit agreement will be sufficient to assure that moneys will be available to the Escrow Agent to pay the bonds to be refunded and the interest and redemption premiums thereon as provided in the escrow deposit agreement.

Section 12. 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 and this Resolution for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 13. This Resolution shall take effect immediately upon its passage.



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O. R. Pete Post, Chairman  
METROPOLITAN SEWERAGE DISTRICT  
BOARD OF BUNCOMBE COUNTY

ATTEST:

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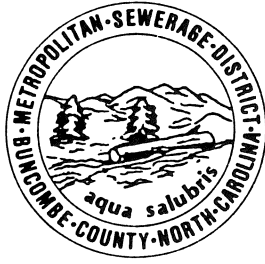
Charles M. Dent  
Asst. Secretary/Treasurer

# MSD Metropolitan Sewerage District of Buncombe County, North Carolina

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John S. Stevens, General Counsel



George E. Ivey, Chairman  
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Larry Casper  
Charles M. Dent  
Kenneth E. Frizzell  
Joe Joyner  
Charles W. Penny  
Bob Selby  
E. Benson Slosman  
Carolyn R. Wallace

## CERTIFICATION

I, Charles M. Dent, Assistant Secretary/Treasurer to the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina, do hereby certify that the attached is a true and correct copy of the Resolution adopting the Order supplementing the Bond Order adopted by the District Board of Buncombe County on May 23, 1985, as Amended.

Witness my hand and seal of said District this 21st day of July, 1993.

Charles M. Dent, Assistant Secretary/Treasurer  
Board of the Metropolitan Sewerage District of  
Buncombe County, North Carolina

ORDER SUPPLEMENTING THE BOND ORDER  
ADOPTED BY THE DISTRICT BOARD OF THE  
METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY ON MAY 23, 1985, AS  
AMENDED.

WHEREAS, under the authority of the North Carolina Metropolitan Sewerage Districts Act, as amended, and The State and Local Government Revenue Bond Act, as amended, the District Board of the Metropolitan Sewerage District of Buncombe County (the "District") adopted a bond order on May 23, 1985, as amended on June 4, 1985 (the "Order"), authorizing and securing sewerage system revenue bonds of the District;

WHEREAS, Section 1102 of the Order provides that the owners of not less than two-thirds (2/3) in aggregate principal amount of the bonds then outstanding under the Order shall have the right to consent to and approve the adoption by the District of such orders supplemental thereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Order, subject to certain exceptions (which supplemental orders shall thereafter form a part of the Order);

WHEREAS, the District Board of the District (the "District Board") has determined that it is desirable to add certain provisions to and modify certain provisions of the Order as hereinafter provided;

WHEREAS, the District has delivered to the Trustee under the Order (the "Trustee") an instrument or instruments in writing purporting to be executed by the owners of not less than two-thirds (2/3) in aggregate principal amount of the bonds then outstanding, which instruments specifically consent to and approve the adoption of this supplemental order in substantially the form thereof referred to in such notice; and

WHEREAS, all other acts, conditions and things required by the Order to happen, exist and be performed precedent to the adoption of this supplemental order have happened, exist and have been performed as so required or otherwise satisfied;

NOW, THEREFORE, the Order is hereby amended and supplemented in the following respects:

1. Section 101 is hereby amended by the addition of the following definition immediately before the definition of "Additional Improvements":

" 'Accreted Amount' shall mean, as of any point in time, with respect to Capital Appreciation Bonds of any Series, the amount set forth in, or calculated in accordance with, a Series Resolution as the amount representing the initial principal amount thereof plus the accumulated and compounded interest on such Bonds as of such point in time."

2. Section 101 is hereby amended by the addition of the following definition immediately before the definition of "Chairman":

" 'Capital Appreciation Bonds' shall mean Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the applicable Series Resolution and is payable upon redemption or on the maturity date of such Bonds or on the date, if any, upon which such Bonds become Current Interest Bonds."

3. Section 101 is hereby amended by the addition of the following definition immediately before the definition of "Daily Newspaper":

" 'Current Interest Bonds' shall mean Bonds the interest on which is payable on the interest payment dates provided therefor herein or in the applicable Series Resolution, which Series Resolution may also provide that Bonds initially issued as Capital Appreciation Bonds may become Current Interest Bonds on the date specified therein."

