NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: Moody's: Aa2
S&P: AA
See "MISCELLANEOUS – Ratings" herein.

In the opinion of Pope Flynn, LLC, Bond Counsel to Metropolitan (as defined herein), under existing law, assuming continuing compliance by Metropolitan with certain covenants and the accuracy of certain representations, interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "Code"). Such interest is, however, included in the "adjusted financial statement income" of certain corporations that are subject to the corporate alternative minimum tax imposed under Section 55 of the Code. In the opinion of Bond Counsel, the Series 2024 Bonds and the interest thereon are exempt from all State, county, municipal, school district, and other taxes and assessments imposed within the State of South Carolina, except estate, transfer, and certain franchise taxes. See "TAX MATTERS" herein for a description of these and other tax considerations.

$36,070,000
METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA
SEWER SYSTEM REVENUE BONDS
SERIES 2024

Dated: Date of Delivery **Due: June 1, as shown on the inside cover**

The $36,070,000 Sewer System Revenue Bonds, Series 2024 (the "*Series 2024 Bonds*") of Metropolitan Sewer Subdistrict, South Carolina ("*Metropolitan*"), a special purpose district and political subdivision of the State of South Carolina (the "*State*"), are being issued under the authority of the Constitution and laws of the State, including Title 6, Chapter 21 of the Code of Laws of South Carolina 1976, as amended (the "*Act*"), a master bond resolution adopted by the Metropolitan Sewer Subdistrict Commission (the "*Commission*"), the governing body of Metropolitan, on November 4, 2019 (the "*Bond Resolution*"), and a series resolution adopted by the Commission on July 15, 2024, (i) to defray or reimburse the costs of the Project (as defined herein), including the recoupment of funds previously expended; and (ii) to pay the costs of issuance of the Series 2024 Bonds. See "PLAN OF FINANCE" herein. Capitalized terms used and not otherwise defined on this cover page shall have the meanings given to such terms in the body of this Official Statement and Appendix B hereto, to which attention is directed.

The Series 2024 Bonds are payable from and secured by a pledge of and a lien upon the Net Revenues of the System, on a parity with any Bonds currently Outstanding and any Additional Bonds hereafter issued. To further secure the Series 2024 Bonds, as authorized by the Act, a statutory lien on the System has been granted to the Holders of the Series 2024 Bonds under the terms of the Bond Resolution. See "SECURITY FOR THE BONDS" herein.

The Series 2024 Bonds will be issued as fully registered Bonds in denominations of $5,000 and integral multiples thereof initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"), which will act as securities depository for the Series 2024 Bonds under a book-entry-only system, as described herein. So long as the Series 2024 Bonds are held in book-entry form, beneficial owners of Series 2024 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2024 Bonds is payable initially on June 1, 2025, and semiannually thereafter on June 1 and December 1 of each year through maturity or prior redemption. U.S. Bank Trust Company, National Association is serving as Trustee, Registrar, and Paying Agent with respect to the Series 2024 Bonds.

The Series 2024 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described herein. See "THE SERIES 2024 BONDS – Redemption" herein.

THE SERIES 2024 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OF METROPOLITAN WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR THE LAWS OF THE STATE, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. METROPOLITAN IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2024 BONDS OR THE INTEREST THEREON EXCEPT FROM THE NET REVENUES, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF METROPOLITAN SHALL BE DEEMED TO BE PLEDGED TO THE PAYMENT OF THE SERIES 2024 BONDS. See "SECURITY FOR THE BONDS" herein.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2024 Bonds are offered when, as, and if issued by Metropolitan and accepted by the Underwriter (hereinafter defined) subject to the delivery of an approving opinion by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel. Pope Flynn, LLC is also serving as Disclosure Counsel to Metropolitan in connection with the offer and sale of the Series 2024 Bonds. Certain legal matters will be passed upon for Metropolitan by Bell Carrington Price & Gregg LLC, Greenville, South Carolina, and for the Underwriter by Murray Barnes Finister LLP, Atlanta, Georgia. First Tryon Advisors, Charlotte, North Carolina, serves as financial advisor to Metropolitan. It is expected that the Series 2024 Bonds will be available in definitive form for delivery through the facilities of DTC on or about September 25, 2024, against payment therefor.

TRUIST

This Official Statement is dated: September 5, 2024

MATURITY SCHEDULE

$36,070,000
METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA
SEWER SYSTEM REVENUE BONDS
SERIES 2024

Due June 1	Principal Amount	Interest Rate	Yield	CUSIP†
2025	$ 290,000	5.000%	2.610%	592549AA7
2026	595,000	5.000	2.560	592549AB5
2027	630,000	5.000	2.530	592549AC3
2028	660,000	5.000	2.550	592549AD1
2029	695,000	5.000	2.550	592549AE9
2030	730,000	5.000	2.630	592549AF6
2031	765,000	5.000	2.730	592549AG4
2032	805,000	5.000	2.820	592549AH2
2033	850,000	5.000	2.900	592549AJ8
2034	890,000	5.000	2.950	592549AK5
2035	935,000	5.000	3.060C	592549AL3
2036	985,000	5.000	3.110C	592549AM1
2037	1,025,000	3.500	3.390C	592549AN9
2038	1,065,000	3.500	3.470C	592549AP4
2039	1,110,000	5.000	3.280C	592549AQ2
2040	1,165,000	5.000	3.360C	592549AR0
2041	1,225,000	5.000	3.450C	592549AS8
2042	1,290,000	5.000	3.500C	592549AT6
2043	1,350,000	4.000	4.010	592549AU3
2044	1,405,000	4.000	4.030	592549AV1

$7,925,000 4.000% Term Bonds due June 1, 2049; Yield 4.080%; CUSIP 592549AW9†
$9,680,000 4.000% Term Bonds due June 1, 2054; Yield 4.130%; CUSIP 592549AX7†

C Yield to par call date of June 1, 2034.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2024 Bonds and none of Metropolitan, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers now or in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 Bonds.

This document (the "*Official Statement*") does not constitute an offering of any security other than the original offering of the Series 2024 Bonds identified on the inside cover hereof. No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by Metropolitan. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY OF THE SERIES 2024 BONDS IMPLIES THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2024 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT OR ABOVE THAT WHICH WOULD OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Except for information with respect to U.S. Bank Trust Company, National Association (the "*Trustee*"), the Trustee has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2024 Bonds, or (iii) the tax-exempt status of the interest on the Series 2024 Bonds.

First Tryon Advisors is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Upon execution and delivery, the Series 2024 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2024 Bonds for sale, and any representation to the contrary is a criminal offense.

CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY HAVE BEEN OBTAINED FROM SOURCES OTHER THAN RECORDS OF METROPOLITAN AND, WHILE BELIEVED TO BE RELIABLE, IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF METROPOLITAN OR ITS SYSTEM.

Reference herein to laws, rules, regulations, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made therein. Where full texts have not been included as appendices to the Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and in effect on the date hereof.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “forecast,” “project,” or similar words. Such forward-looking statements are included in, among other portions of this Official Statement, “FINANCIAL INFORMATION – Forecasted Net Earnings and Debt Service Coverage” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. METROPOLITAN DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO ITS EXPECTATIONS, OR EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA

120 Augusta Arbor Way
Greenville, South Carolina 29605

COMMISSIONERS

James R. Freeland, Chairman
Caleb Freeman, Vice Chairman
Jondia Berry, Secretary
Terry Aldrich, Commissioner
Randy Drew, Commissioner
Tony Shultz, Commissioner
Gordon Brush, Commissioner

METROPOLITAN PERSONNEL

Carol L. Elliott, General Manager
Christie Whitmire, Chief Financial Officer

COUNSEL TO METROPOLITAN

Bell Carrington Price & Gregg, LLC
Greenville, South Carolina

BOND AND DISCLOSURE COUNSEL

Pope Flynn, LLC
Columbia, South Carolina

CERTIFIED PUBLIC ACCOUNTANTS

Love Bailey & Associates, LLC
Greenville, South Carolina

FINANCIAL ADVISOR

First Tryon Advisors
Charlotte, North Carolina

FINANCIAL CONSULTANT

Raftelis Financial Consultants, Inc.
Charlotte, North Carolina

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OFFICIAL STATEMENT

$36,070,000
METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA
SEWER SYSTEM REVENUE BONDS
SERIES 2024

INTRODUCTION

General

This Official Statement of the Metropolitan Sewer Subdistrict, South Carolina ("*Metropolitan*"), which includes the cover page and inside cover pages hereof and the appendices hereto, provides information relating to Metropolitan and its $36,070,000 Sewer System Revenue Bonds, Series 2024 (the "*Series 2024 Bonds*"). Metropolitan is a special purpose district and political subdivision of the State of South Carolina (the "*State*") created and established as a body politic and corporate pursuant to the Enabling Acts (as defined herein). The Series 2024 Bonds, the Outstanding Bonds (as defined herein), and any Additional Bonds (as defined herein) are referred to herein as the "*Bonds*."

Included in this Official Statement are brief descriptions of the Series 2024 Bonds and the security therefor, Metropolitan's wastewater collection system (the "*System*"), Metropolitan and the surrounding area, and the resolutions pursuant to which the Series 2024 Bonds are authorized and issued by Metropolitan. Also included is certain financial information relating to the System. All information included herein has been provided by Metropolitan except where attributed to other sources. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report, or other instrument. Capitalized terms used herein without a specific definition shall have the meanings ascribed thereto in "APPENDIX B – Bond Resolution and Series Resolution" attached hereto.

References herein to a specific fiscal year of Metropolitan (each a "*Fiscal Year*") up to and including Fiscal Year 2023 refer to the Fiscal Year ended June 30 of the Fiscal Year indicated. In 2023, Metropolitan changed its Fiscal Year to the period beginning January 1 and ending December 31 of each year. See "METROPOLITAN – Accounting Practices – *Change in Fiscal Year*." Beginning with January 1, 2024, references to a Fiscal Year refer to this period in the year indicated. To effect this change, Metropolitan adopted a partial-fiscal year budget for the period from July 1, 2023 to December 31, 2023, which is referred to herein as the "*Short Fiscal Year*."

Authorization

The Series 2024 Bonds are issued pursuant to the Constitution and laws of the State, including particularly Title 6, Chapter 21 of the Code of Laws of South Carolina 1976, as amended (the "*Act*"), a master bond resolution adopted by the Metropolitan Sewer Subdistrict Commission (the "*Commission*"), the governing body of Metropolitan, on November 4, 2019 (the "*Bond Resolution*"), and a series resolution adopted by the Commission on July 15, 2024 (the "*2024 Series Resolution*" and, together with the Bond Resolution, the "*Resolutions*"). Certain provisions of the Resolutions are more particularly described in "APPENDIX B – Bond Resolution and Series Resolution" attached hereto.

Purpose

The Series 2024 Bonds are being issued by Metropolitan (i) to defray or reimburse the costs of the Project (as defined herein); and (ii) to pay the costs of issuance of the Series 2024 Bonds. See "PLAN OF FINANCE" herein.

THE SERIES 2024 BONDS

Form and Denomination

The Series 2024 Bonds will be Sewer System Revenue Bonds of Metropolitan, will be dated the date of delivery thereof and will bear interest at the rates per annum set forth on the inside cover page of this Official Statement, payable on June 1 and December 1 of each year (the "*Bond Payment Dates*") beginning June 1, 2025, to the person in whose name each Series 2024 Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such Bond Payment Date. The Series 2024 Bonds will mature on June 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. The Series 2024 Bonds will be issued in fully registered form without coupons, in denominations of $5,000 (or integral multiples thereof) not exceeding the principal amount of the Series 2024 Bonds maturing in each year, in the name of the registered owner as set forth on the registration books of Metropolitan maintained at the corporate trust office of U.S. Bank Trust Company, National Association (the "*Trustee*"). As part of its duties as Trustee, U.S. Bank Trust Company, National Association will also act as paying agent (the "*Paying Agent*") and registrar (the "*Registrar*") with respect to the Series 2024 Bonds. The Series 2024 Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York ("*DTC*"), whose nominee, Cede & Co., will be the initial registered owner of the Series 2024 Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2024 Bonds, all payments of the principal of, premium, if any, and interest on the Series 2024 Bonds will be made by the Paying Agent directly to Cede & Co. in accordance with the Resolutions. See "APPENDIX G – Book-Entry-Only System" attached hereto and "– Book-Entry-Only System – *Discontinuance of Book-Entry-Only System*" below.

Should the Series 2024 Bonds no longer be held in book-entry-only form, interest will be paid by check of U.S. Bank Trust Company, National Association, in the capacity of Paying Agent, mailed to each owner of the Series 2024 Bonds at the address shown on the registry book maintained by the Registrar on the fifteenth day of the calendar month next preceding each Bond Payment Date (each a "*Record Date*") or, upon request of any Holder of $1,000,000 or more in aggregate principal amount of Series 2024 Bonds, by wire transfer to an account specified in such request. Principal on Series 2024 Bonds not held in book-entry-only form will be payable at the corporate office of the Registrar.

Redemption

Optional Redemption. The Series 2024 Bonds maturing on or prior to June 1, 2034, are not subject to redemption prior to maturity. The Series 2024 Bonds maturing after June 1, 2034, are subject to redemption prior to maturity, at the option of Metropolitan on and after June 1, 2034, in whole or in part at any time, upon 30-days' notice, in such manner as will be determined by Metropolitan, and by lot (or by such DTC procedure as is customary if the book-entry-only system is still in effect) within a maturity at par, plus accrued interest to the redemption date.

Mandatory Redemption. The Series 2024 Bonds maturing on June 1, 2049, are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Year	Amount
2045	$1,460,000
2046	1,520,000
2047	1,585,000
2048	1,645,000
2049	1,715,000*

* Final Maturity.

The Series 2024 Bonds maturing on June 1, 2054, are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Year	Amount
2050	$1,785,000
2051	1,855,000
2052	1,935,000
2053	2,010,000
2054	2,095,000*

* Final Maturity.

The amount of any mandatory sinking fund redemption will be reduced to the extent the Series 2024 Bonds of the applicable maturity have been purchased by Metropolitan or redeemed by Metropolitan pursuant to any optional redemption provisions, in such manner as Metropolitan will direct.

Notice of Redemption. For so long as a book-entry-only system for the Series 2024 Bonds is in place, the redemption and the notice of redemption of the Series 2024 Bonds will be accomplished as described in "APPENDIX G – Book-Entry-Only System" attached hereto.

If the book-entry-only system is discontinued and if any of the Series 2024 Bonds, or portions thereof, are called for redemption, the Trustee will give notice to the Holders of the Series 2024 Bonds to be redeemed, in the name of Metropolitan. If less than all of the Series 2024 Bonds are to be redeemed, such notice will specify the respective portions of the principal amount to be redeemed. Such notice will be given by mailing a copy by first class mail, postage prepaid, between 30 and 60 days prior to the date fixed for redemption to the registered owner of each Series 2024 Bond or portion thereof to be redeemed, at the address shown on the bond register maintained by the Trustee; provided, however, the failure to give any such notice by mail, or any defect in the notice mailed to the registered owner of any Series 2024 Bond, will not affect the proceedings for the redemption of any other Series 2024 Bond for which notice is properly given. If less than all the Series 2024 Bonds of any maturity are called for redemption, the Series 2024 Bonds, or portions thereof, to be redeemed will be selected by lot by the Trustee.

The obligation of the Trustee to give the notice of redemption will not be conditioned upon the prior payment to the Paying Agent of money or the delivery to the Paying Agent of Authorized Investments or Government Obligations sufficient to pay the redemption price of the Series 2024 Bonds to which such notice relates or the interest thereon to the redemption date.

If at the time of mailing of notice of redemption, there will not have been deposited with the Paying Agent moneys sufficient to redeem all the Series 2024 Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Series 2024 Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Paying Agent not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Book-Entry-Only System

Book-Entry-Only System. Metropolitan has arranged for the Series 2024 Bonds to be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of DTC, which will initially act as securities depository (the "*Securities Depository*") for the Series 2024 Bonds. One fully registered Series 2024 Bond certificate for each maturity of Series 2024 Bonds will be issued and deposited with DTC; purchasers will not receive certificates representing the ownership interest in the Series 2024 Bonds purchased by them. For as long as DTC acts as the Security Depository for the Series 2024 Bonds, the registration, transfer, and exchange of ownership interests in the Series 2024 Bonds shall be accomplished by book entries made by DTC and the Direct Participants and, where applicable, the Indirect Participants, as described in "APPENDIX G – Book-Entry-Only System" attached hereto.

Discontinuance of Book-Entry-Only System. In the event that Metropolitan determines that it is in the best interest of Metropolitan not to continue the book-entry system of transfer or that the interest of the Beneficial Owners of the Series 2024 Bonds may be adversely affected if the book-entry system of transfers is continued, then Metropolitan will notify the Securities Depository and the Trustee of such determination and the Securities Depository will immediately notify the Participants of the availability, through the Securities Depository, of physical Series 2024 Bonds. In such event, Metropolitan will execute, and the Trustee will authenticate, register and deliver physical Series 2024 Bonds as requested by the Securities Depository or any Participant or Beneficial Owner of Series 2024 Bonds in appropriate authorized denominations in exchange for the Series 2024 Bonds registered in the name of the Securities Depository Nominee. The Securities Depository may determine to discontinue providing its services as such with respect to the Series 2024 Bonds at any time by giving notice to Metropolitan and the Trustee and discharging its responsibilities with respect thereto under applicable laws or Metropolitan may determine that the Securities Depository is incapable of discharging its duties as such and may so notify the Securities Depository. In either such event, Metropolitan will either engage the services of another Securities Depository or deliver physical Series 2024 Bonds in the manner described above.

Upon the discontinuance of the book-entry system, Series 2024 Bonds shall be evidenced by bond certificates issued in the name of the registered owners thereof as set forth on the registration books, and Series 2024 Bonds shall be transferable only upon the registration books by the Holder thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder or his duly authorized attorney with such signature guaranteed. Upon the transfer of any Series 2024 Bond, Metropolitan shall execute and thereupon the Registrar shall authenticate and deliver to the transferee a new fully registered Series 2024 Bond or Series 2024 Bonds, registered in the name of the transferee of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2024 Bond.

PLAN OF FINANCE

The Project

Metropolitan has determined to develop new facilities and provide for improvements to the System, including (i) the acquisition of 23.21 acres of real property; (ii) the engineering, designing, planning, and developing of a new headquarters campus consisting of an approximately 30,000 square-foot administration building, an approximately 25,000 square-foot operations building, an approximately 5,000 square-foot vehicle storage building, and a parking and laydown area (items (i) and (ii) are referred to together as, the "*Headquarters Facility*"); and (iii) the engineering, designing, planning, acquisition, construction, installation, and rehabilitation of wastewater collection lines (items (i), (ii), and (iii) are collectively referred to as the "*Project*"). Metropolitan expects that the total cost of the Project will be $40,380,628. Of this amount, Metropolitan expects to pay approximately $37,000,000 from the proceeds of the Series 2024 Bonds and $3,380,628 from capital reserves. Subsequent to the issuance of the Series 2024 Bonds, Metropolitan intends to sell its current headquarters and operations facility to replenish all or a portion of the amounts taken from capital reserves. Metropolitan expects to list its current headquarters and operations facility for sale in 2026.

Metropolitan has entered into a Project Management Agreement with Jones Lang Lasalle Americas, Inc. ("*JLL*"), dated as of October 17, 2023, as amended by an Additional Services Amendment dated as of February 14, 2024 (collectively, the "*Project Management Agreement*"), for project management services and providing a guaranteed maximum price for due diligence, planning, design, and engineering related to the development of the Headquarters Facility. On August 19, 2024, the Commission approved Metropolitan entering into a further amendment to the Project Management Agreement with a guaranteed maximum price for site work and the construction of the Headquarters Facility. The total guaranteed maximum price for the due diligence, planning, design, and engineering work performed to date and the site work and construction of the Headquarters Facility is $35,642,856. Metropolitan expects to further amend the Project Management Agreement to provide for the furnishing and equipping of the Headquarters Facility in the coming months.

Sources and Uses

The following table sets forth the estimated sources and uses of funds in connection with the sale of the Series 2024 Bonds:

Sources	
Par Amount of the Series 2024 Bonds	$36,070,000.00
Plus: Net Original Issue Premium	1,428,416.85
Total Sources	$37,498,416.85
Uses	
2024 Construction Fund	$37,000,000.00
2024 Cost of Issuance *	498,416.85
Total Uses	$37,498,416.85

* Includes various professional fees, underwriter's discount, and other miscellaneous costs.

SECURITY FOR THE BONDS

Pledge of Net Revenues

The Bonds are payable solely from and shall be secured by a pledge of and a lien upon the Net Revenues (as defined below) as well as a statutory lien upon the System. See "– Statutory Lien" herein. The pledge of and the lien upon the Net Revenues securing the Bonds, including the Series 2024 Bonds, shall at all times and in all respects be and remain superior to pledges made to secure any other bonds or other obligations payable from the revenues of the System, except for Additional Bonds issued in accordance with the Bond Resolution. See "– Additional Bonds" herein. All funds held by the Trustee in the respective Debt Service Fund Accounts (as defined and described herein) and Debt Service Reserve Funds (as defined and described herein), if any, are pledged for the benefit of the respective Bondholders as security for the Bonds of the Series (as defined in the Bond Resolution) to which such funds relate. No Debt Service Reserve Fund will be funded with respect to the Series 2024 Bonds. The term Net Revenues is defined in the Bond Resolution as the Gross Revenues of the System, less Operation and Maintenance Expenses.

As further described in the Bond Resolution, "*Gross Revenues*" means:

(1) all receipts and revenues derived from the operation of the System, including all service fees (including but not limited to connection, tap and impact fees, capacity fees, availability fees, and metered charges), except for customer deposits and those receipts and revenues allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds;

(2) all proceeds from the sale or other disposition of any property owned directly or beneficially by Metropolitan in connection with the operation of the System;

(3) all interest and other income received directly or indirectly by Metropolitan from the investment of moneys or accounts relating to the System; excluding, however, investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service, and specifically excluding (whether or not so restricted) interest earned on any Construction Fund or construction account created with the proceeds of borrowing by Metropolitan;

(4) all other unencumbered money to which Metropolitan may become entitled from any source whatsoever in connection with the operation of the System, but specifically excluding any amounts received by way of government grants, developer contributions, and aids-to-construction; and

(5) all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. Any Interest Payment Subsidies received by Metropolitan and used to pay debt service on a Series of Bonds shall not be included in Gross Revenues.

All amounts received as ad valorem taxes shall not be included in Gross Revenues.

As further described in the Bond Resolution, "*Special Facilities*" include all or a portion of facilities financed with the proceeds of Special Facilities Bonds as described in Section 6.02 of the Bond Resolution, and rights to all or a portion of the use of, or the capacity available from, any such facilities.

From and after delivery of the Series 2024 Bonds and so long as any Bonds are Outstanding, all Gross Revenues of the System will be received by Metropolitan and, as required by the Act, applied only as provided in the proceedings providing for the issuance of Bonds. All Gross Revenues are required to be deposited into the "Gross Revenues Fund" as described in "– Establishment and Flow of Funds" herein.

Under the Bond Resolution, "*Operation and Maintenance Expenses*" means:

for the period in question all expenses incurred in connection with the administration and the operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order, principal and interest payments with respect to lease financing arrangements under Section 6.03 of the Bond Resolution, the fees and charges of the Trustee and the Custodian or trustee of any fund, the costs of audits required hereunder, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds required by the Bond Resolution. Operation and Maintenance Expenses shall not include:

(1) depreciation and amortization (including Bond principal) allowances;

(2) amounts paid as interest on Bonds, Junior Lien Bonds, or Special Facilities Bonds;

(3) amounts expended for extraordinary repairs and capital improvements to the System;

(4) amounts paid from government grants or aids-to-construction;

(5) unfunded net pension liabilities, other post-employment benefit liabilities or similar accounting determinations under Accounting Principles that do not result in any actual disposition of cash; and

(6) any financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds.

Statutory Lien

For the further protection of the Bonds, Section 6-21-330 of the Act provides for a statutory lien upon the System. Such lien shall extend to the entirety of the System as currently constituted and as expanded from time to time unless otherwise provided in the Series Resolution authorizing a Series of Bonds for a specific improvement to or expansion of the System. Any holder of any of such Bonds may, either at law or in equity, by suit, action, mandamus, or other proceedings, protect and enforce such statutory lien and may, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties of the officials of Metropolitan, including the fixing of sufficient rates, the collection of Gross Revenues, the proper segregation of the Gross Revenues of the System, and the proper application thereof. But such statutory lien shall not be construed to give any such Bondholder authority to compel the sale of the System or any part thereof.

Limited Obligations

THE SERIES 2024 BONDS SHALL (I) BE PAYABLE SOLELY FROM THE NET REVENUES, (II) NOT BE SECURED BY, OR IN ANY WAY ENTITLED TO, A PLEDGE OF THE FULL FAITH, CREDIT, OR TAXING POWER OF METROPOLITAN, (III) NOT BE AN INDEBTEDNESS OF METROPOLITAN WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION OTHER THAN THOSE GOVERNING OBLIGATIONS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT OR SPECIAL SOURCE WHICH SOURCE DOES NOT INVOLVE REVENUES FROM ANY TAX OR LICENSE, AND (IV) NOT BE A PECUNIARY LIABILITY OF METROPOLITAN'S OR A CHARGE AGAINST METROPOLITAN'S GENERAL CREDIT OR TAXING POWER. METROPOLITAN IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM THE NET REVENUES.

Covenants

General Covenants. Pursuant to the Bond Resolution, rates for services and facilities furnished by Metropolitan shall, until otherwise revised, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of the Bond Resolution but they shall be revised by the Commission whenever necessary in order that they shall at all times be maintained on a basis sufficient to meet the requirements of the Bond Resolution. Under the Bond Resolution, Metropolitan specifically covenanted and agreed to maintain rates and charges for all services furnished by the System which shall at all times be sufficient:

(1) To provide for the payment of the Operation and Maintenance Expenses as may be necessary to preserve the same in good repair and working order;

(2) To provide for the punctual payment of the Principal Installments of and interest on all Bonds that may from time to time hereafter be Outstanding, and to that end, to maintain the Debt Service Fund and the Debt Service Fund Accounts and thus provide for the punctual payment of the Principal Installments of and interest on the Bonds;

(3) To maintain the Debt Service Reserve Funds in the manner prescribed in the Bond Resolution and in any applicable Series Resolution;

(4) To pay all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy, or letter of credit as contemplated under Section 7.05(D) of the Bond Resolution;

(5) To provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding;

(6) To build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order; and

(7) To discharge all obligations imposed by the Act and by the Bond Resolution and any applicable Series Resolution.

Rate Covenant. Metropolitan also covenanted and agreed in the Bond Resolution that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System that will yield annual Net Earnings during its Fiscal Year equal to at least the sum of (i) 120% of the Annual Principal and Interest Requirements for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) 100% of the amount necessary to make payment of any amounts owing in such Fiscal Year under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(D) of the Bond Resolution, plus (iii) 100% of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts which Metropolitan has entered into in order to provide sewer services to the areas included within its service area, due in such Fiscal Year, plus (iv) 100% of any required payment into a Debt Service Reserve Fund due in such Fiscal Year. For purposes of the above mentioned rate covenant and the additional bonds test (as described in "– Additional Bonds" below), the term "*Net Earnings*" is generally defined as the Gross Revenues of the System, less Operation and Maintenance Expenses, as further adjusted (a) to include amounts transferred into the

Operation and Maintenance Fund (as described in "– Establishment and Flow of Funds" herein) from the Rate Stabilization Fund (as defined and described in "– Establishment and Flow of Funds" herein); and (b) to exclude (i) amounts transferred from the Rate Stabilization Fund into any other fund, excluding the Operation and Maintenance Fund; and (ii) amounts transferred into the Rate Stabilization Fund.

Review of Rates. Promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, Metropolitan, with or without the aid of an Independent Consultant, shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, Metropolitan shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and the amount to be deposited during such Fiscal Year in the Depreciation Fund and Contingent Fund (as such terms are defined and described in "– Establishment and Flow of Funds" herein). Metropolitan may, at any time, adopt an amended Annual Budget for the remainder of the then-current Fiscal Year.

If the Commission, in adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant (as established by the Bond Resolution) or if the audited financial statements of Metropolitan indicate that Metropolitan did not satisfy such rate covenant for the prior year, Metropolitan shall, within 45 days, engage an Independent Consultant to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit Metropolitan to meet the rate covenant. Copies of such report shall be made available to Metropolitan and the Trustee, if any, no later than 60 days after the engagement of the Independent Consultant.

Through the Bond Resolution, Metropolitan has agreed that it shall use its best efforts to effect such changes recommended by the Independent Consultant in its report. So long as Metropolitan uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under Article XIII of the Bond Resolution; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

Additional Bonds

The Bond Resolution makes provision for the issuance from time to time of Bonds on a parity as to the pledge and lien securing the Series 2024 Bonds ("*Additional Bonds*") for the purposes of: (i) obtaining funds for the acquiring, purchasing, constructing, improving, enlarging, and repairing of the System and improvements and additions thereto, including the recoupment or reimbursement of funds already so expended; (ii) providing funds for the payment of any Bond Anticipation Note issued in order to defray the cost of expansions, additions, and improvements to the System and that were issued in anticipation of the issuance and sale of Bonds; (iii) refunding Bonds or other obligations issued to provide land or facilities or equipment which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System; (iv) providing funds for the payment of interest due on any Bonds; (v) funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund to the amount equal to its Reserve Requirement, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy, or letter of credit established pursuant to Section 7.05(E) of the Bond Resolution; and (vi) paying the costs of issuance of Bonds, including any credit enhancement incurred by Metropolitan therefor.

Issuance of Additional Bonds must be in compliance with the provisions of the Bond Resolution, including, among others:

(a) There shall exist, on the occasion of the issuance of such Series of Bonds, no default in the payment of the Principal Installments of or interest on any Bonds or Junior Lien Bonds then outstanding.

(b) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund the amount equal to the applicable Reserve Requirement, there shall be deposited in such Debt Service Reserve Funds such amounts as may be necessary to make the value of the moneys and securities in each Debt Service Reserve Fund equal to the applicable Reserve Requirement, unless Metropolitan shall be funding such reserve requirement periodically as permitted under the Bond Resolution and there shall be no unremedied defaults of any Monthly Series Payments required to have been made.

(c) Except in the case of any Additional Bonds issued for the purpose of refunding Bonds, or in the event no Bonds are Outstanding, Metropolitan may issue Additional Bonds if:

(1) Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall not be less than 120% of the maximum Annual Principal and Interest Requirements on all Bonds Outstanding and on such proposed Series of Bonds, with such calculation to be made by an Authorized Officer upon the basis of a report of the Accountants showing Net Earnings for the Fiscal Year preceding the Fiscal Year in which the proposed Series of Bonds are to be issued; or

(2) For each of the three Fiscal Years following the later of the date of delivery of the proposed Series of Bonds, or the period (if any) for which interest is funded from the proceeds of such Bonds, Net Earnings, as has been forecasted by an Authorized Officer, taking into account such circumstances and factors as he finds appropriate including, without limitation, rate adjustments, or acquisitions or improvements to expand the System, will not be less than 120% of the maximum Annual Principal and Interest Requirements on all Bonds Outstanding and on such proposed Series of Bonds.

(d) For the purpose of refunding any Bonds, in lieu of satisfying the requirements of the preceding paragraph, Metropolitan may issue a Series of Bonds if the Annual Principal and Interest Requirements of the refunding Bonds shall not exceed 110% of the Annual Principal and Interest Requirements of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds, or Metropolitan would realize a net present value savings from the refunding of such Bonds.

(e) If any Series of Bonds shall contain Variable Rate Bonds:

(1) the Series Resolution shall provide for and specify a maximum interest rate on (i) such Additional Bonds and (ii) any reimbursement obligation to a liquidity provider for such Additional Bonds;

(2) the liquidity provider for such Bonds shall be rated in the highest two short-term rating categories by any rating agency then rating any Series of Bonds; and

(3) any accelerated principal payments of any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if the tests described in subparagraphs (c) and (d) above are calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

(f) All amounts then due under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit credited to a Debt Service Reserve Fund shall have been paid.

Junior Lien Bonds and Special Facilities Bonds

The Bond Resolution provides that Metropolitan may at any time, and without limitation and free of all conditions, issue Junior Lien Bonds and Special Facilities Bonds on the terms and conditions set forth therein. See "APPENDIX B – Bond Resolution and Series Resolution" attached hereto.

Metropolitan has no Junior Lien Bonds or Special Facilities Bonds currently outstanding and does not have any present intent to issue any series of Junior Lien Bonds or Special Facilities Bonds.

Lease Financing Agreements

Metropolitan has the right under the Bond Resolution to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System; provided, however, that (i)(a) such capital lease or other lease financing agreement shall be payable solely from amounts available for such purpose in the Operation and Maintenance Fund and the aggregate principal amount of all such leases or other financing agreements outstanding at any time shall not exceed 10% of the value of the System, less accumulated depreciation, as shown on the audited financial statements of Metropolitan for the most recent Fiscal Year for which audited financial statements are available, and (b) the loss of the property secured by the lien will not materially adversely affect the ability of Metropolitan to meet its financial obligations under the Bond Resolution; or (ii) the capital lease or other financing agreement constitutes Bonds, Junior Lien Bonds, or Special Facilities Bonds and is entered into pursuant to and in accordance with the provisions of the Bond Resolution.

Metropolitan has no lease financing agreements currently outstanding and does not have any present intent to incur any lease financing obligations.

Establishment and Flow of Funds

Generally. The Bond Resolution provides for the creation of a gross revenue fund (the "*Gross Revenue Fund*"), an operation and maintenance fund (the "*Operation and Maintenance Fund*"), a debt service fund and a debt service fund account with respect to each Series of Bonds (each a "*Debt Service Fund Account*"), and a depreciation fund and a contingent fund (together, the "*Depreciation and Contingent Funds*"). In addition, the Bond Resolution allows, but does not require, each Series Resolution to establish a debt service reserve fund with respect to that Series of Bonds (each a "*Debt Service Reserve Fund*").

Gross Revenue Fund. The Gross Revenue Fund, which shall be kept under the complete control and custody of Metropolitan, will be maintained so as to accurately reflect the Gross Revenues of the System and Net Earnings. All Gross Revenues will be deposited in the Gross Revenue Fund and Metropolitan will establish, from an accounting standpoint, proper records of receipts and disbursements for the Gross Revenue Fund. For a more detailed description of the funding requirements and flow of funds with respect to the foregoing funds and accounts, see "APPENDIX B – Bond Resolution and Series Resolution" attached hereto.

Transfers from the Gross Revenue Fund will be made monthly, on or before the last Business Day (as defined in the Bond Resolution) of each month in the following order of priority: (i) to the Operation and Maintenance Fund the amounts budgeted for Operation and Maintenance Expenses; (ii) to each Debt Service Fund Account the amounts necessary to pay principal, redemption premium, if any, and interest on each Series of Bonds as described in "*– Debt Service Fund and Debt Service Fund Accounts*" herein; (iii) after valuing the amount of money and securities on deposit in any Debt Service Reserve Fund 45 days prior to each Bond Payment Date, to such Debt Service Reserve Fund, if any, the amount necessary to make the amount of money and securities then on deposit therein equal to the respective Reserve Requirement; (iv) to the payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit; (v) to the payment of Junior Lien Bonds and any other indebtedness which is junior and subordinate to the Bonds; (vi) to the Depreciation Fund and the Contingent Fund the sums which have been currently determined by Metropolitan to be the estimated requirements therefor for said month; and (vii) for any other lawful purpose, as determined from time to time by Metropolitan, including the payment of Special Facilities Bonds.

Operation and Maintenance Fund. The Bond Resolution established an Operation and Maintenance Fund in order to provide for the payment of Operation and Maintenance Expenses. Withdrawals from the Operation and Maintenance Fund will be made by or on the order of Metropolitan in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Debt Service Fund and Debt Service Fund Accounts. The Bond Resolution requires the establishment of a Debt Service Fund and a Debt Service Fund Account therein for each Series of Bonds. The Debt Service Fund and each Debt Service Fund Account will be held by the Trustee or a Custodian, as applicable, and is intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on its respective Series of Bonds as the same shall become due. Withdrawals from such Debt Service Fund Accounts will be made only by the applicable Paying Agent, who may be the Trustee or a Custodian, who will transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds.

The Bond Resolution provides that there will be monthly deposits into each Debt Service Fund Account. By the Record Date there shall be available in each Debt Service Fund Account the aggregate amount of interest and the aggregate amount of the principal of the respective Series of Bonds becoming due and payable (whether at stated maturity or by sinking fund installment) on such Bond Payment Date. All earnings from moneys in a particular Debt Service Fund Account will become a part of such Debt Service Fund Account and will be credited against payments which otherwise would be required to be made from the Gross Revenue Fund. A 2024 Debt Service Fund Account has been created for the Series 2024 Bonds and shall be held and maintained by the Trustee.

Debt Service Reserve Funds. A Series Resolution may (but is not required to) provide for the establishment of a Debt Service Reserve Fund for any Series of Bonds. Each Debt Service Reserve Fund so established will be maintained in an amount equal to the respective Reserve Requirement, if any, for the applicable Series of Bonds. Funds in a particular Debt Service Reserve Fund will be available to secure only the payment of the Series of Bonds for which such fund has been established. See "APPENDIX B – Bond Resolution and Series Resolution" hereto. Metropolitan's Series 2019 Bond (as further defined and described herein) is additionally secured by the 2019 Debt Service Reserve Fund. **No Debt Service Reserve Fund has been established for the Series 2024 Bonds.**

Depreciation Fund and Contingent Fund. The purpose of the Depreciation Fund established under the Bond Resolution is to provide a reasonable reserve for depreciation of the System. Moneys held in the Depreciation Fund will be used solely for the purpose of restoring depreciated or obsolete items of the System. Withdrawals from this fund will be made by or on order of Metropolitan.

The purpose of the Contingent Fund established under the Bond Resolution is to provide for contingencies and for improvements, betterments, and extensions of the System. Money in this fund will be used solely: (i) for improvements, betterments, and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order; (ii) to defray the cost of unforeseen contingencies and extraordinary repairs; (iii) to prevent defaults of Bonds and Junior Lien Bonds; and (iv) for the optional redemption of Bonds or Junior Lien Bonds. Withdrawals from this fund will be made by or on order of Metropolitan.

Rate Stabilization Fund. The Bond Resolution permits Metropolitan to establish a Rate Stabilization Fund. The Commission may determine, at any time, to deposit any percentage or any set amount of any money remaining after having deposited the required amounts into the funds discussed above into a Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Fund may be used to make deposits into the Operation and Maintenance Fund required by Section 8.02 of the Bond Resolution. Amounts on deposit in the Rate Stabilization Fund may, at the option of the Commission, be withdrawn and used for any other required purpose of the System, but in such event, such withdrawal, if for a purpose other than the payments of Operation and Maintenance Expenses, shall be excluded from Net Earnings.

Metropolitan has not currently established a Rate Stabilization Fund.

Other Funds

Construction Fund. The Bond Resolution allows a Series Resolution for any Series of Bonds to create a Construction Fund established with respect to such Series of Bonds if the proceeds of such Series of Bonds are intended to be used for the expansion or improvement of the System. Pursuant to the 2024 Series Resolution, the "*2024 Construction Fund*" has been established with respect to the Series 2024 Bonds. The 2024 Construction Fund shall be held and controlled by Metropolitan unless otherwise determined by Metropolitan at the closing of the Series 2024 Bonds.

Capitalized Interest Fund. The Bond Resolution provides that Bonds may be issued for the purpose of providing funds for the payment of interest due on any Bonds. A capitalized interest fund may either be established as a stand-alone fund or as a sub-account of the Construction Fund. No 2024 Capitalized Interest Fund shall be established for the Series 2024 Bonds.

Cost of Issuance Account. Pursuant to the 2024 Series Resolution, the "*2024 Cost of Issuance Account*" may be established to pay the costs of issuance of the Series 2024 Bonds. The 2024 Cost of Issuance Account, if created, will be established as a sub-account of the 2024 Construction Fund.

METROPOLITAN

Creation of Metropolitan

Metropolitan is a special purpose district created and established as a body politic and corporate pursuant to Act No. 687 of the Acts and Joint Resolutions of the General Assembly of the State for the year 1969, as amended by Act No. 1842 of the Acts and Joint Resolutions of the General Assembly of the State for the year 1972 (together, the "*Enabling Acts*"). Metropolitan is located wholly within Greenville County, South Carolina (the "*County*" or "*Greenville County*"). Certain economic and demographic information about the County is provided in "APPENDIX C – Economic and Demographic Data for Greenville County" attached hereto. Metropolitan was established for the purpose of providing wastewater collection service throughout its defined boundaries.

Governance of Metropolitan

Metropolitan is governed by a seven-member commission (the "*Commission*"). In 2022 the County Council of Greenville County (the "*County Council*") expanded the Commission from five members to seven members pursuant to Section 6-11-335 of the Code of Laws of South Carolina 1976, as amended (the "*S.C. Code*"). By the terms of the Enabling Acts, including Act No. 156, the Commissioners serve four-year terms upon appointment by the Governor following recommendation of the County Council. In addition to determining the operating policies of Metropolitan, the Commission also reviews and approves of all budgetary matters of Metropolitan. The current members of the Commission, their respective dates of original appointment and most recent appointment, and their respective dates of expiration of term of office are shown in the following table.

Name	Date of Original Appointment	Date of Most Recent Appointment	Date of Expiration of Term of Office
James R. Freeland, Chairman	October 4, 2005	December 1, 2022	November 30, 2026
Caleb Freeman, Vice Chairman	November 30, 2012	December 1, 2020	November 30, 2024
Jondia Berry, Secretary	November 30, 2018	December 1, 2022	November 30, 2026
Terry Aldrich, Commissioner	February 1, 2022	February 1, 2022	November 30, 2024
Randy Drew, Commissioner	July 1, 2022	July 1, 2022	November 30, 2026
Tony Shultz, Commissioner	July 1, 2022	July 1, 2022	November 30, 2024
Gordon Brush, Commissioner	November 30, 2022	November 30, 2022	November 30, 2026

Chairman. The Chairman of the Commission is James R. Freeland. Mr. Freeland has served continuously on the Commission since October 4, 2005, serving as Chairman of the Commission since January 1, 2009. Mr. Freeland holds Bachelor of Science Degrees in forestry and civil engineering from Clemson University and is a licensed professional engineer and land surveyor. Mr. Freeland is the founding partner of Freeland Land Surveying, which he founded in 1975.

General Manager. Carol L. Elliott serves as General Manager of Metropolitan (the "*General Manager*"). Ms. Elliott joined Metropolitan in 2002 as Project Manager and served as Assistant General Manager before being appointed as the General Manager in 2017. Prior to joining Metropolitan, Ms. Elliott served as Operations and Maintenance Manager at Gantt Fire, Police and Sewer District and in the private sector as an engineering and surveying consultant. Ms. Elliott received an Associate's Degree in Civil Engineering Technologies from Sumter Area Technical College in 1984 and is a licensed professional land surveyor. Ms. Elliott also holds a license as a Level A Wastewater Collection System Operator. Ms. Elliott serves at the pleasure of the Commission.

