MINUTES OF THE SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD THURSDAY, AUGUST 7, 1986, AT 5:30 P.M., SECOND FLOOR CONFERENCE ROOM OF MUNICIPAL ADMINISTRATION BUILDING, KISSIMMEE, FLORIDA. _

Present at the meeting were Chairman VanMeter, Secretary Bobroff, Assistant Secretary Jones, Director Maher, Director Gant, Attorney Brinson, General Manager Welsh, Recording Secretary Porter. Vice-Chairman Hord was absent.

Meeting was called to order by Chairman VanMeter at 5:35 p.m.

Chairman VanMeter stated that the purpose of the special meeting is to discuss some new marketing concepts and a new buzzword.

Toby Wagner and Mark Galvin, Southeastern Municipal Bonds, were present to explain these concepts. Also present, through a conference call tie-in, were Melinda Wolfe, Merrlll Lyncn, and Robert Freeman, Bond Counsel.

A "Special Obligation Bond" is involved in this concept. The special obligation would be secured solely by the monies deposited in the escrow until the crossover date. An issue would be sold of thirty year bonds that would collapse or have a trigger, that the bonds would be put back to the Utility within a year's period unless the savings target is hit prior to expiration of the year period. If it did collapse, the escrow account would go to pay off those bonds and the Utility would be where it is today, no better and no worse. If the trigger (savings target) is hit, then you would "crossover", remarket, the one year paper (call in the one year piece of paper and remarket it with thirty year paper, a standard refunding). It would be remarketing the issue that is being discussed now with thirty year paper, setting up an escrow that would defease the outstanding debt. This allows you to be grandfathered in prior to September l, without having to reissue the bonds after September l, which would initiate another refunding. Instead of a reissuance, a remarketing of the one year piece of paper into long term debt. The risk is an economic risk of >17,000 - $20,000, relating to bond printing, bond engraving, banking charges, escrow agent charge, paying agent charge, signing of the bonds.

Robert Freeman stated that it is a relatively sophisticated type of financing and has just been developed within the past week to ten days. Based upon his analysis of it and its workings he feels that it is a type of refunding transaction that KUA is authorized to do under its Charter and with the adjustments made in the plan for funding the escrow, an investment vehicle that is authorized is being used. He also stated that they will be looking at it from the tax standpoint. Mr. Freeman further commented about the pending tax legislation. He feels that this type of transaction may be perceived by the people in Congress, if it becomes a widespread transaction, as an abuse of the grace period that was given by Congress in order to allow deals to go forward. If this occurs, they may step in to stop all these transactions.

Mr. Wagner stated that if this transaction is used, it would allow the KUA to reconsider their target of 2.2 million. If rates do improve, it could be quickly and substantially. A target needs to be set and if that target is hit, advantage must be taken at that point, we could not just sit and watch the market improve. Mr. Freeman stated that the original bonds would need to be on "automatic pilot", certain conditions would be set up in the document at which the bonds would convert to fixed rate. The initial bonds would be structured as a one year deal based on the marketing plan developed by Merrill Lynch, containing time frames within that one year period after which the target figure would move closer to existing market conditions.

Further discussion followed with the financing team answering questions from the Board.

Attorney Brinson stated that he did not want it to appear as though you either "take this deal or you're out of the ball game". This would be grandfathering under the tax bill, refunding after the one year would be a straight refunding procedure.

Mr. Wagner noted that this is a bond anticipation note, taking that out with bonds, also getting around the tax law doing it this way. Mr. Brinson added that you would be risking the $17,000 - $20,000 up front, but if you do the deal within the one year, the costs would be higher.

Chairman VanMeter asked how quickly this could be structured and go into the market. Mr. Freeman stated that documents could be ready to send to members of the working group by this weekend, and documents to the insurers by Monday or Tuesday. Discussion and questions continued.

Director Bobroff moved to go ahead with the deal, with a range of 2.2 - 2.75 million net savings, scheduling will be up to the financing team.

Motion died for lack of second.

Director Maher moved to direct the finance team to establish a trigger bond with a net present value of 3.5 million.

Director Jones seconded the motion.

After further discussion the following amended motion was agreed to by Director Maher:

Director Maher moved that we direct the financing team to bring back a purchase contract for a transaction that would call for the issuance of a variable rate demand obligation that would have provisions for it to convert to a fixed rate obligation at such time as the conversion would produce a net present value savings to the Authority of $3.5 million, provided that the conversion occurred within 270 days of the purchase contract. After the said 270 days and before 365 days, the Authority would accept a net present value savings of $3 million. Director Jones seconded the amended motion.

Motion Carried 3 - 1
Director Bobroff Voted No

Mr. Welsh stated that a motion was needed to authorize transfer of $20,000 for the up front bond expenditures, to be taken from the Reserve for Future Capital Outlay in the Capital Improvement Fund.

Director Jones moved to authorize transfer of $20,000 for up front bond expenditures to be taken from the Reserve for Future Capital Outlay in the Capital Improvement Fund. Director Bobroff seconded the motion.

Motion Carried 4 - 0

Mr. Welsh noted that an emergency meeting may be necessary next week.

Chairman VanMeter adjourned the meeting at 7:05 p.m.

Chairman

ATTEST:

Secretary

Aug 7, 1986.

After due Notice as required by Law We the undersigned Directors hereby agree to a Special Call meeting of KUA. Purpose to discussion financing of [illegible] bond issue..

Arnold W Jones

B.J. Bishop

Kenneth Emahiser

Bruce R. Van[illegible]