4. Section 101 is hereby amended by the addition of the following definition immediately before the definition of "Principal Account":

" 'Principal' shall mean (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in this Order in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case "principal" means the initial principal amount of such capital appreciation Bond (the difference between the Accreted Amount and the initial principal amount being deemed interest), and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Requirement, if applicable, or at maturity."

5. In Section 101 the definition of "Principal and Interest Requirements" is hereby amended by adding to the words "provided that payments to be made in respect of Balloon Long-Term

Indebtedness and Variable Rate Indebtedness are to be calculated in accordance with the provisions of this Order" the following words:

"and that, for Capital Appreciation Bonds, the principal and interest portions of the Accreted Value thereof shall be included on the dates such Bonds are payable, either at maturity or by virtue of a Sinking Fund Requirement."

6. In Section 210 the second paragraph is hereby amended to read as follows:

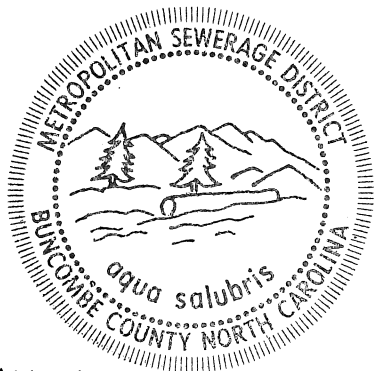
"Before any Bonds shall be issued under the provisions of this Section, the District Board shall adopt a Series Resolution authorizing the issuance of such Bonds, fixing the amount and the details thereof and describing in brief and general terms the purpose for which the Bonds are to be issued. The Bonds of each Series issued under the provisions of this Section shall be designated, shall be dated, shall be stated to mature on such date or dates in such year or years, shall bear interest at such rate or rates (or shall have such yield or yields in the case of any Capital Appreciation Bonds), shall be redeemable at such times and prices (subject to the provisions of Article III of this Order), shall be issued in such form, including, but not limited to, Capital Appreciation Bonds or Current Interest Bonds, Serial or Term Bonds or any combination thereof, shall be numbered and shall have such denomination or denominations and Sinking Fund Requirements on account of any Term Bonds thereof as may be provided by the Series Resolution for such Bonds. Except as to any differences in the maturities thereof or the rate or rates of interest (or yield or yields) or the provisions for redemption or the rights of Owners to the proceeds of any Credit Facility, such Bonds shall be on a parity with and shall be entitled to the same benefit and security under this Order as all other Bonds issued under this Order."

7. In Section 211 the second paragraph is hereby amended to read as follows:


"Refunding Bonds of the District may also be issued under and secured by this Order, subject to the conditions hereinafter provided in this Section, from time to time, for the purpose of providing funds, with any other available funds, for paying at maturity or redeeming prior to maturity all or any part of the Outstanding Bonds of any Series or, to the extent permitted by law, other Indebtedness, including the payment of any redemption premium thereon, making any required deposit to the Debt Service Reserve Fund and, 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. Before any Bonds shall be issued under the provisions of this paragraph, the District Board shall adopt a Series Resolution authorizing the issuance of such Bonds, fixing the amount and the details thereof and describing the Bonds or other Indebtedness to be redeemed or paid. Such refunding Bonds shall be designated, shall have such denomination or denominations, shall be dated, shall bear interest at such rate or rates (or shall have such yield or yields in the case of any Capital Appreciation Bonds) not exceeding the maximum rate then permitted by law, shall be stated to mature on such date or dates in such year or years, shall be redeemable at such times and prices (subject to the provisions of Article III of this Order), shall be issued in such form, including, but not limited to, Capital Appreciation Bonds or Current Interest Bonds, Serial Bonds or Term Bonds or any combination thereof, shall be numbered, shall have such Sinking Fund Requirements on account of any Term Bonds of such Series and shall have such Debt Service Reserve Requirement within the limitations specified in this Order, all as may be provided by the Series Resolution for such Bonds. Except as to any differences in the maturities thereof or the rate or rates of interest (or yield or yields) or the provisions for redemption or the rights of Owners to the proceeds of any Credit Facility, such refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of this Order as all other Bonds issued under this Order."

8. This supplemental order shall take effect upon its adoption by the District Board and acceptance by the Trustee.



Attest:

  
Charles M. Dent  
Asst. Secretary/Treasurer

  
O. R. Pete Post, Chairman  
Metropolitan Sewerage District  
Board of Buncombe County