Chief Financial Officer. Christie Whitmire serves as Metropolitan's Chief Financial Officer where she is responsible for the financial oversight and management of Metropolitan's Finance Department. This includes all budgeting, auditing, and oversight of daily financial responsibilities. She is also responsible for the Human Relations, Customer Service, and Public Relations Departments. Ms. Whitmire received her Bachelor of Science Degree of Finance and Economics from Lander University in 1998 and a Masters of Business Degree from Webster University in 2001. Ms. Whitmire joined Metropolitan as its Finance Director in 2005. Prior to joining Metropolitan, Ms. Whitmire worked for the City of Greenville, South Carolina as a Staff Accountant.

Chief Technical Officer. Josh Hawkins, PE, serves as Metropolitan's Chief Technical Officer where he is responsible for the technical oversight and management of the Engineering Department personnel, services, and activities. This includes the administration of Metropolitan's CMOM Program (as defined herein), wet weather program, capital improvement plan, development program, asset management, construction, capacity assurance, and maintenance and repairs. Mr. Hawkins holds a Bachelor of Science Degree in Civil Engineering from Clemson University, is a licensed professional engineer, and holds a license as a Level C Wastewater Collection System Operator. Prior to joining Metropolitan, Mr. Hawkins served as Engineering Superintendent for Berkeley County Water and Sanitation. Mr. Hawkins has served in the U.S. Air Force Reserves for nearly 20 years and is a Combat Veteran of Operation Iraqi Freedom and Operation Enduring Freedom.

Employees

As of June 30, 2024, Metropolitan was staffed with 110 full-time employees and no part-time employees. While Metropolitan had a small number of open positions as of this date, these staffing levels are sufficient for the administration of Metropolitan and the operation and maintenance of the System. The employees are not unionized and Metropolitan is not currently aware of any movement or effort among employees to unionize. The General Manager of Metropolitan is of the opinion that employee relations are very good.

Retirement Plan

South Carolina Retirement System. Metropolitan's employees participate in the South Carolina Governmental Employees' Retirement System ("*SCRS*"). SCRS is a cost-sharing, multiple employer public employee retirement program administered by the South Carolina Public Employee Benefit Authority ("*PEBA*"). Actuarial determinations are made by the plan administrator and State statutes determine the benefits and the level of contributions required by both employees and employers.

Act No. 13 of the 2017 Acts and Joint Resolutions of the South Carolina General Assembly addresses funding for SCRS. This law provided for annual increases in the employer contribution rate for SCRS beginning July 1, 2017. Except as discussed below, employer rates for SCRS increased annually by 1% through July 1, 2023, resulting in a total employer contribution rate of 18.56% for the State's fiscal year beginning July 1, 2023. The legislation increased and capped the employee contribution rate for SCRS to 9.0%. The act also reduced the unfunded amortization schedule from 30 years to 20 years and reduced the projected annual rate of return on investments from 7.5% to 7.25%. A new projected annual rate of return was set in 2021 and will be reset every four years thereafter. The increase in the employer contribution rate effective July 1, 2023, represented the last statutorily-scheduled increase in the employer contribution rate; however, employer contribution rates may be increased further if the scheduled contributions are not sufficient to meet the funding requirements of the legislation. In response to the public health emergency associated with COVID-19, pursuant to Act No. 135 of the Acts and Joint Resolutions of the General Assembly of the State for the year 2020, the General Assembly suspended the annual 1% increase in the employer contribution rate for Fiscal Year 2021 and maintained contribution rate at the level imposed for SCRS for Fiscal Year 2020.

For its Fiscal Year 2023, Metropolitan's total employer contribution rate for SCRS was 17.56%. For Metropolitan's Short Fiscal Year period of July 1, 2023, to December 31, 2023, Metropolitan's total employer contribution rate for SCRS was 18.56%. In both periods, these contribution rates included a contribution of 0.15% for incidental death benefits. During these periods Metropolitan's SCRS employee-members were required to contribute 9.0% of their annual covered salaries.

During Metropolitan's Fiscal Year 2023 and Short Fiscal Year, Metropolitan made 100% of its required SCRS contributions, which totaled $1,097,861 and $614,696, respectively. Additionally, in its Fiscal Year 2024 budget, Metropolitan has budgeted $1,470,000 for its required payments to SCRS. See "FINANCIAL INFORMATION – Operating Budget."

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS is publicly available on their website at www.retirement.sc.gov, or by submitting a request to South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

GASB 68. Metropolitan implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" (collectively, the "*Statements*") for Fiscal Year 2015. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments that participate in single-employer or cost-sharing multiple employer plans are now required to recognize a net pension liability for their single-employer plan or other proportionate share of the net pension liability of cost-sharing multiple employer plans. Respecting Metropolitan, the Statements require Metropolitan to recognize a net pension liability, deferred outflows of resources and deferred inflows of resources for Metropolitan's participation in SCRS on financial statements prepared on the economic resource's measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures.

For the reporting period ended June 30, 2022, PEBA reported Metropolitan's proportionate share of the collective net pension liability for SCRS to be 0.03425%. This resulted in Metropolitan reporting a total net pension liability as of the end of the Fiscal Year 2023 of $9,548,943.

For the period ended December 31, 2023, Metropolitan's independent auditor calculated Metropolitan's proportionate share of the collective net pension liability for SCRS to be 0.04945%. This resulted in Metropolitan reporting a total net pension liability as of the end of the Short Fiscal Year of $11,955,640.

Other Post-Employment Benefits

Active Employees. Metropolitan offers health, dental, and life insurance through Greenville County, a self-funded single-employer defined benefits plan. Metropolitan pays the entire cost of the employee-portion of health and dental coverage and a portion of dependent health and dental coverage if elected by the employee (the "*Health Plan*"). Metropolitan also pays for a $50,000 life insurance policy for each employee, which is provided through MetLife Insurance under a contract with Greenville County. Employees may elect additional employee, dependent, and/or child life insurance policies at the employee's expense.

The annual budgeting process determines available funds for benefits under the Health Plan during the next Fiscal Year. For Fiscal Year 2023, 99 active employees participated in health insurance coverage for themselves and/or family members. Metropolitan's medical and life insurance expenses for the Fiscal Year 2023 totaled $1,473,945. For the Short Fiscal Year, 103 active employees participated in health insurance coverage for themselves and/or family members, and Metropolitan's expenses for the period totaled $747,556. Employees have executed a written acknowledgment which states that such benefits may be decreased, increased, or eliminated, depending upon Metropolitan's ability to provide such benefits. The statement confirms that benefits during their service or retirement with Metropolitan may change or be eliminated according to the financial health of the entity.

Retired Employees. Metropolitan administers a single-employer defined benefit healthcare plan for retirees (the "*Retiree Health Plan*"). The plan offers post-retirement health, dental, and supplemental insurance benefits for eligible retirees and their spouses under the same provisions provided to existing employees, with premiums paid by the retirees, except with respect to retirees over the age of 65, as discussed below. To be eligible for the Retiree Health Plan, all retirees must have been employed with Metropolitan for at least 10 years, unless the retiree is disabled due to a job-related injury. For retirees with at least 20 years of full-time employment at Metropolitan, Metropolitan pays a portion of the monthly premiums of the Retiree Health Plan of up to $75 per month for the retiree and their spouse, with the retiree paying the remainder of the premiums. For retirees over the age of 65, the retiree must participate in the Medicare Supplement Plan offered by Greenville County as an option under the Health Plan to receive this benefit. Benefit provisions are established annually by the Commissioners.

As of the end of the Short Fiscal Year, four retirees and three spouses were receiving benefits under the Retiree Health Plan. Metropolitan's expenses in connection with the Retiree Health Plan totaled $6,030.72 for Fiscal Year 2023 and $2,377.86 for the Short Fiscal Year.

GASB 75. GASB Statement No. 75 ("*GASB 75*") was issued by the Government Accounting Standards Board in June 2015. The primary objective of GASB 75 was to improve accounting and financial reporting by state and local governments for other post-employment benefits ("*OPEB*"). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Pursuant to GASB 75, Metropolitan reported a net OPEB liability and OPEB expense on its financial statements, along, with the related deferred outflows and inflows of resources. The net OPEB liability is determined by an independent actuary and is analogous to the actuarial accrued liability that was previously disclosed in the notes to the audited financial statements. The actuarial accrued liability recognized by Metropolitan for Fiscal Year 2023 was $311,662. For the Short Fiscal Year, the actuarial accrued liability recognized by Metropolitan was $346,784.

See Note 9 to Metropolitan's financial statements for Fiscal Year 2023 and the Short Fiscal Year, respectively, included as Appendix A hereto for more information with respect to OPEB liability.

Insurance

The Constitution and statutes of the State, as interpreted by the General Assembly in promulgating the South Carolina Tort Claims Act, which is codified at Title 15, Article 78 of the S.C. Code (the "*Tort Claims Act*"), provide, generally, that it is the public policy of the State that, while historically governmental entities have been exempt from tort liability, total immunity is not in the public interest, nor is unlimited liability. The Tort Claims Act waives sovereign immunity of governmental bodies for tort liability while also providing specific, enumerated exceptions in certain circumstances; generally, a claim of immunity from liability for damages for negligent or intentional tortuous actions must be raised by affirmative defense. Subject to specific immunity set forth in the Tort Claims Act, local governments in South Carolina, including Metropolitan, are liable for damages not to exceed $300,000 per person and $600,000 per occurrence. No punitive or exemplary damages are permitted under the Tort Claims Act. In addition, Metropolitan may not be able to rely upon the defense of sovereign immunity and may be subject to liability in the event of suits alleging causes of action founded upon various federal laws, such as suits filed pursuant to 42 U.S.C. § 1983, alleging deprivation of federal constitutional or statutory rights of an individual and suits alleging anti-competitive practices and violations of federal antitrust laws by Metropolitan in the exercise of its delegated powers. Moreover, Metropolitan may be subject to certain state claims under the South Carolina Whistleblower Act, which is codified at Title 8, Chapter 27 of the S.C. Code, and under any other acts in which an express waiver of sovereign immunity is granted.

Metropolitan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of its assets; errors and omissions; injuries to employees and natural disasters. With the exception of Metropolitan's in-ground wastewater assets, which is discussed further below, all of these risks are covered by a commercial insurance policy issued by the South Carolina Insurance Reserve Fund, which issues policies and pays claims for covered losses. Metropolitan believes that these insurance policies and program limits are sufficient to preclude any significant uninsured losses for covered risks. Metropolitan also maintains workman's compensation insurance through the South Carolina State Accident Fund.

Metropolitan is self-insured with respect to its in-ground wastewater assets, which consist primarily of wastewater collection lines. In accordance with Section 10.01 of the Bond Resolution, Metropolitan has obtained a report of an Insurance Consultant stating that Metropolitan's funding of its self-insurance for such assets is actuarially sound. Metropolitan has covenanted through the Bond Resolution to have the funding of such self-insurance reviewed by an Insurance Consultant annually.

Financial Policies

Metropolitan ratified its financial policies on May 20, 2024 (the "*Financial Policies*"). The Financial Policies address revenues, expenditures, debt management and administration, tax compliance, continuing disclosure, capital improvement planning, budgeting, accounting, investment management, and records and accounts. Notwithstanding the minimum debt service coverage covenants contained in the Bond Resolution, the Financial Policies establish an internal minimum debt service coverage ratio to the effect that Net Earnings will not be less than 130% of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year, and an internal target of maintaining Net Earnings at not less than 150% of Annual Principal and Interest Requirement for all Series of Bonds Outstanding. (See also "SECURITY FOR THE BONDS – Covenants – *Rate Covenant*" herein for a discussion of the covenanted rate covenant). The Financial Policies also establish a minimum amount of unrestricted cash on hand equal to at least 250 days of Metropolitan's total budgeted operating expenses for the current fiscal year, net of depreciation, as an operating and reserve fund.

Accounting Practices

Metropolitan's staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the System are protected from loss or unauthorized use and to ensure that adequate accounting data are compiled to allow for preparation of financial statements of Metropolitan in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. Metropolitan's staff drafts financial reports and reconciles its bank accounts on a monthly basis.

The annual financial statements are audited in conformity with accounting principles generally accepted in the United States of America as required by the Section 6-11-1650 of the S.C. Code. Under the Financial Policies, it is the policy of Metropolitan to prepare and provide the annual financial statements and required supplemental information no later than 180 days after the end of its Fiscal Year, a period which is earlier than Metropolitan's covenants described in "MISCELLANEOUS – Continuing Disclosure" herein. Bondholders should not rely on the Financial Policies in basing expectations on the timing of annual disclosures.

The financial statements of the System for Fiscal Years 2021 through 2023, as well as the Short Fiscal Year, were audited by Love Bailey & Associates, LLC, Greenville, South Carolina, as further described in "MISCELLANEOUS – Independent Certified Public Accountants" herein and a copy of the financial statements for Fiscal Year 2023 and the Short Fiscal Year are attached hereto as "APPENDIX A - Audited Financial Statements for Metropolitan for the Fiscal Year Ended June 30, 2023 and the Partial-Fiscal Year Period of July 1, 2023 to December 31, 2023."

Beginning on July 1, 2023, Metropolitan implemented two changes to its accounting practices going forward.

Change in Fiscal Year. In June 2023, the Commission approved changing Metropolitan's fiscal year from the period beginning on July 1 of each year and ending on June 30 of the next year, to a fiscal year beginning on January 1 and ending on December 31 of each year. To implement this change, the Commission approved a budget for the Short Fiscal Year, which began on July 1, 2023, and ended on December 31, 2023.

Transition to Depreciable Method. Metropolitan changed its accounting policy for the depreciation of infrastructure assets from the modified approach to the depreciable method beginning with the Fiscal Year 2023. This change in accounting principle was made in accordance with the requirements of the Governmental Accounting Standards Board.

Under the modified approach for infrastructure assets, Metropolitan did not depreciate certain eligible infrastructure assets, primarily wastewater collection lines and pump stations. Instead, these infrastructure assets were reported at their historical cost and were required to be maintained at a certain condition level. Metropolitan managed its eligible infrastructure by use of an asset management system that provided current inventories, condition assessments, and annual estimates of maintenance and preservation costs.

Under the depreciable method, Metropolitan is required to depreciate infrastructure assets over their estimated useful lives. This change necessitates the recognition of depreciation expense on the infrastructure assets, which impacts Metropolitan's financial statements, including the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. Metropolitan adopted this change in accounting principles retrospectively. This means that it is applied to the historical accounting of infrastructure assets and infrastructure assets acquired or improved after the effective date of the change. The change in accounting principles also resulted in a prior period adjustment to the beginning net position for Metropolitan's Fiscal Year 2023, reducing the beginning net position for Fiscal Year 2023 by $40,058,083. This change in Metropolitan's accounting policies, and the resulting prior period adjustment, are respectively discussed in Notes 1 and 15 to Metropolitan's audited financial statements for the Fiscal Year 2023, attached hereto as Appendix A.

Legislation Affecting Metropolitan and Special Purpose Districts Generally

As a special purpose district created under State law, Metropolitan, its service area, and its boundaries may be subject to consolidation, annexation, alteration, or dissolution as provided below. Further, other recent legislative enactments described below may directly affect the operations of special purpose districts, like Metropolitan.

Metropolitan's boundaries and service area are also subject to protections under certain federal law, as discussed below. As of the date hereof, Metropolitan is unaware of any plans regarding any material reduction of its service area, efforts to consolidate Metropolitan with other special purpose districts, or efforts to dissolve Metropolitan. Portions of Metropolitan's boundaries and service area are regularly subject to annexation by its abutting cities; however, the effects of such annexations are mitigated in many cases by the protections that are afforded to Metropolitan under federal law and agreements between Metropolitan and some abutting cities. See "THE SYSTEM – Contracts – *Annexation Intergovernmental Agreements*."

Annexation

<u>Procedure</u>

The S.C. Code provides that the boundaries of a special purpose district, such as Metropolitan, may be altered in the Annexation Plan (as defined herein) in connection with the annexation of area within a special purpose district by an adjacent municipality. When all or part of a special purpose district is annexed into a municipality, Sections 5-3-300 through 5-3-315 of the S.C. Code, provide that:

1. At the time of annexation or at any time thereafter the municipality may elect at its sole option to provide the service formerly provided by the special purpose district within the annexed area. The transfer of service rights must be made pursuant to an Annexation Plan (as defined herein below).

2. Until the municipality, upon reasonable written notice, elects to displace the special purpose district's service, the affected district must be allowed to continue providing service within the special purpose district's annexed area.

3. Annexation does not divest the special purpose district of any property; however, subject to the provisions of item (4) below, real or tangible personal property located within the area annexed must be transferred to the municipality pursuant to an Annexation Plan.

4. In any case in which the municipality annexes less than the total service area of the special purpose district, the special purpose district may, at its sole discretion, retain ownership and control of any asset, within or without the annexed area, used by or intended to be used by residents within the special purpose district's unannexed area or used or intended to be used to provide service to residents in the unannexed area of the special purpose district.

5. Upon annexation of less than the total area of Metropolitan, Metropolitan's boundaries must be modified, if at all, pursuant to an Annexation Plan. Such Annexation Plan must specify the new boundaries of the special purpose district.

<u>Annexation Plan</u>

The Annexation Plan is required to balance the equities and the interests of the residents and taxpayers of the annexed area and of the area of the special purpose district not subject to annexation. If the municipality and the special purpose district cannot agree on an Annexation Plan within 90 days following a favorable annexation referendum, the special purpose district and the municipality must appoint a committee to formulate an Annexation Plan. Within 60 days thereafter, such committee must formulate an "*Annexation Plan.*"

The Annexation Plan may take into account any of the equities and interests involved, <u>provided it complies with the following</u>:

1. The Annexation Plan may provide for certain service contracts to be entered into between the municipality and Metropolitan. The municipality has the right, in its sole discretion, to determine whether the municipality will provide service to the area annexed directly or by contract with the special purpose district. At the option of the special purpose district, the Annexation Plan may provide for service contracts by which the municipality will provide service to residents of unannexed areas of the special purpose district.

2. In any case in which less than the total service area of the special purpose district is annexed by the municipality, the Annexation Plan must:

a. protect the special purpose district's ability to serve the residents of Metropolitan's unannexed area economically and efficiently and protect the special purpose district's ability to continue to expand or otherwise make service available throughout its unannexed area;

b. protect the ability of the municipality to serve residents of the annexed area of Metropolitan economically and efficiently; and

c. protect the rights of the special purpose district's bondholders.

3. To carry out the requirements of sub item (a) of item (2) above, the Annexation Plan will require the municipality to assume contractually the obligation to pay debt service on an amount of Metropolitan's bonded indebtedness or other obligations including lease purchase obligations adequate to offset Metropolitan's loss of net service revenue or tax revenue from the area annexed, in accordance with the following:

a. specifically included within this amount must be revenues, if any, projected under the provisions of any governmentally approved plan promulgated pursuant to federal pollution control legislation;

b. as the special purpose district retires bonded indebtedness existing at the time of annexation, the municipality's payment obligation under this provision must be reduced by the proportion which the principal amount of the indebtedness retired bears to the total principal amount of bonded indebtedness of Metropolitan at the time of annexation;

c. as used herein, net service revenue means revenue from fees, charges, and all other sources, attributable to service provided in the area annexed, less the actual cost of operating and maintaining the system or facilities needed to serve that area; however, debt service or other payments required to finance capital assets may not be considered to be part of such operating and maintenance expenses. Tax revenue means taxes collected from property owners within the annexed area; and

d. In no event may any provision be incorporated in any plan which will impair the rights of bondholders.

If either the municipality or the special purpose district objects to the Annexation Plan created by the committee, it may appeal, within 30 days of receipt of the Annexation Plan, to the court of common pleas for the county in which the annexed area lies. The court may modify the plan forwarded by the committee only upon finding an error of law, abuse of discretion, or arbitrary or capricious action by the committee. The fact that a plan has not been finalized may not in any way alter or delay the effective date of annexation; however, the special purpose district retains the right to operate its existing system, collect revenues, and collect taxes from or within the area annexed until such time as the municipality and the special purpose district agree on a plan or a plan is presented to the municipality and the special purpose district as described above. In the event a plan is appealed to the courts, the court of common pleas for the county in which the annexed area or any part thereof lies may enter such orders under its general equitable powers as are necessary to protect the rights of parties pending final resolution of any appeal.

<u>Effect</u>

In no event under any plan or otherwise may the obligation between the special purpose district and its general obligation bondholders be disturbed. If adequate provision is not made for the levy of taxes or for the payment of the principal and interest on such general obligation bonds, it is the statutory duty of the auditor of the county to levy, and of the treasurer of the county to collect, an *ad valorem* property tax, without limit as to rate or amount, upon all taxable property within the special purpose district as it was constituted on the dates those bonds were issued sufficient to pay principal of and interest on the bonds as they become due. Only bondholders or their agents may proceed at law or equity to enforce this requirement.

Limitations on Impacts of Annexation Under Federal Law. Notwithstanding the State law described above, Title 7, Section 1926(b) of the United States Code of Laws ("*Section 1926(b)*") the territory and service areas of local government utilities and certain other types of organizations that are indebted to the United States Department of Agriculture, Rural Development ("*Rural Development*") are protected from diminishment and curtailment through the annexation of such territory, or similar actions, by other cities and towns. Under interpretations of Section 1926(b) by the United States Court of Appeals for the Fourth Circuit, these protections apply only to the extent that the protected utility "is physically capable of serving the area in dispute." See *Chesapeake Ranch Water Co. v. Bd. of Comm'rs of Calvert Cnty.*, 401 F.3d 274, 281 (4th Cir. 2005) herein.

On December 17, 2019, Metropolitan issued its $451,000 Sewer System Revenue Bond, Series 2019 (the "*Series 2019 Bond*") which is held by Rural Development. The Series 2019 Bond matures in 2059. See "FINANCIAL INFORMATION – Outstanding Bonds and Other Obligations of the System – *Parity Bonds*." On account of the Series 2019 Bond, Metropolitan's boundaries are protected from diminishment or curtailment in accordance with Section 1926(b). Metropolitan has entered into agreements with several of the municipalities that surround its boundaries governing the instances where Metropolitan has decided that it is not physically capable of serving parcels that may be annexed by the cites. See "THE SYSTEM – Contracts" herein.

Metropolitan has additionally adopted a Policy for Municipal Annexations and the Transfer of Service Rights, which outlines the standards by which Metropolitan will ascertain whether the protection afforded by Section 1926(b) applies to specific parcels that may be subject to annexation. Under the Annexation Policy, Metropolitan has determined that it is not physically capable of serving an annexed parcel where (1) Metropolitan does not then serve a customer on such parcel and, (2) through the application of best engineering practices and the lowest cost to connect the annexed parcel to existing wastewater collection lines, the parcel would connect directly to wastewater collection lines owned by the annexing municipality. In those instances, Metropolitan would transfer service rights to the annexing city through an Annexation Plan. In all other cases, Metropolitan has determined as a matter of policy that it should assert the protections of Section 1926(b) to allow it to serve annexed parcels.

Consolidation and Alteration of Boundaries by County Council. Pursuant to Sections 6-11-410 through 6-11-650 of the S.C. Code, the governing bodies of the counties of the State are authorized to enlarge and diminish the boundaries of special purpose districts located within their respective boundaries and to consolidate two or more special purpose districts located within their respective boundaries. The county governing bodies are authorized to take such action without the consent of the special purpose districts so affected. However, prior to such action, a public hearing must be held. Should Metropolitan's boundaries be diminished or enlarged, or should it be consolidated with one or more other special purpose districts located in the County or an adjoining county, its obligations, including its Outstanding Bonds, would become obligations of the altered district or successor district, as applicable, pursuant to Section 6-11-620 of the S.C. Code. In the case of a consolidation, the governing bodies of the consolidating districts, upon the submission of a petition, may request that their respective indebtedness continue to be secured solely by taxes levied within their respective pre-consolidation boundaries.

As described below in "THE SYSTEM – Service Area – *System Acquisitions and Boundary Expansions*," the County Council has previously expanded Metropolitan's boundaries to encompass additional areas which resulted in Metropolitan acquiring several other wastewater collection systems within the County.

Dissolution. A procedure for dissolving special purpose districts was adopted by the state legislature in 1998. This procedure requires that prior to circulation of a petition for dissolution (which must be signed by 40% of the qualified electors in Metropolitan), a successor service provider must agree to provide all services and also be responsible to fully pay or defease all outstanding Bonds or other debt of Metropolitan. If a petition obtains the requisite number of signatures, a referendum then must be held at which two-thirds of the qualified electors voting must approve the dissolution.

THE SYSTEM

General

Metropolitan was established pursuant to the Enabling Acts as a South Carolina special purpose district for the purpose of providing wastewater collection services within its service territory in the County, which is defined by its boundaries. The majority of Metropolitan's service territory lies within the unincorporated areas of central Greenville County around the Cities of Greenville, Simpsonville, Mauldin, and Fountain Inn, extending east and west to the Greenville County lines in these areas. See "– Service Territory, Expansions, and System Acquisitions" below. Metropolitan also owns and operates wastewater collection lines and provides wastewater collection service within the City of Travelers Rest and the surrounding areas. Metropolitan owns and operates approximately 1,450 miles of wastewater collection lines, 23 wastewater pump stations, and other appurtenances and provides collection service to over 101,000 customer accounts within Greenville County. Metropolitan maintains an aggressive and robust program of proactive System inspection and maintenance to keep the System in good operating condition. In 2012, Metropolitan adopted the trade name "MetroConnects" under which it conducts business; however, its official name under State law remains "Metropolitan Sewer Subdistrict."

Under its Enabling Acts, Metropolitan is considered to be a "subdistrict" of Renewable Water Resources ("*ReWa*"), meaning that Metropolitan transmits the wastewater that it collects to ReWa's larger trunk lines which is responsible for transmitting this wastewater to its treatment plants for treatment and discharge. Metropolitan is prohibited under the Enabling Acts from owning and operating trunk lines or wastewater treatment and disposal facilities. Under State law and regulations, Metropolitan is considered to be a "satellite system" of ReWa and is subject to limited regulation by ReWa concerning matters such as the maintenance of the System to minimize inflow and infiltration of rainwater and groundwater entering Metropolitan's System and ReWa's trunk lines and other infrastructure. ReWa bills customers directly for its transmission and treatment services and does not directly charge Metropolitan any fees or other costs for the services that ReWa provides. Metropolitan is one of eight such subdistricts of ReWa. See "THE SYSTEM – Subdistrict of Renewable Water Resources" herein for further discussion of the relationship between Metropolitan and ReWa.

Metropolitan's mission is "to protect public health and the environment by providing sustainable wastewater collection services," and its vision is "to be the innovative leader for wastewater collection services."

Service Territory, Expansions, and System Acquisitions

Generally. Metropolitan's service territory encompasses approximately 245 square miles within Greenville County. Although Metropolitan's service territory overlaps the municipal boundaries of the Cities of Greenville, Simpsonville, Mauldin, and Fountain Inn in some areas, the vast majority of the territory lies within the unincorporated areas of the County. The map below depicts the location of the County within the State. Maps depicting Metropolitan's current service territory and its service territory prior to 2021 are included at "*– Historic and Current Boundaries*" below.

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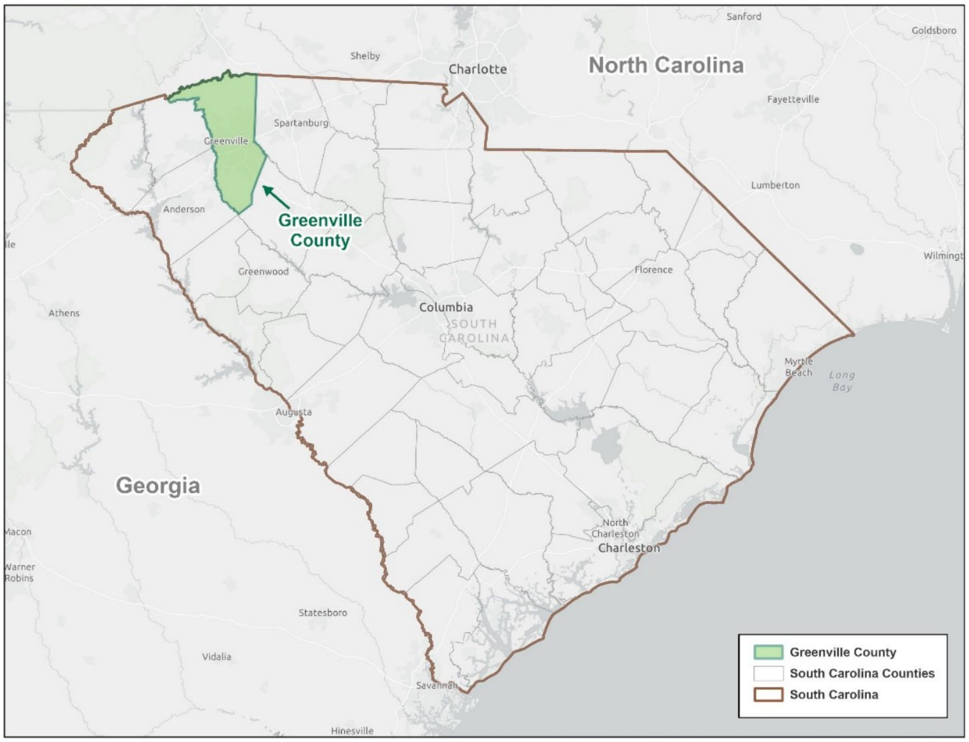
Map of Greenville County Within South Carolina



Expansions and Acquisitions. Metropolitan has cooperated with Greenville County and negotiated with other local governments to acquire other wastewater collection systems within the County and significantly expand its boundaries and customer base since 2019. Through these acquisitions, expansions, and normal system growth, Metropolitan's customer base has grown from approximately 46,000 in 2019 to approximately 101,000 as of 2024, and the size of the System has grown from approximately 670 miles of wastewater collection lines in 2019 to approximately 1,450 as of 2024. These acquisitions and expansions are discussed in greater detail below. While Metropolitan remains willing to consider additional acquisitions and expansions in the future, it is not presently engaged in discussions or negotiations regarding any specific acquisition.

On August 19, 2024, the Commission petitioned the County Council to further expand its boundaries to include a greater portion of the unincorporated area of Greenville County. This expansion is subject to approval by the County Council by ordinance in the coming months and, if approved, would not result in Metropolitan immediately acquiring any new customers or wastewater collection lines.

In 2020, Metropolitan agreed to participate in an effort by Greenville County to consolidate several other special purpose district-owned wastewater collection systems under Metropolitan. Prior to this effort, six other special purpose districts within the County also owned and operated wastewater collection systems: Berea Public Service District; Gantt, Fire, Sewer, and Police District; Marietta Water, Fire, Sanitation and Sewer District; Parker Sewer and Fire Subdistrict; Taylors Fire and Sewer District; and Wade Hampton Fire and Sewer District. Each of these special purpose districts also provided fire protection service, with the exception of Marietta Water, Fire, Sanitation and Sewer District which also provided water service. Each of these districts was also a subdistrict of ReWa. In December 2020, the County Council enacted an ordinance consolidating these special purpose districts into Metropolitan, effective as of March 2021.

<u>2021 System Acquisitions</u>

In the ensuing months, Metropolitan and the County negotiated with Berea Public Service District; Gantt, Fire, Sewer, and Police District; Marietta Water, Fire, Sanitation and Sewer District; and Wade Hampton Fire and Sewer District for those districts to convey their wastewater collection systems to Metropolitan, along with certain equipment and financial assets. As consideration, Metropolitan agreed to repay any outstanding wastewater-related indebtedness of these districts and to hire all wastewater-related employees of the districts. The County further agreed to extend the effective date of the consolidation and amend its ordinance to remove these districts from the larger consolidation into Metropolitan. In addition, the County Council took action to expand Metropolitan's boundaries to overlap those of the affected districts. On July 1, 2021, Metropolitan closed on its acquisition of these four wastewater collection systems, acquiring approximately 317 additional miles of wastewater collection lines and taking on approximately 18,000 new customers that received service from these systems. Metropolitan also hired most sewer-related staff from these districts and hired additional staff to increase its total employment from 37 employees to 69 employees by the end of Fiscal Year 2022. The resulting substantial increases to Metropolitan's customers, revenues, and expenditures are reflected in Metropolitan's audited financial statements for Fiscal Year 2022.

The districts also transferred approximately $12 million in unspent wastewater revenues to Metropolitan. In connection with these acquisitions, Metropolitan contributed approximately $10.2 million to these districts to pay off or defease their outstanding wastewater-related debt and lease-purchase obligations at a total cost of approximately $16.3 million, with the remainder being provided by the districts from unused debt service funds and unspent bond proceeds. Metropolitan's funds to pay off or defease these obligations were derived from the issuance of a short-term Bond in June 2021 which was ultimately refunded through the issuance of Metropolitan's Series 2022 Bond, which is discussed in "– 2022 System Acquisitions" below. See "FINANCIAL INFORMATION – Outstanding Bonds and Other Obligations of the System – Parity Bonds."

<u>2022 System Acquisitions</u>

Following the County's enactment of its consolidation ordinance in 2020, Parker Sewer and Fire Subdistrict ("*Parker*") and Taylors Fire and Sewer District ("*Taylors*") filed suit against the County challenging the validity of the consolidation. To provide time for settlement negotiations, the County Council extended the effective date of the consolidation several times, ultimately extending it into 2022. Following the 2021 acquisitions, Metropolitan and the County entered into settlement negotiations with Parker and Taylors to acquire those wastewater collection systems, and end litigation, leaving these districts with the ability to continue to provide fire service. The parties reached agreements to settle the litigation in March of 2022, resulting in the County Council taking action to repeal the consolidation of Parker and Taylors into Metropolitan and expand Metropolitan's boundaries to overlap those of Parker and Taylors. Metropolitan closed on these acquisitions on July 1, 2022. Through these acquisitions, Metropolitan acquired approximately 414 additional miles of wastewater collection lines and took on approximately 24,000 new customers that received service from these systems. Metropolitan also hired most sewer-related staff from Parker and Taylors and hired additional staff to increase its total employment from 69 employees to 90 employees by the end of Fiscal Year 2022. Parker and Taylors also transferred approximately $8.6 million in unspent wastewater revenues to Metropolitan. The resulting substantial increases to Metropolitan's customers, revenues, and expenditures are reflected in Metropolitan's audited financial statements for Fiscal Year 2023.

Metropolitan contributed approximately $29.2 million to Parker and Taylors to pay or defease their outstanding wastewater-related debt at a total cost of approximately $36.6 million, with the remainder being provided from Parker and Taylors from unused debt service funds and unspent bond proceeds. To provide permanent financing for the debt that Metropolitan repaid or defeased in connection with the 2021 and 2022 acquisitions, and to provide approximately $8.05 million in funds for other capital projects, Metropolitan issued its $38,000,000 Sewer System Revenue Bond Series 2022 (the "*Series 2022 Bond*"). See "FINANCIAL INFORMATION – Outstanding Bonds and Other Obligations of the System – Parity Bonds."

In connection with the 2022 acquisitions, Metropolitan entered into Consent Orders with Parker and Taylors, respectively. Under the Consent Order entered into with Parker, dated March 10, 2022 (the "*Parker Consent Order*"), Metropolitan agreed to spend $82 million on wastewater collection system maintenance and improvements within Parker's boundaries over a period of 20 years, with $72 million of these funds to be spent within the various mill villages within Parker over a period of 12 years. Under the Consent Order entered into with Taylors, dated March 9, 2022, Metropolitan agreed to spend $26 million on wastewater collection system maintenance and improvements within Taylor's boundaries over a period of 20 years, with $6 million of these funds to be spent within the first 4 years and $15 million to be spent within the first 10 years. Metropolitan and the County also agreed to expand the size of Metropolitan's Commission from five to seven members and to appoint Commissioners selected by Parker and Taylors, respectively, to fill the initial terms of the two new members.

Metropolitan has taken into account its funding commitment to Taylors and approximately $31.5 million of its funding commitment to Parker in its long-term capital planning, including the projections summarized in the Feasibility Report (as defined herein). See "FINANCIAL INFORMATION – Capital Improvements and Capital Planning" and "APPENDIX F – Feasibility Report" attached hereto. Metropolitan and ReWa have also entered into that certain Rehabilitation Funding Agreement (Parker Mill System Rehabilitation), dated December 22, 2021 (the "*Rehabilitation Funding Agreement*"). Under the Rehabilitation Funding Agreement, ReWa has agreed to fund up to $75 million of wastewater collection system rehabilitation and improvement projects within the mill villages within Parker over a 15-year period, with a maximum annual contribution of $6 million (starting at a maximum of $1 million in 2023 and increasing by $1 million per year to the $6 million annual maximum in 2028 and beyond). The funding commitments under the Rehabilitation Funding Agreement are reduced by the amount of any grant funding that Metropolitan receives for such projects. To date, Metropolitan has received $27 million in total grant commitments toward the cost of such projects, which covers ReWa's funding commitment through 2029. Metropolitan and ReWa intend to revisit funding options and needs during upcoming rate studies.

<u>City of Travelers Rest Acquisition</u>

In 2023, Metropolitan reached an agreement with the City of Travelers Rest ("*Travelers Rest*") for Metropolitan to acquire, own, operate, and maintain Travelers Rest's wastewater collection system. Metropolitan and Travelers Rest closed on this acquisition as of March 14, 2023. Through this acquisition, Metropolitan acquired approximately 30 miles of wastewater collection lines and approximately 2,000 customers. Metropolitan received no financial assets from Travelers Rest and paid off no wastewater-related debt. Metropolitan did, however, agree to receive Travelers Rest's consent before requesting any expansion of Metropolitan's boundaries to allow Metropolitan to provide service to any parcels within a small area to the northeast of Travelers Rest's municipal boundaries. This consent may include a requirement that any such parcel also annex into Travelers Rest.

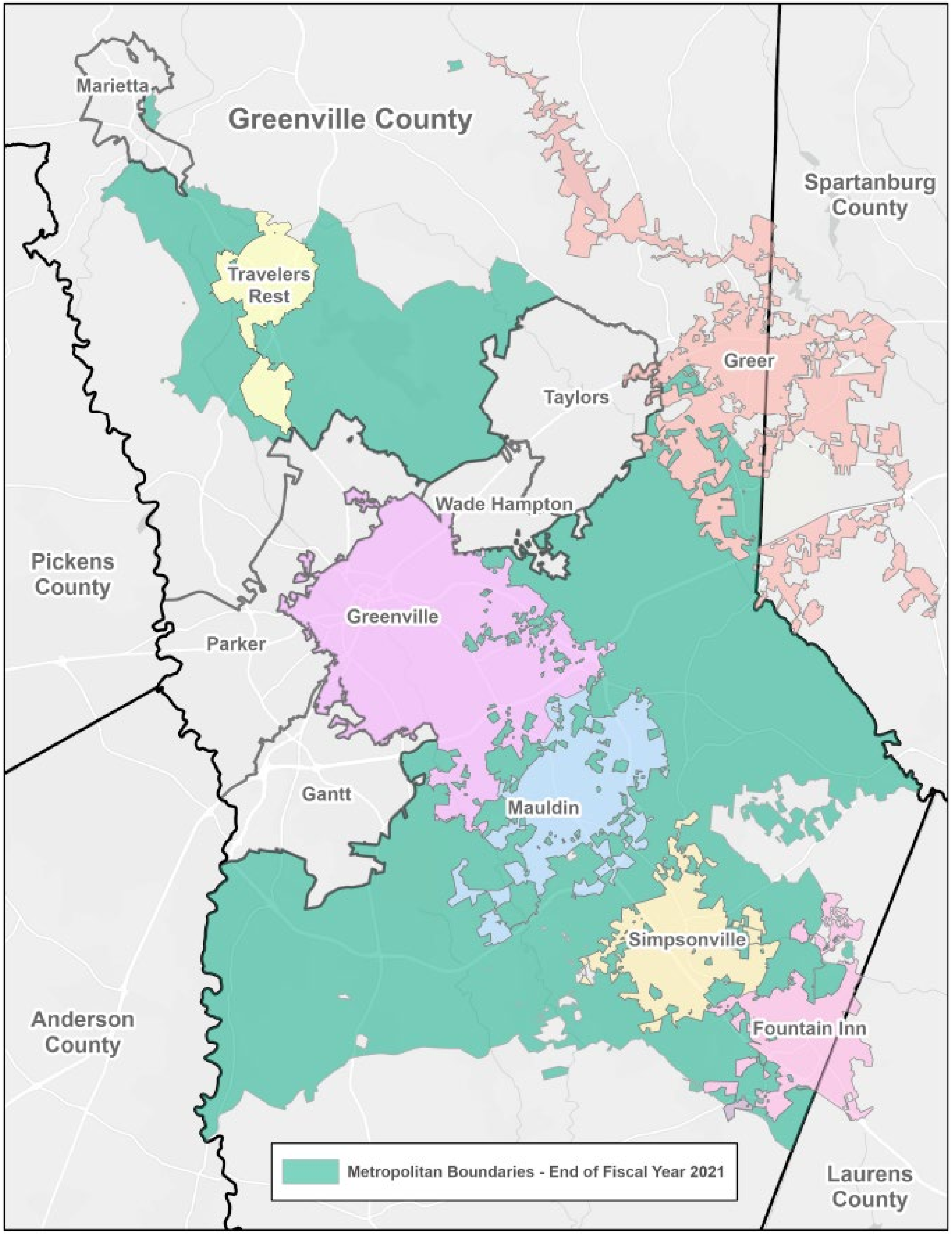
<u>Other System Expansion</u>

In addition to the expansions and acquisitions discussed above, Metropolitan regularly coordinates with real estate developers within the County to accept the dedication of developer-constructed wastewater collection infrastructure. In the three-year period of 2021 through 2023, Metropolitan accepted the dedication of approximately 38.51 miles of developer-constructed wastewater collection infrastructure. The pace of such dedications in the future will depend on the pace of development within Greenville County.

