

**CUMBERLAND COUNTY
FINANCE COMMITTEE MEETING
THURSDAY, JULY 1, 1999, 8:30 AM**

Present: H. Mac Tyson II, Chairman
Billy R. King, Commissioner
Ed G. Melvin, Commissioner
Thomas B. Bacote, Commissioner
J. Lee Warren, Jr., Commissioner
Cliff Strassenburg, County Manager
James Martin, Deputy County Manager
Juanita Pilgrim, Assistant County Manager
Grainger Barrett, County Attorney
Amy H. Cannon, Finance Director
Karen Musgrave, Staff Attorney
Tommy Bolton, Smith Barney
Sam Bacote, Jackson Securities
David Gray, Robinson Humphrey
Maynard Jackson, Jackson Securities
Rhonda C. Raynor, Deputy Clerk to the Board

Others: Press

INVOCATION: H. Mac Tyson II

1. Approval of Minutes: June 3, 1999

MOTION: Commissioner King offered a motion to approve the June 3, 1999 Finance Committee meeting minutes.

SECOND: Commissioner Melvin

VOTE: UNANIMOUS

2. Consideration of Finance Matter per 10 June 1999 Request of Jackson Securities.

Mr. Maynard Jackson, Chairman of the Board of Jackson Securities stated Jackson Securities is in it's twelfth year and has underwritten bonds in 23 states. The company is strong both analytically and in distribution. The firm is 100% minority owned. Jackson Securities appreciates having Cumberland County as a client and has worked with Robinson Humphrey on many deals. Jackson Securities is ready and able to be of service to Cumberland County and can carry their weight. The company has never brought a concern of this type to a client before. His company wants a fair shot to sell bonds for their client. He is not blaming Robinson Humphrey for the inequities of the last sale as they were bound by the system set in place. He believes the Cumberland County Board of Commissioners has expectations that are not being met.

Sam Bacote, Vice President of Jackson Securities stated their company has worked on the Social Services, Coliseum and Cape Fear Valley Hospital bond sales. Jackson Securities forwarded a letter to Chairman Tom Bacote on June 10 expressing their concerns over the hospital bond sale. Robinson Humphrey was the Senior Manager and the other companies were co-managers in the

County Finance Committee
July 1, 1999
Page 2

hospital sale. In the Social Services and Coliseum sales Jackson Securities had a 20% issue. In the hospital sale they had 7%. The other co-managers had a 30% decrease. Jackson Securities' decrease equated to a 50% decrease. This decrease makes it difficult for smaller firms to get bonds to sell, even though they work very hard for their client. Jackson Securities placed calls to institutions for the hospital sale but they did not get a designation.

Mr. Jackson noted Jackson Securities did not get a single bond to sell in the hospital transaction. The senior manager received the highest commission. The other co-managers received significantly more than Jackson Securities. If the results of this sale had been the fault of Jackson Securities they would not be at this meeting discussing this matter. If the hospital bond sale had gone bad, Jackson Securities would have received 7% of the bonds to sell and would have had to take a loss. They will take a loss if that is what they have to do for their client. In essence, Jackson Securities had to bear the burden in this deal and did not get any benefit from that burden.

Mr. Bacote noted that when the additional co-managers were brought in on the hospital sale, allowances had to be made for them. In this transaction, Jackson Securities pushes Cumberland County, not themselves. Institutions purchased the hospital bonds and they make the decision on who they are purchased from based on their relationship with a particular banking firm.

Mr. Jackson noted they have some proposals that will help Jackson Securities re-coup what they were unfairly not allowed to do in the hospital sale which was sell bonds for Cumberland County. They want to earn a portion of what they did not have a chance to in the last deal. He would like the County to decide whether they want to go "net designated" or "group net". Net designation says who gets the credit. It does not take small firms into consideration. Under a group net designation, if you have orders of 65 million, the senior manager would get their percentage and that is all they would get. If they don't do their part, then they should not be considered for participation the next time. Group net puts more control with the County as the issuer of the bonds. He recommends group net and feels Robinson Humphrey agrees with him. Mr. Jackson noted he has respect for the Local Government Commission (LGC). However, the LGC cannot say if the sale will be group net or net designated. He feels a group net will get more companies working harder for Cumberland County. He would like Jackson Securities to have the books on the next bond sale and 50% of the participation with the others having 50%. If that scenario is not acceptable, he would appreciate Jackson Securities being the co-senior at the 35% level which would help them earn back what was lost in the hospital deal. How the other 65% is traded would be up to the Board of Commissioners.

Chairman Tyson asked that they state of record their high regard and respect for the former Mayor of Atlanta, Maynard Jackson and their appreciation for him bringing this matter to their attention.

MOTION: Commissioner Melvin offered a motion that the Finance Committee express their respect and gratitude for being honored with the presence of Maynard Jackson at this meeting.

SECOND: Commissioner King

VOTE: UNANIMOUS

Chairman Tyson stated he had no problem with the suggestion made by Mr. Jackson with regard to the next bond sale.

MOTION: Commissioner King offered a motion that Jackson Securities be the senior manager for the next bond sale, holding the books and with 50% participation. Robinson Humphrey having the other 50%. The sale being "Group Net".