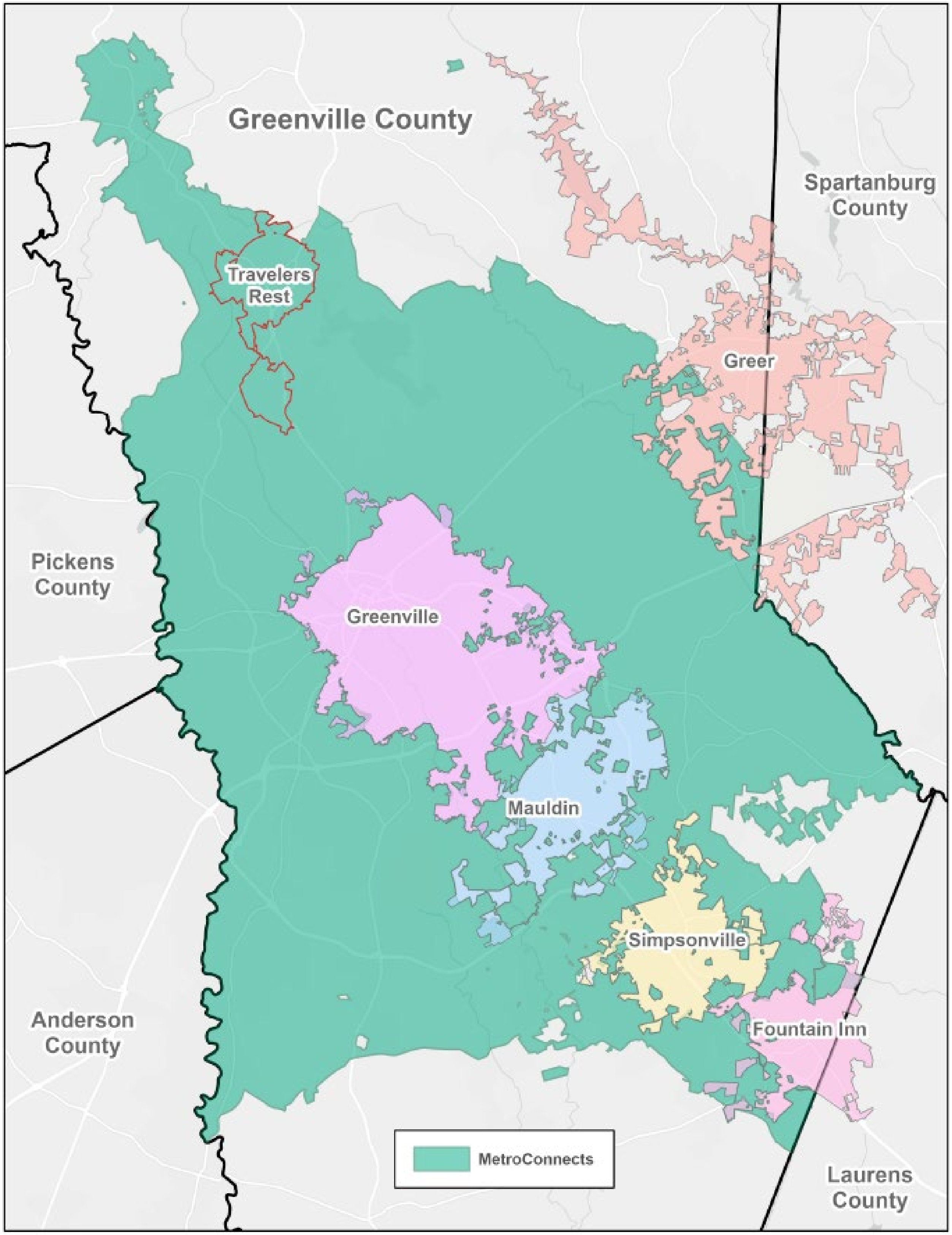
In certain instances Metropolitan funds the expansion of the System through upsizing existing lines to increase their capacity or through the construction of new lines into new areas. Metropolitan's practice in these cases is to fund System expansions where it determines that it is likely to receive a reasonable return on its investment within a reasonable period of time through the development of additional customer base; however, Metropolitan does not have policies requiring specific return on investment. In March 2023, Metropolitan adopted its Policy for the Recoupment of Basin-Specific Capital-Expansion Expenditures, pursuant to which Metropolitan can impose "Basin-Specific Capital Contributions" to recoup the cost of such expansion projects through impact fees that are imposed on parcels within the applicable basin. These impact fees are charged on a per-ERU basis as parcels within such basins are developed and connected to Metropolitan's System. In the three-year period of 2021 through 2023, Metropolitan funded the construction of approximate 1.75 miles of wastewater collection lines, 3.85 miles of forcemain, and three pump stations to expand its System. Over time Metropolitan expects to recoup the cost of approximately 2.8 miles of such lines and forcemains through Basin-Specific Capital Contributions.

Historic and Current Boundaries. The following maps depict Metropolitan's boundaries as of the end of Fiscal Year 2021, prior to the expansions and acquisitions discussed above, and Metropolitan's current boundaries.

Map of Metropolitan's Boundaries as of End of Fiscal Year 2021



Map of Metropolitan's Current Boundaries



Wastewater Infrastructure and Facilities

As of 2024, Metropolitan's System consists of approximately 1,450 miles of wastewater collection lines, which range in size from 4-inch to 21-inch lines, 23 wastewater pump stations, and related force mains, and numerous manholes and other appurtenances.

Metropolitan maintains a proactive asset management plan though its Capacity, Management, Operation, and Maintenance Program (the "*CMOM Program*"). Metropolitan has created and developed several maintenance and asset management models that utilize data from Cityworks, its work order asset management system, and its GIS mapping systems. These advanced and automated models identify proactive maintenance along with risk areas for renewal based on risk/consequence and physical condition.

The System has numerous interconnections with the systems of the cities that abut its service territory whereby wastewater from Metropolitan's System flows into the cities' lines and wastewater from the city systems flows into Metropolitan's System for transmission to ReWa trunk lines. Under agreements with several of these cities (See "THE SYSTEM – Contracts – *Annexation Intergovernmental Agreements*"), Metropolitan is attempting to minimize the proliferation of such interconnections in the future by dictating to which collection system new development should connect; however, Metropolitan will continue to have a substantial number of interconnections with other systems for the foreseeable future.

Subdistrict of Renewable Water Resources

As a subdistrict of ReWa, Metropolitan is authorized under its Enabling Acts to acquire, construct, operate, maintain, improve and extend wastewater collection lines within its boundaries and to transmit wastewater that it collects to larger trunk lines that are owned, operated, and maintained by ReWa. ReWa is then responsible for the transmission of wastewater to its wastewater treatment facilities for treatment and discharge. Metropolitan's service area lies entirely within ReWa's service area. Under State law, Metropolitan is a satellite system of ReWa and operates its System under a Satellite Sewer System General Permit (the "*Satellite System Permit*") issued by the South Carolina Department of Environmental Services ("*SCDES*"), formerly known as the South Carolina Department of Health and Environmental Services. In addition to the Satellite System Permit, Metropolitan has also been issued a Collection System Users General Permit by ReWa (the "*ReWa Permit*"). The ReWa Permit expires on August 31, 2026, and Metropolitan expects that it will be renewed automatically without any action required of Metropolitan. Under the ReWa Permit, Metropolitan is subject to the applicable terms and conditions of ReWa's Sewer Use Regulations and Technical Standards for Collection System Users.

Metropolitan also partners with ReWa in its Wet Weather Program. The Wet Weather Program provides a decision-making framework that seeks to minimize the total regional wastewater collection costs for Metropolitan and the total transmission and treatment costs for ReWa, which are ultimately paid by their shared customers. The Wet Weather Program identifies projects that achieve the lowest cost through the combined projects to rehabilitate Metropolitan's wastewater collection system in ReWa-targeted basins along with the upgrading of ReWa's trunk and treatment facilities. As part of its capital improvement program, Metropolitan anticipates spending approximately $50 million for wastewater line rehabilitation projects and other capital projects in furtherance of the Wet Weather Program in Fiscal Years 2024 through 2029. Metropolitan expects to fund these costs from grant funds, revenues of the System, and capital reserves, and these costs are included Metropolitan's capital improvement plans for this period. See "FINANCIAL INFORMATION – Capital Improvements and Capital Planning."

Contracts

Annexation Intergovernmental Agreements. In February 2022, Metropolitan entered into an Intergovernmental Agreement Regarding Sewer Service and Annexation (the "*Mauldin Agreement*") with the City of Mauldin, South Carolina ("*Mauldin*"), and in November 2023 Metropolitan entered into a substantially identical Intergovernmental Agreement Regarding Sewer Service and Annexation (together, the "*Annexation Agreements*") with the City of Simpsonville, South Carolina ("*Simpsonville*"). Mauldin and Simpsonville share boundaries with Metropolitan and occasionally annex properties that are located within Metropolitan's service area. The Annexation Agreements provide a methodology for determining whether Metropolitan, Mauldin, or Simpsonville, as applicable, will provide wastewater collection service to customers on properties within Metropolitan's service area that are annexed by these cities. The Annexation Agreements recognize the service area protections that Metropolitan has pursuant to Section 1926(b), and are intended to protect Metropolitan's right to provide service to annexed properties when it has the physical capability to provide such service. See "METROPOLITAN – Legislation Affecting Metropolitan and Special Purpose Districts Generally – *Limitations on Impacts of Annexation Under Federal Law*." Under these Annexation Agreements, Mauldin or Simpsonville, as applicable, may elect to serve customers on any such annexed property if (i) any existing customer on the property receives wastewater collection service from Mauldin or Simpsonville when the annexation occurs; or (ii) if the property is not served by any party at the time of the annexation and, through the application of best engineering practices, the cost to connect to Mauldin's or Simpsonville's existing wastewater collection systems is lower than the cost to connect to Metropolitan's system. In all other cases Metropolitan may elect to provide service to customers on any such annexed property. The Mauldin Agreement further provides that any transfer of service rights to Mauldin must be memorialized through an Annexation Plan pursuant to Sections 5-3-300 through 5-3-315 of the South Carolina Code. See "METROPOLITAN – Legislation Affecting Metropolitan and Special Purpose Districts Generally – *Annexation* – Annexation Plan."

Intergovernmental Billing and Collection Agreement. In June 2023 Metropolitan entered into an Amended and Restated Intergovernmental Billing and Collection Agreement (the "*Billing Agreement*") with the City of Greenville, South Carolina ("*Greenville*"). Under the Billing Agreement, Metropolitan provides wastewater collection service to certain customers that are connected to Metropolitan's System that have been annexed by Greenville over time. Greenville directly bills these customers for wastewater collection services based upon Greenville's rates and charges for services but pays Metropolitan the amount that Metropolitan would otherwise collect for these services. Approximately 475 of Metropolitan's customers are subject to the terms of the Billing Agreement. The term of the Billing Agreement expires five years from its effective date; however, in the event that the Billing Agreement is terminated Metropolitan would retain these customers and would begin billing them directly.

Customers

The following table shows the System's number of residential, commercial, and industrial customers within Metropolitan's service territory for Fiscal Years 2019 through 2023.

Fiscal Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers	Change from Prior Fiscal Year
2019	42,670	1,575	69	44,314	-
2020	43,985	2,927	72	46,984	6.0%
2021	44,838	2,947	72	47,857	1.9%
2022*	63,504	4,530	81	68,115	42.3%
2023*	90,896	6,485	81	97,462	43.1%

* Large increases in the number of customers Fiscal Years 2022 and 2023 are due primarily to the acquisition of other sewer collection systems. See "– Service Territory, Expansions, and System Acquisitions – *Expansions and Acquisitions*" herein.

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Ten Largest Customers

Set forth below is information relating to the ten largest customers of the System by revenue for Fiscal Year 2023.

Customer Name	Flow (kgal)	Amount of Revenue*	Percentage of Revenue
Cryovac Sealed Air Corporation	47,275,969	$78,146.00	0.29%
Cytec Engineered Materials, Inc.	46,571,199	$76,983.11	0.29%
Bausch & Lomb	40,045,005	$66,214.89	0.25%
Michelin North America Inc.	38,274,256	$63,293.16	0.24%
General Electric Gas Turbine	31,840,198	$52,676.96	0.20%
Bon Secours Mercy Health	18,357,100	$30,418.16	0.11%
Tiarco Chemical	16,181,606	$26,840.30	0.10%
Greif	13,686,912	$22,677.17	0.09%
Greenville Hospitality Holdings LLC	13,596,600	$22,575.03	0.08%
MARC - Michelin North America	13,579,200	$22,472.53	0.08%
Total Top Ten Customers	279,408,045	$462,297.31	1.73%
All Other Users	6,248,752,235		
Total System	6,528,160,280		

Note: Totals may not add due to rounding.
* Based upon operating revenues for Fiscal Year 2023 of $26,594,209.

Ratemaking

Metropolitan has independent rate-making authority in connection with the rates and charges of the System and rates and charges are not subject to approval by any governmental or regulatory body. The practice of Metropolitan is to periodically increase rates based on the cost of service and projected earnings of Metropolitan. Rates are examined annually in connection with Metropolitan's annual budget preparation, and periodically throughout the Fiscal Year as may be necessary.

Wastewater Collection Service Rates

Generally. Metropolitan is empowered by the Enabling Act and State law to set its rates without approval of any other governmental entity. There are two components of Metropolitan's user charges: (1) a base charge (which is inclusive of a small volumetric allocation of gallons of wastewater that may be used each month that varies based upon the customer's meter size as shown on the table below), and (2) a volumetric charge for water that the customer uses each month in excess base charge allocation, calculated in increments of 1,000 gallons.

Metropolitan generally conducts an annual review of rates and charges to determine the appropriate wastewater user charges. Metropolitan's most recent rate study was completed in June 2023 (the "*Current Rate Study*"). As a policy, the Commission approves a schedule of rates and charges with planned adjustments for the upcoming Fiscal Year and the two subsequent Fiscal Years; however, rates and charges for the current Fiscal Year and planned adjustments for subsequent Fiscal Years are subject to change by the Commission at any time. Based upon the recommendations of the Current Rate Study, on August 21, 2023, the Commission approved, a three-year rate increase plan for wastewater collection charges, with planned adjustments to be effective January 1 of 2024, 2025, and 2026.

Metropolitan determines wastewater usage for individual customers based upon water-usage data provided by third-party utilities, Greenville Water System ("*Greenville Water*"), Greer Commission of Public Works, Blue Ridge Rural Water, Laurens County Water and Sewer Commission, and Marietta Water, Fire, Sanitation, and Sewer District. In some cases Metropolitan utilizes metered wastewater usage data provided by ReWa. The third-party water providers include Metropolitan's monthly wastewater charges on customer's water bills. Metropolitan has eleven residential customers utilizing wells for drinking water for which it is unable to obtain information on water usage, which Metropolitan bills at a flat rate based on the size of the home.

Metropolitan offers a Six-Month Saving Program for residential customers that receive water service from Greenville Water. Under this program Metropolitan uses the average number of gallons of water used by customers during winter months to establish a customer's maximum summer consumption. During the summer months Metropolitan's wastewater charges are billed based upon the lesser of the customer's average monthly water usage during winter months or the actual usage.

Programs such as Sunbelt Human Advancement Resources, Inc., Greer Relief, and the Salvation Army Help to Community Program are available to many of Metropolitan's residential customers who qualify for financial assistance for the payment of wastewater charges.

Current and Future Year Rates. The table below shows the base charges (including minimum volume allocation), and the volumetric charge per 1,000 gallons for wastewater usage in excess of the minimum allocation. The rates below are effective as of January 1 of the year indicated. The Commission may adjust the rates and charges for the current Fiscal Year and any subsequent Fiscal Year at any time and in its sole discretion.

	2024	2025	2026
Base Charge	$11.72	$11.72	$11.72
Volumetric Charge	$1.85	$2.07	$2.32

Connection Fees. In addition to the foregoing rates and charges for wastewater collection service, Metropolitan also charges a Connection Fee. This is a one-time fee charged to new customers as a condition of connecting to the System. The Connection Fee is intended to defray the costs to administer, operate, maintain, and expand the System. Except in special circumstances, connection fees are determined by the size of the water meter serving the property. Connection fees range from $1,500 for a typical meter serving a residence or small business to $72,600 for a large customer using an 8-inch water meter connection.

Historical Rates

The following table sets forth the monthly wastewater collection charges that would have been paid by a residential or commercial user of Metropolitan based on a monthly water usage of 5,000 gallons in the Fiscal Years indicated based upon prevailing rates.

Fiscal* Year	Indicative Charge	Percentage of Increase
2020	$18.70	-
2021	$19.10	2.1%
2022	$19.45	1.8%
2023	$19.97	2.7%

* Prior to Fiscal Year 2020, Metropolitan charged customers for wastewater collection service through a combination of *ad valorem* property taxes and wastewater fees levied upon all property within Metropolitan's service area, regardless of whether the property received wastewater collection service. On February 25, 2019, the Commission adopted a new user charge rate structure. Effective July 1, 2019, Metropolitan's customers began paying for wastewater collection service through monthly base charges and volumetric charges, as discussed in " – Wastewater Collection Service Rates – *Generally*" herein. Metropolitan is unable to calculate indicative charges on a per-customer basis prior to the imposition of these rates and charges.

Environmental Matters

Operation of the System is subject to regulation by certain federal, State, and local authorities. Federal and State standards that currently regulate and control operation of the System may change from time to time as a result of continuing legislative, regulatory and judicial action. The projects identified in Metropolitan's capital improvement plan (see "FINANCIAL INFORMATION – Capital Improvements and Capital Planning" herein) have been designed by Metropolitan to comply with all appropriate federal and State regulations. However, there is no assurance that the facilities comprising the System currently in operation, under construction, about to be acquired or otherwise contemplated, will always remain subject to the regulations currently in effect, or will always be in compliance with future regulations.

An inability to comply with various governmental regulations and standards could result in reduced operating levels or the issuance of a consent order which, if not complied with, could cause the complete shutdown of those facilities not in compliance. Furthermore, compliance with such governmental regulations and standards may substantially increase capital and operating costs.

Metropolitan believes that it is currently in compliance with all regulatory requirements and that requirements and conditions of all permits required to operate the System have been satisfied. Metropolitan is not currently subject to any federal or State consent orders with respect to the System or any of Metropolitan's facilities.

FEASIBILITY REPORT

Raftelis Financial Consultants, Inc. (the "*Financial Consultants*") issued its Evaluation by Financial Feasibility Consultants, Metropolitan Sewer Subdistrict, South Carolina Sewer System Revenue Bonds, Series 2024, dated July 22, 2024 (the "*Feasibility Report*"), a copy of which is attached hereto as "APPENDIX F – Feasibility Report." The Feasibility Report evaluates the financial feasibility of the Project and the issuance of the Series 2024 Bonds during a forecast period consisting of Fiscal Years 2024 through 2029 (the "*Forecast Period*"). By the terms of the Feasibility Report, the Financial Consultants have opined that "the projected Net Earnings for Metropolitan provide adequate funds to maintain the debt service coverage ratios required by the Bond Resolution during the Forecast Period for the issuance of Metropolitan's proposed Series 2024 Bonds." As noted in the Feasibility Report, the Financial Consultants' evaluation is based upon certain assumptions, including the maintenance of rates and charges for future Fiscal Years that have been adopted by the Commission, expected additional adjustments to rates and charges in subsequent Fiscal Years during the Forecast Period, assumptions related to growth in customers and usage during the Forecast Period, assumptions related to projected expenses during the Forecast Period, and the expected use of cash and reserves to meet planned capital investment. See "THE SYSTEM – Wastewater Collection Service Rates."

As stated in the Feasibility Report, there will usually be differences between the forecast and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the financial forecast is only for the Forecast Period, and consequently, does not cover the whole period during which the Series 2024 Bonds may be outstanding. The Feasibility Report attached hereto as "APPENDIX F – Feasibility Report" should be read in its entirety. The financial forecast contained in the Feasibility Report is a forward-looking statement based on the best information currently available to the Financial Consultants, but a number of factors, including those discussed in the Feasibility Report, could cause actual financial performance of Metropolitan to be materially different from the financial forecast. See "FINANCIAL INFORMATION – Forecasted Net Earnings and Debt Service Coverage."

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FINANCIAL INFORMATION

Operating History

The table below provides a summary of revenue and expenses of Metropolitan for Fiscal Years 2020 through 2023 and the Short Fiscal Year period of July 1, 2023, and ended December 31, 2023. See "METROPOLITAN – Accounting Practices – *Change in Fiscal Year*." This summary for the Fiscal Years shown has been derived from the audited financial statements of Metropolitan. The financial statements for Fiscal Year 2023 and the Short Fiscal Year were audited by Love Bailey & Associates, LLC, Greenville, South Carolina, and are attached as Appendix A to this Official Statement.

	Fiscal Year				
	2020	2021	2022	2023	Short Fiscal Year
Operating Revenue					
User Charges	$11,510,041	$11,775,748	$16,720,192	$22,985,246	$12,395,881
Property Taxes	281,134	17,364	6,134	27,555	489
Sewer Fees	25,755	1,296	84	547	7
Tap Fees and Other	896,995	1,566,241	2,254,717	3,580,861	1,774,735
Subtotal: Operating Revenues	$12,713,925	$13,360,649	$18,981,127	$26,594,209	$14,171,112
Operating Expenses					
Salaries, Wages, and Benefits	($3,942,514)	($4,338,052)	($6,401,543)	($9,381,585)	($5,131,597)
Professional Fees	(675,570)	(1,068,939)	(757,969)	(792,974)	(371,207)
Project Costs	(3,895,718)	(3,923,547)	(8,636,504)	(1,700)	(88,774)
General and Administration	(1,366,792)	(1,324,854)	(2,291,350)	(2,551,350)	(1,320,738)
Operations and Maintenance	(979,255)	(1,204,608)	(2,361,656)	(3,026,198)	(1,234,594)
Depreciation	(618,380)	(586,184)	(903,752)	(7,090,570)	(3,672,623)
Subtotal: Operating Expenses	($11,478,229)	($12,446,184)	($21,352,774)	($22,844,377)	($11,819,533)
Total Operating Income (Loss)	$1,235,696	$914,465	($2,371,647)	$3,749,832	$2,351,579
Non-Operating Revenue (Expense)					
Interest Income	$131,052	$27,424	$7,128	$781,559	$1,100,360
Gain on Sale of Assets	40,021	45,820	166,176	395,237	113,500
Other Revenue	-	287,116	25,736	104,411	33,320
Capital Grant Revenue	375,131	558,166	-	-	-
Grant Revenue	-	89,609	440,316	1,700,000	2,524,645
State Retirement (GASB 68)	(229,128)	(292,407)	47,142	609,405	(1,485,265)
OPEB Expense (GASB 75)	(242,115)	29,030	(65,820)	(3,195)	5,207
Interest Expense	(13,722)	(135,736)	(323,898)	(1,368,934)	(693,900)
Loss on Disposal of Sewer Lines	-	(5,879,734)	-	-	-
Subtotal: Non-Operating Revenue (Expense)	$61,239	($5,270,712)	$296,780	$2,218,483	$1,597,867
Capital Contributions and Acquisitions					
Capital Contributions	$7,724,454	$7,505,924	$9,693,471	$13,800,881	$6,599,421
Gains and Loss on Merger	-	-	51,573,553	50,384,984	-
Subtotal: Capital Contributions and Acquisitions	$7,724,454	$7,505,924	$61,267,024	$64,185,865	$6,599,421
Change in Net Position	$9,021,389	$3,149,677	$59,192,157	$70,154,180	$10,548,867
Net Position, Beginning of Year	$211,448,530	$220,469,919	$223,660,367*	$242,794,441†	$308,793,071‡
Net Position, End of Year	$220,469,919	$223,619,596	$282,852,524	$312,948,621	$319,341,938

* Beginning net position reflects a prior period adjustment to the ending net position for Fiscal Year 2021 due to accrued interest that should have been excluded in Fiscal Year 2021.

† Beginning net position reflects a prior period adjustment to the ending net position for Fiscal Year 2022 due to the change from the modified approach to the depreciable method for certain assets. See "METROPOLITAN – Accounting Practices – *Transition to Depreciable Method*."

‡ Beginning net position reflects a prior period adjustment to the ending net position for Fiscal Year 2023 to properly reflect capital assets and accounts receivable for Fiscal Year 2023.

Note: Although the information for Fiscal Years 2020 through 2023 and the Short Fiscal Year was taken from audited financial statements, no representation is made that the information is comparable from year to year, or that the information as shown by itself presents fairly the operations of Metropolitan for the periods shown.

Short Fiscal Year Comparison

The following sets forth summaries of revenues, expenses, and changes in net position of Metropolitan for the six-month periods ended December 31, 2022, and 2023. The summaries for the Short Fiscal Year, which began on July 1, 2023, and ended December 31, 2023, are based upon audited financial statements for this period, while the summaries for the six-month period ended December 31, 2022, have been compiled from unaudited results of operations and have not been derived from audited financial information. The following financial information is not comparable to the Fiscal Year summaries presented on the previous page because certain adjustments and accruals, including those for depreciation, amortization, OPEB liability, State Retirement System liability, and other adjustments typically made at Fiscal Year-end, have not been made.

Operating Revenues	Six Month Period Ended Dec. 31, 2022	Short Fiscal Year Period Ended Dec. 31, 2023
Sewer Use Charges	$10,973,220	$12,395,881
Property Taxes	10,967	489
Wastewater Fees	-	7
Connection Fees and Other	1,114,445	1,774,735
Subtotal: Operating Revenues	$12,098,632	$14,171,112
Operating Expenses		
Salaries, Wages, and Benefits	($4,695,981)	($5,131,597)
Professional Fees	(399,872)	(371,207)
Project Costs	(1,700)	(88,774)
General and Administration	(1,286,320)	(1,320,738)
Operations and Maintenance	(1,158,433)	(1,234,594)
Subtotal: Operating Expenses*	($7,542,306)	($8,146,910)
Depreciation	($451,876)	($3,672,623)
Total Operating Expenses	$ (7,994,182)	$(11,819,533)
Net Operating Income	$4,104,450	$2,351,579
Non-Operating Revenues (Expense)		
Interest Income	$156,953	$1,100,360
Gain on Sale of Assets	347,075	113,500
Other Revenue	21,367	33,320
Grant Revenue	500,000	2,524,645
GASB 68 (State Retirement)	47,142	(1,485,265)
GASB 75 (Other Post-Employment Benefits)	(65,820)	5,207
Interest Expense	(323,898)	(693,900)
Subtotal Non-Operating Revenues	$682,819	$1,597,867
Change in Net Position Before Capital Contributions	$4,787,269	$3,949,446

* Excluding depreciation.

Management's Discussion and Analysis

Generally. Comparisons between Metropolitan's revenues and expenses from Fiscal Year 2020 to Fiscal Year 2023 and the Short Fiscal Year are made difficult by the substantial growth that Metropolitan experienced due to its various expansions and acquisitions during this period. From 2020 to the present, Metropolitan's customer base grew by approximately 120%, the miles of wastewater collection lines comprising the System grew by 116%, and the number of Metropolitan's employees grew by 137%. Metropolitan gave careful consideration to each proposed acquisition or expansion to ensure that at all times it had sufficient financial, technical, and staffing resources to successfully incorporate new assets and customers into its System. In each instance, Metropolitan undertook the analysis required pursuant to Section 11.02 of the Bond Resolution regarding the acquisition of new systems to demonstrate that the System, as expanded, would satisfy the Net Earnings test set forth at Section 4.02(7) of the Bond Resolution. Throughout these changes, the revenues generated by the System have, at all times, provided sufficient funds to meet Metropolitan's financial obligations including operating expenses, debt service and capital expenditures.

During this period, the adoption of a new accounting policy regarding the depreciation of some assets and the change to a January-to-December fiscal year further complicate such comparisons. Comparisons with Fiscal Years prior to Fiscal Year 2020 are also made difficult by Metropolitan's transition from a funding model based upon *ad valorem* property taxes and sewer fees to fund rehabilitation projects (which were collected through property tax bills) to a funding model that is more typical of utilities that is based upon base and volumetric user charges and rates.

Short Fiscal Year. Actual operating revenues during the Short Fiscal Year period of July 1, 2023 to December 31, 2023, were $14,171,112, and operating revenues for the comparable period of July 1, 2022 to December 31, 2022 (the "*Comparable Period*"), were $12,098,632. This increase of 17.13% between these periods is largely due to the addition of customers in connection with the acquisition of Travelers Rest's wastewater collection system and new customers resulting from ongoing growth in Greenville County. See "THE SYSTEM – Service Territory, Expansions, and System Acquisitions – *Expansions and Acquisitions* – City of Travelers Rest Acquisition."

Actual operating expenses, excluding depreciation, during the Short Fiscal Year were $8,146,910, and operating expenditures for the Comparable Period were $7,542,306. This increase of 8.02% between these periods is largely due to increased operations and maintenance activities resulting from the acquisition of seven additional wastewater collection systems over the previous two years. See "THE SYSTEM – Service Territory, Expansions, and System Acquisitions – *Expansions and Acquisitions*."

Non-operating revenue and expenses (consisting of investment earnings, interest expense of long-term debt, and amortization of debt issuance and non-project related expenses), collectively netted to $1,597,867 during the Short Fiscal Year, as compared to $682,819 during the Comparable Period, representing a 134% increase in non-operating revenue and expenses.

Current Fiscal Year. For the period of January 1, 2024 to June 30, 2024, Metropolitan budgeted for the collection of operating revenues in the amount of $13,636,811. During this period, Metropolitan's actual operating revenues were $15,061,420, or 9.46% over budgeted revenues. The difference between budgeted and actual revenues over this period is largely attributable to the addition of customers and wastewater connection fees paid during the period.

For the period of January 1, 2024 to June 30, 2024, Metropolitan budgeted for operating expenses, excluding depreciation, in the amount of $9,817,700. During this period, Metropolitan's actual operating expenses were $8,594,226, or 14.24% under budgeted expenses. The difference between budgeted and actual expenses over this period is largely attributable to timing of scheduled expenses.

Budgeted non-operating revenues and expenses (consisting of investment earnings, interest expense of long-term debt, and amortization of debt issuance and non-project related expenses) for the period of January 1, 2024 to June 30, 2024 were $625,000, while actual non-operating revenues and expenses for this period were $1,188,641. Fiscal Year 2024 Budgeted grant revenue of $5,720,000 is anticipated to be received later in the fiscal year.

Operating Budget

Metropolitan currently operates on a January 1 to December 31 fiscal year. Prior to July 1, 2023, Metropolitan operated on a July 1 to June 30 fiscal year. To effect this change in its fiscal year, Metropolitan's Commission approved a partial-year budget for the period beginning July 1, 2023, and ending December 31, 2023. See "METROPOLITAN – Accounting Practices – Change in Fiscal Year."

Budgetary preparations generally begin in the third quarter of each Fiscal Year. The General Manager and Chief Financial Officer prepare the initial draft of the budget using input from Metropolitan's various other chief officers concerning the operational and capital needs for the upcoming Fiscal Year. The General Manager and Chief Financial Officer submit a preliminary budget to the Commission for review in the beginning of the fourth quarter of each Fiscal Year and incorporate revisions based upon Commission's input. Prior to the end of each Fiscal Year the Commission conducts a public hearing on the proposed budget, as required under South Carolina law, and adopts the final version of the budget. Set forth below is the operating budget of Metropolitan for Fiscal Year 2024.

Fiscal Year 2024 Budget

Operating Revenues	
Sewer Use Charges	$26,329,033
Connection Fees and Other	2,000,000
Development Fees	250,000
Total Operating Revenues	$28,579,033
Operating Expenses	
Salaries and Wages	($8,384,400)
SC Retirement (PEBA)	(1,470,000)
Employee Benefits	(2,000,000)
Professional Fees	(1,045,000)
Commissioners Per Diem	(84,000)
Miscellaneous	(651,000)
Billing Charge	(1,700,000)
Software License Maintenance	(505,000)
Building/Utilities/Property and Maintenance	(510,000)
Operation and Maintenance Expense	(2,386,000)
Contract Operation and Maintenance	(850,000)
Total Operating Expenses (Excluding Depreciation)	($19,585,400)
Depreciation	($7,987,207)
Total: Operating Expenses	($27,572,607)
Operating Income (Loss)	$1,006,426
Non-Operating Revenue (Expenses)	
Investment Income	$1,000,000
Gain on Sale of Assets	50,000
Other Revenue	250,000
Grant Funding	2,524,645
Interest Expense	(1,359,441)
Total Non-Operating Revenue (Expenses)	$2,465,204
Net Income (Loss)	$ 3,471,630

Historical Revenues and Expenditures; Debt Service Coverage

The following table sets forth summaries of Gross Revenues, Operation and Maintenance Expenses, Net Earnings, and the sum of the debt service on Metropolitan's previously outstanding water system revenue bonds for each of the Fiscal Years 2020 through 2023. The summary information for Fiscal Years 2020 through 2023 has been compiled by Metropolitan from Metropolitan's audited results of operations for the applicable periods. The following calculation of coverage is consistent with the methodology applicable to the issuance of Additional Bonds and determining Metropolitan's compliance with the rate covenant under the Bond Resolution.

	Fiscal Year			
	2020	2021	2022	2023
Operating Revenues	$12,713,925	$13,360,649	$18,981,127	$26,594,209
Less: (Operating Expenses)	(11,478,229)	(12,446,184)	(21,352,774)	(22,844,377)
Plus/Less: Non-Operating Revenues (Expenses)	61,239	(5,270,712)	296,780	2,218,483
Plus: Total Adjustments to Revenues and Expenditures	4,342,798	10,123,439	9,436,382	6,127,439
Net Earnings	$5,639,733	$5,767,192	$7,361,515	$12,095,754
Annual Principal and Interest Requirement	-	$72,413	$770,600	$2,015,794
Coverage Ratio	N/A	79.64x	9.55x	6.00x

Source: Raftelis Financial Consultants, Inc. For more detail, including information linking the terms used in the table above to the definitions of the Bond Resolution, see p. 3 of the Feasibility Report attached hereto as "APPENDIX F – Feasibility Report."
Note: Totals may not foot due to rounding.

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Forecasted Net Earnings and Debt Service Coverage

As further discussed in "FEASIBILITY REPORT" herein, the Financial Consultants have opined that "the projected Net Earnings for Metropolitan provide adequate funds to maintain the debt service coverage ratios required by the Bond Resolution during the Forecast Period for the issuance of Metropolitan's proposed Series 2024 Bonds." The following table shows the forecasted Gross Revenues, Operation and Maintenance Expenses, Net Earnings and debt service coverage of the System for each of the Fiscal Years 2024 through 2029. The Fiscal Year 2024 projection conforms to Fiscal Year 2024 Budget as shown in "– Operating Budget" herein. For purposes of this forecast, Gross Revenues, Operation and Maintenance Expenses, Net Earnings, and Annual Principal and Interest Requirements have been determined according to the provisions of the Bond Resolution. Factors relevant to the forecast are described in "APPENDIX F – Feasibility Report" hereto; such factors represent Metropolitan's best estimates and adjustments during the projection period and such estimates and adjustments are subject to a variety of risks and uncertainties. There can be no assurance that the forecasts or the factors relevant to the forecast will be realized or that actual results will not differ materially from those forecasted. The primary drivers of the forecasted debt service coverage are related to increases in Metropolitan's rates, including adopted or planned increases by the Commission for Fiscal Years 2024 through 2029. On the basis thereof, the Feasibility Consultants have projected that Metropolitan can maintain the debt service coverage ratios shown in the table below. See "THE SYSTEM – Wastewater Collection Service Rates – *Current and Future Year Rates*."

	Fiscal Year					
	2024	2025	2026	2027	2028	2029
Operating Revenues	$28,579,033	$30,156,020	$32,116,335	$33,588,774	$35,178,817	$36,820,993
Less: (Operation Expenses)	(27,572,607)	(28,568,815)	(29,957,030)	(30,877,374)	(31,547,512)	(32,520,508)
Plus/Less: Non-Operating Revenues (Expenses)	2,465,204	6,909,752	7,883,717	3,474,626	(2,431,087)	(2,334,393)
Plus: Total Adjustments to Revenues and Expenditures	6,572,003	2,446,060	1,701,122	6,000,911	12,011,938	12,030,621
Net Earnings	$10,043,633	$10,943,016	$11,744,145	$12,186,937	$13,212,156	$13,996,714
Annual Principal and Interest Requirement	$3,478,120	$5,731,069	$5,726,394	$5,725,722	$5,722,686	$5,541,190
Coverage Ratio	2.89x	1.91x	2.05x	2.13x	2.31x	2.53x

Source: Raftelis Financial Consultants, Inc. For more detail, including information linking the terms used in the table above to the definitions of the Bond Resolution, see p. 5 of the Feasibility Report attached hereto as "APPENDIX F – Feasibility Report."
Note: Totals may not foot due to rounding.

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Outstanding Bonds and Other Obligations of the System

Pursuant to State law, Metropolitan may issue two forms of debt, general obligation debt (subject to the approval of Greenville County Council) and revenue debt. Metropolitan has not historically issued general obligation debt, has no general obligation debt outstanding, and has no present intention to issue general obligation debt.

Parity Bonds. The pledge of and lien upon the Net Revenues securing the Series 2024 Bonds shall be on a parity with the pledges of the Net Revenues securing all Series of Bonds now Outstanding (the "*Outstanding Bonds*") and Additional Bonds to be outstanding in the future. The following Outstanding Bonds of Metropolitan are secured by and payable from the Net Revenues of the System, and the outstanding principal amounts of the Outstanding Bonds are as of June 30, 2024.

	Dated Date	Final Principal Amount	Outstanding Principal Amount
Series 2019 Bond	December 17, 2019	$451,000	$442,474
Series 2020 Bond	August 6, 2020	$8,847,000	7,565,000
Series 2022 Bond	June 9, 2022	$38,000,000	38,000,000
		Total	$46,007,474

Junior Lien Bonds. No Junior Lien Bonds are currently outstanding.

Capital Leases. Metropolitan currently has no material leases or lease-purchase arrangements outstanding secured by any part of the Gross Revenues of the System.

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Debt Service Requirements

Debt service on the Outstanding Bonds and the Series 2024 Bonds for the Fiscal Years indicated is shown in the table below.

		Series 2024 Bonds		
Fiscal Year	Outstanding Bonds	Principal	Interest	Annual Principal and Interest Requirement
2024	$3,478,120	-	-	$3,478,120
2025	3,477,548	$290,000	$1,848,868	5,616,415
2026	3,477,206	595,000	1,539,175	5,611,381
2027	3,476,034	630,000	1,508,550	5,614,584
2028	3,473,998	660,000	1,476,300	5,610,298
2029	3,290,128	695,000	1,442,425	5,427,553
2030	3,289,351	730,000	1,406,800	5,426,151
2031	3,288,526	765,000	1,369,425	5,422,951
2032	3,286,605	805,000	1,330,175	5,421,780
2033	3,285,518	850,000	1,288,800	5,424,318
2034	3,284,194	890,000	1,245,300	5,419,494
2035	3,283,549	935,000	1,199,675	5,418,224
2036	3,282,488	985,000	1,151,675	5,419,163
2037	2,727,242	1,025,000	1,109,113	4,861,354
2038	2,725,778	1,065,000	1,072,538	4,863,316
2039	2,724,752	1,110,000	1,026,150	4,860,902
2040	2,722,095	1,165,000	969,275	4,856,370
2041	2,720,726	1,225,000	909,525	4,855,251
2042	2,719,525	1,290,000	846,650	4,856,175
2043	29,205	1,350,000	787,400	2,166,605
2044	29,205	1,405,000	732,300	2,166,505
2045	29,205	1,460,000	675,000	2,164,205
2046	29,205	1,520,000	615,400	2,164,605
2047	29,205	1,585,000	553,300	2,167,505
2048	29,205	1,645,000	488,700	2,162,905
2049	29,205	1,715,000	421,500	2,165,705
2050	29,205	1,785,000	351,500	2,165,705
2051	29,205	1,855,000	278,700	2,162,905
2052	29,205	1,935,000	202,900	2,167,105
2053	29,205	2,010,000	124,000	2,163,205
2054	29,205	2,095,000	41,900	2,166,105
2055	29,205	-	-	29,205
2056	29,205	-	-	29,205
2057	29,205	-	-	29,205
2058	29,205	-	-	29,205
2059	29,205	-	-	29,205
2060	29,205	-	-	29,205
Total	$60,539,067	$36,070,000	$28,013,018	$124,622,085

Note: Totals may not add due to rounding.

Capital Improvements and Capital Planning

The following table shows budgeted costs and expected timing of Metropolitan's planned capital projects in the Fiscal Years indicated, including the Headquarters Project, capital projects in furtherance of Metropolitan's funding commitments to Parker and Taylors (see "THE SYSTEM – Service Territory, Expansions, and System Acquisitions – *Expansions and Acquisitions* – 2022 System Acquisitions"), and other significant capital improvements of the System. Metropolitan expects to fund the capital projects listed below with proceeds of the Series 2024 Bonds, proceeds of certain of the Outstanding Bonds, grant funds, revenues of the System, capital reserves, and other sources as set forth below.

	Fiscal Year					
	2024	2025	2026	2027	2028	2029
Capital Projects						
Headquarters Project	$12,000,000	$13,000,000	$12,000,000	-	-	-
Maintenance Projects	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Rehabilitation Projects	865,000	5,880,000	4,875,000	5,525,000	6,125,000	6,000,000
Mill Village Projects	11,750,000	12,090,000	7,700,000	-	-	-
Roadway Relocation Projects	500,000	425,000	500,000	500,000	500,000	500,000
Encroachment Projects	50,000	50,000	50,000	50,000	50,000	50,000
Pump Station Projects	465,000	335,000	400,000	-	-	-
System Expansion Projects	3,938,850	2,960,000	2,100,000	2,000,000	2,000,000	2,500,000
Total Project Costs	$32,568,850	$37,740,000	$30,625,000	$11,075,000	$11,675,000	$12,050,000
Funding Sources						
Rate Funded	$6,565,514	$5,211,947	$6,017,751	$6,461,215	$7,489,470	$8,455,524
Grant Funded	9,500,000	10,000,000	6,000,000	-	-	-
Other Funding Sources	250,000	-	300,000	-	-	-
Reserve Funded	732,838	9,528,053	6,307,249	4,613,785	4,185,530	3,594,476
Available Bond Proceeds (Series 2020)	1,695,559	-	-	-	-	-
Available Bond Proceeds (Series 2022)	1,824,939	-	-	-	-	-
Series 2024 Bonds	12,000,000	13,000,000	12,000,000	-	-	-
Total Funding Sources	$32,568,850	$37,740,000	$30,625,000	$11,075,000	$11,675,000	$12,050,000

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Forecasted Fund Balance

As shown in the table in "– Capital Improvements and Capital Planning" above, Metropolitan intends to fund a portion of the costs of its planned capital projects in Fiscal Years 2024 through 2029 from annual revenues and capital reserves. This reflects Metropolitan's planned reduction of its unrestricted cash on hand over a period of several years. The table below shows Metropolitan's beginning fund balance for Fiscal Year 2024, forecasted ending fund balance for Fiscal Year 2024, forecasted beginning and ending fund balances for Fiscal Years 2025 through 2029, and forecasted unrestricted days cash on hand at the end of each such Fiscal Year, reflecting the use of capital reserves to pay the cost of capital projects. Factors relevant to these forecasts are described in the Feasibility Report attached as "APPENDIX F – Feasibility Report" hereto.

	Fiscal Year					
	2024	2025	2026	2027	2028	2029
Beginning Fund Balance	$51,225,102	$51,621,124	$42,093,071	$35,785,822	$31,172,037	$26,986,507
Reimbursements	1,128,860	0	0	0	0	0
Reserve Funded Capital	(732,838)	(9,528,053)	(6,307,249)	(4,613,785)	(4,185,530)	(3,594,476)
Ending Fund Balance	$51,621,124	$42,093,071	$35,785,822	$31,172,037	$26,986,507	$23,392,031
Days Cash on Hand	962 days	770 days	626 days	524 days	442 days	369 days

Source: Raftelis Financial Consultants, Inc. For more detail, including information linking the terms used in the table above to the definitions of the Bond Resolution, see p. 11 of the Feasibility Report attached hereto as "APPENDIX F – Feasibility Report."

Future Debt

As provided in "FINANCIAL INFORMATION – Capital Improvements and Capital Planning" herein, over the next five Fiscal Years Metropolitan is planning to complete multiple capital projects to upgrade and rehabilitate the System. Metropolitan plans to pay the costs of these projects from a variety of sources, including available cash and grants. Metropolitan does not presently plan to issue Additional Bonds to fund projects included in its Capital Improvement Plan; however, Metropolitan's plans to issue Additional Bonds may change in the discretion of the Commission in response to changing facts and circumstances, including the availability of grants and other funding sources.

INVESTMENT CONSIDERATIONS

The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the Series 2024 Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the Series 2024 Bonds. In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and financial advisors when considering a purchase of the Series 2024 Bonds.

General

The Series 2024 Bonds are payable from and secured by a pledge of the Net Revenues. Future revenues and expenses of the System are subject to conditions which may change in the future to an extent that cannot be predicted or determined at this time. No representation can be made, or assurance given, that the System will realize revenues in amounts sufficient to generate Net Revenues sufficient to allow Metropolitan to make payments of principal, interest, and premium, if any, on the Series 2024 Bonds. Future revenues and expenses of the System are subject to a variety of economic and other factors and conditions, including without limitation (i) the inability of Metropolitan's facilities to meet wastewater capacity demands on the System, (ii) unforeseen decreases in demand due to the loss of a major customer, or downturns in local, regional, national and international economies or decreases in economic development at the local or state level, (iii) unanticipated increases in operating or administrative expenses, (iv) potential closure, or restrictions on the use, of Metropolitan's facilities due to unforeseen events or occurrences, acts of war, terrorism, epidemic, or disease in foreign countries or in domestic locations, (v) potential work stoppages due to labor disputes or other causes, (vi) the effects of global economic cycles, and (vii) other possible general, national, or local political or economic conditions, including inflation, deflation, general cost increases, international trade embargoes, international trade deficits or imbalances, deterioration of international trade relations, calls for a global reserve currency as an alternative to the United States dollar, among other factors. The occurrence of any one or more of the foregoing adverse events, and the other events described below, including events not enumerated in other sections of this Official Statement, may materially adversely affect the System's results of operations, cash flow, and financial condition.

Climate Change

Planning for climate change in the State and its impact on System operations is an unknown challenge. The State's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. Such changes may lead to lower supply and higher demand for water, which may affect wastewater volumes. The financial impact of climate change is not yet known and therefore its future impact on Net Revenues cannot be quantified reliably at this time.

Pension

As described in the notes to the audited financial statements of Metropolitan for Fiscal Year 2023 and the Short Fiscal Year, included as Appendix A hereto, eligible employees of Metropolitan participate in SCRS. The amount of Metropolitan's allocation of the SCRS liability, portions of which are allocable to System operations, may increase in amounts that may or may not be material, depending on a variety of actuarial factors, and which Metropolitan cannot predict with any certainty.

Risk of Loss, Damage, or Destruction

Metropolitan has covenanted in the Bond Resolution that it will cause the System to be continuously insured against physical loss or damage. Metropolitan has further covenanted that the proceeds of such insurance shall be applied to repair or replace the damaged or destroyed property. There can be no assurance that the proceeds of insurance or other sources of funds available to Metropolitan for purposes of replacing, repairing, rebuilding, or restoring all or any portion of the System facilities that may be damaged or destroyed will be sufficient for such replacement, repair, rebuilding, or restoration.

Cybersecurity

Computer networks and data transmission and collection are vital to the efficient operations of the System. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by Metropolitan, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the commercial operations, which could materially adversely affect the operations of the System. Metropolitan utilizes specialized third parties to maintain the servers and financial software of Metropolitan. Metropolitan's information technology staff manages, maintains, and ensures that adequate security measures are in place for the other software and control systems for the System. Metropolitan maintains a cyber insurance policy and works closely with the South Carolina Law Enforcement Division and the Cyber and Infrastructure Security Agency under the United States Department of Homeland Security to monitor and respond to cyber security threats.

Global Health Risk

The outbreak of COVID-19, a respiratory disease caused by a novel strain of coronavirus first reported in China, spread to the United States and throughout the world, and was characterized as a pandemic by the World Health Organization. On March 13, 2020, Governor McMaster of South Carolina declared a State-wide state of emergency (which expired in May 2021), and then President Donald Trump declared a nationwide emergency pursuant to Sec.

501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 resulting from the then-ongoing COVID-19 pandemic.

Metropolitan cannot predict whether consequences arising from the spread of COVID-19 or similar diseases will have a material impact on its financial condition. Overall, the extent of the total impact of COVID-19 on Metropolitan's operational and financial performance, and on Net Revenues, will depend on future developments, including without limitation the duration and spread of the outbreak, travel restrictions, limitations on public gatherings, and restrictions on operations of public and private entities nation-wide and internationally. Metropolitan resumed normal operations in mid-2021, and while any future impact on Metropolitan is currently unknowable, Metropolitan regularly reviews its options for addressing certain anticipated effects of the spread of COVID-19 that may impact its operations and finances.

Future outbreaks, epidemics, contagions, pandemics or events outside of Metropolitan's control may further affect the System and affect the Net Revenues.

Consolidation and Changes to Boundaries and Service Area

Metropolitan is a special purpose district created under and governed by State law. In accordance with applicable State law, Metropolitan could be subject to consolidation into another special purpose district or have another special purpose district consolidated or merged into Metropolitan by action of the General Assembly of South Carolina or the County Council, and Metropolitan's boundaries and service area could be subject to annexation, alteration, or dissolution. As of the date hereof, Metropolitan is not aware of any efforts by the General Assembly of South Carolina or the County Council to consolidate or merge Metropolitan into or with another special purpose district or to undertake any material reduction of or addition to its service area. Nor is Metropolitan aware of any municipal annexations within its boundaries that would result in a material reduction of its service area. See "METROPOLITAN – Legislation Affecting Metropolitan and Special Purpose Districts Generally."

State law includes various means of protecting Metropolitan's bondholders in the event of any consolidation, merger, diminishment of boundaries, or dissolution. See "METROPOLITAN – Legislation Affecting Metropolitan and Special Purpose Districts Generally." These means may, however, involve contractual obligations by third-parties to pay all or a portion of debt service on Metropolitan's outstanding Bonds. In such event, no assurances can be given that any successor obligor resulting from such action will have the financial strength or creditworthiness of Metropolitan or that any such action would not have a material impact on the financial strength or creditworthiness of Metropolitan.

Other General Factors

The System has been, and may in the future be, affected by several other factors which could impact the financial condition of the System and operations of Metropolitan. In addition to the factors discussed elsewhere herein, such factors include, among other things:

- Effects of compliance with rapidly changing regulatory and legislative requirements relating to climate, environmental matters, old infrastructure, and safety and permitting;

- The repeal of certain federal statutes that would have the effect of decreasing federal funding or changing federal tax policy, including the ability to issue tax-exempt obligations;

- Effects of changes in the economy, population, and demand of customers for services delivered by the System; and

- Regulatory or legal changes affecting Metropolitan's service area, or customer base and demand.

TAX MATTERS

Federal Income Tax Generally

On the date of issuance of the Series 2024 Bonds, Bond Counsel will render an opinion that, assuming continuing compliance by Metropolitan with the requirements of the Internal Revenue Code of 1986, as amended (the

"*Code*"), and the applicable regulations promulgated thereunder (the "*Regulations*") and further subject to certain considerations described in "– Collateral Federal Tax Considerations" herein, under existing statutes, regulations, and judicial decisions, interest on the Series 2024 Bonds is excluded from the gross income of the registered owners or the Beneficial Owners (as applicable) thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals under the Code. Such interest is, however, taken into account in determining the annual adjusted financial statement income of certain applicable corporations (as defined in Section 59(k) of the Code) for the purpose of determining the application of the 15-percent alternative minimum tax imposed on the adjusted financial statement income of such corporations under Section 55 of the Code. (In general, an "applicable corporation" is a corporation whose average annual adjusted financial statement income (*i.e.,* adjusted book income) exceeds $1 billion for the 3-taxable year period ending with the tax year in question.). See "APPENDIX D – Form of Opinion of Bond Counsel" attached hereto.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2024 Bonds for federal income tax purposes. Bond Counsel's opinions are based upon existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the Internal Revenue Service (the "*IRS*") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The opinion of Bond Counsel described above is subject to the condition that Metropolitan comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure, and investment of the gross proceeds of the Series 2024 Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2024 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Metropolitan has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the inclusion of interest on the Series 2024 Bonds in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2024 Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Series 2024 Bonds is conditioned on compliance by Metropolitan with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2024 Bonds.

Collateral Federal Tax Considerations

Prospective purchasers of the Series 2024 Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences and prospective purchasers of the Series 2024 Bonds should consult their tax advisors as to the applicability thereof.

From time to time, there are legislative proposals in Congress which, if enacted into law, could eliminate or reduce the exclusion of the interest on the Series 2024 Bonds from gross income for federal income tax purposes or which might otherwise adversely affect the benefit or marketability of the Series 2024 Bonds. No prediction can be made as to whether any such provisions will be enacted as proposed or concerning other future legislation which, if passed, might affect the tax treatment of interest on the Series 2024 Bonds. Similarly, future clarifications of the Code by the IRS and court proceedings interpreting the Code could likewise affect the treatment of interest on the Series 2024 Bonds, as well as the benefit or marketability of the Series 2024 Bonds. Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, court proceedings, and IRS actions, as to all of which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the

IRS will commence an audit of the Series 2024 Bonds. Bond Counsel's engagement with respect to the Series 2024 Bonds ends with the issuance of the Series 2024 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend Metropolitan or the Holders of the Series 2024 Bonds regarding the tax-exempt status of the Series 2024 Bonds in the event of an audit examination by the IRS.

Under current procedures, parties other than Metropolitan and their appointed counsel, including the Holders of the Series 2024 Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which Metropolitan legitimately disagrees may not be practicable.

Any action of the IRS, including but not limited to selection of the Series 2024 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2024 Bonds, and may cause Metropolitan or the Holders of the Series 2024 Bonds to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, Metropolitan may be obligated to disclose the commencement of an audit under the Disclosure Dissemination Agent Agreement, a copy of which is attached hereto as "APPENDIX E – Form of Disclosure Dissemination Agent Agreement."

Original Issue Premium

As shown on the inside cover page of this Official Statement, the Series 2024 Bonds maturing in the years 2025 through 2042, inclusive, are initially offered to the public at a price in excess of the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2024 Bonds is sold in the initial offer to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at a price in excess of the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue premium with respect to each Series 2024 Bond (each, a "*Premium Bond*," and collectively, the "*Premium Bonds*").

That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of the Premium Bonds should consult their own tax advisors with respect to all matters relating to such bond premium.

Original Issue Discount

As shown on the inside cover page of this Official Statement, the Series 2024 Bonds maturing in the years 2043, 2044, 2049, and 2054 have been sold at an initial offering price which is less than the principal amount thereof payable at maturity ("*Discount Bonds*"). The difference between the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of each maturity of Discount Bonds is sold and the principal amount payable at maturity constitutes original issue discount.

Bond Counsel is of the opinion that original issue discount, as it accrues, is excluded from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2024 Bonds. Original issue discount accrues in each taxable year over the term of the Discount Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code, with certain adjustments. Original issue discount may be treated as continuing to accrue in each taxable year even if payment of the Discount Bonds becomes doubtful.

Accruals of original issue discount are treated as tax-exempt interest earned by owners on the accrual basis of tax accounting and as tax-exempt interest received by owners on a cash basis of tax accounting, even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of Discount Bonds if held by an original purchaser, can be determined by adding to such owner's purchase price of such Discount Bonds the original issue discount that has accrued.

Owners of the Discount Bonds should consult their own tax advisors with respect to all matters relating to such Discount.

State Tax Exemption

Bond Counsel is of the further opinion that the Series 2024 Bonds and the interest thereon are exempt from all taxation by the State, its counties, municipalities, and school districts except estate, transfer, or certain franchise taxes. Interest paid on the Series 2024 Bonds is currently subject to the tax imposed on banks by Section 12-11-20 of the S.C. Code, which is enforced by the South Carolina Department of Revenue as a franchise tax.

The opinion of Bond Counsel is limited to the laws of the State and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2024 Bonds or the interest thereon under the laws of any other jurisdiction.

LEGAL MATTERS

Approval of Certain Proceedings

The Series 2024 Bonds are offered when, as and if issued by Metropolitan, and accepted by the Underwriter subject to the delivery of an approving opinion by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX D – Form of Opinion of Bond Counsel" attached hereto. Pope Flynn, LLC is also acting as Disclosure Counsel to Metropolitan in connection with the issuance and sale of the Series 2024 Bonds. Certain legal matters will be passed on for Metropolitan by Bell Carrington Price & Gregg, LLC, as local counsel, and for the Underwriter by their counsel, Murray Barnes Finister LLP, Atlanta, Georgia.

The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

Metropolitan experiences routine litigation and claims incidental to the conduct of its affairs. As of the date of issuance and delivery of the Series 2024 Bonds, counsel to Metropolitan will deliver an opinion to the effect that (a) there is no controversy or litigation of any nature now pending or threatened in writing, restraining or enjoining the issuance, sale, execution or delivery of the Series 2024 Bonds, or in any way questioning or affecting the validity of the Series 2024 Bonds or any proceedings of Metropolitan taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2024 Bonds and (b) there is no controversy or litigation of any nature now pending or threatened in writing against Metropolitan relating to or questioning or affecting the organization or existence of Metropolitan or the title to office of the officers thereof.

UNITED STATES BANKRUPTCY CODE

The obligation of Metropolitan under the Resolutions should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. §§ 901, *et seq.*, as amended (the "*Bankruptcy Code*") and other laws affecting creditors' rights and public instrumentalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a state that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner but does not limit or impair the power of the state to control a municipality by legislation; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of the creditors of each class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate or otherwise modify indebtedness under its plan varying from the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

MISCELLANEOUS

Ratings

Standard & Poor's Global Ratings ("*S&P*") has assigned a rating of "AA" and Moody's Investors Service ("*Moody's*") has assigned a rating of "Aa2" to the Series 2024 Bonds. The ratings noted above reflect only the views of S&P and Moody's. Any explanation of the significance of the ratings may only be obtained from S&P and Moody's. Metropolitan furnished to S&P and Moody's certain information and materials, some of which may not have been included herein, relating to the Series 2024 Bonds, the System, and Metropolitan. Generally, rating agencies base their ratings on such information and other investigations, studies, and assumptions they deem appropriate. The ratings are not recommendations to buy, sell or hold the Series 2024 Bonds. There can be no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn entirely by S&P and Moody's, if in its judgment circumstances so warrant. Any revision or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2024 Bonds.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Series 2024 Bonds from Metropolitan at a purchase price of $37,374,224.35, which is equal to the par amount of the Series 2024 Bonds plus net original issue premium of $1,428,416.85, and less an underwriter's discount of $124,192.50. The Underwriter and Metropolitan have entered into a bond purchase agreement, which provides that the Underwriter will purchase all of the Series 2024 Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2024 Bonds will be subject to various conditions contained in the bond purchase agreement.

The Underwriter intends to offer the Series 2024 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which offering prices may subsequently be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter has reserved the right to permit other securities dealers who are members of the Financial Industry Regulatory Authority to assist in selling the Series 2024 Bonds. The Underwriter may offer and sell the Series 2024 Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices set forth on the inside cover page of this Official Statement or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts or commissions that may be received by such dealers in connection with the sale of the Series 2024 Bonds will be deducted from the Underwriter's underwriting profits.

Truist Securities, Inc. (the "*Underwriter*") has entered into an agreement (the *"Truist Distribution Agreement"*) with Truist Investment Services, Inc. (*"TIS"*) for the retail distribution of certain municipal securities offerings, including the Series 2024 Bonds. Pursuant to the Truist Distribution Agreement, the Underwriter will share a portion of its underwriting compensation, as applicable, with respect to the Series 2024 Bonds with TIS. Each of Truist Securities and TIS is a subsidiary of Truist Financial Corporation.

Truist Securities is the trade name for the corporate and investment banking services of Truist Financial Corporation and its subsidiaries. Securities and strategic advisory services are provided by the Underwriter, member FINRA and SIPC. Lending, financial risk management, and treasury management and payment services are offered by Truist Bank. Deposit products are offered by Truist Bank, Member FDIC. In its normal course of business Truist Bank may currently, or in the future, provide credit, treasury management, or other commercial banking services to Metropolitan.

Financial Advisor

First Tryon Advisors has served as financial advisor (the "*Financial Advisor*") to Metropolitan with respect to the sale of the Series 2024 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2024 Bonds is contingent on the issuance and delivery of the Series 2024 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendixes thereto.

Independent Certified Public Accountants

The financial statements of Metropolitan for Fiscal Year 2023 and the Short Fiscal Year, attached as Appendix A hereto, have been audited by Love Bailey & Associates, LLC, Greenville, South Carolina, independent certified public accountants, to the extent and for the periods indicated in their report thereon which appears in Appendix A attached hereto.

Enforceability of Remedies

The remedies available to the owners of the Series 2024 Bonds upon an event of default under the Resolutions are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Resolutions and the Series 2024 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits enacted before or after such delivery.

Continuing Disclosure

Metropolitan has covenanted, pursuant to Section 11-1-85 of the S.C. Code to file with a central repository for availability in the secondary bond market, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of Metropolitan's revenues.

In order to provide certain continuing disclosure with respect to the Series 2024 Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("*Rule 15c2-12*"), Metropolitan has entered into a Disclosure Dissemination Agent Agreement ("*Disclosure Dissemination Agreement*") for the benefit of the Holders of the Series 2024 Bonds with Digital Assurance Certification, L.L.C. ("*DAC*"), under which Metropolitan has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached as "APPENDIX E – Form of Disclosure Dissemination Agent Agreement" hereto. Prior to entering into the Disclosure Dissemination Agreement, Metropolitan has not been a party to any other continuing disclosure undertaking and has not been subject to any continuing disclosure undertaking entered into in connection with Rule 15c2-12 within the past five years.

Concluding Statement

All the summaries of the provisions of the Act, the Enabling Acts, the Series 2024 Bonds, and the Resolutions and all summaries and references to other documents, instruments, and materials not purported to be quoted in full are only brief outlines of certain provisions thereof and are not intended to be and do not constitute complete statements of the Enabling Act or such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with all foregoing statements.

Certain information set forth in the Official Statement and in the appendices hereto has been obtained from sources other than Metropolitan that are believed to be reliable but is not guaranteed as to accuracy or completeness by Metropolitan.

The agreement between Metropolitan and Holders of the Series 2024 Bonds is fully set forth in the Resolutions and neither any advertisement for the Series 2024 Bonds nor this Official Statement is to be construed as constituting an agreement with the Holders of the Series 2024 Bonds. The execution and delivery of this Official Statement have been duly authorized, and this Official Statement has been deemed final by Metropolitan.

METROPOLITAN SEWER SUBDISTRICT,
SOUTH CAROLINA

/s/ James R. Freeland
Chairman
Metropolitan Sewer Subdistrict Commission

APPENDIX A

Audited Financial Statements of Metropolitan for the Fiscal Year Ended June 30, 2023 and the Partial-Fiscal Year Period of July 1, 2023 to December 31, 2023

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METROPOLITAN SEWER SUBDISTRICT

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

METROPOLITAN SEWER SUBDISTRICT
YEAR ENDED JUNE 30, 2023

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LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Commissioners
Metropolitan Sewer Subdistrict
Greenville, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Metropolitan Sewer Subdistrict, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Sewer Subdistrict, as of June 30, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metropolitan Sewer Subdistrict and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Metropolitan Sewer Subdistrict retrospectively applied the depreciable method of accounting for eligible infrastructure assets. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, a prior period adjustment has been recorded for the change in accounting principle from the modified approach of infrastructure assets to the depreciable method.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Metropolitan Sewer Subdistrict's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

111 1/2 E. Laurens Street Laurens, SC 29360 Phone: 864.984.2698 Fax: 864.984.2874 lovebaileycpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Sewer Subdistrict's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Metropolitan Sewer Subdistrict's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

As discussed in Note 14 to the financial statements, Metropolitan Sewer Subdistrict merged with two other sewer districts and a city during the year.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, other post-employment benefit plan schedule as referenced in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metropolitan Sewer Subdistrict's basic financial statements. The accompanying budgetary comparison schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the revenue bond debt coverage ratio but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of Metropolitan Sewer Subdistrict's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Metropolitan Sewer Subdistrict's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Sewer Subdistrict's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
December 19, 2023

As management of the Metropolitan Sewer Subdistrict ("Metro"), we offer readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the fiscal year ended June 30, 2023.

Financial Highlights

- Metro increased its net position by $30,096,000 or 10.6%.
- Total operating revenue increased by $7,613,000 or 40.1% and total expenses increased by $1,492,000 or 7.0%.
- Capital contributions increased by $4,109,000 or 42.4%.
- As of June 30, 2023, Metro customers paid a $11.72 base charge and $1.65 volumetric charge through their water bill.
- Metro merged two Greenville County special purpose district sewer systems on July 1, 2022 and was transferred one municipality on March 14, 2023 (see Note 14).
- Metro changed from the modified approach of infrastructure assets to the depreciable method to include sewer lines, maintenance projects, rehabilitation projects and roadway relocation projects as depreciable capital assets (see Note 15).

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of Metro's financial condition and performance.

The financial statements report information about Metro using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The results from a financial rate study conducted and approved in February 2019, concluded Metro needed a rate structure similar to a business on a self-sustaining basis, billing customers based on water consumption and the use of the system, instead of a revenue stream based on customer's property value. The approved user charge rate structure allows Metro to use revenues for all requirements to include operating expenses, capital costs (including expansion), debt servicing, and reserve fund transfers to support growth in Greenville County. Metro implemented the sewer user charges on July 1, 2019.

Required Financial Statements

The financial statements of Metro report information using accounting methods similar to those used by private sector companies. These statements provide both long-term and short-term information about Metro's overall financial position.

Required Financial Statements, Continued

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of Metro on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at fiscal year-end. The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. This statement can be used to determine whether Metro has successfully recovered its annual costs through user charge rate collections, other charges, and credit worthiness.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Billed but uncollected user charge rates are accrued as receivables at year end and are reported as revenues of the enterprise funds. These funds account for activities of Metro like those found in the private sector, where recovery and the determination of net income cost is useful or necessary for sound fiscal management.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Metro has one enterprise fund.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes to the financial statements present detailed information about Metro's accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Financial Analysis

Net position:

As shown in Table A, net position, the difference between assets, deferred outflows, liabilities and deferred inflows, may serve over time as a useful indicator of an entity's financial position.

Financial Analysis, Continued

Table A
Condensed Statement of Net Position

	FY 2023	FY 2022	Dollar Change	Percent Change
Current and other assets	$ 41,037,000	$ 24,773,000	$ 16,264,000	65.7%
Restricted assets	18,546,000	45,295,000	(26,749,000)	-59.1%
Capital assets	308,620,000	270,909,000	37,711,000	13.9%
Total assets	368,203,000	340,977,000	27,226,000	8.0%
Deferred outflows of resources	3,767,000	1,856,000	1,911,000	103.0%
Current liabilities	4,566,000	5,319,000	(753,000)	-14.2%
Noncurrent liabilities	53,952,000	53,665,000	287,000	0.5%
Total liabilities	58,518,000	58,984,000	(466,000)	-0.8%
Deferred inflows of resources	504,000	997,000	(493,000)	-49.4%
Invested in capital assets	268,375,000	262,217,000	6,158,000	2.3%
Restricted	11,492,000	6,689,000	4,803,000	71.8%
Unrestricted	33,081,000	13,946,000	19,135,000	137.2%
Total net position	$ 312,948,000	$ 282,852,000	$ 30,096,000	10.6%

Metro's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $312,948,000 at the close of the most recent fiscal year. This amount represents an increase in net position of $30,096,000 from $282,852,000 in FY 2022. The largest portion of Metro's net position for FY 2023 (85.8%) is net investment in capital assets (e.g. infrastructure, buildings, machinery, and equipment less debt outstanding for those assets) The remaining net position (14.2%) is current and other assets (e.g. cash, cash equivalents, investments, and receivables). These current and other assets will be used for the liabilities shown above and the unrestricted net position will be used to finance future projects.

Changes in net position:

While the statement of net position shows a snapshot of Metro's financial position at the end of the fiscal year, the statement of revenues, expenses, and changes in net position provides answers as to the nature and source of the changes in net position from the prior year, as can be seen in Table B.

Financial Analysis, Continued

Table B
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	FY 2023	FY 2022	Dollar Change	Percent Change
User charge rate	$ 22,985,000	$ 16,720,000	$ 6,265,000	37.5%
Property taxes	27,000	6,000	21,000	350.0%
Sewer fees	1,000	-	1,000	100.0%
Tap fees and other	3,581,000	2,255,000	1,326,000	58.8%
Total operating revenues	26,594,000	18,981,000	7,613,000	40.1%
Salaries, wages, and benefits	9,382,000	6,401,000	2,981,000	46.6%
Professional fees	793,000	758,000	35,000	4.6%
Project costs	2,000	8,637,000	(8,635,000)	-100.0%
Operations and maintenance	3,026,000	2,362,000	664,000	28.1%
General and administration	2,551,000	2,291,000	260,000	11.3%
Depreciation	7,091,000	904,000	6,187,000	684.4%
Total operating expenses	22,845,000	21,353,000	1,492,000	7.0%
Grant revenue	1,700,000	440,000	1,260,000	286.4%
Interest income	782,000	7,000	775,000	11071.4%
Other Revenue	104,000	27,000	77,000	285.2%
Gain on sale of assets	395,000	166,000	229,000	138.0%
GASB 68 - state retirement	609,000	47,000	562,000	1195.7%
GASB 75 - other post-employment benefits	(3,000)	(66,000)	63,000	-95.5%
Interest expense	(1,369,000)	(324,000)	(1,045,000)	322.5%
Total non-operating revenues (expenses)	2,218,000	297,000	1,921,000	646.8%
Change in net position before capital contributions	5,967,000	(2,075,000)	8,042,000	-387.6%
Capital contributions	13,802,000	9,693,000	4,109,000	42.4%
Gain and loss on merger (see Note 14)	50,385,000	51,574,000	(1,189,000)	-2.3%
Change in net position	70,154,000	59,192,000	10,962,000	18.5%
Net position, beginning of year (as restated)	242,794,000	223,660,000	19,134,000	8.6%
Net position, end of year	312,948,000	282,852,000	30,096,000	10.6%

Financial Analysis, Continued

Total operating revenues increased by $7,613,000 or 40.1%, to $26,594,000 in FY 2023 from $18,981,000 in FY 2022. The increase in revenue is due to the sewer districts mergers and transfer, which added more than 29,800 customers who are charged through their water provider, tap fees and other from an increase in residential and commercial permits sold for sewer connection to Metro's sanitary sewer system.

Total operating expenses increased by $1,492,000 or 7.0%, to $22,845,000 in FY 2023 from $21,353,000 in FY 2022. The increase in expenses is primarily due to an increase in salaries, wages and benefits increased due to the onboarding of the employees that transferred in the sewer districts mergers. Depreciation expense increased due to the change in deprecation method.

Total non-operating revenues/(expenses) increased by $1,921,000 or 646.8% to $2,218,000 in FY 2023 from $297,000 in FY 2022. The increase in non-operating revenues/(expenses) is due mainly to the receipt of grant funding from Greenville County ARPA and RIA, in investment income as the result of an increase in interest rates from FY 2022 to FY 2023 and to pension expense required by GASB 68 due to the increase in employees from the mergers. Interest expense increased due to a full year of interest payment on the Series 2022 Bond.

Capital contributions, which represent the non-cash contribution of sewer systems constructed by third-party developers and then deeded to Metro at the completion of the development, increased $4,109,000 or 42.4% in FY 2023 over FY 2022.

Net position increased due to the large impact in the gain and loss on merger from the sewer districts mergers and transfer with the addition of 432 miles of sewer lines, increasing Metro's sewer line infrastructure and vehicles and equipment by $50,385,000 (see Note 14).

Capital Assets and Debt Administration

Capital assets

As of June 30, 2023, Metro's capital assets amounted to $308,619,910 (net of accumulated depreciation) including sewer lines, land, buildings, equipment, and vehicles, as shown in Table C.

Capital Assets and Debt Administration, Continued

Table C
Capital Assets

	FY 2023	FY 2022	Increase (Decrease) Over 2022	Percentage Increase (Decrease)
Vehicles	6,532,772	4,527,465	$ 2,005,307	44.3%
Office equipment	71,765	71,765	-	-
Computer equipment	323,105	309,325	13,780	4.5%
Software	844,786	762,227	82,559	10.8%
Maintenance equipment	2,916,859	2,319,610	597,249	25.7%
Pump Station equipment	7,393,032	178,564	7,214,468	4040.3%
Administrative building	940,916	868,115	72,801	8.4%
Training facility	1,269,100	1,269,100	-	-
O&M building	25,473	25,473	-	-
Inspector/O&M building	1,362,017	1,471,225	(109,208)	100.0%
Shop equipment	20,309	20,309	-	-
Maintenance shop buildings	329,750	329,750	-	-
Safety equipment	32,740	32,740	-	-
Sewer lines	402,722,865	264,769,064	137,953,801	52.1%
Maintenance Projects	4,930,418	-	4,930,418	100.0%
Rehabilitation Projects	16,717,745	-	16,717,745	100.0%
Roadway Relocation Projects	1,949,419	-	1,949,419	100.0%
Construction work in progress	1,722,740	-	1,722,740	100.0%
Sub-total	450,105,811	276,954,732	173,151,079	62.5%
Less accumulated depreciation	8,066,247	6,045,817	2,020,430	33.4%
Less accumulated depreciation sewer lines	133,419,654	-	133,419,654	100.0%
Net capital assets	306,619,910	270,908,915	37,710,995	13.9%

The increase in the capital asset accounts is the result of general purchases that were budgeted. The increase in sewer lines is due primarily to the sewer districts mergers and transfer of $61,734,000 (see Note 14) in sewer line infrastructure, which was added to Metro's capital assets, and approximately $12,860,000 (see Note 4) developer-installed sewer lines providing service to new commercial sites and residential subdivisions that were contributed to Metro.

Historically, Metro used the modified approach to account for its infrastructure assets. Under that approach, Metro managed its eligible infrastructure by use of an asset management system that provided for current condition assessments and annual estimates of maintenance and preservation costs. Metro committed to documenting and preserving its eligible infrastructure assets at a predetermined condition level through continuous condition assessments.

Capital Assets and Debt Administration, Continued

Starting July 1, 2022, Metro began using the depreciable method for all infrastructure assets including prior sewer lines, maintenance projects, rehabilitation projects and roadway relocation projects. This method is industry standard and supports bond funding for sewer system projects where all improvements are capitalized. Professional advisors agreed with the change and the Board of Commission approved the change.

Debt administration:

The following table consists of Metro's long-term obligations at June 30, 2023:

Table D
Summary of Outstanding Long-Term Obligations

	FY2023
Series 2019 revenue bond	$ 442,000
Series 2020 revenue bond	7,565,000
Series 2022 revenue bond	38,000,000
Compensated absences	411,000
Other post-employment benefits liability	312,000
Net pension liability	9,549,000
Less: current portion	(2,327,000)
Total long-term obligations	53,952,000

Additional information on long-term debt can be found in Note 5 to the basic financial statements included in this report.

Economic Factors and Rates

The following key economic factors were considered when Metro established next year's budget:

- The unemployment rate for Greenville County was 3.3% at June 30, 2023. [1]
- The number of residential building permits issued in Greenville County was 8,788 during the year ended June 30, 2023.[2]
- The number of commercial and other plumbing permits issued in Greenville County was 2,442 during the year ended June 30, 2023.[2]
- A new user charge rate study was conducted and approved by the Board of Commissioners on August 21, 2023 increasing user charge rates in January 2024.

[1] Source: U.S. Bureau of Labor Statistics
[2] Source: Greenville County Codes Enforcement

Economic Factors and Rates, Continued

Table 5
Fiscal Year 2023 (six month) Condensed Operating Budget

Revenues	
User rate charge	$ 11,736,000
Grants	3,500,000
Tap fees and other	750,000
Interest income	200,000
(Gain)/loss on disposal of capital assets	34,000
Metro reserves	3,095,090
Total revenues	19,315,090
Expenditures	
Sewer lines	9,084,000
Other capital assets	1,098,000
Salaries, wages, and benefits	5,345,590
Professional fees	513,000
Project costs	25,000
Operations and maintenance	1,745,000
General and administration	1,504,500
Debt service	-
Total expenditures	19,315,090

Provided Metro's change in fiscal year, the 2023 six-month budget is not comparable to the 12-month 2022-2023 budget.

Requests for Information

This financial report is designed to provide a general overview of Metro's finances for all those with an interest in Metro's finances and to demonstrate Metro's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed through Metro's website at www.metroconnects.org.

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

CURRENT ASSETS	
Cash and cash equivalents	$ 34,483,688
Restricted cash	18,545,728
Investments	3,045,312
User charge rate receivable, net	3,177,566
Prepaid expenses	275,844
Interest receivable	54,918
Total current assets	59,583,056
NONCURRENT ASSETS	
Capital assets not being depreciated	1,722,740
Capital assets, net of accumulated depreciation	306,897,170
Total noncurrent assets	308,619,910
Total assets	368,202,966
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on net pension liability	3,767,316
CURRENT LIABILITIES	
Accounts payable and accrued expenses	1,962,474
Accrued salaries and wages	113,124
Interest payable	163,480
Current portion of compensated absences	208,565
Current portion of long-term liabilities	2,118,678
Total current liabilities	4,566,321
NONCURRENT LIABILITIES	
Due in more than one year:	
Compensated absences	202,324
Long-term liabilities, net of current portion	43,888,716
Other post-employment benefits liability	311,662
Net pension liability	9,548,943
Total noncurrent liabilities	53,951,645
Total liabilities	58,517,966
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on net pension liability	41,614
Deferred inflows on other post-employment benefits liability	462,081
Total deferred inflows of resources	503,695
NET POSITION	
Net investment in capital assets	268,376,054
Restricted for capital activity	10,612,538
Restricted for debt service	879,046
Unrestricted	33,080,983
Total net position	$ 312,948,621

The accompanying notes are an integral part of these financial statements.

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
User charge rate	$ 22,985,246
Property taxes	27,555
Sewer fees	547
Tap fees and other	3,580,861
Total operating revenues	26,594,209
OPERATING EXPENSES	
Salaries, wages, and benefits	9,381,585
Professional fees	792,974
Project costs	1,700
General and administration	2,551,350
Operations and maintenance	3,026,198
Operating expenses excluding depreciation	15,753,807
Depreciation	7,090,570
Total operating expenses	22,844,377
Operating income	3,749,832
NON-OPERATING REVENUE (EXPENSES)	
Interest income	781,559
Gain on sale of assets	395,237
Other revenue	104,411
Grant revenue	1,700,000
GASB 68 - state retirement	609,405
GASB 75 - other post-employment benefits	(3,195)
Interest expense	(1,368,934)
Total non-operating revenue (expense)	2,218,483
Change in net position before capital contributions	5,968,315
CAPITAL CONTRIBUTIONS AND ACQUISITIONS	
Capital contributions	13,800,881
Gain and loss on merger (see Note 14)	50,384,984
Total capital contributions and acquisitions	64,185,865
Change in net position	70,154,180
Net position, beginning of year as restated (see Note 15)	242,794,441
Net position, end of year	$ 312,948,621

The accompanying notes are an integral part of these financial statements.

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 25,652,059
Payments for supplies for goods and services	(8,658,990)
Payments to or on behalf of employees	(9,909,492)
Net cash provided by operating activities	7,083,577
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from other revenue	104,411
Receipts from non-operating grants	1,700,000
Gain and loss on acquisition	(10,330,730)
Net cash used in noncapital and related financing activities	(8,526,319)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on notes payable	(648,482)
Interest payments on note payables	(1,368,125)
Proceeds from sale of assets	443,575
Purchases of capital assets	(10,237,468)
Contributions for sewer lines	940,787
Net cash used in capital and related financing activities	(10,869,713)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	740,687
Purchases of investments	(2,000,000)
Net cash used in investing activities	(1,259,313)
Net decrease in cash, cash equivalents and restricted cash	(13,571,768)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH	
Beginning of year	66,601,184
End of year	$ 53,029,416
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ 3,749,832
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	7,090,570
Decrease (increase) in:	
Accounts receivable	(887,232)
Interest receivable	(54,918)
Prepaids and other assets	(103,853)
Increase (decrease) in:	
Accounts payable	(2,258,105)
Accrued liabilities	1,202
Pension liability	8,162
OPEB liability	(462,081)
Net cash provided by operating activities	$ 7,083,577
SCHEDULE OF NONCASH AND INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributed/donated sewer lines	$ 12,860,094
Acquired assets	61,810,424
	$ 74,670,518

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Metropolitan Sewer Subdistrict ("Metro") was created in 1969 by the General Assembly of the State of South Carolina. The purpose of Metro's creation was to provide sewer collection service within the boundary area of Renewable Water Resources (ReWa) to those established areas of Greenville County which, because of the population density, were in need of such service but did not lie within the boundaries of an existing special purpose district or municipality. By March 14, 2023, Metro had merged with six special purpose districts and transferred one municipality within Greenville County. See Note 14 for further information regarding the merger.

The financial statements of Metro have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Metro also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of Metro's accounting policies are described below.

Basis of presentation

Beginning July 1, 2019, Metro's basic financial statements consist of enterprise fund financials, including a statement of net position, a statement of revenues, expenses and change in net position, and a statement of cash flows. Prior to July 1, 2019, Metro's basic financial statements consisted of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements.

The statement of net position and the statement of revenues, expenses and changes in net position display information of Metro as a whole. These statements include the financial activities of the primary government. The effect of inter-fund activity has been removed from the statements.

All activities of Metro are accounted for within a single proprietary (enterprise) fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund accounting

Metro maintains a single enterprise fund to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expense, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of accounting
Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Metro's revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled sewer service receivables are recorded at year end. With this measurement focus, all assets and liabilities are included on the Statement of Net Position. Net position is segregated into invested in capital assets, restricted for capital activity, restricted for debt service and unrestricted.

Change in accounting principle
Metro has changed its accounting policy for infrastructure assets from the modified approach to the depreciable method during the year ended June 30, 2023. This change in accounting principle has been made in accordance with the requirements of the Governmental Accounting Standards Board (GASB).

Under the modified approach for infrastructure assets, Metro did not depreciate eligible infrastructure assets which composed of sewer systems and pump stations. Instead, the infrastructure assets were reported at their historical cost and were required to be maintained at a certain condition level. Metro managed its eligible infrastructure by use of an asset management system that provided current inventories, condition assessments, and annual estimates of maintenance and preservation costs.

The depreciable method requires Metro to depreciate infrastructure assets over their estimated useful lives. This change necessitates the recognition of depreciation expense on the infrastructure assets, which impacts Metro's financial statements, including the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows.

Metro adopted this change in accounting principle retrospectively. This means that it is applied to the historical accounting of infrastructure assets and infrastructure assets acquired or improved after the effective date of the change. The change in accounting principle resulted in a prior period adjustment discussed in Note 15.

User charge rate
On February 25, 2019, the Commission of Metro adopted a new user charge rate structure. This new rate structure, effective July 1, 2019, is based on a connected sewer customer's water consumption. Only customers connected to the Metro sanitary sewer system are charged a monthly fixed fee of $11.72 and volume charge of $1.65 per 1,000 gallons through their monthly water bill, based on water consumption. This rate structure is uniform for all customer types for residential, commercial, and industrial. Metro conducted a new user charge rate study approved by the Board of Commission on August 21, 2023 with new increased rates effective January 2024.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets, net of related debt. Instead, that portion of the debt is included in the same net position components as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position which does not meet the previously mentioned criteria is considered unrestricted. Restricted net position for capital activity is comprised of money market accounts that are for the sole use of maintaining a certain pump station and the other sewer district's sewer lines. Restricted net position for debt service is comprised of a cash account that is for the sole use of making debt service payments once a year and maintaining a one year of debt payment reserve.

The statement of net position may report deferred outflows of resources following the assets section and deferred inflows of resources following the liabilities section. Deferred outflows of resources represents a consumption of net assets that applies to future periods and will not be recognized as an expenditure until then. Deferred inflows of resources represents an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time.

Cash and cash equivalents and investments

Metro considers all highly liquid debt instruments with original maturities of one year or less to be cash equivalents.

Metro's investment policy is to maintain collateral for all certificates of deposits in their name. Metro obtains multiple quotes on matured certificates of deposits and places the funds where Metro can obtain the most favorable rate. Investment purchases and sales are recorded as of the trade date. Other investment income is recognized when earned. Investments are reported at fair value except as noted below. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to Metro's investment operations.

Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) with maturities at time of purchase of one year or less, are carried at amortized cost which approximates fair value.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted cash
Metro is required to maintain debt service funds under the terms of certain bonds (see Note 6). The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. These funds are shown as restricted cash on the Statement of Net Position because their use is limited.

Accounts receivable
Metro outsources billing to residential, commercial, and industrial customers on billing cycles that end on various days throughout the month. The accounts receivable are financial instruments that potentially subject Metro to credit risk. Management has provided an allowance for uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding and deemed uncollectible after management has used reasonable collection efforts are written-off against the allowance for uncollectible accounts.

Capital assets
Capital assets, which include property, plant, and equipment and eligible infrastructure assets, are reported in the statement of net position. Capital assets are defined by Metro as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	39 years
Vehicles	5 years
Furniture, fixtures and equipment	7-10 years
Computer equipment	5 years
Software	3 years
Sewer Lines	75 years
Pump Stations	30 years

Budgets and budgetary accounting
Budgets are prepared using the accrual basis of accounting. Budgeted amounts are as originally adopted by the Board of Commissioners.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the period. Ultimate resolution of uncertainties could cause actual results to differ from these estimates.

Pensions

For purposes of measuring the net pension liability (NPL), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from the SCRS' fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated absences

The annual vacation leave policy of Metro provides for the accumulation of up to 5 weeks (188 hours for salary and 200 hours for hourly) earned annual leave with such leave being fully vested when earned. Employees carry unused time forward to the next calendar year, up to the designated vacation accrual cap (200 hours for hourly employees and 188 hours for salary employees). Employees with unused time after the roll forward may elect to sell back unused vacation time once per calendar year in December. The accumulated annual leave has been reported as a liability in the accompanying statement of net position.

The annual sick leave policy of Metro provides for an accumulation of up to 90 days of sick leave. Sick leave does not vest and Metro has no obligation for any sick leave until it is actually taken. Therefore, no accrual for sick leave has been made.

New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users (governments). This statement results in a right-of-use subscription intangible asset and a corresponding liability for such arrangements as defined. This statement is effective for fiscal years beginning after June 15, 2022, with early adoption encouraged. Metro did not have any SBITAs that were affected by GASB 96.

Deferred outflows of resources and deferred inflows of resources

Changes in NPL and OPEB not included in pension expense or OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the NPL are reported as deferred outflows of resources.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2023, Metro had the following cash, cash equivalents and investments

Cash and cash equivalents	
Checking and other cash	$ 42,416,878
Money market accounts	10,612,538
Total cash and cash equivalents	$ 53,029,416
Investments	
Certificates of deposit	$ 2,000,000
SC Local Government Investment Pool	1,045,312
Total investments	$ 3,045,312

Credit risk

State law limits investments to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance, and certificates of deposits where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest. Metro has no investment policy that would further limit its investment choices.

As of June 30, 2023, the underlying security ratings of Metro's investment in the South Carolina Local Government Investment Pool (SCLGIP or the Pool) may be obtained from the SCLGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by submitting a request to The State Treasurer's Office, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211.

Interest rate risk

Metro's policy is to invest primarily in certificates of deposit with maturity dates of three to twelve months as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity of Metro's position in the SCLGIP is based on the average maturity of the Pool's investments, without regard to Metro's ability to withdraw funds on demand. It is the policy of the State Treasurer's Office that the weighted average maturity of the SCLGIP portfolio not exceed sixty days.

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, Metro's deposits may not be returned. Metro has a policy that all deposits in financial institutions be collateralized. As of June 30, 2023, Metro's bank balance was $54,034,140. All of Metro's deposits held at June 30, 2023 were insured or collateralized with securities held by Metro's agents in Metro's name as required by state law.