SECOND: Commissioner Melvin

DISCUSSION: Mr. Strassenburg reviewed how Jackson Securities came to begin working with the County on its bond sales. He noted the team consisted of Robinson Humphrey as the Senior Manager with Jackson Securities, First Union and Wachovia as Co-managers. The issue was 60-20-10-10. This was the situation for the Social Services and Coliseum bond sales. When the hospital sale was done, the same scenario was planned. The LGC, at the eleventh hour said the County needed to have more underwriters as this sale was over 100 million as compared to the Social Services and Coliseum sales that were under 50 million. The LGC made this recommendation due to their experience with other hospital deals where there were six or seven underwriters involved. He does not know if the LGC can require this be done, but he does know they can slow or stop a deal. The LGC must approve the County's financing in these matters. The County cannot go to market without LGC approval. When the additional underwriters were added the issue was kept at 60% for the Senior and the 40% was divided among the five co-managers. The issue was finally decided upon at a 60-5-7-7-7-7. He noted they wanted to go back to the original team for the jail bond sale. Whatever arrangement the Board of Commissioners ultimately works out, the LGC will have to approve the Senior Manager. He noted he was disturbed when he found out the amount of commission Jackson Securities received for the hospital sale. Additional information on the hospital sale was presented by Mr. Strassenburg and is attached to these minutes. He noted North Carolina retail orders received first priority in the hospital sale. They had to receive this priority. The nine million ordered by Jackson Securities was one order and was meant for their own investment portfolio. The purchase was for long term bonds that were over subscribed, which means more were ordered than were available. Ultimately the County is trying to sell the bonds for the least interest rate. Because these were hospital bonds and must be repaid with hospital revenue, the sick person is paying these bonds back. They tried to structure what they thought would have been a good deal. The whole hospital deal went well except for what happened with Jackson Securities.

Chairman Tyson noted the Committee needs to be mindful of fairness.

Mr. Jackson stated he would like to have the books to sell the next deal. He would like it to be 50-50. He feels that would be very fair to both Jackson Securities and Robinson Humphrey. If for some reason that scenario will not work, Robinson Humphrey could have the books and the split would still be 50-50.

Commissioner Melvin stated he would like to have other options submitted at the full board level.

Mr. Strassenburg asked if Mr. Jackson's recommendation means First Union and Wachovia would not be included in the next bond sale.

Mr. Jackson stated Mr. Strassenburg was correct.

Mr. Strassenburg stated the LGC may have a problem with no NC based companies having a part in the deal.

Mr. Jackson stated he does not have a problem with local firms being included in the sale. He understands that LGC rules state that if the deal is under 20 million, one firm can do the whole sale. If the sale is over 20 million a second firm must be added. It is not necessary to have a third or fourth firm.

Commissioner Warren thanked the Committee members for allowing him to speak on this matter as he is not a standing member of the committee. He wants all to be clear that Robinson Humphrey made every effort to include Jackson Securities in the hospital bond sale as a major player. Robinson Humphrey has been looking out for the best interests of Cumberland County on many deals and they have done a wonderful job. He does have some problems with the County having a Financial Advisor. He feels one is not needed as the LGC makes recommendations as do the companies involved in the sale. He feels the scenario for the next sale could be 65-35.

David Gray with Robinson Humphrey noted he supports any efforts to achieve fairness and his company appreciates its role with Cumberland County. He feels it would be fairer to make the next deal on a "group net" basis.

Mr. Strassenburg stated he would like to keep the group together for the next sale and suggest they have what they did before (60-40-10-10) and try the "group net".

Commission Chairman Tom Bacote stated they need to keep in mind the sensitiveness of this whole issue. A company that has gone through many deals with the County should be fairly rewarded for their work.

Commissioner King called for the question.

Commissioner Tyson noted his concern that a 50-50 deal will take the "pie" off the table for NC agencies.

Commissioner Melvin stated he definitely wants Jackson Securities to get their fair share and doesn't feel they were done properly in the last deal. At this point, he is not sure where he stands on the 50-50 deal and taking the other companies out. He wants Jackson Securities to get their share and they will. He wants the full Board of Commissioners to consider this issue and finalize the percentages.

Commissioner Tyson stated out of respect for Mr. Jackson and Commissioner King, for this committee at this meeting he will support the motion.

Mr. Jackson thanked the committee for their consideration of this matter. He asked the committee to consider the fact that the 60-20-10-10 does not solve the problem. He doesn't want his company to be given anything. They want to earn back what was lost during the last deal. The next deal is less than one-half of what the last deal was. He would like the Board of Commissioners to keep that in mind. If NC agencies have to be included, he is requesting that whatever the final deal is with the percentages, that his company get the chance to sell and re-coup what was lost. They will need no less than 35% to do that. They would prefer at least 40%.

Commissioner Melvin stated he feels Mr. Jackson will be proud of the final decision made by the Board of Commissioners.

Commissioner King noted he had called for the question.

VOTE: Favor: King and Tyson
Oppose: Melvin

3. Other Committee Concerns.

No other committee concerns were raised.

Meeting adjourned at 10:00 AM.