(Continued)

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

Fair value of investments

Metro categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

Metro has the following recurring fair value measurements as of June 30, 2023:

- SC Local Government Investment Pool ("the Pool") funds of $1,045,312 are measured at the Net Asset Value (NAV).

The Pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00. Funds may be deposited by Pool participants at any time and may be withdrawn through a website request. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950. Investments measured at the net asset value per share as described in GASB 72 are not subject to the fair value hierarchy reporting.

NOTE 3 – USER CHARGE RATE RECEIVABLE

Metro's accounts receivable and allowance for doubtful accounts were as follows at June 30, 2023:

User charge rate receivable	$	3,581,636
Less allowance for doubtful accounts		(404,070)
	$	3,177,566

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions/ transfers	Retirements	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	$ -	$ 1,722,740	$ -	$ 1,722,740
Total capital assets not being depreciated	-	1,722,740	-	1,722,740
Capital assets being depreciated				
Building and improvements	3,963,663	129,416	(165,822)	3,927,257
Infrastructure	313,426,010	112,894,438	-	426,320,448
Pump stations	3,680,032	3,713,000	-	7,393,032
Vehicles	4,527,465	2,396,722	(391,416)	6,532,771
Furniture, fixtures and equipment	2,622,988	656,788	(238,103)	3,041,673
Computer equipment	309,325	49,137	(35,358)	323,104
Software	762,227	85,276	(2,717)	844,786
Total capital assets at historical cost being depreciated	329,291,710	119,924,777	(833,416)	448,383,071
Less: accumulated depreciation				
Buildings and improvements	(967,574)	(97,325)	2,625	(1,062,274)
Infrastructure	(92,474,930)	(40,944,724)	-	(133,419,654)
Vehicles	(2,723,657)	(2,073,791)	496,577	(4,300,871)
Furniture, fixtures and equipment	(1,562,814)	(509,921)	248,062	(1,824,673)
Computer equipment	(176,527)	(48,207)	35,579	(189,155)
Software	(615,247)	(76,262)	2,235	(689,274)
Total accumulated depreciation	(98,520,749)	(43,750,230)	785,078	(141,485,901)
Total capital assets being depreciated, net	230,770,961	76,174,547	(48,338)	306,897,170
Capital assets, net	$ 230,770,961	$ 77,897,287	$ (48,338)	$ 308,619,910

Depreciation expense for the year ended June 30, 2023 totaled $7,090,570.

Donated assets for fiscal year 2023 consisted of infrastructure additions of $12,860,094.

Acquired assets from the sewer district merger for fiscal year 2023 consisted of infrastructure additions of $96,946,302, vehicle additions of $1,242,208 and equipment of $281,574. Accumulated depreciation for these assets totaled $36,659,660.

NOTE 5 – LONG-TERM DEBT

Revenue bonds

On December 17, 2019, Metro issued its $451,000 of Sewer System Revenue Bond, Series 2019. The bond is payable in annual installments of $29,205 beginning January 5, 2021 through fiscal year 2060. The maturity date for the bond is December 17, 2059 and has an interest rate of 5.69 percent.

On August 6, 2020, Metro issued its $8,847,000 of Sewer System Revenue Bond, Series 2020. The bond requires semiannual interest payments beginning January 5, 2021 and annual principal payments beginning July 5, 2021. The maturity date for the bond is June 30, 2036 and it has an interest rate of 1.18 percent.

On June 9, 2022, Metro issued its $38,000,000 of Sewer System Revenue Bond, Series 2022. The bond was issued to combine the outstanding debts of other certain sewer districts to be merged with Metro in fiscal year 2023 and pay off the Series 2021 bond. See Note 14 for more details on the merger. The bond requires semiannual interest payments beginning December 1, 2022 and annual principal payments beginning July 1, 2024. The maturity date for the bond is June 1, 2042 and it has an interest rate of 3.35 percent.

The following is a summary of changes in revenue bonds for the year ended June 30, 2023.

Revenue Bond	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds:					
Series 2019	$ 445,876	$ -	$ (3,482)	$ 442,394	$ 3,678
Series 2020	8,210,000	-	(645,000)	7,565,000	652,000
Series 2022	38,000,000	-	-	38,000,000	1,463,000
Total Bonds	$ 46,655,876	$ -	$ (648,482)	$ 46,007,394	$ 2,118,678

Maturities of revenue bonds for the succeeding five years and thereafter at June 30, 2023, are as follows:

	Annual Interest	Annual Principal
2024	$ 1,387,793	$ 2,118,678
2025	1,330,946	2,175,821
2026	1,272,217	2,235,111
2027	1,211,737	2,295,348
2028	1,149,856	2,356,599
Thereafter	8,862,379	34,825,837
	$ 15,214,928	$ 46,007,394

(Continued)

NOTE 5 – LONG-TERM DEBT, Continued

Changes in other long-term liabilities

Other long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Compensated absences	$ 335,699	$ 334,449	$ (259,259)	$ 410,889
Other postemployment benefits liability[1]	770,548	59,823	(518,709)	311,662
Net pension liability	6,650,856	2,898,087	-	9,548,943
Total	$ 7,757,103	$ 3,292,359	$ (777,968)	$ 10,271,494

At June 30, 2023, $208,565 of the compensated absences balance is expected to be due within one year.

NOTE 6 – COMPLIANCE WITH BOND REQUIREMENTS – RESTRICTED CASH FOR DEBT

The amount of cash or cash equivalents restricted by the bond resolutions is summarized below.

	Restricted for debt payment	Restricted for improvements	Total
Existing debt of merged sewer systems	$ 5,008,755	$ -	$ 5,008,755
Funds for future sewer system improvements	879,046	12,627,114	13,506,160
Other	-	30,812	30,812
Less: unspent debt proceeds	(5,008,755)	(2,045,388)	(7,054,143)
Total restricted	$ 879,046	$ 10,612,538	$ 11,491,584

NOTE 7 – PENSION PLAN

Employee Retirement Systems

Metro participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA").

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the State of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing

(Continued)

[1] See Note 9

NOTE 7 – PENSION PLAN, Continued

body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

(Continued)

NOTE 7 – PENSION PLAN, Continued

Plan Benefits
Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Plan Contributions
Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

(Continued)

NOTE 7 – PENSION PLAN, Continued

Pension reform legislation modified statute such that the employer contribution rates for SCRS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization S.C. PEBA | 4 period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2023[1]	Fiscal Year 2022[1]
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2023[1]	Fiscal Year 2022[1]
SCRS		
Employee Class Two	17.41%	16.41%
Employee Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems. S.C. PEBA | 5.

(Continued)

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

NOTE 7 – PENSION PLAN, Continued

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

	SCRS
Actuarial Cost Method	Entry age normal
Investment Rate of Return[1]	7%
Projected Salary Increases	3.0% to 11.0% (varies by service) [1]
Benefit Adjustments	Lesser of 1% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2022, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of June 30, 2023, for SCRS is presented below.

System	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Metro's Proportionate Share of the Collective Net Pension Liability
SCRS	$ 9,548,943	57.1%	.03425%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

(Continued)

[1] Includes inflation at 2.25%

NOTE 7 – PENSION PLAN, Continued

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity[1]	46.0%	6.79%	3.12%
Bonds	26.0%	(.35)%	(0.09)%
Private Equity [1 2]	9.0%	8.75%	0.79%
Private Debt[2]	7.0%	6.00%	0.42%
Real Assets	**12.0%**		
Real Estate[2]	9.0%	4.12%	0.37%
Infrastructure[2]	3.0%	5.88%	0.18%
Total Expected Real Return[3]	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Pensions

At June 30, 2023, Metro reported a liability of $9,548,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Metro's proportion of the net pension liability was based on a projection of Metro's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

[1] The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.
[2] Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.
[3] Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

NOTE 7 – PENSION PLAN, Continued

For the year ended June 30, 2023, Metro recognized pension expense of $1,467,175. At June 30, 2023 Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 414,810	$ 41,614
Changes of assumptions:		
Investment experience changes	15,695	-
Changes in proportion and differences between:		
Metro's contributions and proportionate share of contributions	2,238,950	-
Metro's contributions subsequent to the measurement date	1,097,861	-
Total	$ 3,767,316	$ 41,614

An amount of $1,097,861 reported as deferred outflows of resources related to pensions resulting from Metro's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2023.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS:

Measurement Period Ending June 30	
2023	$ 1,104,291
2024	968,113
2025	289,757
2026	265,680
Net Balance of Deferred Outflow/(Inflow) of Resources	$ 2,627,841

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

(Continued)

NOTE 7 – PENSION PLAN, Continued

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	$ 10,646,036	$ 9,548,943	$ 6,355,878

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

NOTE 8 – EMPLOYEE BENEFITS

Metro offers health, dental, and life insurance through Greenville County. Metro pays the entire cost of the employee portion of health and dental coverage, and will pay a portion of dependent health and dental coverage if elected by the employee. Metro pays for a $50,000 life insurance policy through MetLife Insurance contracted through Greenville County for each employee. Employees may elect additional employee, dependent, and/or child life insurance policies at the employee's expense. Medical and life insurance expense totaled $1,473,945 for the fiscal year ended June 30, 2023.

Metro provides post-retirement health, dental and supplemental benefits for eligible retirees and their spouses under similar provisions provided to existing employees. See Note 9 for further information related to these benefits.

Metro offers employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k) plans. The plans, available to all Metro employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available (except through a retirement loan) to employees until termination, retirement, death, or unforeseeable emergency. Great West Retirement Services, 8515 East Orchard Road, Greenwood Village, CO 80111, (under state contract) is the program administrator of both the 457 and the 401(k) plans. The choice of deferred compensation options are selected by the participant.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Metro administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides post-retirement health, dental, and supplemental insurance benefits for eligible retirees and their spouses under the same provisions provided to existing employees. Benefit provisions are established by the Board of Commissioners. The Retiree Health Plan does not issue a publically available financial report. Metro pays a portion of the monthly premiums for health, dental or supplemental insurance coverage for these eligible retired plan members and their spouses in the amount of $75 per month, with the retiree plan members paying the remainder of the premiums. As of year end, four retiree and three spouses were receiving coverage benefits.

Funding Policy

Metro's annual other post-employment benefits (OPEB) cost (expense) is a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

Health insurance continuation of coverage – As required by the Consolidated Omnibus Budget and Reconciliation Act (COBRA), Metro provides health and dental insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium is paid in full by the former employee on or before the tenth day of the month for the actual month covered. There is no associated cost to Metro.

Total OPEB liability – Metro's total OPEB liability of $311,662 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average Retirement Age	65
Plan Asset Return	0.00 percent
Bond Yield	3.65 percent
Discount Rate	3.65 percent
Salary Increases	3.00 percent
Inflation	2.30 percent

The discount rate was based on the 20-Year Bond General Obligation Index.

Mortality rates were based on the PubG.H-2010 Headcount – Weighted Employee and Healthy Annuitant Mortality Tables, with generational projection using MP-2021 Scale.

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study with a measurement date of June 30, 2023.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at June 30, 2022	$ 770,548
Changes for the year:	
Service cost	31,530
Interest	28,293
Effect of economic/demographic gains or losses	(508,997)
Effect of assumptions	(4,030)
Employer contributions	(5,682)
Net changes	(458,886)
Balance at June 30, 2023	$ 311,662

Post-Employment and Other Employee Benefits

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of Metro, as well as what Metro's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65)	Discount Rate (3.65)	1% Increase (4.65)
Total OPEB liability	$ 350,684	$ 311,662	$ 277,711

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB - For the year ended June 30, 2023, Metro recognized a decrease in OPEB liability in the amount of $458,886. At June 30, 2023, Metro reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected/actual experience	$ (458,451)	$ -
Changes in assumptions	(3,630)	-
Total	$ (462,081)	$ -

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30		
2024	$	(50,946)
2025		(50,946)
2026		(50,946)
2027		(50,946)
2028		(50,946)
Therafter		(207,351)
Net Balance of Deferred Outflow/(Inflow) of Resources	$	(462,081)

NOTE 10 – CONSTRUCTION CONTRACTS IN PROGRESS

At June 30, 2023, Metro had commitments for various capital and rehabilitation projects. The following summarizes the capital and rehabilitation contracts in progress at June 30, 2023 on which significant additional work is to be performed:

Project Name	Contract amount	Total contract incurred through June 30, 2023	Balance to be performed
Design Phase:			
Cedar Lane Road Rehabilitation	$ 116,150	$ 46,587	$ 69,563
Dunean Mill Village Sewer Replacement Ph 1	1,089,537	250,832	838,705
FM97 ELFaF	351,372	95,822	255,550
Judson Mill Village Sewer Replacement	2,582,129	20,250	2,561,879
Mauldin WRRF Basin	157,664	129,546	28,118
Mills Mill Village Sewer Replacement	1,322,323	236,321	1,086,002
Reid School Road Sewer Extension	175,009	38,227	136,783
RMB 850-80 ELFaF	359,589	2,313	357,277
Union Bleachery Mill Village Sewer Improvements	1,173,000	257,135	915,865
Wade Hampton S-384 Brushy Creek	58,800	18,357	40,443
Woodruff Road Congestion Relief Project	150,186	112,556	37,630
	$ 7,535,759	$ 1,207,946	$ 6,327,814
Construction Phase:			
FM97 ELFaF	$ 2,836,340	$ 204,626	$ 2,631,713
Mauldin WRRF Basin	905,090	-	905,090
	$ 3,741,430	$ 204,626	$ 3,536,803

NOTE 11 – COMMITMENTS

Metro has entered into agreements to contribute and receive funds for sewer line extensions and rehabilitation that would benefit future growth in these areas. Upon completion of these projects, the lines will be deeded to Metro.

Sewer Line	Details
FM400B-343 Basin Find and Fix	$500,000 RIA Grant awarded
Dunean Mill Village Sewer Replacement Ph1	$10 million SCIPP Grant awarded and $1.5 million Greenville County ARPA Grant awarded
Mills Mill Village Sewer Replacement	$10 million SCIPP Grant awarded and $1.5 million Greenville County ARPA Grant awarded
Parker Mill System Rehabilitation	$75 million ReWa contribution to Metro from 2023-2038 (offset by any grant funding awarded)
Reid School Rd Extension	$250,000 Develover contribution
RMB 97 Find and Fix	$500,000 RIA Grant awarded
Union Bleachery Mill Village Sewer Improvements	$4 million STAG grant awarded

NOTE 12 – BILLING AGREEMENTS

Metro has contracted with five local water utilities which have common customers to provide billing and collection functions. The most significant is with Greenville Water located in Greenville, South Carolina. The cost to Metro for the year ended June 30, 2023 was $1,418,712, which is included in general and administration expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

NOTE 13 – RISK MANAGEMENT AND CONTINGENCIES

Metro is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job-related illnesses and accidents. Metro pays the State Fiscal Accountability Authority (Insurance Reserve Fund) for all other forms of coverage. Metro pays premiums to the State Accident Fund for workman's compensation insurance which is administered by a private insurance company.

The State Accident Fund and the State Fiscal Accountability Authority (Insurance Reserve Fund) promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

(Continued)

NOTE 13 – RISK MANAGEMENT AND CONTINGENCIES, Continued

Due to the nature of Metro's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result from litigation claims, audit disallowances, threatened property loss, or uncollectible receivables. Metro maintains insurance against certain loss contingencies with tort liability policies and physical damage coverage.

NOTE 14 – SEWER SUBDISTRICT MERGER

Metro entered into a merger agreement on July 1, 2022 with Parker Sewer and Fire District, Taylors Fire and Sewer District, and the City of Travelers Rest in which Metro acquired the sewer systems from these districts. All assets and liabilities associated with the sewer system operations of Parker and Taylors were transferred over to Metro on July 1, 2022 and all sewer lines associated with the Travelers Rest transferred March 14, 2023.

For the year ended June 30, 2023, Metro recorded a gain and loss on merger of $50,384,984. A summary of the gain and loss on merger is as follows:

Gain on non-infrastructure capital assets transfer	$	76,558
Gain on sewer systems transfer		61,733,866
Gain on cash transfer		8,677,269
Loss on debts transfer		(19,461,917)
Loss on pension liabilities transfer		(640,792)
	$	50,384,984

NOTE 15 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the financial statements for the change in accounting principle from the modified approach of infrastructure assets to the depreciable method. The adjustment is summarized as follows:

	Net Position	
Beginning net position, as previously reported at June 30, 2022	$	282,852,524
Prior period adjustments:		
Change in accounting principle – depreciable method		(40,058,083)
Net position, as restated July 1, 2022	$	242,794,441

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, Metro has evaluated events and transactions for potential recognition or disclosure through December 19, 2023, the date the financial statements were available for issuance.

The following events occurred subsequent to June 30, 2023:

- Metro has historically operated under a fiscal year beginning July 1 of each year and ending June 30 of following year. In order to provide more efficient operations, Metro has determined to change its fiscal year to begin on January 1 and end on December 31 of each calendar year. The Commission approved this change with Resolution 2023-01 on June 19, 2023 effective January 1, 2024.

  In order to effect the change in the fiscal year, the Commission has adopted a partial-year budget for the period beginning July 1, 2023 and ending December 31, 2023. The Commission will adopt a full fiscal year 2024 budget prior to the commencement of the 2024 fiscal year.

- Rural Infrastructure Authority (RIA) awarded Metro $500,000 grant funds for a rehabilitation project.

- On August 21, 2023, the Commission adopted a base and volumetric charge increase for sewer collection services shown in the table below for calendar years 2024, 2025 and 2026. Charges will be effective on January 1 of the applicable year. The Commission will review charges for sewer collection service on an annual basis and may revise charges in any future year.

	2024	2025	2026
Base Charge	$ 11.72	$ 11.72	$ 11.72
Volumetric Charge (per 1k gallons of usage)	$ 1.85	$ 2.07	$ 2.32

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2023

	SCRS									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Metro's proportion of the net pension liability	0.03425%	0.02512%	0.02301%	0.02257%	0.02151%	0.02157%	0.02162%	0.02226%	0.02050%	0.02050%
Metro's proportionate share of the net pension liability	$ 9,548,943	$ 6,650,856	$ 5,879,604	$ 5,154,603	$ 4,819,515	$ 4,855,304	$ 4,617,786	$ 4,221,147	$ 3,529,076	$ 3,676,610
Metro's covered payroll	$ 4,079,823	$ 2,839,391	$ 2,566,388	$ 2,383,766	$ 2,228,571	$ 2,176,180	$ 2,093,521	$ 2,086,829	$ 1,860,914	$ 1,732,268
Metro's proportionate share of the net pension liability as a percentage of its covered payroll	234.05287%	234.23530%	229.10035%	216.23779%	216.26033%	223.11132%	220.57510%	202.27565%	189.64208%	212.24256%
Plan fiduciary net position as a percentage of the total pension liability	57.10%	60.70%	50.70%	54.40%	54.10%	53.30%	52.91%	56.99%	59.90%	56.39%

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2023

	SCRS									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 1,097,861	$ 675,619	$ 441,814	$ 399,330	$ 347,076	$ 302,194	$ 251,566	$ 231,543	$ 227,464	$ 197,257
Contributions in relation to the contractually required contribution	1,097,861	675,619	441,814	399,330	347,076	302,194	251,566	231,543	227,464	197,257
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Metro's covered payroll	$ 6,252,056	$ 4,079,823	$ 2,839,391	$ 2,566,388	$ 2,383,766	$ 2,228,571	$ 2,176,180	$ 2,093,521	$ 2,086,829	$ 1,860,914
Contributions as a percentage of covered payroll	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023

	For the last fiscal year					
	2023	2022	2021	2020	2019	2018
OPEB liability:						
Service cost	$ 31,530	$ 87,854	$ 47,918	$ 32,032	$ 39,276	$ 29,207
Interest	28,293	17,062	17,206	11,202	13,590	731
Employer contributions	(5,682)	(5,356)	(6,256)	(5,356)	(5,356)	(5,356)
Effect of economic/demographic gains or losses	(508,997)	170,375	(94,221)	212,527	-	-
Effect of assumptions	(4,030)	(204,115)	6,323	(8,290)	(123,239)	5,418
Net change in total OPEB liability	(458,886)	65,820	(29,030)	242,115	(75,729)	30,000
OPEB liability - beginning of year	770,548	704,728	733,758	491,643	567,372	537,372
OPEB liability - ending of year	$ 311,662	$ 770,548	$ 704,728	$ 733,758	$ 491,643	$ 567,372
Covered employee payroll	$ 6,318,345	$ 4,079,823	$ 2,839,391	$ 2,566,388	$ 2,383,766	$ 2,228,571
OPEB liability as a percentage of covered employee payroll	4.93%	18.89%	24.82%	28.59%	20.62%	25.46%
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Notes

(1) Pursuant to GASB 75, a 10-year history of the information shown above is required. However, until a full 10-year history is compiled, information for those years which are available may be presented.

(2) Metro is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of the GASB Statement No. 75 for the payment of future OPEB benefits.

METROPOLITAN SEWER SUBDISTRICT
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023

	Original and final budget	Actual	Variance	Percent change
OPERATING REVENUE				
User charge rate	$ 22,368,000	$ 22,985,246	$ 617,246	2.7%
Property taxes	-	27,555	27,555	100.0%
Sewer fees	-	547	547	100.0%
Tap fees and other	1,830,000	3,580,861	1,750,861	48.9%
Total Revenues	24,198,000	26,594,209	2,396,209	9.0%
OPERATING EXPENSES				
Salaries, wages, and benefits	10,710,960	9,381,585	(1,329,375)	-14.2%
Professional fees	1,040,000	792,974	(247,026)	-31.2%
Project costs	150,000	1,700	(148,300)	-8723.5%
General and administration	2,624,000	2,551,350	(72,650)	-2.8%
Operations and maintenance	3,349,000	3,026,198	(322,802)	-10.7%
Operating expenses excluding depreciation	17,873,960	15,753,807	(2,120,153)	-13.5%
Depreciation	-	7,090,570	(7,090,570)	-100.0%
Total operating expenses	17,873,960	22,844,377	(4,970,417)	-21.8%
Operating income	6,324,040	3,749,832	(2,574,208)	-68.6%
NON-OPERATING REVENUE (EXPENSES)				
Interest income	4,000	781,559	777,559	99.5%
Gain on sale of assets	500,000	395,237	(104,763)	-26.5%
Other revenue	700,000	104,411	(595,589)	-570.4%
Grant revenue	1,500,000	1,700,000	200,000	11.8%
GASB 68 - state retirement	-	609,405	609,405	100.0%
GASB 75 - other post-employment benefits	-	(3,195)	(3,195)	100.0%
Interest expense	(2,015,794)	(1,368,934)	646,860	-47.3%
Total non-operating revenue (expense)	688,206	2,218,483	1,530,277	69.0%
Change in net position before capital contributions	7,012,246	5,968,315	(1,043,931)	-17.5%
CAPITAL CONTRIBUTIONS AND ACQUISITIONS				
Capital contributions	-	13,800,881	13,800,881	100.0%
Gain and loss on merger	8,900,000	50,384,984	41,484,984	82.3%
	8,900,000	64,185,865	55,285,865	86.1%
Change in net position	15,912,246	70,154,180	54,241,934	77.3%
Net position, beginning of year as restated (see Note 15)	242,794,441	242,794,441	-	0.0%
Net position, end of year	$ 258,706,687	$ 312,948,621	$ 54,241,934	17.3%

METROPOLITAN SEWER SUBDISTRICT
REVENUE BOND DEBT COVERAGE RATIO
JUNE 30, 2023

	Series 2019, 2020, 2022
OPERATING REVENUES	26,594,209
LESS:	
Operating expenses (1)	(15,753,807)
Property taxes (3)	(27,555)
ADD:	
Interest income (2)	781,559
Gain on sale of assets (2)	395,237
Other revenue (2)	104,411
Project costs (4)	1,700
AVAILABLE FOR DEBT SERVICE	12,095,754
ANNUAL DEBT SERVICE	
Series 2019	29,205
Series 2020	741,878
Series 2022	1,244,711
Total annual debt service	2,015,794
Metro's required debt coverage ratio	1.20
Debt service coverage ratio	6.00

(1) Does not include depreciation.

(2) Per debt agreements, the gross revenues shall include the above non-operating income that is not restricted for use.

(3) Property taxes are included in operating income but are no longer a part of Metro's ordinary operations.

(4) Prior to fiscal year 2023, Metro utilized the modified approach where capitalizable repairs and maintenance were expensed. Project costs are included in operating expenses but should be taken out for purposes of the debt coverage ratio.

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Commissioners
Metropolitan Sewer Subdistrict
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Metropolitan Sewer Subdistrict, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Metropolitan Sewer Subdistrict's basic financial statements, and have issued our report thereon dated December 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metropolitan Sewer Subdistrict's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Sewer Subdistrict's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Sewer Subdistrict's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Sewer Subdistrict's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

111 1/2 E. Laurens Street Laurens, SC 29360 Phone: 864.984.2698 Fax: 864.984.2874 lovebaileycpa.com

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
December 19, 2023

METROPOLITAN SEWER SUBDISTRICT

REPORT ON FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 2023

METROPOLITAN SEWER SUBDISTRICT
REPORT ON FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Commissioners
Metropolitan Sewer Subdistrict
Greenville, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Metropolitan Sewer Subdistrict, as of and for the six months ended December 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Sewer Subdistrict, as of December 31, 2023, and the changes in its financial position and cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Metropolitan Sewer Subdistrict and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the Metropolitan Sewer Subdistrict changed its fiscal year to begin on January 1 and end on December 31 of each calendar year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Metropolitan Sewer Subdistrict's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

111 1/2 E. Laurens Street Laurens, SC 29360 Phone: 864.984.2698 Fax: 864.984.2874 lovebaileycpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Sewer Subdistrict's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Metropolitan Sewer Subdistrict's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

As discussed in Note 14 to the financial statements, a prior period adjustment has been recorded to properly reflect capital assets and accounts receivable in the previous year. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and other post-employment benefit plan schedule as referenced in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metropolitan Sewer Subdistrict's basic financial statements. The accompanying budgetary comparison schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the revenue bond debt coverage ratio but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024, on our consideration of the Metropolitan Sewer Subdistrict's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Metropolitan Sewer Subdistrict's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Sewer Subdistrict's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
June 18, 2024

As management of the Metropolitan Sewer Subdistrict ("Metro"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of Metro for the six month short year (SY) ended December 31, 2023. Previously, Metro had been on a July 1 to June 30 fiscal year and transitioned to a calendar year basis for financial reporting effective July 1, 2023. The short year comparisons between June 30, 2023 fiscal year to December 31, 2023 will be difficult because of the different number of months reflected in each year. Consider this information in conjunction with the financial statements and related notes in the following sections.

Financial Highlights

- Metro increased its net position by $10,549,000 or 3.4%.
- Total operating revenues for the period ended December 31 were $14,171,000.
- Total operating expenses for the period ended December 31 were $11,820,000.
- Capital contributions for the period ended December 31 were $6,600,000.
- As of December 31, 2023, Metro customers paid a $11.72 base charge and $1.65 volumetric charge through their water bill.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of Metro's financial condition and performance.

The financial statements report information about Metro using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The results from a financial rate study conducted and approved in February 2019, concluded Metro needed a rate structure similar to a business on a self-sustaining basis, billing customers based on water consumption and the use of the system, instead of a revenue stream based on customer's property value. The approved user charge rate structure allows Metro to use revenues for all requirements to include operating expenses, capital costs (including expansion), debt servicing, and reserve fund transfers to support growth in Greenville County. Metro implemented the sewer user charges on July 1, 2019.

Required Financial Statements

The financial statements of Metro report information using accounting methods similar to those used by private sector companies. These statements provide both long-term and short-term information about Metro's overall financial position.

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement

Required Financial Statements, Continued

of net position presents the financial position of Metro on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at the short year end. The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the short year and information as to how the net position changed during the short year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. This statement can be used to determine whether Metro has successfully recovered its six month costs through user charge rate collections, other charges, and credit worthiness.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Billed but uncollected user charge rates are accrued as receivables at the short year end and are reported as revenues of the enterprise funds. These funds account for activities of Metro like those found in the private sector, where recovery and the determination of net income cost is useful or necessary for sound fiscal management.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Metro has one enterprise fund.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes to the financial statements present detailed information about Metro's accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Financial Analysis

Net position:

As shown in Table A, net position, the difference between assets, deferred outflows, liabilities and deferred inflows, may serve over time as a useful indicator of an entity's financial position.

Financial Analysis, Continued

Table A
Condensed Statement of Net Position

	SY 2023	FY 2023[1]	Dollar Change	Percent Change
Current and other assets	$ 48,935,000	$ 40,925,000	$ 8,010,000	19.6%
Restricted assets	13,517,000	18,546,000	(5,029,000)	-27.1%
Capital assets	313,353,000	304,577,000	8,776,000	2.9%
Total assets	375,805,000	364,048,000	11,757,000	3.2%
Deferred outflows of resources	4,712,000	3,767,000	945,000	25.1%
Current liabilities	4,267,000	4,566,000	(299,000)	-6.5%
Noncurrent liabilities	56,422,000	53,952,000	2,470,000	4.6%
Total liabilities	60,689,000	58,518,000	2,171,000	3.7%
Deferred inflows of resources	486,000	504,000	(18,000)	-3.6%
Invested in capital assets	269,576,000	264,205,000	5,371,000	2.0%
Restricted	9,997,000	11,492,000	(1,495,000)	-13.0%
Unrestricted	39,769,000	33,096,000	6,673,000	20.2%
Total net position	$ 319,342,000	$ 308,793,000	$ 10,549,000	3.4%

Metro's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $319,342,000 at the close of the most recent short year end. This amount represents an increase in net position of $10,549,000 from $308,793,000 in FY 2023. The largest portion of Metro's net position for SY 2023 (84.4%) is net investment in capital assets (e.g. infrastructure, buildings, machinery, and equipment less debt outstanding for those assets). The remaining net position (15.6%) is current and other assets (e.g. cash, cash equivalents, investments, and receivables). These current and other assets will be used for the liabilities shown above and the unrestricted net position will be used to finance future projects.

Changes in net position:

While the statement of net position shows a snapshot of Metro's financial position at the end of the short year, the statement of revenues, expenses, and changes in net position provides answers as to the nature and source of the changes in net position from the prior year, as can be seen in Table B.

[1] These amounts have been adjusted from prior year audit to reflect the prior period adjustment discussed in Note 15.

Financial Analysis, Continued

Table B
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	SY 2023	FY 2023	Dollar Change	Percent Change
User charge rate	$ 12,396,000	$ 22,985,000	$ (10,589,000)	-46.1%
Property taxes	-	27,000	(27,000)	-100.0%
Sewer fees	-	1,000	(1,000)	100%
Tap fees and other	1,775,000	3,581,000	(1,806,000)	-50.4%
Total operating revenues	14,171,000	26,594,000	(12,423,000)	-46.7%
Salaries, wages, and benefits	5,132,000	9,382,000	(4,250,000)	-45.3%
Professional fees	371,000	793,000	(422,000)	-53.2%
Project costs	89,000	2,000	87,000	4350.0%
Operations and maintenance	1,234,000	3,026,000	(1,792,000)	-59.2%
General and administration	1,321,000	2,551,000	(1,230,000)	-48.2%
Depreciation	3,673,000	7,091,000	(3,418,000)	-48.2%
Total operating expenses	11,820,000	22,845,000	(11,025,000)	-48.3%
Grant revenue	2,525,000	1,700,000	825,000	48.5%
Interest income	1,100,000	782,000	318,000	40.7%
Other revenue	33,000	104,000	(71,000)	-68.3%
Gain on sale of assets	114,000	395,000	(281,000)	-71.1%
GASB 68 - state retirement	(1,485,000)	609,000	(2,094,000)	-343.8%
GASB 75 - other post-employment benefits	5,000	(3,000)	8,000	-266.7%
Interest expense	(694,000)	(1,369,000)	675,000	-49.3%
Total non-operating revenues (expenses)	1,598,000	2,218,000	(620,000)	-28.0%
Change in net position before capital contributions	3,949,000	5,967,000	(2,018,000)	-33.8%
Capital contributions	6,600,000	13,802,000	(7,202,000)	-52.2%
Gain and loss on merger	-	50,385,000	(50,385,000)	-100.0%
Change in net position	10,549,000	70,154,000	(59,605,000)	-85.0%
Net position, beginning of year (restated)	308,793,000	238,639,000	70,154,000	29.4%
Net position, end of year	319,342,000	308,793,000	10,549,000	3.4%

Financial Analysis, Continued

Total operating revenues decreased by $12,423,000 or 46.7%, to $14,171,000 in SY 2023 from $26,594,000 in FY 2023 which is a result of the six month short year compared to a twelve-month year.

Total operating expenses decreased by $11,025,000 or 48.3%, to $11,820,000 in SY 2023 from $22,845,000 in FY 2023. The decrease is due to the six month short year compared to fiscal year 2023, a twelve-month period.

Total non-operating revenues (expenses) decreased by $620,000 or 28.0% to $1,598,000 in SY 2023 from $2,218,000 in FY 2023. The decrease is due to the six month short year to fiscal year 2023, a twelve-month period and additional expense due to the change in GASB 68 – state retirement from a $1,485,000 pension expense for the six months ending December 31, 2023 and a $609,000 credit for the year ending June 30, 2023.

Capital contributions, which represent the non-cash contribution of sewer systems constructed by third-party developers and then deeded to Metro at the completion of the development, decreased $7,202,000 or 52.2% in SY 2023 over FY 2023.

Capital Assets and Debt Administration

Capital assets

As of December 31, 2023, Metro's capital assets amounted to $313,353,251 (net of accumulated depreciation) including sewer lines, land, buildings, equipment, and vehicles, as shown in Table C.

Capital Assets and Debt Administration, Continued

Table C
Capital Assets

	SY 2023	FY 2023	Increase (Decrease) Over 2023	Percentage Increase (Decrease)
Vehicles	$ 6,625,092	6,265,250	$ 359,842	5.7%
Office equipment	71,765	71,765	-	0.0%
Computer equipment	336,281	285,169	51,112	17.9%
Software	943,515	844,786	98,729	11.7%
Maintenance equipment	3,247,202	2,920,540	326,662	11.3%
Pump stations and equipment	9,960,464	9,960,464	-	0.0%
Administrative building	940,916	940,916	-	0.0%
Training facility	1,269,100	1,269,100	-	0.0%
O&M building	25,473	25,473	-	0.0%
Inspector/O&M building	1,362,017	1,362,017	-	0.0%
Shop equipment	20,309	20,309	-	0.0%
Maintenance shop buildings	329,750	329,750	-	0.0%
Safety equipment	32,740	32,740	-	0.0%
Sewer line projects	191,011,906	191,011,906	-	0.0%
Maintenance projects	34,588,466	33,186,827	1,401,639	4.2%
Rehabilitation projects	15,528,006	15,092,851	435,155	2.9%
Roadway relocation projects	2,065,922	2,065,922	-	0.0%
Donated sewer lines	184,850,069	178,076,810	6,773,259	3.8%
Construction in progress	4,884,958	2,025,462	2,859,496	141.2%
Sub-total	458,093,951	445,788,057	12,305,894	2.8%
Less accumulated depreciation	8,347,753	7,777,657	570,096	7.3%
Less accumulated depreciation sewer lines	136,392,947	133,433,539	2,959,408	2.2%
Net capital assets	$ 313,353,251	$ 304,576,861	$ 8,776,390	2.9%

In the short year ending December 31, 2023, capital assets increased $8,776,390 or 2.9% to $313,353,251 which is the result of general purchases that were budgeted and developer installed sewer lines providing service to new commercials sites and residential subdivisions that were contributed to Metro.

Historically, Metro used the modified approach to account for its infrastructure assets. Under that approach, Metro managed its eligible infrastructure by use of an asset management system that provided for current condition assessments and annual estimates of maintenance and preservation costs. Metro committed to documenting and preserving its eligible infrastructure assets at a predetermined condition level through continuous condition assessments.

Capital Assets and Debt Administration, Continued

Starting July 1, 2022, Metro began using the depreciable method for all infrastructure assets including prior sewer line projects, pump stations and equipment, maintenance projects, roadway relocation projects, and donated sewer lines. This method is industry standard and supports bond funding for sewer system projects where all improvements are capitalized. Professional advisors agreed with the change and the Board of Commission approved the change.

Debt administration:

The following table consists of Metro's long-term obligations at December 31, 2023:

Table D
Summary of Outstanding Long-Term Obligations

	SY2023
Series 2019 revenue bond	$ 442,000
Series 2020 revenue bond	7,565,000
Series 2022 revenue bond	38,000,000
Compensated absences	435,000
Other post-employment benefits liability	347,000
Net pension liability	11,956,000
Less: current portion of long-term	(2,323,000)
Total long-term obligations	56,422,000

Additional information on long-term debt can be found in Note 5 to the basic financial statements included in this report.

Economic Factors and Rates

The following key economic factors were considered when Metro established next year's budget:

- The unemployment rate for Greenville County was 2.8% at December 31, 2023. [2]
- The number of residential building permits issued in Greenville County was 979 during the short year ended December 31, 2023.[3]
- The number of commercial and other plumbing permits issued in Greenville County was 2,004 during the short year ended December 31, 2023.[2]

Economic Factors and Rates, Continued

[2] Source: U.S. Bureau of Labor Statistics
[3] Source: Greenville County Codes Enforcement

- A new user charge rate was approved on August 21, 2023 increasing user charge rates to a base charge of $11.72 and a volumetric charge $1.85 per 1,000 gallons used effective January 2024.
- In November 2023 the connection fee schedule was revised and approved effective April 2024.

Table E
Fiscal Year 2024 Operating Budget

Revenues	
User rate charge	$ 25,023,621
Grants	5,720,000
Tap fees and other	2,500,000
Interest income	1,000,000
(Gain)/loss on disposal of capital assets	50,000
Metro reserves	21,714,749
Total revenues	56,008,370
Expenditures	
Sewer lines	20,743,850
Other capital assets	12,151,000
Salaries, wages, and benefits	11,854,400
Professional fees	1,045,000
Project costs	50,000
Operations and maintenance	3,236,000
General and administration	3,450,000
Debt service	3,478,120
Total expenditures	56,008,370

Provided Metro's change in fiscal year, the twelve-month 2024 budget is not comparable to the 2023 six month short year budget.

Requests for Information

This financial report is designed to provide a general overview of Metro's finances for all those with an interest in Metro's finances and to demonstrate Metro's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed through Metro's website at www.metroconnects.org.

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

CURRENT ASSETS	
Cash and cash equivalents	$ 37,916,699
Restricted cash	13,517,238
Investments	5,171,499
User charge rate receivable, net	5,439,534
Prepaid expenses	360,503
Interest receivable	46,360
Total current assets	62,451,833
NONCURRENT ASSETS	
Capital assets not being depreciated	4,884,958
Capital assets, net of accumulated depreciation	308,468,293
Total noncurrent assets	313,353,251
Total assets	375,805,084
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on net pension liability	4,696,653
Deferred outflows on other post-employment benefits liability	14,856
Total deferred outflows of resources	4,711,509
CURRENT LIABILITIES	
Accounts payable and accrued expenses	1,572,904
Accrued salaries and wages	194,896
Interest payable	176,243
Current portion of compensated absences	204,005
Current portion of long-term liabilities	2,118,678
Total current liabilities	4,266,726
NONCURRENT LIABILITIES	
Due in more than one year:	
Compensated absences	230,661
Long-term liabilities, net of current portion	43,888,716
Other post-employment benefits liability	346,784
Net pension liability	11,955,640
Total noncurrent liabilities	56,421,801
Total liabilities	60,688,527
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on net pension liability	49,520
Deferred inflows on other post-employment benefits liability	436,608
Total deferred inflows of resources	486,128
NET POSITION	
Net investment in capital assets	269,575,749
Restricted for capital activity	8,140,348
Restricted for debt service	1,856,391
Unrestricted	39,769,450
Total net position	$ 319,341,938

The accompanying notes are an integral part of these financial statements.

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SIX MONTHS ENDED DECEMBER 31, 2023

OPERATING REVENUES	
User charge rate	$ 12,395,881
Property taxes	489
Sewer fees	7
Tap fees and other	1,774,735
Total operating revenues	14,171,112
OPERATING EXPENSES	
Salaries, wages, and benefits	5,131,597
Professional fees	371,207
Project costs	88,774
General and administration	1,320,738
Operations and maintenance	1,234,594
Operating expenses excluding depreciation	8,146,910
Depreciation	3,672,623
Total operating expenses	11,819,533
Operating income	2,351,579
NON-OPERATING REVENUE (EXPENSES)	
Interest income	1,100,360
Gain on sale of assets	113,500
Other revenue	33,320
Grant revenue	2,524,645
GASB 68 - state retirement	(1,485,265)
GASB 75 - other post-employment benefits	5,207
Interest expense	(693,900)
Total non-operating revenue (expense)	1,597,867
Change in net position before capital contributions	3,949,446
CAPITAL CONTRIBUTIONS AND ACQUISITIONS	
Capital contributions	6,599,421
Total capital contributions and acquisitions	6,599,421
Change in net position	10,548,867
Net position, beginning of year as restated (see Note 14)	308,793,071
Net position, end of year	$ 319,341,938

The accompanying notes are an integral part of these financial statements.

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 11,931,722
Payments for supplies for goods and services	(3,592,286)
Payments to or on behalf of employees	(6,144,534)
Net cash provided by operating activities	2,194,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from other revenue	33,320
Receipts from non-operating grants	2,524,645
Gain and loss on acquisition	1,094,710
Net cash provided by noncapital and related financing activities	3,652,675
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments on note payables	(681,137)
Proceeds from sale of assets	113,500
Purchases of capital assets	(5,849,592)
Net cash used in capital and related financing activities	(6,417,229)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	877,854
Proceeds from sale of investments	96,319
Purchases of investments	(2,000,000)
Net cash used in investing activities	(1,025,827)
Net decrease in cash, cash equivalents and restricted cash	(1,595,479)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH	
Beginning of year	53,029,416
End of year	$ 51,433,937
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 37,916,699
Restricted cash	13,517,238
	$ 51,433,937
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ 2,351,579
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	3,672,623
Decrease (increase) in:	
Accounts receivable	(2,247,948)
Interest receivable	8,558
Prepaids and other assets	(84,659)
Increase (decrease) in:	
Accounts payable	(516,091)
Accrued liabilities	105,549
Pension liability	(1,135,038)
OPEB liability	40,329
Net cash provided by operating activities	$ 2,194,902
SCHEDULE OF NONCASH AND INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributed/donated sewer lines	$ 6,599,421
	$ 6,599,421

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity
The Metropolitan Sewer Subdistrict ("Metro") was created in 1969 by the General Assembly of the State of South Carolina. The purpose of Metro's creation was to provide sewer collection service within the boundary area of Renewable Water Resources (ReWa) to those established areas of Greenville County which, because of the population density, were in need of such service but did not lie within the boundaries of an existing special purpose district or municipality. By March 14, 2023, Metro had merged with six special purpose districts and transferred one municipality within Greenville County.

The financial statements of Metro have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Metro also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of Metro's accounting policies are described below.

Metro has historically operated under a fiscal year beginning July 1 of each year and ending June 30 of following year. In order to provide more efficient operations, Metro changed its fiscal year to begin on January 1 and end on December 31 of each calendar year. The Commission approved this change with Resolution 2023-01 on June 19, 2023 effective January 1, 2024.

In order to effect the change in the fiscal year, the Commission adopted a partial-year budget for the period beginning July 1, 2023 and ending December 31, 2023. The Commission will adopt a full fiscal year 2024 budget prior to the commencement of the 2024 fiscal year. As a result, these financial statements are presented for the six months ended December 31, 2023.

Basis of presentation
Metro's basic financial statements consist of enterprise fund financials, including a statement of net position, a statement of revenues, expenses and change in net position, and a statement of cash flows.

The statement of net position and the statement of revenues, expenses and changes in net position display information of Metro as a whole. These statements include the financial activities of the primary government.

All activities of Metro are accounted for within a single proprietary (enterprise) fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund accounting
Metro maintains a single enterprise fund to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expense, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of accounting
Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Metro's revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled sewer service receivables are recorded at year end. With this measurement focus, all assets and liabilities are included on the Statement of Net Position. Net position is segregated into invested in capital assets, restricted for capital activity, restricted for debt service and unrestricted.

User charge rate
On February 25, 2019, the Board of Commissioners of Metro adopted a new user charge rate structure. This new rate structure, effective July 1, 2019, is based on a connected sewer customer's water consumption. Only customers connected to the Metro sanitary sewer system are charged a monthly fixed fee of $11.72 and volume charge of $1.65 per 1,000 gallons through their monthly water bill, based on water consumption. This rate structure is uniform for all customer types for residential, commercial, and industrial. Metro conducted a new user charge rate study approved by the Board of Commissioners.

As discussed above, the Board of Commissioners adopted a base and volumetric charge increase for sewer collection services shown in the table below for calendar years 2024, 2025 and 2026. Charges will be effective on January 1 of the applicable year. The Commission will review charges for sewer collection service on an annual basis and may revise charges in any future year.

	2024	2025	2026
Base Charge	$ 11.72	$ 11.72	$ 11.72
Volumetric Charge (per 1k gallons of usage)	$ 1.85	$ 2.07	$ 2.32

Net position
Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets, net of related debt. Instead, that portion of the debt is included in the same net position components as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position which does not meet the previously mentioned criteria is considered unrestricted. Restricted net position for capital activity is comprised of money market accounts that are for the sole use of maintaining a certain pump station and the other sewer district's sewer lines. Restricted net position for debt service is comprised of a cash account that is for the sole use of making debt service payments once a year and maintaining a one year of debt payment reserve.

The statement of net position may report deferred outflows of resources following the assets section and deferred inflows of resources following the liabilities section. Deferred outflows of resources represents a consumption of net assets that applies to future periods and will not be recognized as an expenditure until then. Deferred inflows of resources represents an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time.

Cash and cash equivalents and investments

Metro considers all highly liquid debt instruments with original maturities of one year or less to be cash equivalents.

Metro's investment policy is to maintain collateral for all certificates of deposits in their name. Metro obtains multiple quotes on matured certificates of deposits and places the funds where Metro can obtain the most favorable rate. Investment purchases and sales are recorded as of the trade date. Other investment income is recognized when earned. Investments are reported at fair value except as noted below. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to Metro's investment operations.

Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) with maturities at time of purchase of one year or less, are carried at amortized cost which approximates fair value.

Restricted cash

Metro is required to maintain debt service funds under the terms of certain bonds (see Note 6). The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. These funds are shown as restricted cash on the Statement of Net Position because their use is limited.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts receivable

Metro outsources billing to residential, commercial, and industrial customers on billing cycles that end on various days throughout the month. The accounts receivable are financial instruments that potentially subject Metro to credit risk. Management has provided an allowance for uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding and deemed uncollectible after management has used reasonable collection efforts are written-off against the allowance for uncollectible accounts.

Capital assets

Capital assets, which include property, plant, equipment, and eligible infrastructure assets, are reported in the statement of net position. Capital assets are defined by Metro as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Software	3 years
Computer equipment	5 years
Vehicles	5 years
Furniture, fixtures and equipment	7-10 years
Pump Stations	30 years
Buildings and improvements	39 years
Sewer Lines	75 years

Budgets and budgetary accounting

Budgets are prepared using the accrual basis of accounting. Budgeted amounts are as originally adopted by the Board of Commissioners.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the period. Ultimate resolution of uncertainties could cause actual results to differ from these estimates.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pensions

For purposes of measuring the net pension liability (NPL), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS), and additions to/deductions from the SCRS' fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated absences

The annual vacation leave policy of Metro provides for the accumulation of up to 5 weeks (188 hours for salary and 200 hours for hourly) earned annual leave with such leave being fully vested when earned. Employees carry unused time forward to the next calendar year, up to the designated vacation accrual cap (200 hours for hourly employees and 188 hours for salary employees). Employees with unused time after the roll forward may elect to sell back unused vacation time once per calendar year in December. The accumulated annual leave has been reported as a liability in the accompanying statement of net position.

The annual sick leave policy of Metro provides for an accumulation of up to 900 hours of sick leave. Sick leave does not vest and Metro has no obligation for any sick leave until it is actually taken. Therefore, no accrual for sick leave has been made.

Deferred outflows of resources and deferred inflows of resources

Changes in NPL and OPEB not included in pension expense or OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the NPL are reported as deferred outflows of resources.

NOTE 2 – CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENTS

As of December 31, 2023, Metro had the following cash, cash equivalents, restricted cash and investments:

Cash and cash equivalents	
Checking and other cash	$ 43,293,589
Money market accounts	8,140,348
Total cash and cash equivalents	$ 51,433,937
Investments	
Certificates of deposit	$ 4,096,320
SC Local Government Investment Pool	1,075,179
Total investments	$ 5,171,499

(Continued)

NOTE 2 – CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENTS, Continued

Credit risk

State law limits investments to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance Corporation (FDIC), and certificates of deposits where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest. Metro has no investment policy that would further limit its investment choices.

As of December 31, 2023, the underlying security ratings of Metro's investment in the South Carolina Local Government Investment Pool (the Pool) may be obtained from the Pool's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by submitting a request to The State Treasurer's Office, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211.

Interest rate risk

Metro's policy is to invest primarily in certificates of deposit with maturity dates up to twelve months as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity of Metro's position in the Pool is based on the average maturity of the Pool's investments, without regard to Metro's ability to withdraw funds on demand. It is the policy of the State Treasurer's Office that the weighted average maturity of the Pool portfolio not exceed sixty days.

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, Metro's deposits may not be returned. Metro has a policy that all deposits in financial institutions be collateralized. As of December 31, 2023, Metro's bank balance was $51,739,796. All of Metro's deposits held at December 31, 2023 were insured or collateralized with securities held by Metro's agents in Metro's name as required by state law.

Fair value of investments

Metro categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

Metro has the following recurring fair value measurements as of December 31, 2023:

- SC Local Government Investment Pool funds of $1,075,179 are measured at the Net Asset Value (NAV).

(Continued)

NOTE 2 – CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENTS, Continued

The Pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00. Funds may be deposited by Pool participants at any time and may be withdrawn through a website request.

Investments are measured at the net asset value per share as described in GASB 72 are not subject to the fair value hierarchy reporting.

NOTE 3 – USER CHARGE RATE RECEIVABLE

Metro's accounts receivable and allowance for doubtful accounts were as follows at December 31, 2023:

User charge rate receivable	$	5,845,685
Less allowance for doubtful accounts		(406,151)
	$	5,439,534

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the six months ended December 31, 2023 was as follows:

	Balance June 30, 2023, Restated	Additions	Retirements/ Transfers	Balance December 31, 2023
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	$ 2,025,462	$ 3,443,488	$ (608,992)	$ 4,859,958
Land	-	25,000	-	25,000
Total capital assets not being depreciated	2,025,462	3,468,488	(608,992)	4,884,958
Capital assets being depreciated				
Building and improvements	3,927,257	-	-	3,927,257
Infrastructure	419,434,315	8,001,061	608,992	428,044,368
Pump stations	9,960,464	-	-	9,960,464
Vehicles	6,265,250	502,960	(143,119)	6,625,091
Furniture, fixtures and equipment	3,045,354	326,663	-	3,372,017
Computer equipment	285,169	51,112	-	336,281
Software	844,786	98,729	-	943,515
Total capital assets at historical cost being depreciated	443,762,595	8,980,525	465,873	453,208,993
Less: accumulated depreciation				
Buildings and improvements	(1,062,270)	(55,069)	-	(1,117,339)
Infrastructure	(129,047,907)	(2,801,519)	-	(131,849,426)
Pump stations	(4,385,442)	(158,079)	-	(4,543,521)
Vehicles	(4,048,411)	(438,239)	143,119	(4,343,531)
Furniture, fixtures and equipment	(1,797,595)	(147,776)	-	(1,945,371)
Computer equipment	(180,303)	(25,504)	-	(205,807)
Software	(689,268)	(46,437)	-	(735,705)
Total accumulated depreciation	(141,211,196)	(3,672,623)	143,119	(144,740,700)
Total capital assets being depreciated, net	302,551,399	5,307,902	608,992	308,468,293
Capital assets, net	$ 304,576,861	$ 8,776,390	$ -	$ 313,353,251

Depreciation expense for the six months ended December 31, 2023 totaled $3,672,623.

Donated assets for the six months ending December 31, 2023 consisted of infrastructure additions of $6,599,421.

NOTE 5 – LONG-TERM DEBT

Revenue bonds

On December 17, 2019, Metro issued its $451,000 of Sewer System Revenue Bond, Series 2019. The bond is payable in annual installments of $29,205 beginning January 5, 2021 through fiscal year 2060. The maturity date for the bond is December 17, 2059 and has an interest rate of 5.69 percent.

(Continued)

NOTE 5 – LONG-TERM DEBT, Continued

On August 6, 2020, Metro issued its $8,847,000 of Sewer System Revenue Bond, Series 2020. The bond requires semiannual interest payments beginning January 5, 2021 and annual principal payments beginning July 5, 2021. The maturity date for the bond is June 30, 2036 and it has an interest rate of 1.18 percent.

On June 9, 2022, Metro issued its $38,000,000 of Sewer System Revenue Bond, Series 2022. The bond was issued to combine the outstanding debts of other certain sewer districts to be merged with Metro in fiscal year 2023 and pay off the Series 2021 bond. The bond requires semiannual interest payments beginning December 1, 2022 and annual principal payments beginning July 1, 2024. The maturity date for the bond is June 1, 2042 and it has an interest rate of 3.35 percent.

The following is a summary of changes in revenue bonds for the six months ended December 31, 2023.

Revenue Bond	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds:					
Series 2019	$ 442,394	$ -	$ -	$ 442,394	$ 3,678
Series 2020	7,565,000	-	-	7,565,000	652,000
Series 2022	38,000,000	-	-	38,000,000	1,463,000
Total Bonds	$ 46,007,394	$ -	$ -	$ 46,007,394	$ 2,118,678

Maturities of revenue bonds for the succeeding five years and thereafter at December 31, 2023, are as follows:

	Annual Interest	Annual Principal
2024	$ 1,359,441	$ 2,118,678
2025	1,301,727	2,175,821
2026	1,242,095	2,235,111
2027	1,180,922	2,295,348
2028	1,117,635	2,356,599
Thereafter	8,331,975	34,825,837
	$ 14,533,795	$ 46,007,394

(Continued)

NOTE 5 – LONG-TERM DEBT, Continued

Changes in other long-term liabilities

Other long-term liability activity for the six months ended December 31, 2023, was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance December 31, 2023
Compensated absences	$ 410,889	$ 227,782	$ (204,005)	$ 434,666
Other postemployment benefits liability[1]	311,662	37,963	(2,841)	346,784
Net pension liability	9,548,943	2,406,697	-	11,955,640
Total	$ 10,271,494	$ 2,672,442	$ (206,846)	$ 12,737,090

At December 31, 2023, $204,005 of the compensated absences balance is expected to be due within one year.

NOTE 6 – COMPLIANCE WITH BOND REQUIREMENTS – RESTRICTED CASH FOR DEBT

The amount of cash or cash equivalents restricted by the bond resolutions is summarized below.

	Restricted for debt payment	Restricted for improvements	Total
Existing debt of merged sewer systems	$ 1,824,939	$ -	$ 1,824,939
Funds for future sewer system improvements	1,856,391	9,804,514	11,660,905
Other	-	31,393	31,393
Less: unspent debt proceeds	(1,824,939)	(1,695,559)	(3,520,498)
Total restricted	$ 1,856,391	$ 8,140,348	$ 9,996,739

NOTE 7 – PENSION PLAN

State Retirement Plan

Metro participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”).

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which

(Continued)

[1] See Note 9

NOTE 7 – PENSION PLAN, Continued

serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, an pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

In addition to the plans described above, PEBA also administers four single employer defined benefit pension plans, which are not covered in this report. They are the Police Officer's Retirement System (PORS), Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

(Continued)

NOTE 7 – PENSION PLAN, Continued

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the system is presented below.

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

  The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS. The legislation also increased employer contribution rates

(Continued)

NOTE 7 – PENSION PLAN, Continued

beginning July 1, 2017, for SCRS until reaching 18.56 percent for SCRS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates[1] are as follows:

	Short Year 2023[1]	Fiscal Year 2023[1]
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

Required employer contribution rates[1] are as follows:

	Short Year 2023[1]	Fiscal Year 2023[1]
SCRS		
Employer Class Two	18.41%	17.41%
Employer Class Three	18.41%	17.41%
Employer Incidental Death Benefit	0.15%	0.15%

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2023, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The TPL was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

(Continued)

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

NOTE 7 – PENSION PLAN, Continued

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023.

	SCRS
Actuarial cost method:	Entry age normal
Projected salary increases	3.0% to 11.0% (varies by service) [1]
Benefit adjustments	lesser of 1% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2023, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of December 31, 2023, for SCRS is presented below.

System	Metro's Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Metro's Proportionate Share of the Collective Net Pension Liability
SCRS	$ 11,955,640	58.6%	. 04945%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

(Continued)

[1] Includes inflation at 2.25%

NOTE 7 – PENSION PLAN, Continued

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2023 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity[1]	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private Equity [1 2]	9.0%	10.91%	0.98%
Private Debt[2]	7.0%	6.16%	0.43%
Real Assets	**12.0%**		
Real Estate[2]	9.0%	6.41%	0.58%
Infrastructure[2]	3.0%	6.62%	0.20%
Total Expected Real Return[3]	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Pensions

At December 31, 2023, Metro reported a liability of $11,955,640 for its proportionate share of the NPL for SCRS. The NPL was measured as of June 30, 2023, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. Metro's proportion of the NPL was based on a projection of Metro's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

[1] The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

[2] Staff and consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

[3] Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

NOTE 7 – PENSION PLAN, Continued

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
Metro's proportionate share of the NPL of the SCRS	$ 15,447,831	$ 11,955,640	$ 9,053,057

Deferred Outflows of Resources and Deferred Inflows of Resources

For the six months ended December 31, 2023, Metro recognized pension expense for the SCRS plan of $2,859,504. At December 31, 2023, Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	$ 390,748	$ 33,155
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	3,691,209	-
Net difference between projected and actual earnings on pension plan investments	-	16,365
Metro's contributions subsequent to the measurement date	614,696	-
Total SCRS	$ 4,696,653	$ 49,520

(Continued)

NOTE 7 – PENSION PLAN, Continued

The $614,696 reported as deferred outflows of resources related to pensions resulting from Metro contributions subsequent to the measurement date for the SCRS plan, during the six months ended December 31, 2023 will be recognized as a reduction of the net pension liabilities in the year ending December 31, 2024.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4 years for SCRS:

Year Ended June 30,	SCRS
2024	$ 1,861,933
2025	1,172,949
2026	1,004,568
2027	(7,013)
	$ 4,032,437

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed.

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2023, and the accounting valuation report as of June 30, 2023. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

NOTE 8 – EMPLOYEE BENEFITS

Metro offers health, dental, vision, and life insurance through Greenville County. Metro pays the entire cost of the employee portion of health and dental coverage, and will pay a portion of dependent health, and dental coverage if elected by the employee. Metro pays for a $50,000 life insurance policy through MetLife Insurance contracted through Greenville County for each employee. Employees may elect additional employee, dependent, and/or child life insurance policies at the employee's expense. Health, dental, vision, and life insurance expense totaled $747,556 for the six months ended December 31, 2023.

Metro provides post-retirement health, dental and supplemental benefits for eligible retirees and their spouses under similar provisions provided to existing employees. See Note 9 for further information related to these benefits.

Metro offers employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k) plans. The plans, available to all Metro employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available (except through a retirement loan) to employees until termination, retirement, death, or unforeseeable emergency. Great West Retirement Services, 8515 East Orchard Road, Greenwood Village, CO 80111, (under state contract) is the program administrator of both the 457 and the 401(k) plans. The choice of deferred compensation options are selected by the participant.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Metro administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan includes post-retirement health, dental, and supplemental insurance benefit options for eligible retirees and their eligible dependents. The minimum service requirement is 10 years of full-time service to Metro. Benefit provisions are established by the Board of Commissioners. The Retiree Health Plan does not issue a publicly available financial report.

There are two categories of retirees under this plan, retirees under age 65 and retirees age 65 and over.

- Retirees under age 65 are eligible to continue health and dental coverage on the same plan as active full-time employees.

- Retirees age 65 and over are not eligible to continue coverage on the health plan.

Retirees with 10 – 19 years of service pay the full premium amount for their coverage.

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Retirees with 20 or more years of service are eligible to receive up to a $75 monthly benefit.

- For retirees under age 65 the benefit is applied as a premium reduction.
- For retirees age 65 and over the benefit is a monthly payment available only for retirees who purchase the Medicare Supplement through Metro's plan designated insurance agency. The monthly payments are sent by Metro to the insurance agency on behalf of the eligible retirees.

As of year-end, four retirees and two surviving spouses were on a plan.

Funding Policy
Metro's annual other post-employment benefits (OPEB) cost (expense) is a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

Health insurance continuation of coverage – As required by the Consolidated Omnibus Budget and Reconciliation Act (COBRA), Metro provides health and dental insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium is paid in full by the former employee on or before the tenth day of the month for the actual month covered. There is no associated cost to Metro.

Total OPEB liability – Metro's total OPEB liability of $346,784 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Medical/Retiree Premium Inflation Rate

Year	Medical	Year	Medical
2023	6.50%	2035	4.00%
2024	6.30%	2040	4.00%
2025	5.80%	2045	4.10%
2026	5.20%	2050	4.10%
2027	4.80%	2055	4.10%
2028	4.60%	2060	4.10%
2029	4.50%	2065	4.00%
2030	4.30%	2070	3.80%
		2072+	3.70%

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

The healthcare trends used in this valuation are based on long-term healthcare trends generated by the Getzen Model. The Getzen Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting long-term medical trends. Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.

Inflation Rates

Dental Inflation Rate	4.00 percent
Payroll Inflation Rate	3.00 percent

Mortality Rates
Mortality rates were based on the PubG.H-2010 Headcount – Weighted Employee and Healthy Annuitant Mortality Tables, with generational projection using MP-2021 Scale

Retirement Age
SCRS - The first table is for Class Two members who attain age 65 before attaining 28 years of service and Class Three Members who attain age 65 before satisfying the rule of 90 (sum of age and service at least 90). The second table is based on service and is for Class Two members who attain 28 years of service before age 65. We have assumed that 20% of eligible Class Three members retire each year if they reach the rule of 90 before age 65. We assume that no members retire until eligible for the OPEB.

Age	Male	Female
55-61	7.0%	9.0%
62-64	15.0%	15.0%
65	35.0%	35.0%
66-67	20.0%	25.0%
68-74	20.0%	20.0%
75+	100.0%	100.0%

Years of Service	Male	Female
28-29	15.0%	20.0%
30-32	10.0%	10.0%
33-35	10.0%	20.0%
36-39	20.0%	20.0%
40+	100.0%	100.0%

The retirement rate is 35% at the later of age 62 and when the member is first eligible for normal retirement benefit.

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Discount Rate

The discount rate was based on the 20-Year Bond General Obligation Index.

Discount Rate	3.26 percent

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study with a measurement date of December 31, 2023.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at June 30, 2023	$ 311,662
Changes for the year:	
Service cost	16,423
Interest	5,908
Effect of assumptions	15,632
Employer contributions	(2,841)
Net changes	35,122
Balance at December 31, 2023	$ 346,784

Sensitivity Analysis

The following presents the total OPEB liability of Metro, calculated using the discount rate of 3.26%, as well as what the Metro's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate.

	1% Decrease (2.26)	Discount Rate (3.26)	1% Increase (4.26)
Total OPEB liability	$ 391,120	$ 346,784	$ 308,377

The following presents the total OPEB liability of Metro, calculated using the current healthcare cost trend rates as well as what the Metro's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 306,397	$ 346,784	$ 396,563

(Continued)

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the six months ended December 31, 2023, Metro recognized a decrease in OPEB liability in the amount of $433,178. At December 31, 2023, Metro reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected/actual experience	$ (433,178)	$ -
Changes in assumptions	(3,430)	14,856
Total	$ (436,608)	$ 14,856

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending December 31,	
2024	$ (49,394)
2025	(49,394)
2026	(49,394)
2027	(49,394)
2028	(49,394)
Therafter	(174,782)

NOTE 10 – CONSTRUCTION CONTRACTS IN PROGRESS

At December 31, 2023, Metro had commitments for various capital and rehabilitation projects. The following summarizes the capital and rehabilitation contracts in progress at December 31, 2023 on which significant additional work is to be performed:

Project Name Design Phase:	Contract amount	Total contract incurred through December 31, 2023	Balance to be performed
Dunean Mill Village Sewer Replacement Ph 1	$ 1,089,537	$ 451,483	638,054
Enoree Heights Pump Station Removal	149,642	4,695	144,947
FM97 ELFaF	351,372	162,567	188,805
Judson Mill Village Sewer Replacement	2,582,129	173,614	2,408,515
Mills Mill Village Sewer Replacement	1,322,323	461,442	860,881
Payne Branch West Capital Expansion	924,200	139,393	784,807
Reid School Road Sewer Extension	175,009	101,537	73,472
Riverview Pump Station Upgrade	120,875	18,275	102,600
RMB 850-80 ELFaF	359,589	48,795	310,794
Union Bleachery Mill Village Sewer Improvements	1,173,000	424,356	748,644
Wade Hampton S-384 Brushy Creek	58,800	19,947	38,853
Woodruff Road Congestion Relief Project	182,136	112,556	69,580
	$ 8,488,612	$ 2,118,660	$ 6,369,952

Project Name Construction Phase:	Contract amount	Total contract incurred through December 31, 2023	Balance to be performed
Cedar Shoals Line Upgrade	$ 57,500	$ -	$ 57,500
FM97 ELFaF	2,836,339	809,953	2,026,386
Hwy 25 Business Park Phase II	1,452,465	-	1,452,465
Jupiter and Midgar Towns	26,350	-	26,350
Peters Creek Phillips McCall Rd Sewer Extension	150,000	-	150,000
Reid School Road Sewer Extension	697,305	361,017	336,288
Roberts Farm	44,775	-	44,775
	$ 5,264,734	$ 1,170,970	$ 4,093,764

NOTE 11 – COMMITMENTS

Metro has entered into agreements to contribute and receive funds for sewer line extensions and rehabilitation that would benefit future growth in these areas. Upon completion of these projects, the lines will be deeded to Metro.

(Continued)

NOTE 11 – COMMITMENTS, Continued

Sewer Line	Details
Dunean Mill Village Sewer Replacement Ph1	$10 million SCIPP Grant awarded
Mills Mill Village Sewer Replacement	$10 million SCIPP Grant awarded
Parker Mill System Rehabilitation	$48 million ReWa contribution to Metro from 2030-2038 (offset by any grant funding awarded)
Reid School Rd Extension	$250,000 developer contribution
RMB 97 Find and Fix	$500,000 RIA grant awarded
Union Bleachery Mill Village Sewer Improvements	$4 million STAG grant awarded
Highland Colony Estates Sewer Extension/Phillips McCall Rd	Joint project with ReWa agreement Metro to contribute $150,000
S Greenville Highway 25 West (Joint ReWa)	Joint project with ReWa agreement Metro to contribute $1,452,465

NOTE 12 – BILLING AGREEMENTS

Metro has contracted with five local water utilities which have common customers to provide billing and collection functions. The most significant is with Greenville Water located in Greenville, South Carolina. The cost to Metro for the six months ended December 31, 2023 was $658,100, which is included in general and administration expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

NOTE 13 – RISK MANAGEMENT AND CONTINGENCIES

Metro is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job-related illnesses and accidents. Metro pays the State Fiscal Accountability Authority (Insurance Reserve Fund) for all other forms of coverage. Metro pays premiums to the State Accident Fund for workman’s compensation insurance which is administered by a private insurance company.

The State Accident Fund and the State Fiscal Accountability Authority (Insurance Reserve Fund) promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks, and to the extent that Metro experiences uninsured losses, management further believes that Metro’s capital reserves and other funds on hand are sufficient to cover such losses without materially affecting Metro’s ability to continue to operate its system and meet its capital needs. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

(Continued)

NOTE 13 – RISK MANAGEMENT AND CONTINGENCIES, Continued

Due to the nature of Metro's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result from litigation claims, audit disallowances, threatened property loss, or uncollectible receivables. Metro maintains insurance against certain loss contingencies with tort liability policies and physical damage coverage.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made to the financial statements to properly reflect capital assets and accounts receivable in the previous year. The adjustments are summarized as follows:

	Net Position
Beginning net position, as previously reported at June 30, 2023	$ 312,948,621
Prior period adjustments:	
Capital assets	(4,169,570)
Accounts receivable	14,020
Net position, as restated July 1, 2023	$ 308,793,071

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, Metro has evaluated events and transactions for potential recognition or disclosure through June 18, 2024, the date the financial statements were available for issuance.

The following events occurred subsequent to December 31, 2023:

- Metro submitted a Rural Infrastructure Authority (RIA) application for a $1,000,000 grant for the ReWa Wet Weather Basin Find and Fix project. The grant was awarded in May 2024.

- Metro submitted a State Revolving Fund (SRF) application for a $1,131,542 Principal Forgiveness (PF) loan with the intent to use the funds to perform rehabilitation on a selected private system, then take ownership and maintenance responsibilities. The grant was awarded in June 2024.

- On May 20, 2024, the Commission approved financial policies memorializing Metro's existing financial policies and procedures and financial metrics and targets.

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
SIX MONTHS ENDED DECEMBER 31, 2023

	SCRS									
	2023 (1)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Metro's proportion of the net pension liability	0.04945%	0.03425%	0.02512%	0.02301%	0.02257%	0.02151%	0.02157%	0.02162%	0.02226%	0.02050%
Metro's proportionate share of the net pension liability	$ 11,955,640	$ 9,548,943	$ 6,650,856	$ 5,879,604	$ 5,154,603	$ 4,819,515	$ 4,855,304	$ 4,617,786	$ 4,221,147	$ 3,529,076
Metro's covered payroll	$ 6,252,056	$ 4,079,823	$ 2,839,391	$ 2,566,388	$ 2,383,766	$ 2,228,571	$ 2,176,180	$ 2,093,521	$ 2,086,829	$ 1,860,914
Metro's proportionate share of the net pension liability as a percentage of its covered payroll	191.22733%	234.05287%	234.23530%	229.10035%	216.23779%	216.26033%	223.11132%	220.57510%	202.27565%	189.64208%
Plan fiduciary net position as a percentage of the total pension liability	58.60%	57.10%	60.70%	50.70%	54.40%	54.10%	53.30%	52.91%	56.99%	59.90%

(1) Effective July 1, 2023, Metro changed its fiscal year-end from June 30 to December 31. As a result of this change, the current reporting period is a six-month transitional period from July 1, 2023, to December 31, 2023. Future fiscal years will run from January 1 to December 31.

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
SIX MONTHS ENDED DECEMBER 31, 2023

	SCRS									
	2023 (1)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution	$ 614,696	$ 1,097,861	$ 675,619	$ 441,814	$ 399,330	$ 347,076	$ 302,194	$ 251,566	$ 231,543	$ 227,464
Contributions in relation to the contractually required contribution	614,696	1,097,861	675,619	441,814	399,330	347,076	302,194	251,566	231,543	227,464
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Metro's covered payroll	$ 3,311,941	$ 6,252,056	$ 4,079,823	$ 2,839,391	$ 2,566,388	$ 2,383,766	$ 2,228,571	$ 2,176,180	$ 2,093,521	$ 2,086,829
Contributions as a percentage of covered payroll	18.56%	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

(1) Effective July 1, 2023, Metro changed its fiscal year-end from June 30 to December 31. As a result of this change, the current reporting period is a six-month transitional period from July 1, 2023, to December 31, 2023. Future fiscal years will run from January 1 to December 31.

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
SIX MONTHS ENDED DECEMBER 31, 2023

	For the last fiscal year						
	2023 (1)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
OPEB liability:							
Service cost	$ 16,423	$ 31,530	$ 87,854	$ 47,918	$ 32,032	$ 39,276	$ 29,207
Interest	5,908	28,293	17,062	17,206	11,202	13,590	731
Employer contributions	(2,841)	(5,682)	(5,356)	(6,256)	(5,356)	(5,356)	(5,356)
Effect of economic/demographic gains or losses	-	(508,997)	170,375	(94,221)	212,527	-	-
Effect of assumptions	15,632	(4,030)	(204,115)	6,323	(8,290)	(123,239)	5,418
Net change in total OPEB liability	35,122	(458,886)	65,820	(29,030)	242,115	(75,729)	30,000
OPEB liability - beginning of year	311,662	770,548	704,728	733,758	491,643	567,372	537,372
OPEB liability - ending of year	$ 346,784	$ 311,662	$ 770,548	$ 704,728	$ 733,758	$ 491,643	$ 567,372
Covered employee payroll	$ 6,540,764	$ 6,318,345	$ 4,079,823	$ 2,839,391	$ 2,566,388	$ 2,383,766	$ 2,228,571
OPEB liability as a percentage of covered employee payroll	5.30%	4.93%	18.89%	24.82%	28.59%	20.62%	25.46%
Measurement date	December 31, 2023	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Notes

* Pursuant to GASB 75, a 10-year history of the information shown above is required. However, until a full 10-year history is compiled, information for those years which are available may be presented.

* Metro is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of the GASB Statement No. 75 for the payment of future OPEB benefits.

(1) Effective July 1, 2023, Metro changed its fiscal year-end from June 30 to December 31. As a result of this change, the current reporting period is a six-month transitional period from July 1, 2023, to December 31, 2023. Future fiscal years will run from January 1 to December 31.

METROPOLITAN SEWER SUBDISTRICT
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
SIX MONTHS ENDED DECEMBER 31, 2023

	Original and final budget	Actual	Variance	Percent change
OPERATING REVENUE				
User charge rate	$ 11,736,000	$ 12,395,881	$ 659,881	5.3%
Property taxes	-	489	489	100.0%
Sewer fees	-	7	7	100.0%
Tap fees and other	750,000	1,774,735	1,024,735	57.7%
Total Revenues	12,486,000	14,171,112	1,685,112	11.9%
OPERATING EXPENSES				
Salaries, wages, and benefits	5,345,590	5,131,597	(213,993)	-4.2%
Professional fees	513,000	371,207	(141,793)	-38.2%
Project costs	25,000	88,774	63,774	-100.0%
General and administration	1,504,500	1,320,738	(183,762)	-13.9%
Operations and maintenance	1,745,000	1,234,594	(510,406)	-41.3%
Operating expenses excluding depreciation	9,133,090	8,146,910	(986,180)	-12.1%
Depreciation	-	3,672,623	(3,672,623)	-100.0%
Total operating expenses	9,133,090	11,819,533	(2,686,443)	-22.7%
Operating income	3,352,910	2,351,579	(1,001,331)	-42.6%
NON-OPERATING REVENUE (EXPENSES)				
Interest income	200,000	1,100,360	900,360	81.8%
Gain on sale of assets	34,000	113,500	79,500	70.0%
Other revenue	-	33,320	33,320	100.0%
Grant revenue	3,500,000	2,524,645	(975,355)	-38.6%
GASB 68 - state retirement	-	(1,485,265)	(1,485,265)	100.0%
GASB 75 - other post-employment benefits	-	5,207	5,207	100.0%
Interest expense	-	(693,900)	(693,900)	100.0%
Total non-operating revenue (expense)	3,734,000	1,597,867	(2,136,133)	-133.7%
Change in net position before capital contributions	7,086,910	3,949,446	(3,137,464)	-79.4%
CAPITAL CONTRIBUTIONS AND ACQUISITIONS				
Capital contributions	-	6,599,421	6,599,421	100.0%
Total capital contributions and acquisitions	-	6,599,421	6,599,421	100.0%
Change in net position	7,086,910	10,548,867	3,461,957	32.8%
Net position, beginning of year as restated (see Note 14)	308,793,071	308,793,071	-	0.0%
Net position, end of year	$ 315,879,981	$ 319,341,938	$ 3,461,957	1.1%

METROPOLITAN SEWER SUBDISTRICT
REVENUE BOND DEBT COVERAGE RATIO
SIX MONTHS ENDED DECEMBER 31, 2023

	Series 2019, 2020, 2022
OPERATING REVENUES (2)	14,171,112
LESS:	
Operating expenses (1) (2)	(8,146,910)
Property taxes (2) (4)	(489)
ADD:	
Interest income (2) (3)	1,100,360
Gain on sale of assets (2) (3)	113,500
Other revenue (2) (3)	33,320
Project costs (2) (5)	88,774
AVAILABLE FOR DEBT SERVICE	7,359,667
SIX MONTHS DEBT SERVICE (6)	
Series 2019	-
Series 2020	44,634
Series 2022	636,500
Total six months debt service	681,134
Metro's required debt coverage ratio	1.20
Debt service coverage ratio	10.81

(1) Does not include depreciation.

(2) The revenues and expenses only represent six months of data for the six months ending December 31, 2023.

(3) Per debt agreements, the gross revenues shall include the above non-operating income that is not restricted for use.

(4) Property taxes are included in operating income but are no longer a part of Metro's ordinary operations.

(5) Prior to fiscal year 2023, Metro utilized the modified approach where capitalizable repairs and maintenance were expensed.

Project costs are included in operating expenses but should be taken out for purposes of the debt coverage ratio.

(6) Only debt payments for the six months ending 12/31/2023 were included in the six months debt service.

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Commissioners
Metropolitan Sewer Subdistrict
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Metropolitan Sewer Subdistrict, as of and for the six months ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Metropolitan Sewer Subdistrict's basic financial statements, and have issued our report thereon dated June 18, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metropolitan Sewer Subdistrict's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Sewer Subdistrict's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Sewer Subdistrict's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

111 1/2 E. Laurens Street Laurens, SC 29360 Phone: 864.984.2698 Fax: 864.984.2874 lovebaileycpa.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Sewer Subdistrict's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
June 18, 2024

APPENDIX B

Bond Resolution and Series Resolution

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A MASTER BOND RESOLUTION

TO PROVIDE FOR THE ISSUANCE AND SALE OF SEWER SYSTEM REVENUE BONDS OF THE METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO.

ADOPTED November 4, 2019

TABLE OF CONTENTS

(This Table of Contents is not a part of the Bond Resolution and is for convenience of reference only.)

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE METROPOLITAN SEWER SUBDISTRICT, IN MEETING DULY ASSEMBLED, THAT:

ARTICLE I - FINDINGS OF FACT

Section 1.01 Recitals and Statements of Purpose.

Incident to the adoption of this bond resolution (this "***Bond Resolution***"), and the issuance of bonds as provided for herein, the Board of Commissioners of the Metropolitan Sewer Subdistrict (the "***Commission***"), the governing body of Metropolitan Sewer Subdistrict, South Carolina (the "***District***") finds, as a fact, that each of the statements hereinafter set forth in this Article are in all respects true and correct.

(A) The District is a special purpose district of the State of South Carolina (the "***State***"), as a body politic and corporate pursuant to the provisions of Act No. 687 of the Acts and Joint Resolutions of the State of South Carolina for the year 1969, as amended by Act No. 1842 of the Acts and Joint Resolutions of the State of South Carolina for the year 1972 (together, the "***Act***").

(B) As authorized by the provisions of the Act, the District has acquired and constructed and operates and maintains those sewage collector lateral lines and related facilities and equipment for the collection of sewage owned by the District (as further defined herein, the "***System***").

(C) The revenues of the System are not presently pledged or hypothecated to secure the payment of any revenue bonds or other obligations of the District.

[End of Article I]

ARTICLE II - DEFINITIONS, CONSTRUCTION AND INTERPRETATIONS

Section 2.01 Definitions of Bond Resolution.

This Bond Resolution may be hereafter cited and is hereinafter sometimes referred to as the Bond Resolution; such term shall include all resolutions supplemental to, or amendatory of, this Bond Resolution.

Section 2.02 Defined Terms.

In this Bond Resolution, terms defined in Article I shall have the meaning assigned therein, and unless a different meaning clearly appears from the context, the following terms shall have the following respective meanings:

"***Accountant***" shall mean an independent firm of certified public accountants of suitable standing who audit the books, records, and accounts of the District.

"***Accounting Principles***" shall mean generally accepted accounting principles and practices applicable to governmental entities, including those applicable to governmentally owned and operating utility systems such as the System.

"***Accreted Value***" shall mean the amounts set forth in or the amounts determined in the manner set forth in, a Series Resolution, authorizing the issuance of Bonds in the form of Capital Appreciation Bonds.

"***Act***" shall mean Act No. 687 of the Acts and Joint Resolutions of the State of South Carolina for the year 1969, as amended by Act No. 1842 of the Acts and Joint Resolutions of the State of South Carolina for the year 1972.

"***Annual Budget***" shall mean the annual budget or amended budget of the District in effect as provided in or adopted pursuant to the provisions of this Bond Resolution.

"***Annual Principal and Interest Requirement***" shall mean, with respect to any particular Fiscal Year and to a Series of Bonds Outstanding, an amount (other than amounts paid from proceeds of Bonds) equal to the sum of (i) all interest payable on such Series of Bonds during such Fiscal Year plus (ii) any Principal Installment of such Series of Bonds during such Fiscal Year, minus (iii) any Interest Payment Subsidies received by or on deposit with the District for such Series of Bonds during such Fiscal Year and used to pay debt service on such Series of Bonds during such Fiscal Year.

For purposes of computing the Annual Principal and Interest Requirement:

(a) With respect to Balloon Indebtedness, the amount of principal which would be payable in such Fiscal Year if the principal of such Balloon Indebtedness to be amortized in succeeding Fiscal Years were amortized from the date of incurrence of such Balloon Indebtedness over a period of 20 years (or such shorter period as the District may choose) on a level debt service

basis at an interest rate set forth in an opinion of an Independent Consultant as the interest rate at which the District could reasonably expect to borrow the same by issuing an obligation with the same term and a fixed rate of interest as assumed above; provided, however, that if the date of calculation is within 12 months of the stated maturity of such Balloon Indebtedness, the full amount of principal payable at maturity shall be included in such calculation unless (1) a binding commitment to refinance such Balloon Indebtedness shall be in effect, in which case the amortization schedule established by such commitment shall apply or (2) the District has received a letter from Independent Consultant to the effect that such firm has evaluated the creditworthiness of the District and concluded that it is reasonable to assume that the District will have access to the debt markets at reasonable interest rates and setting forth the projected interest rate and assumed maximum amortization schedule for such debt, in which case the amortization schedule and projected interest rate established by such letter shall apply.

(b) With respect to Variable Rate Bonds, the interest on such Series of Bonds shall be calculated at (1) in the case of Outstanding Variable Rate Bonds, the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and (2) in the case of Variable Rate Bonds proposed to be incurred, the rate which is equal to the average of the SIFMA Municipal Swap Index (or any other specified index or reference rate for such Variable Rate Bonds) for the most recent 12-month period immediately preceding the date of calculation (or, if the SIFMA Municipal Swap Index or such other index or reference rate is not available for such 12-month period, the Revenue Bond Index most recently published by The Bond Buyer), plus or minus any specified fixed spread.

(c) The amounts available in the Debt Service Reserve Fund established for a Series of Bonds may be applied against the interest payable on and the Principal Installments due on such Series of Bonds in the last Fiscal Year that such Series of Bonds is Outstanding.

"***Authorized Investments***" shall mean, within the limitations set forth herein, any investments now or hereafter permitted under Section 6-5-10 of the South Carolina Code, or any successor or similar statute, and shall also include the South Carolina Local Government Investment Pool established at Sections 6-6-10 to 6-6-40 of the South Carolina Code or any successor or similar statute and as the same may be further limited pursuant to the provisions of a Series Resolution.

"***Authorized Officers***" means the General Manager, Chairman, Vice Chairman, Finance Director, or any other official authorized by the Commission to act on behalf of the District.

"***Balloon Indebtedness***" means a Series of Bonds, 25% or more of the original principal of which matures during any consecutive 12-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12-month period.

"***BAN Act***" means Title 11, Chapter 17, Code of Laws of South Carolina 1976, as amended.

"***Bond Anticipation Note***" shall mean any Note or other obligation issued under the BAN Act or the Enabling Act in anticipation of the issuance of Bonds.

"***Bond Counsel***" shall mean an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the District.

"***Bond Payment Date***" shall mean each date as shall be prescribed by any applicable Series Resolution on which interest on any of the Bonds shall be payable or on which both principal and interest shall be payable on any of the Bonds according to their respective terms.

"***Bondholder***" or "***Holder***", or any similar term, when used with reference to a registered Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond, in the case of Bonds issued in bearer form, the holder of any such Bond, and in the case of Bonds consisting of contractual obligations not in the form of an instrument, the party entitled to enforce the District's payment obligation thereunder.

"***Bond Resolution***" shall mean this Bond Resolution.

"***Bonds***" shall mean any indebtedness or obligations including those entered into under the provisions of long-term contracts payable from the revenues of the System, issued in accordance with the provisions of the Enabling Act, this Bond Resolution and a Series Resolution, excluding indebtedness or obligations incurred in accordance with Article VI hereof.

"***Business Day***" shall mean, except as set forth in a Series Resolution with respect to the Series of Bonds issued thereunder, any day other than a Saturday, a Sunday, a day on which banking institutions in the State or in the State of New York are required or authorized by law (including executive orders) to close or a day on which the United States federal reserve payment system is not operational.

"***Capital Appreciation Bonds***" shall mean Bonds that bear interest payable only at maturity or payable prior to maturity only on the redemption dates set forth in, and in the amounts determined by reference to the Accreted Value established in accordance with the provisions of the Series Resolution authorizing the issuance of such Capital Appreciation Bonds.

"***Chairman***" shall mean the Chairman of the Commission. The term shall include the Vice-Chairman whenever, by reason of absence, illness or other reason, the person who is the Chairman is unable to act.

"***Code***" shall mean the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder, in each case, as from time to time in force.

"***Combined Annual Principal and Interest Requirement***" shall mean, with respect to any Fiscal Year, the sum of the Annual Principal and Interest Requirements for all Series of Bonds to be Outstanding during that Fiscal Year.

"***Commission***" shall mean the Board of Commissioners of the Metropolitan Sewer Subdistrict, or any successor body.

"***Construction Fund***" shall mean any fund of that name created pursuant to a Series Resolution with respect to any Series of Bonds issued for the purpose of acquisitions of and improvements, additions and betterments to, Facilities.

"***Contingent Fund***" shall mean the fund herein so designated and designed to provide for contingencies and for improvements, betterments and extensions of the System, as established by the provisions of Section 7.07 hereof.

"***Custodian***" shall mean any financial institution serving as Custodian issued pursuant to this Bond Resolution and a Series Resolution, and which shall have such other duties, privileges and functions as are set forth herein. In the event a Custodian is appointed as provided in Article XVII herein, the Bondholders shall avail themselves of the remedies provided in Article XVI herein. If no Trustee is appointed, the Debt Service Fund and each Debt Service Reserve Fund established hereunder shall be kept in the custody and control of the Custodian. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Custodian at the time serving as successor Custodian hereunder.

"***Date of Issue***" shall mean that date established in any Series Resolution from which interest shall accrue on the Bonds of the applicable Series.

"***Debt Service Fund Account***" shall mean the account of that name created in the Debt Service Fund and established for each Series of Bonds issued under the terms hereof. Within each Debt Service Fund Account, the Trustee or Custodian may, but is not required, to further create an interest account, principal account and bond redemption account with respect to each such Series of Bonds.

"***Debt Service Fund***" shall mean, with respect to any Series of Bonds, the fund or account designated and designed to provide for the payment of the principal of, premium, if any, and interest on all Bonds Outstanding as the same respectively fall due and issued pursuant hereto and the terms of a Series Resolution, established pursuant to Section 7.04 of this Bond Resolution.

"***Debt Service Reserve Fund***" shall mean the funds, if any, so designated and designed (1) to secure the timely payment of the Principal Installments of and interest on the applicable Series of Bonds Outstanding and issued pursuant to this Bond Resolution and the applicable Series Resolution, and (2) to provide for the redemption of such Series of Bonds Outstanding prior to their stated maturity, as established by the provisions of Section 7.05 hereof.

"***Defeasance Obligations***," unless otherwise provided in a Series Resolution for a particular Series of Bonds, shall mean non-callable (i) Government Obligations; (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian; (iii) non-callable, U.S.

Treasury Securities – State and Local Government Series Securities; and (iv) AAA-rated general obligation bonds, issued by at least one nationally recognized credit rating organization, of the State, its institutions, agencies, school districts and political subdivisions.

"***Depository***" shall mean any bank or trust company selected by the City as a depository of moneys or securities held under the provisions of this Bond Resolution and may include the Trustee.

"***Depreciation Fund***" shall mean the fund herein so designated and designed to provide for the replacement of depreciated or obsolete parts of the System and for improvements, betterments and extensions of the System, as established by the provisions of Section 7.06 hereof.

"***District***" shall mean the Metropolitan Sewer Subdistrict, South Carolina.

"***Electronic Means***" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"***Enabling Act***" shall mean (i) as to the initial Series of Bonds issued hereunder, Chapter 21 of Title 6, and (ii) as for any subsequent issuance, any of Chapter 21 of Title 6, Chapter 17 of Title 6, or Chapter 21 of Title 11 of the South Carolina Code, or any combination thereof, and all other statutory authorizations as may be available from time to time, authorizing and enabling the District to adopt this Bond Resolution and issue Bonds hereunder, all as may be amended from time to time.

"***Events of Default***" shall mean those events set forth in Section 13.01 of this Bond Resolution.

"***Fiduciary***" or "***Fiduciaries***" shall mean the Trustee and any Registrar or any Paying Agent and any other agent of the District appointed pursuant to the authorizations of this Bond Resolution or any Series Resolution or any or all of them, as may be appropriate.

"***Finance Director***" shall mean the Finance Director of the District, as the person responsible for supervising and maintaining records and accounts relating to the collection and disbursement of the revenues derived from the operation and maintenance of the System.

"***Fiscal Year***" shall mean the period of 12 calendar months, beginning on July 1 of each year, and ending on June 30 of the following year, unless the same shall have been changed by the District pursuant to the authorization contained in Section 3.01 hereof.

"***Government Obligations***" shall mean: (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America are pledged; (b) obligations, the payment of the principal (if any), or the interest (if any) on which is fully guaranteed as a full faith and credit obligation of the United States of America; and (c)

obligations issued by the Federal Home Loan Bank and/or the Federal National Mortgage Association as permitted by Section 6-5-10(a)(2) of the South Carolina Code, as amended.

"***Gross Revenue Fund***" shall mean the account or accounts established and maintained by the District in such fashion as to adequately reflect all of the receipts and revenues derived from the operation of the System, with the exception of customer deposits, and all interest and other income earned by the District in connection with the operation of the System, as established by the provisions of Section 7.02 hereof.

"***Gross Revenues***" or "***Gross Revenues of the System***" shall mean for the period in question:

(a) all receipts and revenues derived from the operation of the System, including all service fees (including but not limited to connection, tap and impact fees, capacity fees, availability fees, and metered charges), except for customer deposits and those receipts and revenues allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds;

(b) all proceeds from the sale or other disposition of any property owned directly or beneficially by the District in connection with the operation of the System;

(c) all interest and other income received directly or indirectly by the District from the investment of moneys or accounts relating to the System; excluding, however, investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service, and specifically excluding (whether or not so restricted) interest earned on any Construction Fund or construction account created with the proceeds of borrowing by the District;

(d) all other unencumbered money to which the District may become entitled from any source whatsoever in connection with the operation of the System, but specifically excluding any amounts received by way of government grants, developer contributions and aids-to-construction; and

(e) all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. Any Interest Payment Subsidies received by the District and used to pay debt service on a Series of Bonds shall not be included in Gross Revenues.

All amounts received as *ad valorem* taxes shall not be included in Gross Revenues.

"***Independent Consultant***" shall mean such firm or firms, professional engineers, architects, financial advisors, accountants, rate consultants or other professionals who are nationally recognized and have a favorable reputation for consulting services for utility systems similar to the System. Such Independent Consultant shall not be an employee of the District and shall be engaged by the District to perform the tasks set forth to be performed by such Independent Consultant under the provisions of this Bond Resolution.

"***Insurance Consultant***" shall mean a person or firm who is not, and no member, director, officer or employee of which is, an officer or employee of the District, which is qualified to survey risks and to recommend insurance coverage for public utilities and services and organizations engaged in such operations. The Insurance Consultant shall be selected by the District.

"***Insurer***", with respect to any Series of Bonds, shall mean an insurance company that has written a Municipal Bond Insurance Policy covering such Series of Bonds.

"***Interest Payment Subsidies***" shall mean the refundable tax credit subsidies payable to the District from the federal government under any section of the Code that authorizes such tax credits or sums borrowed in a Series of Bonds for the purpose of paying all or a portion of the interest due on a Series of Bonds on specific Bond Payment Dates, as applicable.

"***Junior Lien Bonds***" shall mean any revenue bonds issued by the District or other obligations entered into by the District including such obligations under the provisions of long-term contracts which are secured by pledges of and liens on the revenues of the System which are junior and subordinate in all respects to the pledges and liens made to secure Bonds and to the payment by the District of all Operation and Maintenance Expenses.

"***Municipal Bond Insurance Policy***" shall mean any municipal bond insurance policy insuring the payment, when due, of the Principal Installments of and interest on a Series of Bonds.

"***Net Earnings***" shall mean, for the period in question, the Gross Revenues of the System, less Operation and Maintenance Expenses, and shall otherwise be adjusted as provided in (a) and (b) below:

(a) Net Earnings shall include amounts transferred into the Operation and Maintenance Fund from the Rate Stabilization Fund.

(b) Net Earnings shall not include: (i) amounts transferred from Rate Stabilization Fund into any other fund, excluding the Operation and Maintenance Fund as provided in (a) above; and (ii) amounts transferred into the Rate Stabilization Fund.

"***Net Revenues***" or "***Pledged Revenues***" shall mean the Gross Revenues of the System, less Operation and Maintenance Expenses.

"***Office of State Treasurer***" shall mean the Office of State Treasurer of the State.

"***Operation and Maintenance Expenses***" shall mean for the period in question all expenses incurred in connection with the administration and the operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order, principal and interest payments with respect to lease financing arrangements under Section 6.03 hereof, the fees and charges of the Trustee and the Custodian or trustee of any fund, the costs of audits required hereunder, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds required by this Bond Resolution. Operation and Maintenance Expenses shall not include:

(a) depreciation and amortization (including Bond principal) allowances;

(b) amounts paid as interest on Bonds, Junior Lien Bonds, or Special Facilities Bonds;

(c) amounts expended for extraordinary repairs and capital improvements to the System;

(d) amounts paid from government grants or aids-to-construction;

(e) unfunded net pension liabilities, other post-employment benefit liabilities or similar accounting determinations under Accounting Principles that do not result in any actual disposition of cash;

(f) any financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds.

"***Operation and Maintenance Fund***" shall mean the fund established by the provisions of Section 7.03 hereof and which is designed to provide for the payment of all Operation and Maintenance Expenses.

"***Outstanding***", when used with reference to any Bonds and subject to Section 18.01 hereof and except as may be modified for any Series of Bonds pursuant to the provisions of a Series Resolution, shall mean, as of any date, all such Bonds theretofore or then being authenticated and delivered except:

(a) Bonds cancelled at or prior to such date;

(b) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered;

(c) Bonds deemed to have been paid as provided in Article XVIII hereof; and

(d) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds, Bonds, as to which a Responsible Officer (as defined herein) has actual knowledge, held by, or for the account of the District, or by any person controlling, controlled by, or under common control with the District unless all Bonds are so held.

"***Paying Agent***" shall mean the financial institution which is authorized by the District to pay the Principal Installments of or interest on and redemption premium, if any, on any Bonds and having the duties, responsibilities and rights provided for in this Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Bond Resolution. Pursuant to the provisions of Section 15.02 of this Bond Resolution, the Trustee appointed for a Series of Bonds shall serve as the Paying Agent; provided, however, the Commission may, pursuant to a Series Resolution,

authorize the District or a Custodian to serve as Paying Agent for the applicable Series of Bonds, in lieu of the Trustee, if any.

"***Principal Installment***" shall mean, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a Bond Payment Date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due of, and application in accordance with, any mandatory sinking fund payment payable before such future date, plus (ii) any mandatory sinking fund payment due on such certain future date, together with the aggregate amount of the premiums, if any, applicable to such mandatory sinking fund payments, plus (iii) with respect to any Capital Appreciation Bonds required to be paid on such certain date, the Accreted Value as of such certain date of such Capital Appreciation Bonds; and in this latter respect, any reference to "principal" of Bonds in this Bond Resolution shall mean, with respect to Capital Appreciation Bonds, the Accreted Value of such Capital Appreciation Bonds as of the date of calculation.

"***Credit Rating Agency***" shall mean any rating agency then rating the Bonds.

"***Rate Stabilization Fund***" shall mean the fund designed to provide for the stabilization of sewer rates by carrying forward surplus revenues.

"***Record Date***" shall mean the 15th day of the month immediately preceding each Bond Payment Date, or such other time or times as shall be prescribed for any Series of Bonds by the applicable Series Resolution.

"***Redemption Price***" shall mean, with respect to Bonds of any Series or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms, this Bond Resolution and the applicable Series Resolution.

"***Registrar***" shall mean the Trustee or any bank, trust company, or national banking association which is authorized by the District to maintain an accurate list of those who from time to time shall be the Holders of Bonds of a particular Series and to effect the transfer of such Bonds in accordance with the provisions of this Bond Resolution and having the duties, responsibilities, and rights provided for in this Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Bond Resolution; however, the Commission may, pursuant to a Series Resolution, authorize the District to serve as Registrar for the applicable Series of Bonds, in lieu of the Trustee, if any, or institutions referred to above.

"***Reserve Requirement***" shall mean, as of any date of calculation, the debt service reserve requirement, if any, established by a Series Resolution authorizing the issuance of a Series of Bonds.

"***Secretary***" shall mean the Secretary of the Commission. The term shall include the Acting Secretary whenever, by reason of absence, illness or other reason, the person who is the Secretary is unable to act.

"***Securities Depository***" shall mean The Depository Trust Company, New York, New York, or other recognized securities depository selected by the District, which securities depository maintains a book-entry system in respect of the Bonds of any Series and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

"***Securities Depository Nominee***" shall mean, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by any Registrar, the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

"***Serial Bonds***" shall mean the Bonds of any Series which are stated to mature in installments and for which there are no mandatory sinking fund provisions.

"***Series***" shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a single Series by the authorizing Series Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate or other provisions.

"***Series Resolution***" shall mean a resolution of the Commission authorizing the issuance of a Series or multiple Series of Bonds pursuant to this Bond Resolution in accordance with the terms and provisions hereof, adopted by the Commission in accordance with Article IV hereof.

"***South Carolina Code***" shall mean the Code of Laws of South Carolina 1976, as from time to time amended.

"***Special Facilities***" shall mean those facilities financed with the proceeds of Special Facilities Bonds as described in Section 6.02 hereof.

"***Special Facilities Bonds***" shall mean those obligations issued in accordance with Section 6.02 hereof.

"***State***" shall mean the State of South Carolina.

"***System***" shall mean the system of sewage collector lateral lines and related facilities and equipment for the collection of sewage owned and operated by the District, or in accordance with Sections 11.02 and 11.03 of this Bond Resolution, may be constituted, all property real and personal, used and useful therefor, all apparatus and equipment used in connection therewith, and all acquisitions, replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto at any time hereafter; provided that during such time as any Special Facilities Bonds issued to finance Special Facilities are outstanding, the term "System" shall not include such Special Facilities.

"***Term Bonds***" shall mean the Bonds of any Series which are stated to mature in a single year and which are subject to mandatory sinking fund redemption prior to the stated maturity date.

"***Trustee***" shall mean the financial institution appointed to serve as Trustee in accordance with this Bond Resolution, if and when so appointed, and which shall have such other duties, privileges and functions as are set forth herein. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"***Variable Rate Bonds***" shall mean, for any period of time, any Bonds which during such period bear interest at a variable rate; provided that Bonds, the interest rate on which has been fixed for the remainder of the term thereof, shall no longer be Variable Rate Bonds.

"***Water Quality Authority***" shall mean the South Carolina Water Quality Revolving Fund Authority.

Section 2.03 Interpretations.

In this Bond Resolution, unless the context otherwise requires:

(A) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs of this Bond Resolution.

(B) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities, including public bodies, as well as natural persons.

(C) The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms used in this Bond Resolution, refer to this Bond Resolution or Sections or paragraphs of this Bond Resolution, and the term "hereafter" shall mean any date after the date of adoption of this Bond Resolution.

(D) Unless otherwise specified herein, all accounting terms used herein without definition shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with Accounting Principles. In the event of changes to Accounting Principles which become effective after the date of adoption of this Bond Resolution, the District may in good faith effect appropriate amendments to this Bond Resolution so as to perpetuate the meaning and effect of Accounting Principles as in effect on the date of adoption of this Bond Resolution.

(E) References to the payment of Principal Installments of Bonds shall be deemed to include payment of Principal Installments both at maturity and by mandatory redemption pursuant to any sinking fund payment obligations.

(F) Any Fiduciary shall be deemed to hold an Authorized Investment in which money is invested pursuant to the provisions of this Bond Resolution, even though such Authorized Investment is evidenced only by a book-entry or similar record of investment.

[End of Article II]

ARTICLE III - FISCAL YEAR

Section 3.01 Establishment and Modification of Fiscal Year.

The System shall continue to be operated on a Fiscal Year basis. The District may, by resolution duly adopted by the Commission, change the Fiscal Year at any time from that now existing to a different 12-month period. Upon any change to the Fiscal Year, the District shall provide the Trustee, if any, and the Bondholders if no Trustee has been appointed, with a copy of the resolution authorizing such change.

[End of Article III]

ARTICLE IV - THE BONDS

Section 4.01 Authorization for Bonds in Series.

(A) From time to time and for the purposes of:

(1) Obtaining funds for the acquiring, purchasing, constructing, improving, enlarging, and repairing of the System and improvements and additions thereto, including the reimbursement of funds already so expended;

(2) Providing funds for the payment of any Bond Anticipation Note or notes issued in order to defray the cost of expansions, additions and improvements to the System and that were issued in anticipation of the issuance and sale of Bonds;

(3) Refunding Bonds or other obligations issued to provide land or facilities or equipment which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System;

(4) Providing funds for the payment of interest due on any Bonds;

(5) Funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund to the amount equal to its Reserve Requirement, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to Section 7.05(E) hereof; and

(6) Paying the costs of issuance of Bonds, including any credit enhancement therefor;

but subject to the terms, limitations and conditions of this Bond Resolution, the Commission may authorize the issuance of a Series of Bonds by the adoption of a Series Resolution, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of this Article. Except as otherwise provided herein, the Bonds of each Series shall be issued in fully registered form, without coupons, and may be issued in the form of book-entry bonds. The Bonds shall, in addition to the title Metropolitan Sewer Subdistrict, South Carolina, Sewer System Revenue Bonds, bear a letter or number Series designation as may be necessary to distinguish them from the Bonds of every other Series and shall designate the year in which the Series is issued. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds, with or without mandatory sinking fund payments, or Capital Appreciation Bonds, or a combination of any of them, and may bear interest in whatever manner and payable at whatever frequency as shall be prescribed by the applicable Series Resolution.

(B) Each Series Resolution shall include a determination to the effect that the issuance of such Series of Bonds is necessary to provide funds to be used and expended for one or more of the purposes set out in Section 4.01(A) of this Bond Resolution. Each Series Resolution shall specify and determine:

(1) The then period of usefulness of the System;

(2) The Date of Issue of such Series of Bonds or the manner or method of determining the Date of Issue, and the officials authorized to make such determination;

(3) The maximum authorized principal amount of such Series of Bonds, and the manner or method of determining the precise principal amount and the officials authorized to make such determination;

(4) The Bond Payment Dates, the Record Dates, and the date or dates of maturity and the amounts thereof, for the Bonds in such Series or the manner of determining such dates and amounts and the officials authorized to make such determinations, provided that the Series Resolution shall specify a date beyond which the final maturity of such Series shall not extend, which date shall not be longer than 45 years from the Date of Issue of such Series of Bonds as prescribed by the Enabling Act;

(5) The purposes for which such Series of Bonds are being issued;

(6) The title and designation of the Bonds of such Series;

(7) The manner in which Bonds of such Series are to be sold and provisions for the sale thereof and the officials authorized to cause such sale or manner or method of making such determination and the official authorized to make such determination;

(8) The interest rate or rates, or the manner of determining such rate or rates, of the Bonds of such Series, including whether and on what terms there shall be entered by the District an agreement for any form of interest rate swap or similar transaction with respect to such Series, or manner or method of making such determination and the official authorized to make such determination;

(9) The portion of such Series that are Serial Bonds and that are Term Bonds and that are Capital Appreciation Bonds, if any, including the amount and date of each mandatory redemption or sinking fund installment, if any, required by such Series Resolution to be paid for the retirement of any such Bonds, or the manner or method of making such designations and determinations and the officials authorized to make such designations and determinations;

(10) The Redemption Price or Redemption Prices and the redemption date or redemption dates and other terms of redemption (if any) applicable to any of the Bonds of such Series for such payments, or the manner or method of determining such dates and prices and the officials authorized to make such determinations;

(11) The Trustee or Custodian for such Series or the method of appointing the Trustee or Custodian and officials authorized to make such determination;

(12) the Paying Agent, and the Registrar for such Series of Bonds and if other than the Trustee, or the manner of determining the Paying Agent, the Registrar and the escrow agent, if such Bonds are refunding Bonds, and the officials authorized to make such determinations;

(13) The form or forms of the Bonds of such Series, and the officials authorized to make any revisions thereto upon the advice of Bond Counsel;

(14) The manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

(15) Whether the Bonds of such Series shall be issued in book-entry form pursuant to Section 4.20 hereof;

(16) That the then applicable Reserve Requirement, if any, for all Series of Bonds Outstanding have been met;

(17) The Reserve Requirement, if any, for the Series of Bonds authorized thereby, or method for determining the same and the officials authorized to make such determination.

(18) The disposition or application of the proceeds of the sale of the Bonds of such Series and the manner of their application;

(19) That a Debt Service Account (within the Debt Service Fund) shall be, and a Debt Service Reserve Fund may be, established for the Series of Bonds, and that a Construction Fund be established if the proceeds of the Bonds of any Series are intended to be used for the expansion or improvement of the System, and that a capitalized interest account and/or a cost of issuance account be established as a standalone account or within any such Construction Fund if interest for any period is to be paid from proceeds of such Series of Bonds;

(20) An estimate of the cost of the purchasing, constructing, improving, enlarging, or repairing of the System, or any combination thereof, to be undertaken in connection with the proceeds of the Bonds of such Series; and

(21) Any other provisions or funds deemed advisable by the District for the Bonds and any other applicable redemption requirement for the Bonds of such Series and the method of satisfying the same and not in conflict with or in substitution for the provisions of this Bond Resolution.

Section 4.02 Conditions to Issuance of Bonds of a Series.

All Bonds shall be issued in compliance with the following provisions of this Section 4.02 and in compliance with any further conditions set forth in any Series Resolution with respect to any Bonds then Outstanding:

(1) Bonds shall be stated to mature annually and/or have mandatory or sinking fund redemptions on such day or days in the years and amounts prescribed or determined in the manner approved by the Series Resolution.

(2) Bonds shall bear interest at the rate or rates and be payable on the occasions, prescribed or determined in the manner approved by the Series Resolution.

(3) Bonds shall be issued for a purpose or purposes set forth in Section 4.01(A) herein.

(4) There shall exist, on the occasion of the issuance of the Bonds, no default in the payment of the Principal Installments of or interest on any Bonds or any Junior Lien Bonds then Outstanding.

(5) The District shall obtain an opinion of Bond Counsel to the effect that upon issuance of such Series of Bonds (a) this Bond Resolution and the Series Resolution have been duly and lawfully adopted and are in full force and effect; (b) the Bonds have been duly and lawfully authorized, executed, and issued by the District and are valid and binding upon, and enforceable against the District (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (c) with respect to such Bonds, this Bond Resolution creates the valid pledge of the Net Revenues subject to the application thereof to the purposes and on the conditions permitted by this Bond Resolution.

(6) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund such amounts as may be necessary to make the value of the moneys and securities in such Debt Service Reserve Fund equal to the Reserve Requirement Reserve Requirement applicable to the Series of Bonds for which such Debt Service Reserve Fund was created, unless:

(a) the Series Resolution and any previous Series Resolutions shall have provided for successive monthly payments beginning in the first month following the date of the issuance of the Bonds of any such Series in substantially equal monthly amounts (the "***Monthly Series Payments***") so that within ten years from the date of issuance of such Series of Bonds, or such shorter period of time as set forth in the Series Resolution, there shall be in the applicable Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement with respect to such Bonds; and

(b) there shall be no unremedied defaults of any Monthly Series Payments required to have been made.

(7) Except in the case of the initial Series of Bonds issued under this Bond Resolution, except in the case no Bonds are Outstanding, and except in the case of a Series or a portion of a Series of Bonds issued for the purpose of refunding any Bonds and which Series or portion meets the test prescribed in Section 4.02(8) hereof, and in any event subject to the provisions of Section 4.02(9) hereof:

(a) Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall not be less than 120% of the maximum Annual Principal and Interest Requirements on all Bonds Outstanding and on such proposed Series of Bonds, with such calculation to be made by an Authorized Officer upon the basis of a report of the Accountants showing Net Earnings for the Fiscal Year preceding the Fiscal Year in which the proposed Series of Bonds are to be issued; or

(b) for each of the three Fiscal Years following the later of the date of delivery of the proposed Series of Bonds, or the period (if any) for which interest is funded from the proceeds of such Bonds, Net Earnings, as has been forecasted by an Authorized Officer, taking into account such circumstances and factors as he finds appropriate including, without limitation, rate adjustments, or acquisitions or improvements to expand the System, will not be less than 120% of the maximum Annual Principal and Interest Requirements on all Bonds Outstanding and on such proposed Series of Bonds.

In the event that a Series of Bonds is Outstanding and the Commission determines to issue a Bond Anticipation Note or other obligation in anticipation of the issuance of a Series of Bonds, for the purposes of complying with the additional bonds test established in this Section 4.02(7), the Authorized Officer shall project the maturity schedule (including rate, term and principal maturities) of the future Series of Bonds that will be used to pay the Bond Anticipation Note or other obligation at maturity; such future Series of Bonds and the accompanying projections shall qualify as a proposed Series of Bonds for purposes of the additional bonds test in this Section 4.02(7).

The Authorized Officer making the calculations described in this Section 4.02(7) may, but is not required to, rely on a report, calculation or projection of the Accountants or Independent Consultants.

Whenever this Section 4.02(7) requires a calculation based on the most recent Fiscal Year for which audited financial statements are available, the Commission may, in its discretion, provide for a special audit and based upon such special audit, in lieu of the audit for such Fiscal Year, provided such special audit covers twelve consecutive calendar months of the eighteen full consecutive calendar months preceding the date of issuance of the proposed Series of Bonds.

(8) In lieu of compliance with Section 4.02(7) hereof, in the case of a Series or a portion of a Series of Bonds issued for the purpose of refunding any Bonds, Series of Bonds, or a portion of a Series of Bonds:

(a) the Annual Principal and Interest Requirement of the refunding Bonds shall not exceed 110% of the Annual Principal and Interest Requirement of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds issued prior to the issuance of such refunding Bonds which are not refunded and which remain Outstanding following the issuance of the refunding Bonds;

(b) the additional bonds test prescribed by Section 4.02(6) hereof shall be complied with; or

(c) an overall net present value savings results from the issuance of the refunding Bonds.

(9) If any Series of Bonds shall contain Variable Rate Bonds:

(a) The Series Resolution shall provide for and specify a maximum interest rate on (i) such Bonds and (ii) any reimbursement obligation to a liquidity provider for such Bonds; and

(b) The liquidity provider for such Bonds shall be rated within the highest two short term rating categories by any Credit Rating Agency then rating any Series of Bonds.

(c) Any accelerated principal payments or any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if the tests referred to in Sections 4.02(7) and 4.02(8) of this Bond Resolution are calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

(10) All amounts then due under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(D) hereof shall have been paid.

Section 4.03 Reliance Upon Certificates.

The District, any Custodian or Trustee, and any purchaser of any Bonds shall be entitled to conclusively rely upon reports of Accountants and the certificates and reports of the

Independent Consultant and certificates of any Insurance Consultant, made in good faith, pursuant to any provision of this Bond Resolution.

Section 4.04 Execution of Bonds.

(A) Unless otherwise prescribed by any Series Resolution, the Bonds shall be executed in the name of and on behalf of the District by the Chairman, the corporate seal of the District shall be impressed or reproduced thereon and the same shall be attested by the Secretary. Such officers may employ facsimiles of their signatures.

(B) In case any officer whose signature or facsimile signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office.

Section 4.05 Authentication.

Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed by the Registrar shall be entitled to any right or benefit under this Bond Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such executed certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Bond Resolution. The Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by any authorized signatory of the Registrar.

Section 4.06 Medium of Payment.

The Bonds shall be payable with respect to Principal Installments of, interest on, and premium, if any, in lawful money of the United States of America, unless otherwise provided in a Series Resolution.

Section 4.07 Mutilated, Lost, Stolen or Destroyed Bonds.

In the event any Bond is mutilated, lost, stolen or destroyed, the District may execute and the Registrar may authenticate a new Bond of the same Series of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the District and to the Registrar evidence of such loss, theft or destruction satisfactory to the District and the Registrar together with indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the District may pay the same. The District and the Registrar may charge the Holder or owner of such Bond with their reasonable fees and expenses (including reasonable attorney's fees, costs and expenses) in connection with such actions.

Section 4.08 Transfer and Registry; Persons Treated as Owners.

(A) As long as any Bonds shall be Outstanding, the District shall cause books for the registration and for the transfer of Bonds to be kept. Such books shall be kept by the Registrar. The transfer of each Bond may be registered only upon the registration books of the District kept for that purpose by the Holder thereof in person or by his duly authorized attorney upon surrender thereof and an assignment with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or his duly authorized attorney. Upon the registration or transfer of any Bond, the District shall cause to be issued, subject to the provisions of Section 4.11 hereof, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

(B) Any of the District, the Trustee, any Registrar, and any Paying Agent may deem and treat the person in whose name any Bond shall be registered upon the registration books of the District as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the Principal Installments of, premium (if any) and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; and none of the District, the Trustee, any Registrar, or the Paying Agent shall be affected by any notice to the contrary.

(C) Notwithstanding anything in paragraphs (A) and (B) of this Section 4.08 to the contrary, Bonds may be issued in the form of contractual obligations which are not instruments and which may be transferred as provided in such contracts.

Section 4.09 Date and Payment Provisions.

Unless otherwise provided in any Series Resolution with respect to Bonds issued thereunder, each Bond of a Series shall be authenticated on such dates as they shall, in each case, be delivered. Each Bond shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Bond's authentication.

Owners of at least $1,000,000 principal amount of a Series of Bonds may, by written notice containing wiring instructions filed with the Trustee or Registrar, as the case may be, at least 20 days prior to any Bond Payment Date, provide for the payment of the interest on such Bonds by wire transfer to an account at a bank located in the continental United States.

Section 4.10 Transferability of Bonds.

Bonds of a Series, upon surrender thereof at the office of the Registrar for the Bonds of such Series with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder and upon payment by such Holder of any charges made pursuant to Section 4.11 hereof, be exchanged for an equal aggregate principal amount of Bonds of such Series of like maturity and interest rate of any other authorized denominations.

Section 4.11 Regulations with Respect to Exchanges and Transfer.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the District shall execute and the Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Bond Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Registrar to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Resolution. There shall be no charge to the Holder for such exchange or transfer of Bonds except that the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Registrar shall be required to register, transfer or exchange Bonds of a Series during the period between a Record Date and its related Bond Payment Date, or to register, transfer or exchange any Bonds called for redemption after the mailing of any notice of redemption of such Bond.

Section 4.12 Cancellation and Destruction of Mutilated, Paid or Surrendered Bonds.

Upon the surrender of mutilated Bonds pursuant to Section 4.07 hereof, or Bonds paid or surrendered, the same shall be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate evidencing such destruction shall be furnished by the Trustee or the Registrar, as the case may, be, to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Resolution.

Section 4.13 Notice of Redemption.

If any of the Bonds, or portions thereof, are called for redemption, the Registrar, shall give notice to the Holders of any Bonds to be redeemed, in the name of the District, of the redemption of such Bonds, or portions thereof. Notice of each redemption of Bonds is required to be mailed by the Registrar by first class mail, postage prepaid, at least thirty but no more than sixty days prior to the redemption date to each of the Bondholders to be redeemed, at the address of such owner recorded on the bond register and to be otherwise given in accordance with, among others, the following requirements:

(1) Notices must contain, at a minimum, the complete official name of the Bonds, CUSIP numbers, if any, Bond numbers, principal amount of each Bond to be redeemed (if less than all), publication date, redemption date, Redemption Price,

redemption agent's name and address with contact person and phone number, Registrar's name and address, date of the Bonds, interest rate, maturity date, the place or places where amounts due will be payable, and any other descriptive information deemed necessary by the Registrar;

(2) Except in the case of a Bond held by a single Holder, in which case notice need only be provided as stated in the first paragraph to this Section 4.13, to the Municipal Securities Rulemaking Board, if necessary (via its Electronic Municipal Market Access (EMMA) system, or its successor, as may be amended or modified), and any Securities Depository (if such Bonds are registered in the name of a Securities Depository or the nominee of such Securities Depository) by such method or such other method as is standard in the industry; in addition, any Bondholder holding in excess of $1,000,000 principal amount of Bonds may request the Registrar to send notices to any additional addressee specified;

(3) A second notice to Holders of the Bonds must be mailed by the means specified above to any Bondholders who has not presented Bonds for redemption sixty days after the redemption date;

(4) Notice of redemptions effected by advance refundings must also be given in accordance with the above requirements at least thirty days but no more than sixty days prior to the actual redemption date; and

(5) CUSIP number identification, if any, with appropriate dollar amounts for each CUSIP number must accompany all redemption payments and interest payments, whether by check or by wire transfer.

The obligation to provide notice shall not be conditioned upon the prior payment to the Paying Agent of money or the delivery to the Paying Agent of Authorized Investments or Government Obligations sufficient to pay the Redemption Price of the Bonds to which such notice relates or the interest thereon to the redemption date.

If at the time of mailing of a notice of redemption, there shall not have been deposited with the Paying Agent moneys sufficient to redeem all the Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds for which notice is properly given. Any Bondholder may waive notice of redemption by delivery of a written waiver to the Registrar.

Any Series Resolution providing for the issuance of Bonds consisting of contractual obligations not in the form of an instrument or providing for Bonds in bearer form may provide alternative methods for delivery of notice of redemption.

Provided sufficient funds for such redemption are on deposit with the Paying Agent, all Bonds so called for redemption shall cease to bear interest on the specified redemption date and shall no longer be deemed to be Outstanding hereunder. If said money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 4.14 Cancellation of Bonds Which Have Been Redeemed.

All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Registrar to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Resolution.

Section 4.15 Restriction on Optional Redemption.

Notwithstanding anything in this Bond Resolution to the contrary, no optional redemption of Bonds may occur unless all amounts payable by the District owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(D) hereof shall have been paid in full.

Section 4.16 Selection of Bonds to be Redeemed.

In the event that less than all of the Bonds of any Series are to be redeemed at the option of the District, Bonds to be redeemed shall be in such order of maturity as selected by the District. In the event of redemption of less than all of the Bonds of a Series of any maturity, the Bonds or portions of Bonds to be redeemed, shall be selected by lot by the Trustee. The portion of any Bond of a denomination which is larger than the minimum denomination for the Bonds of such Series shall be in the principal amount of such minimum denomination or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of the minimum denomination; provided further that, if less than all of the beneficial interests in a Bond of a single maturity registered in the name of a Securities Depository or a Securities Depository Nominee are to be redeemed, the beneficial interests to be redeemed shall be selected by lot or in such manner as may be directed by the Securities Depository. If there shall be drawn for redemption less than all of a Bond, the District shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of the same Series in any authorized denomination. The procedures for selection of Bonds of a Series for redemption set forth in this Section 4.16 are subject, however, to any alternative provisions set forth in a Series Resolution applicable to such Series of Bonds.

Section 4.17 Purchase of Bonds.

The District may, or the Trustee for a Series of Bonds at the written direction of the District shall, if and to the extent practicable, purchase Bonds at such time, in such manner and at such price as may be specified by the District. The Trustee may so purchase Bonds with any money then held by the Trustee which is available for the redemption or purchase of Bonds and in excess of that set aside for the payment of Bonds called for redemption; provided, that the Trustee is provided with an opinion of Bond Counsel to the effect that such redemption or purchase complies with any limitations or restrictions on such redemption or purchase contained in this Bond Resolution.

Section 4.18 Bonds Issued as Taxable Obligations.

Notwithstanding anything in this Bond Resolution to the contrary, the District may from time to time, pursuant to one or more Series Resolutions, provide for the issuance of Bonds the interest on which may be includable in gross income of the Holders of such Bonds for federal income taxation purposes. In such event, such Bonds may, at the option of the District, be issued as coupon bonds, payable to bearer, as provided in the applicable Series Resolution. Such Series Resolution shall provide such rules and regulations with respect to the ownership, transfer and substitution of such Bonds as are not inconsistent with the other provisions of this Bond Resolution.

Section 4.19 Security for Payment of Bonds; Priority of Lien.

The Bonds, together with the interest thereon, shall be payable solely from and secured equally and ratably by a pledge of and a lien upon the Net Revenues. Such pledge and lien securing the Bonds shall at all times and in all respects be and remain superior to pledges and liens made and given to secure any other bonds or other obligations payable from the revenues of the System. The Bonds shall not constitute an indebtedness of the District within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license, and the faith, credit and taxing power of the District are expressly not pledged therefor. The District is not obligated to pay any of the Bonds or the interest thereon except from the Net Revenues.

To further secure the Bonds, there is hereby granted to the Holders of Bonds Outstanding from time to time, a statutory lien on the System until payment in full of such Bonds as may be Outstanding from time to time. Such lien shall extend to the entirety of the System as currently constituted and as expanded from time to time unless otherwise provided in the Series Resolution authorizing a Series of Bonds for a specific improvement to or expansion of the System. The Trustee, if one has been appointed, or if no Trustee has been appointed, any Bondholder, may, either at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce such statutory lien and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officials of the District, including the fixing of sufficient rates, the collection of Gross Revenues, the proper segregation of the Gross Revenues of the System

and the proper application thereof. But such statutory lien shall not be construed to give the Trustee or any such Bondholder authority to compel the sale of the System or any part thereof.

Section 4.20 Bonds in Book-Entry Form.

Notwithstanding any other provision of this Bond Resolution with respect to the form of Bonds to the contrary, a Series Resolution may provide for the issuance of one or more Series of Bonds solely in fully registered form registerable to a Securities Depository, a Securities Depository Nominee or the beneficial owner of the Bonds. A Series Resolution may further provide that such Series of Bonds shall be evidenced by one or more certificates or by a system of book entries in a form satisfactory to an Authorized Officer and to provide for payment, redemption, notices and like provisions in a manner consistent with such system of registration.

Section 4.21 Waiver of Certain Provisions.

Notwithstanding anything in this Bond Resolution to the contrary, whenever all of the debt issued or all of the obligations incurred by the District under a Series Resolution are acquired by and are held by a single entity, that single entity, at its sole option, may waive any provision or requirement of this Bond Resolution that relates separately to the governance of such Series and is for the protection and benefit of such single entity only and not for the protection or benefit of any other Holder or Holders of Bonds; provided that if such Series of Bonds is insured by an Insurer, then any such waiver shall require the prior written approval of such Insurer.

Section 4.22 Bonds Not in the Form of an Instrument.

In the event that the District issues any Series of Bonds which are contractual obligations not in the form of an instrument, the provisions regarding redemption or prepayment of such Bonds, notices to Bondholders and transfers of such Bonds contained herein may be altered or supplemented by the provisions of the Series Resolution pursuant to which such Bonds are issued or the contract pursuant to which such obligations are created.

[End of Article IV]

ARTICLE V - RATES AND CHARGES

Section 5.01 Rate Covenant.

(A) It is hereby determined that the rates for services and facilities furnished by the System shall, until otherwise revised, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of this Bond Resolution but they shall be revised whenever necessary in order that they shall at all times be maintained on a basis sufficient to meet the requirements of this Bond Resolution. The District specifically covenants and agrees to maintain rates and charges for all services furnished by the System which shall at all times be sufficient:

(1) To provide for the payment of the Operation and Maintenance Expenses as may be necessary to preserve the same in good repair and working order;

(2) To provide for the punctual payment of the Principal Installments of and interest on all Bonds that may from time to time hereafter be Outstanding, and to that end, to maintain the Debt Service Fund and the Debt Service Fund Accounts and thus provide for the punctual payment of the Principal Installments of and interest on the Bonds;

(3) To maintain the Debt Service Reserve Funds in the manner prescribed herein and in any applicable Series Resolution;

(4) To pay all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy, or letter of credit as contemplated under Section 7.05(D) hereof;

(5) To provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding;

(6) To build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order; and

(7) To discharge all obligations imposed by the Enabling Act and by this Bond Resolution and any applicable Series Resolution.

(B) the District covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual Net Earnings in the current Fiscal Year equal to at least the sum of (i) 120% of the Annual Principal and Interest Requirements for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) 100% of the amount necessary to make payment of any amounts owing in such Fiscal Year under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(D) hereof, plus (iii) 100% of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts which the District

has entered into in order to provide sewer services to the areas included within its service area, due in such Fiscal Year, plus (iv) 100% of any required payment into a Debt Service Reserve Fund due in such Fiscal Year; and, promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the District shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and the amount to be deposited during such Fiscal Year in the Depreciation Fund and Contingent Fund. The District may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

(C) If the Commission, in adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant established hereinabove or if the audited financial statements of the District indicate that the District did not satisfy the rate covenant for the prior year, the District shall, within forty-five days, engage an Independent Consultant to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the District to meet the rate covenant. Copies of such report shall be made available to the District and the Trustee, if any, no later than sixty days after the engagement of the Independent Consultant.

The District agrees that it shall use its best efforts to effect such changes recommended by the Independent Consultant in its report. So long as the District uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under Article XIII hereof; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

[End of Article V]

ARTICLE VI - JUNIOR LIEN BONDS AND SPECIAL FACILITIES BONDS

Section 6.01 Right to Issue Junior Lien Bonds; Accession Thereof to Status of Bonds.

Notwithstanding that Bonds may be Outstanding, subject to compliance with the conditions and limitation expressly set forth herein and in any Series Resolution, the District may at any time, and without further limitation and free of all conditions, issue Junior Lien Bonds for any corporate purpose of the District, in such amount as it may from time to time determine, payable from the revenues of the System, provided that the pledge of and lien upon the Net Revenues of the System granted for the protection of said Junior Lien Bonds, shall at all times be and remain subordinate and inferior in all respects to the pledge of and lien upon the Net Revenues made or authorized for the Bonds and to the payment of all Operation and Maintenance Expenses; and provided, further, that the maturity of Junior Lien Bonds may not be accelerated and paid in full unless all of the Bonds shall have been paid or provision therefor has been made pursuant to Article XVI hereof.

By proceedings authorizing the issuance of Junior Lien Bonds, the District may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the following conditions are met. Any such subsequent proceedings adopted by the Commission providing for such accession shall make the findings provided in subparagraphs (l) through (4) and state whether and to what extent shall be established as set forth in subparagraph (5).

(1) The Junior Lien Bonds were issued for a purpose or purposes set forth in Section 4.01(A) hereof.

(2) There shall exist on the date of accession (a) no default in the payment of the Principal Installments of or interest on any Bonds Outstanding or any Junior Lien Bonds then outstanding, (b) no default in the performance of any duties required under the provisions of this Bond Resolution, and (c) no amount owed by the District with respect to the full funding of a Debt Service Reserve Fund, either by way of cash or reimbursement of any other funding mechanism, except in accordance with Section 4.02(6)(a) hereof.

(3) There shall be deposited in the Debt Service Fund Account for such Series of newly-acceded Bonds the amounts which would have been required under the provisions of Section 8.03 hereof to be accumulated therein on the date of accession if said Junior Lien Bonds had originally been issued as Bonds.

(4) On the date of accession, an earnings test prescribed by Section 4.02(7) hereof shall have been met.

(5) In the event such proceedings require a Reserve Requirement to be maintained for such Series of newly-acceded Bonds, then in such event, there shall be on deposit on the date of accession in a Debt Service Reserve Fund an amount equal to the Reserve Requirement established for such Junior Lien Bonds which are being acceded to the status of Bonds.

(6) The District shall obtain an opinion of Bond Counsel to the effect that: (a) this Bond Resolution and the proceedings authorizing such Junior Lien Bonds have been

duly adopted and are in full force and effect; (b) the Junior Lien Bonds have been duly and lawfully authorized and executed by the District and are valid and binding upon, and enforceable against, the District (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (c) this Bond Resolution creates the valid pledge which it purports to create of the revenues and of moneys and securities on deposit in any of the funds established hereunder subject to the application thereof to the purposes and on the conditions permitted by this Bond Resolution.

(7) In the event such Junior Lien Bonds were issued with variable rates, the provisions of Section 4.02(9) shall have been met.

Section 6.02 Right to Issue Special Facilities Bonds.

The District shall have at all times the right to enter into contracts, leases or other agreements pursuant to which it will agree to construct, operate and pay the costs of Special Facilities to be financed by its issuance of Special Facilities Bonds, subject to the following conditions:

(A) It shall have been determined to the satisfaction of the Commission that the rents, revenues or receipts to be derived from the Special Facilities shall be at least equal to the principal, interest and any reserve requirements contained in the resolution authorizing such Special Facilities Bonds and to pay all operation, maintenance and other costs and expenses applicable to such Special Facilities; and

(B) The revenues derived from Special Facilities need not be deposited in the Gross Revenue Fund and may be pledged to secure Special Facilities Bonds; but no debt service or other costs or expense related to any Special Facilities may be paid from System revenues deposited in the Gross Revenue Fund except pursuant to Section 8.08 hereof.

(C) The Commission shall have determined that the issuance of the Special Facilities Bonds and the application of revenues from the Special Facilities to the payment thereof shall not have a detrimental effect on the System or the Bondholders.

For purposes of this Section 6.02, the term "Special Facilities" shall include all or a portion of sewer facilities (or those enterprises, if any, referred to in Section 11.02 hereof) and rights to all or a portion of the use of, or the capacity available from, any such facilities.

Section 6.03 Lease Financing Agreements.

The District shall have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System; provided, however, that (i) (a) such capital lease or other lease financing agreement shall be payable solely from amounts available for such purpose in the Operations and Maintenance Fund and the aggregate principal amount of all such leases or other financing agreements outstanding at any time shall not exceed 10% of the value of the System, less accumulated depreciation, as shown on the audited financial statements of the District for the most recent Fiscal Year for which audited financial statements are available, and (b) the loss of the property secured by the lien will not materially adversely affect the ability of the District to meet its financial obligations under this Bond Resolution; or (ii) the capital lease or other financing agreement constitutes Bonds, Junior Lien Bonds, or Special Facilities Bonds and is entered into pursuant to an in accordance with the provisions of this Bond Resolution.

[End of Article VI]

ARTICLE VII - ESTABLISHMENT OF FUNDS

Section 7.01 Requirement for Special Funds.

For so long a time as any sum remains due and payable by way of Principal Installments or interest on Bonds, the following funds or accounts relating to the Gross Revenues of the System shall be established and maintained, and deposits shall be made therein in the manner herein required.

Section 7.02 The Gross Revenue Fund.

(A) There shall be established and maintained a fund or account designated as the Gross Revenue Fund held and administered by the District. This account shall be so maintained as to accurately reflect:

(1) Gross Revenues of the System; and

(2) Net Earnings.

(B) Except as otherwise specifically directed or permitted herein, all Gross Revenues of the System shall be deposited in accordance with and in the manner prescribed by Article VIII hereof into the Gross Revenue Fund. Money in the Gross Revenue Fund shall be withdrawn and made use of only in the manner and in the order of priority specified in Article VIII hereof. So long as the District establishes, under Accounting Principles, proper records of receipts and disbursements from the Gross Revenue Fund, the Gross Revenue Fund may be used for the purposes of the Operation and Maintenance Fund, the Depreciation Fund, and Contingent Fund, subject to the prior applications of the amounts in the Gross Revenue Fund for the purposes set forth in Sections 7.04 and 7.05 hereof.

Section 7.03 The Operation and Maintenance Fund.

(A) There shall be established and maintained an Operation and Maintenance Fund held and administered by the District. The Operation and Maintenance Fund is intended to provide for the payment of the Operation and Maintenance Expenses.

(B) Withdrawals from the Operation and Maintenance Fund shall be made by or on the order of an Authorized Officer in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 7.04 The Debt Service Fund.

(A) There shall be established and maintained a Debt Service Fund held by the Trustee or Custodian, as applicable. Within the Debt Service Fund there shall be established a Debt Service Fund Account for each Series of Bonds Outstanding. Each Debt Service Fund Account is intended to provide for the ratable payment of the Principal Installments of, redemption premium, if any, and interest on the applicable Series of Bonds as the same respectively fall due.

Payments into the Debt Service Fund shall be made in the manner prescribed by this Bond Resolution, including the applicable provisions of Article VIII of this Bond Resolution, and, except as herein provided, all money in the applicable Debt Service Fund Accounts shall be used solely to pay the Principal Installments of, redemption premium, if any, and interest on the applicable Series of Bonds, and for no other purpose. Each Debt Service Fund Account shall bear a number or alphanumeric Series designation as may be necessary to distinguish each Debt Service Fund Account. Within each Debt Service Account, the Trustee, if appointed, may, but is not required, to further create an interest account, principal account and bond redemption account with respect to each such Series of Bonds.

(B) The Debt Service Fund and each Debt Service Fund Account shall be kept in the complete custody and control of the Trustee, unless held by a Custodian, and withdrawals from each Debt Service Fund Account shall be made only by such Trustee who shall transmit to each Bondholder, or such Custodian who, at the direction of an Authorized Officer, shall transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the Principal Installments of, redemption premium, if any, and interest on the applicable Series of Bonds. Amounts held by the Trustee due to non-presentment of Bonds on any redemption date must be retained by the Trustee for a period of at least one year after the final maturity of such Bonds.

(C) Moneys in the Debt Service Fund shall be invested and reinvested by the Trustee or Custodian, as applicable, at the written direction of an Authorized Officer in Authorized Investments, maturing not later than the date on which such money is required to pay the Principal Installments of, premium, if any, and interest on the next occurring maturity of the Bonds. Neither the Trustee, nor any Custodian, shall have responsibility for the investment of money in the Debt Service Fund that is not held by the Trustee or Custodian, respectively. Unless otherwise provided in a Series Resolution, all earnings from such investments shall be added to and become a part of the Debt Service Fund Account in which such investments are held, but shall be credited against payments that would otherwise be made to such Debt Service Fund Account pursuant to the provisions of Section 8.03 hereof.

(D) There may be established in the applicable Debt Service Fund Accounts from time to time a Capitalized Interest Account to provide for the payment of interest on the Bonds of a particular Series. Any such account shall be created by the Series Resolution relating to the issuance of such Series of Bonds. Any earnings from the investment of funds in the capitalized interest account not required to pay interest on the Bonds of any Series during the period for which interest on the Bonds of such Series is capitalized shall be deposited in the Construction Fund created by the Series Resolution relating to such Bonds or, if such Construction Fund has been terminated or no such fund was created, such earnings shall be retained in the appropriate Debt Service Fund Account.

(E) All monies received by the Trustee or by the District as Interest Payment Subsidies shall be deposited in the Debt Service Fund Account for such Series of Bonds and used to pay debt service on the Series of Bonds with respect to which such Interest Payment Subsidy was received.

(F) Within each Debt Service Fund Account, the Trustee or Custodian, or as otherwise provided in the Series Resolution, is authorized to create sub-accounts, as it determines necessary for the timely payment of the principal of, interest on, and sinking fund installments due on the Bonds.

Section 7.05 The Debt Service Reserve Funds.

(A) Each Series Resolution may create a Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. Each such Debt Service Reserve Fund is intended to insure the timely payment of the Principal Installments of, and premium, if any, and interest on, that Series of Bonds, and to provide for the redemption of such Bonds prior to their stated maturities. Any Debt Service Reserve Fund shall be maintained in an amount equal to the Reserve Requirement established by the Series Resolution for such Series of Bonds. Unless otherwise provided in a Series Resolution, money in a Debt Service Reserve Fund shall be used for the following purposes, and for no other:

(1) To prevent a default in the payment of the Principal Installments of or interest on the applicable Series of Bonds, by reason of the fact that money in the applicable Debt Service Fund Account is insufficient for such purposes;

(2) To pay the Principal Installments of, interest on, and redemption premium, if any, of the applicable Series of Bonds in the event that all Outstanding Bonds of such Series are to be redeemed as a whole; or

(3) To effect partial redemption of the applicable Series of Bonds; but subject to the restrictions of Section 4.16 hereof and provided that subsequent to said partial redemption, the market value of the cash and securities in such Debt Service Reserve Fund shall be not less than the Reserve Requirement therefor.

Notwithstanding the provisions of Section 7.05(A)(1-3) above and as permitted by the Code and Section 4.21 hereof, if the Debt Service Reserve Fund was funded with cash generated by the System, then, upon the written consent of the Holder of such Series of Bonds secured by such Debt Service Reserve Fund, the monies in such Debt Service Reserve Fund may be returned to the District prior to the final maturity of such Series. The requirements for and provisions governing any Debt Service Reserve Fund in the remainder of this Bond Resolution, in references to "the Debt Service Reserve Fund," "the Reserve Requirement," the "Debt Service Fund(s)" and "the Bonds", shall be deemed to refer to each such Debt Service Reserve Fund created by a Series Resolution, if any, and in each case to the Reserve Requirement for the applicable Series of Bonds, and to Bonds only of that applicable Series and not to any other Bonds.

(B) (1) Each Debt Service Reserve Fund shall be kept in the complete custody and control of the Trustee unless held by a Custodian, and withdrawals from each Debt Service Reserve Fund shall be made only by such Trustee who shall transmit to each Bondholder, or such Custodian who, at the direction of an Authorized Officer, shall transmit to each Bondholder the sums required to pay the Principal Installments of, redemption premium, if any, and interest on such Series of Bonds; or

(2) If a Series of Bonds is held by the Water Quality Authority, then the Debt Service Reserve Fund for such Series of Bonds may be kept in the custody and control of the Office of State Treasurer and invested in the South Carolina Local Government Investment Pool in Authorized Investments. Withdrawals therefrom shall be made only as directed by the Water Quality Authority at such times as may be required to pay the principal and interest on such Series of Bonds. Any withdrawal of the monies in a Debt Service Reserve Fund that exceeds the Reserve Requirement shall be transferred in accordance with the provisions of Section 7.05(C) hereof.

(C) Except as provided in Section 7.05(B)(2) of this Bond Resolution, money in a Debt Service Reserve Fund shall be invested and reinvested by the Trustee, if any, or otherwise the Custodian, at the written direction of an Authorized Officer in Authorized Investments. Subject to the remaining provisions of this paragraph (C), the earnings from such investments in a particular Debt Service Reserve Fund shall be added to and become a part of that Debt Service Reserve Fund. Except as provided in a Series Resolution, if as of any date of calculation, the value of the securities and money in any Debt Service Reserve Fund shall exceed its Reserve Requirement, such excess shall first be fully used to raise the level of any other Debt Service Reserve Funds that are then underfunded to their applicable Reserve Requirements, and then any remaining excess shall either be used to effect partial redemption of such Series of Bonds, or shall be removed from such Debt Service Reserve Fund and, either (i) transferred into the applicable Debt Service Fund Account, as directed in writing by the Authorized Officer, or (ii) transferred to the Gross Revenue Fund, as permitted by the provisions of the Code.

(D) In the event a Series Resolution requires a Debt Service Reserve Fund to be established for a Series of Bonds, unless otherwise required by such Series Resolution, the District, in lieu of the deposit of moneys into a Debt Service Reserve Fund, may alternatively satisfy the applicable Reserve Requirement by causing to be credited to such Debt Service Reserve Fund an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy equal to the Reserve Requirement therefor.

(E) In the event the amount on deposit in, or credited to, a Debt Service Reserve Fund, in addition to the amount available under a surety bond, line of credit, insurance policy, or letter of credit (the "***Original Funding Instrument***") also includes amounts available under another surety bond, line of credit, insurance policy, or letter of credit (the "***Additional Funding Instrument***"), draws on the Original Funding Instrument and the Additional Funding Instrument shall be made on a pro rata basis to fund any insufficiency in the Debt Service Fund Account. In the event a Debt Service Reserve Fund is funded with both monies and a surety bond, line of credit, insurance policy or letter of credit, (1) any withdrawals from such Debt Service Reserve Fund shall be made first from such monies (or the liquidation of investments made therewith) and second from such surety bond, line of credit, insurance policy or letter of credit, and (2) cash deposits to such Debt Service Reserve Fund shall be used first to restore the cash balance and second to reinstate the surety bond, line of credit, insurance policy, or letter of credit. The surety bond, line of credit, insurance policy, or letter of credit shall be payable (upon the giving of notice

as required thereunder) on any Bond Payment Date on which moneys will be required to be withdrawn from such Debt Service Reserve Fund and applied to the payment of the Principal Installments of or interest on the Outstanding Series of Bonds to which such surety bond, line of credit, insurance policy or letter of credit relates when such payments cannot be made by amounts otherwise credited to such Debt Service Reserve Fund.

Section 7.06 The Depreciation Fund.

(A) There shall be established and maintained a Depreciation Fund held and administered by the District. This fund shall be maintained in an amount to be established not less frequently than annually by the District in order to provide a reasonable reserve for depreciation of the System.

(B) Money in this fund shall be used solely for the purpose of restoring depreciated or obsolete items of the System.

(C) Withdrawals from this fund shall be made by or on order of an Authorized Officer.

Section 7.07 The Contingent Fund.

(A) There shall be established and maintained a Contingent Fund held and administered by the District. This fund shall be maintained in an amount to be established not less frequently than annually by the District in order to provide a reasonable reserve for contingencies and for improvements, betterments and extensions of the System.

(B) Money in this fund shall be used solely:

(1) For improvements, betterments and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order;

(2) To defray the cost of unforeseen contingencies and extraordinary repairs to the System;

(3) To prevent defaults of Bonds and Junior Lien Bonds; and

(4) For optional redemption of Bonds or Junior Lien Bonds.

(C) Withdrawals from this fund shall be made by or on order of an Authorized Officer.

Section 7.08 Rate Stabilization Fund.

The Commission may establish a Rate Stabilization Fund, as needed, and, if created, shall administer such fund under the provisions of this Bond Resolution and State law.

Section 7.09 Establishment of Construction Funds.

There shall be established with the Trustee or Custodian a Construction Fund with respect to each Series of Bonds issued to finance acquisition of, additions or improvements to, or equipment for the System in the Series Resolution providing for the issuance of such Series of Bonds, the moneys in which shall be used to defray the costs of and to pay any costs incurred or to be incurred with respect to the project so financed and costs of issuance incurred in connection therewith. The District may, but shall not be required to establish a capitalized interest account and a cost of issuance account in any Construction Fund so created. On the occasion of the delivery of any such Series of Bonds, the proceeds therefrom shall be paid into the Construction Fund established for such Series as set forth in the Series Resolution authorizing their issue. Withdrawals from a Construction Fund and the accounts, if any, therein shall not be made except as provided in the Series Ordinance establishing such Construction Fund.

Section 7.10 Investments of Funds.

Whenever, in the opinion of the District, it becomes desirable to invest money in any of the funds established by this Article (other than the Debt Service Reserve Funds and the Debt Service Fund, and any capitalized interest account) the District for which provisions are made above), the District may make Authorized Investments. Earnings resulting from the investment of money in a particular fund shall be deposited into the Gross Revenue Fund (i) except as otherwise provided in Sections 7.03, 7.04 and 7.05 hereof, and (ii) unless the Commission shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Depreciation Fund and Contingent Fund, respectively, shall remain therein.

[End of Article VII]

ARTICLE VIII - DISPOSITION OF REVENUES

Section 8.01 Deposits to Gross Revenue Fund; Dispositions Therefrom.

The Gross Revenues of the System excluding that money the disposition of which is controlled by other provisions of this Bond Resolution, are declared to be a part of the Gross Revenue Fund and shall from time to time be promptly deposited in a Depository in an account which will reflect the fact that they are a part of the Gross Revenue Fund. If Bonds are Outstanding, the dispositions from the Gross Revenue Fund required by the remaining Sections of this Article shall be made on or before the last Business Day of each month following the delivery of the first Series of Bonds issued pursuant to this Bond Resolution and in the order of priority established by the sequence of the remaining Sections of this Article.

Section 8.02 Deposits to the Operation and Maintenance Fund.

There shall be deposited in the Operation and Maintenance Fund, either from the Gross Revenue Fund or the Rate Stabilization Fund, the amounts budgeted for Operation and Maintenance Expenses for the ensuing month and any amounts required for an operational reserve. Such transfer shall be made by or on the order of the District in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 8.03 Payments for Bonds.

Provision shall be made for the payment of the Principal Installments of, premium, if any, and interest on all Bonds then Outstanding without priority of any other Bonds but ratably as to each Series of Bonds. To that end:

(1) There shall be deposited into the Debt Service Fund and thereafter transferred into the applicable Debt Service Fund Account (and thereafter to the applicable interest sub-account, if any) the monthly fraction of the aggregate amount of interest to become due on the applicable Series of Bonds on the next ensuing Bond Payment Date, or with respect to any Series of Bonds for which Bond Payment Dates occur on a monthly basis, the full amount of the interest to become due on such Bond Payment Date; provided, however, that if provision has been made for the payment of all or part of the next installment of interest to become due on any Bonds, including if Interest Payment Subsidies are on deposit, pursuant to any other provision of this Bond Resolution, or any Series Resolution, or by reason of investment earnings or otherwise, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(2) There shall be deposited into the Debt Service Fund and thereafter transferred into the applicable Debt Service Fund Account (and thereafter to the applicable principal sub-account, if any) the monthly fraction of the Principal Installment of the applicable Series of Bonds becoming due and payable on the next ensuing principal maturity date (whether at stated maturity or by sinking fund installments), or with respect to any Series of Bonds for which principal is payable on a monthly basis, the full amount

of the principal to become due on the applicable principal maturity date, so that on each principal maturity date, the amount of principal to be paid shall have been accumulated and be on hand; provided, however, that if provision has been made for the payment of all or part of the next Principal Installment to become due on the applicable Series of Bonds, pursuant to any other provision of this Bond Resolution, or any Series Resolution, or by reason of investment earnings or otherwise, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(3) If, on the occasion when the deposits required by paragraphs (1) and (2) of this Section, are to be made, the sum total of the deposits required thereby plus previous monthly deposits and the remaining deposits to be made prior to the next succeeding principal and interest payment dates, will be less than the sum required to effect the payment of the next succeeding installment of either principal or interest, or both on the applicable Series of Bonds, as the case may be, a sum equal to such deficiency shall be added to the deposits so to be made.

Section 8.04 Deposits for the Debt Service Reserve Funds; Valuation.

Deposits shall next be made in the amounts required by this Section 8.04 or Section 4.02(6) into the applicable Debt Service Reserve Funds. Except as provided in Section 7.05(B)(2), the Trustee, or to the extent that a Custodian has been appointed with respect to any Series of Bonds, an Authorized Officer, shall calculate the Value of the cash and securities in each Debt Service Reserve Fund forty-five days prior to each Bond Payment Date in order to determine if each Debt Service Reserve Fund contains the Reserve Requirement therefor, and the extent to which payments therefor or withdrawals must be made therefrom, and the timing thereof, pursuant to this Bond Resolution and the applicable Series Resolutions. To the extent the Trustee or an Authorized Officer, as applicable, determines that a deficiency exists, but such deficiency is solely the result of accounting practices governing the valuation of securities in the Debt Service Reserve Fund, the Trustee or Authorized Officer, as applicable, may alternatively calculate the value of the securities in each Debt Service Reserve Fund as of the maturity date of such securities, so long as such securities mature on or prior to the Bond Payment Date. Unless a Debt Service Reserve Fund is being funded pursuant to Section 4.02(6)(a) of this Bond Resolution or then contains in cash and securities (or a surety bond, insurance policy, line of credit or letter of credit as herein described) an amount at least equal to its Reserve Requirement, unless otherwise provided in the Series Resolution, there shall be paid into such Debt Service Reserve Fund on the last Business Day of each of the 24 months following a determination of a deficiency in such Debt Service Reserve Fund 1/24th of the amount necessary to re-establish in such Debt Service Reserve Fund its Reserve Requirement; provided, however, nothing herein shall preclude the District from fully re-establishing such Reserve Requirement in a more timely fashion than as so prescribed. Any surety bond, line of credit, insurance policy or letter of credit being used to meet the Reserve Requirement of a Debt Service Reserve Fund shall be valued at the amount still remaining to be drawn thereon; and in the event that any such surety bond, line of credit, insurance policy or letter of credit has been drawn upon, the amount necessary to restore the principal balance thereof shall be paid by the District in the same manner and on a parity with the payments described in this Section 8.04 or as provided in an insurance agreement or applicable Series Resolution.

For purpose of this Section and Section 7.05, "***Value***" shall mean, with respect to any investment, the value calculated as follows:

(1) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if published therein, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee, or if a Custodian has been appointed, by an Authorized Officer, in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) as to any investment not specified above, the value thereof established by prior agreement between the District and the Trustee.

Section 8.05 Reimbursement of Interest on Amounts Advanced by Credit Providers for the Debt Service Reserve Fund.

Provision shall then be made for payment of interest and any fees or penalties on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit as contemplated in Section 7.05(D) hereof.

Section 8.06 Payments for Junior Lien Bonds.

Provision shall then be made for the payment of any other indebtedness which is junior and subordinate to the Bonds in the order of priority contemplated by the proceedings authorizing their issuance.

Section 8.07 Deposits for the Depreciation Fund and Contingent Fund.

There shall be deposited into the Depreciation Fund and Contingent Fund that sum which is 1/12th of the sum which has been currently determined by the Commission to be the budgeted requirement therefor for the then current Fiscal Year.

Section 8.08 Use of Surplus Money.

All money remaining in the Gross Revenue Fund after making the payments required by Sections 8.02 to 8.07 hereof, shall be used for the maintenance or improvement, or payment of

debt payable from the revenues, of the System or for the payment of Special Facilities Bonds, as determined from time to time by the Commission.

The Commission may determine, at any time, to deposit any percentage or any set amount of surplus money under this Section 8.08 into the Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Fund may be used to make deposits into the Operation and Maintenance Fund required by Section 8.02 hereof. Amounts on deposit in the Rate Stabilization Fund may, at the option of the District Council, be withdrawn and used for any other required purpose of the System, but in such event, such withdrawal, if for a purpose other than the payments of Operation and Maintenance Expenses, shall be excluded from Net Earnings.

[End of Article VIII]

ARTICLE IX - AGREEMENT TO FURNISH INFORMATION WITH RESPECT TO THE DISTRICT

Section 9.01 Keeping Records.

The District recognizes that those who may from time to time hereafter be Bondholders will, throughout the life of the Bonds, require full information with respect to the System, the fiscal affairs of the District, and all matters incident to each. To that end the District hereby covenants and agrees that it will create and thereafter at all times maintain proper books of records and accounts, separate and distinct from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System, and all revenues and receipts derived therefrom, directly or indirectly. Such books and records shall be kept in such fashion as to reveal in detail:

(A) The number of customers who may from time to time make use of the System;

(B) The Gross Revenues of the System and the source from whence derived;

(C) All expenses incurred in the operation of the System suitably identified as to purpose;

(D) The Net Earnings of the System;

(E) All expenditures made from the several funds established by this Bond Resolution, and Series Resolutions authorizing the issuance of the Bonds; and

(F) The rate schedules that may from time to time be in force.

Section 9.02 Audit Required.

The District further covenants and agrees that so long as any Bonds are Outstanding, it will, not later than 210 days after the close of each Fiscal Year, cause to be made and completed by the Accountants, an audit of the records, books and accounts pertaining to the System, made in accordance with Accounting Principles, showing, among other things, Gross Revenues and Net Earnings; and that it will furnish a copy of such audit to the Trustee, if any. Such audit shall comment upon any violation of any provision of any resolution authorizing the issuance of any Bonds or Junior Lien Bonds and any violation of any provision of this Bond Resolution noted by the Accountants, and such other matters as to them seem pertinent. The cost of such audit shall be treated as an Operation and Maintenance Expense. Any audits made available to the District shall not otherwise be restricted as to their subsequent dissemination to any party. Any copies so furnished need not be certified. Pursuant to the Enabling Act, the District will make available, upon request, for inspection during regular business hours an unaudited balance sheet and income statement and other information required thereby within three months of the close of the Fiscal Year.

[End of Article IX]

ARTICLE X - INSURANCE

Section 10.01 Requirement of Insurance.

The District covenants and agrees that so long as any Bonds are Outstanding:

(A) To the extent insurance coverage is available, that it will insure and at all times keep the System insured against physical loss or damage with a responsible insurance company or companies, authorized and qualified under the laws of the State, to assume the risks insured against, in such amount as private corporations engaged in similar endeavors would customarily insure for;

(B) That it will secure adequate fidelity bonds (blanket or individual) of a surety company doing business in the State, indemnifying the District against defalcation of all persons handling money derived from the System or signing checks on any bank accounts relating to the System, other than the Trustee or any Registrar;

(C) That all premiums on all bonds or insurance policies shall be deemed an Operation and Maintenance Expense and paid out of Gross Revenues of the System;

(D) That all insurance policies shall be open to the inspection of any Bondholder at any reasonable time;

(E) That all money received by the District as a consequence of any defalcation, covered by any fidelity bond, shall be used to restore the fund depleted by the defalcation. All sums received by the District from insurance policies covering the System may, to the extent necessary, be applied to the repair and replacement of the damaged or destroyed property, but, in the event that such money is not used for such purposes, then the same shall be deposited in the Depreciation Fund or Contingent Fund; and

(F) That it will comply with the requirements of State law regarding the mandatory purchase of liability insurance contained in Section 15-78-140(b) of the Code of Laws.

(G) Insurance required by this Section 10.01 may be provided through the South Carolina Insurance Reserve Fund. The District may obtain or adopt alternative risk management programs which an Insurance Consultant determines to be reasonable, including, without limitation, self-insurance in whole or in part individually or in connection with other institutions, participation in programs of captive insurance companies; participation with other governmental entities in mutual or other cooperative insurance or other risk management programs, participation in state or federal insurance programs, taking advantage of state or federal laws now or hereafter in existence limiting liability, or establishing or participating in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the District. If the District shall be self-insured for any coverage, the District shall obtain a report of an Insurance Consultant stating whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

Any self-insurance program shall be subject to annual review by the Insurance Consultant who shall provide a written report to the District which shall include recommendations relating to such self-insurance program. The District shall provide to the Trustee, if any, annual certification evidencing compliance with the Insurance Consultant's recommendations. The Trustee, if any, has no duty or obligation to make any determination as to the sufficiency of the insurance required to be maintained hereunder.

[End of Article X]

ARTICLE XI - ADDITIONAL COVENANTS

Section 11.01 Additional Covenants to Secure Bonds.

The District further covenants and agrees:

(A) That neither the System, nor any part thereof, nor any of the revenues derived from the System, have been or will be hypothecated, mortgaged, otherwise pledged or encumbered, save and except in accordance with the provisions hereof;

(B) That it will permit no free service to be rendered, or use to be made of the services and facilities of the System, and for the services and facilities of the System used by the District, the reasonable cost and value of such services and facilities shall be paid as such services accrue. The revenue so received from the District shall be deemed revenue derived from the operation of the System, and shall be accounted for in the same manner as other revenues of the System;

(C) That, to the extent lawful, it will not permit competing systems to operate within its boundaries;

(D) That it will permit no customer to be connected to the System, or to receive any service afforded by the System, unless a proper account is established and charges are levied against such account for services rendered, and such customer shall become obligated to pay for the service rendered at the appropriate rate according to the rate schedule then in force;

(E) That so long as there are any Bonds Outstanding and unpaid, it will perform all duties with reference to the System required by the Constitution of the State and the South Carolina Code;

(F) That it will not pledge, mortgage, or otherwise encumber the System or any portion thereof, or any revenues therefrom except in the manner herein authorized, and (except as provided in Section 11.03 herein) it will not sell, lease or otherwise dispose of any portion of the System, necessary or useful (as determined by the Independent Consultants; provided, however, if the fair market value of any such portion does not exceed $200,000, such determination may be made by the District) in the operation of the System, until all Bonds shall be paid in full, or unless and until provision shall have been made for the payment of all Bonds and the interest thereon in full, and the District further obligates itself and covenants and agrees with the Bondholders to maintain in good condition and to operate said System, and to collect and charge such rates for the services and facilities of the System so that the income and revenues of the System will be sufficient at all times to meet the requirements of this Bond Resolution. If, pursuant to this Section, anything belonging to the System which is not deemed by the District to be necessary or useful therefor shall be sold or disposed of, the proceeds of such sale or disposition shall be deposited in the Depreciation Fund or Contingent Fund;

(G) That it will permit, so long as there are any Bonds Outstanding, any Bondholder to inspect the System and all records and accounts thereof under reasonable terms and conditions and after reasonable notice has been given;

(H) That it will not make any use, and it shall direct the Trustee and each Fiduciary not to make any use of the proceeds of any Series of Bonds which Bonds were intended upon the issuance thereof to be exempt from federal income taxation, which, if such use had been reasonably expected on the date of the issuance of the Bonds of such Series would have caused such Bonds or any other Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and will observe and not violate the requirements of Section 148 of the Code;

(I) That, as to any Series of Bonds that was intended at the time of their issuance to be exempt from federal income taxation, it will take all actions required of it under the Code that are necessary to preserve the tax-exempt status of such Series of Bonds, including without limitation, actions necessary to comply with all information reporting requirements and any obligation to rebate arbitrage earnings on the proceeds of such Bonds to the United States Government; and

(J) That it will make all payments or deposits required under Articles VII and VIII of this Bond Resolution in a timely manner.

Section 11.02 Acquisition of Additional Systems.

No provision of this Bond Resolution shall prevent the combining of the System with any other sewage collection system. The District shall have the right, from time to time, to add other sewage collection systems (which at the date of adoption of this Bond Resolution were not included in the definition of System hereunder) to the definition of System hereunder, provided that for each of the three Fiscal Years following the date of the additions to the System, Net Earnings, as shall have been forecasted either by Independent Consultants with a reputation for expertise in the type of enterprise being added to the System, by the Accountants, or by the Finance Director, will meet the Net Earnings test set forth at Section 4.02(7)(b) of this Bond Resolution.

Section 11.03 Sale, Exchange, Removal or Disposal of Component of System.

(A) The District may from time to time sell, exchange, remove or dispose of, (but not lease, contract or agree for the use thereof) an entire component or a material portion of the sewage collection lines and related appurtenances comprising the System, if the Commission determines by resolution:

(1) That the sale, exchange, removal or other disposition thereof would not materially reduce Net Earnings; or

(2) That the sale, exchange, removal or other disposition thereof (1) would not materially adversely affect the ability of the District to comply with the rate covenant, set forth in Section 5.01 hereof, for the current and next succeeding Fiscal Year, and (2) would be for a consideration of not less than reasonable value as may be determined in the sole discretion of the Commission.

(B) In addition to the provisions of Section 11.03(A) hereof, if the Commission determines to sell, exchange, remove or dispose of an entire component comprising a part of the System the following conditions shall also be met:

(1) the District shall obtain an opinion of Bond Counsel to the effect that the sale, exchange, removal or disposal of a component of the System from the System has been effected in accordance with the terms of this Bond Resolution; and

(2) notice shall be provided by the District to any Credit Rating Agency, if any, then rating any Series of Bonds regarding the sale, exchange, removal or disposal of such component from the System.

(C) If the District sells, exchanges, removes or otherwise disposes a component of the System, the proceeds, if any, of such transaction may be applied, at the discretion of the Board, as follows:

(1) To the payment or satisfaction, in whole or in part, of (1) Bonds associated with or related to such component and (2) any other type of indebtedness of the District associated with or related to such component; or

(2) To the payment or satisfaction, in whole or in part, of the amount due under any type of contractual obligations of the District associated with or related to such component; or

(3) To the payment of the construction or purchase of additional improvements or expansions to the System.

[End of Article XI]

ARTICLE XII - MODIFICATION OF BOND RESOLUTION

Section 12.01 Modification without Bondholder Approval.

(A) Provided always that the security of the Bonds shall not be diminished, or in any manner impaired, the Commission may for any one or more of the following purposes at any time, or from time to time, adopt a resolution, supplementing this Bond Resolution, which supplemental resolution shall be fully effective in accordance with its terms:

(1) To provide for the issuance of a Series of Bonds in accordance with Article IV of this Bond Resolution;

(2) To add to the covenants and agreements of the District in this Bond Resolution, other covenants and agreements thereafter to be observed;

(3) To surrender any right, power or privilege reserved to or conferred upon the District by this Bond Resolution;

(4) To cure, correct and remove any ambiguity or inconsistent provisions contained in this Bond Resolution;

(5) to implement an addition to the System pursuant to Section 11.02 hereof; and

(6) for any other purpose which, in the opinion of Bond Counsel, does not materially affect the interests of the Bondholders.

(B) It is further provided that such supplemental resolution shall not become effective until (1) a copy thereof, duly certified, shall have been filed in the office of the Clerk of Court for the counties in which the District's territory, or any portion thereof are located, and (2) the District shall have received an opinion of Bond Counsel to the effect that such supplemental resolution has been lawfully adopted in accordance with the provisions hereof and is in full force and effect. The Trustee, if any, will promptly give notice of adoption and a copy of any modification made hereunder to any Insurer.

Section 12.02 Modification with Bondholder Approval.

The rights and duties of the District and the Bondholders and the terms and provisions of this Bond Resolution may be modified or altered in any respect by a resolution adopted by the Commission with the consent of the Holders of a majority in principal amount of all Bonds of each Series which would be affected by such modification or alteration then Outstanding and the prior written consent of the Insurer, if any, of each such Series of Bonds, such consent to be evidenced by an instrument or instruments executed by such Holders and duly acknowledged or proved before a notary public or other public officer authorized to take oaths, but no such modification or alteration shall, without the consent of the Holders of all Bonds affected by such change or modification:

(A) Extend the maturity of any payment of a Principal Installment of or interest due upon any Bond;

(B) Effect a reduction in the amount which the District is required to pay by way of principal, interest or redemption premium on any Bond;

(C) Effect a change as to the type of currency in which the District is obligated to effect payment of the Principal Installment, interest and redemption premium of any Bond;

(D) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds except as may be permitted under the provisions of this Bond Resolution;

(E) Permit preference or priority of any Bonds to others;

(F) Alter or modify the provisions of Section 4.02 or of Articles V, VII, and VIII of this Bond Resolution; or

(G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of this Bond Resolution, without the consent of the Holders of all Bonds affected by such change or modification.

Section 12.03 Procedure for Procuring Bondholder Approval.

The District and the Trustee may rely upon the registry books maintained by the Registrar to determine who are the Holders of the Bonds. Any and all modifications made pursuant to Section 12.02 shall not become effective until (1) there has been filed with the Clerk of Court for the county in which the District's territory, or any portion thereof are located, and with the Trustee, if any, a copy of such amendatory resolution hereinabove provided for, duly certified, (2) there has been filed with the Trustee, if any, an opinion of Bond Counsel stating that such amendatory resolution has been duly and lawfully adopted by the District in accordance with the provisions of this Bond Resolution and is valid and binding upon the District and (3) proof of consent to such modification by the Holders (depending on the type of type of type of modification) of (A) a majority in principal amount of the Bonds of each Series then Outstanding shall be filed with the Trustee, if any. In the event that any Series of Bonds are held under a book-entry system pursuant to Section 4.20, the approvals of Bondholders may be obtained in the manner provided in the agreement with the Securities Depository.

Section 12.04 Notice to Rating Agencies.

Any Credit Rating Agency rating a Series of Bonds shall be provided notice by the District and a copy of any amendment to this Bond Resolution or to any Series Resolution within fifteen days of its execution or adoption; notice electronically filed on the Municipal Securities Rulemaking Board's EMMA system shall be deemed sufficient upon such filing for purposes of this Section 12.04.

[End of Article XII]

ARTICLE XIII - EVENTS OF DEFAULT

Section 13.01 Events of Default.

(A) Each of the following events is hereby declared to be an Event of Default:

(1) Payment of the Principal Installments of any of the Bonds shall not be made within 5 days of when the same shall become due and payable, either at maturity or by proceedings for redemption;

(2) Payment of any installment of interest on any Bonds shall not be made within 5 days of when the same becomes due and payable;

(3) Except as provided in Section 5.01(C) hereof, the District shall not comply with the rate covenant in Section 5.01(B) herein;

(4) the District shall for any reason be rendered incapable of fulfilling its obligations hereunder;

(5) An order or decree shall be entered with the consent or acquiescence of the District appointing a receiver, or receivers, of the System, or of the revenues thereof, or any proceedings shall be instituted with the consent or acquiescence of the District for the purpose of effecting a composition between the District and its creditors whose claims relate to the System, or for the purpose of adjusting claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, or if such order or decree, having been entered without the consent or acquiescence of the District, shall not be vacated or discharged or stayed on appeal within 60 days after entry thereof, or if such proceeding having been instituted without the consent or acquiescence of the District, shall not be withdrawn or any orders entered shall not be vacated, discharged, or stayed on appeal within 60 days after the institution of such proceedings, or the entry of such orders;

(6) The District shall fail to operate the System in an efficient and businesslike fashion so as to materially impair the operations of the System or shall default in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds or in any Series Resolution or in this Bond Resolution (except as provided in Section 5.01(B) and (C) hereof), and such default as to efficient operation or otherwise shall continue for 30 days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the District by any Bondholder, provided that in the case of default specified in this paragraph (6), if the default be such that it cannot be corrected within the said 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the District within said 30-day period and diligently pursued until the default is corrected;

(7) The occurrence of an Event of Default on the part of the District under any reimbursement agreement between the District and a provider of a surety bond, line of

credit, insurance policy or letter of credit as contemplated under Section 7.05(D) hereof; and

(8) Such other events of default as may be specified in a Series Resolution.

In determining whether a default in payment has occurred under paragraphs (1) or (2) of this subsection (A) and in determining whether a payment on Bonds has been made under any other provision of this Bond Resolution, no effect shall be given to payments made under a Municipal Bond Insurance Policy.

(B) The foregoing provisions of paragraphs (4), (5) and (6) of the preceding subsection (A) are subject to the following limitations: If by reason of "force majeure" the District is unable in whole or in part to carry out its agreements herein contained (other than the obligations on the part of the District contained in any of Section 4.02 or Articles V, VII and VIII hereof as to which this paragraph shall have no application), the District shall not be deemed in default during the continuance of such inability attributable to such force majeure. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, tunnels or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Commission, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board, and the District shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the District unfavorable to the District.

[End of Article XIII]

ARTICLE XIV – REMEDIES AVAILABLE WHEN TRUSTEE IS APPOINTED AND ACTING UNDER THIS BOND RESOLUTION

Section 14.01 Generally.

The remedies provided in this Article XIV shall be available to Bondholders only in the event a Trustee is appointed pursuant to this Bond Resolution.

Section 14.02 Acceleration; Annulment of Acceleration.

(A) Upon the occurrence of an Event of Default pursuant to Section 13.01(A)(1) and (2), the Trustee may, and shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding, by notice in writing to the District, declare all Bonds Outstanding immediately due and payable, and such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Bond the District to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

(B) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond the District, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if:

(1) Moneys shall have been deposited in the Debt Service Fund and appropriately apportioned among each Debt Service Fund Account sufficient to pay all matured installments of interest and principal (other than principal then due only because of such declaration) of all Outstanding Bonds;

(2) Moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee;

(3) All other amounts then payable by the District hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and

(4) Every Event of Default known to the Trustee (other than a default in the payment of a Principal Installment of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 14.03 Additional Remedies and Enforcement of Remedies.

(A) Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under this Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(1) Seeking a *writ of mandamus*, requiring the District to carry out its duties and obligations under the terms of this Bond Resolution and under the Enabling Act;

(2) Suit upon all or any part of the Bonds;

(3) Civil action to require the District to account as if it were the trustee of an express trust for the Holders of Bonds;

(4) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; or

(5) Enforcement of any other right of the Bondholders conferred by law or by this Bond Resolution including the right to make application for the appointment of a receiver to administer and operate the System.

(B) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon receipt of assurances of indemnification of the Trustee, the sufficiency of which shall be determined in the Trustee's sole discretion, shall institute and maintain such suits and proceedings as it may be advised by counsel shall be necessary or expedient:

(1) To prevent any impairment of the security under this Bond Resolution by any acts which may be unlawful or in violation of this Bond Resolution; or

(2) To preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of this Bond Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

(C) When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 14.04 Application of Revenues and Other Moneys After an Event of Default.

(A) The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee:

(1) Forthwith, all moneys and securities then held by the District which are credited to any fund under this Bond Resolution. Any moneys and securities in any Construction Fund created with proceeds of Bonds if construction of the projects to be paid for thereby has been completed or terminated but exclusive of any amounts remaining in such Construction Fund that are in dispute between the District and any contractor; provided however, any monies in a Debt Service Fund Account or Debt Service Reserve Fund shall be applied only toward the applicable Series of Bonds for which such Debt Service Fund Account or Debt Service Reserve Fund was established; and

(2) As promptly as practicable after receipt thereof, all Gross Revenues.

(B) During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, Gross Revenues, payments and receipts in its possession and the income therefrom as follows and in the following order:

(1) To the payment of the reasonable and proper charges of the Trustee and its reasonable counsel fees and expenses;

(2) To the payment of Operation and Maintenance Expenses;

(3) To the payment of the interest and principal (and redemption premium, if any) then due on the Bonds, as follows:

(a) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

(i) First: To the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference;

(ii) Second: To the payment to the persons entitled thereto of the unpaid Principal Installments (and redemption premiums, if any) of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal (plus redemption premium, if any) due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any differences as to the applicable rates of interest specified in the Bonds;

(4) To the payment of the amounts required by Section 8.04, ratably, according to the amounts due thereon to the persons entitled thereto;

(5) To the payment of the amounts required by Section 8.05, ratably, according to the amounts due thereon to the persons entitled thereto;

(6) To the payment of the amounts required by Section 8.06, ratably, according to the amounts due thereon to the persons entitled thereto;

(7) To the payment of the required deposits to the Depreciation Fund under Section 8.07; and

(8) To the payment of the required deposits to the Contingent Fund under Section 8.07.

Section 14.05 Remedies Not Exclusive.

No remedy by the terms of this Bond Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Resolution or existing at law or in equity or by statute (including the Enabling Act) on or after the date hereof.

Section 14.06 Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Bond Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 14.04 hereof, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 14.07 Majority of Bondholders Control Proceedings.

If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Bond Resolution to the contrary, the Holders of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Bond Resolution or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is in accordance with law and the provisions of this Bond Resolution (including indemnity to the Trustee) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Bondholders not joining in such direction and provided further that nothing in this Section 14.06 shall impair the right of the Trustee in its discretion to take any other action under this Bond Resolution which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 14.08 Individual Bondholder Action Restricted.

(A) No Holder of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of this Bond Resolution or for the execution of any trust hereunder or for any remedy under this Bond Resolution unless:

(1) An Event of Default has occurred:

(a) Under paragraph (1) or (2) of subsection (A) of Section 13.01 hereof;

(b) As to which the Trustee has actual notice; and

(c) As to which the Trustee has been notified in writing.

(2) The Holders of at least 25% in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Bond Resolution or to institute such action, suit or proceeding in its own name; and

(3) Such Bondholders shall have provided assurances of indemnification of the Trustee, the sufficiency of which shall be determined in the Trustee's sole discretion; and

(4) The Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(B) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Bond Resolution or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(C) Nothing contained in this Bond Resolution shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond:

(1) To receive payment of the Principal Installments of or interest on such Bond on the due date thereof; or

(2) To institute suit for the enforcement of any such payment on or after such due date.

Section 14.09 Termination of Proceedings.

In case any proceeding taken by the Trustee or any Bondholder on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, the District, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 14.10 Waiver and Nonwaiver of Event of Default.

(A) No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article XIV to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(B) The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Bond Resolution, or before the completion of the enforcement of any other remedy under this Bond Resolution.

(C) Notwithstanding anything contained in this Bond Resolution to the contrary but subject to the provisions of Section 19.01 hereof, the Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one Series of Bonds shall at the time be Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), shall waive any Event of Default hereunder and its consequences; provided, however, that except under the circumstances set forth in subsection (B) of Section 14.02 hereof or subsection (B) of this Section 14.10, a default in the payment of the principal of, premium, if any, or interest on, any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

(D) In case of any waiver by the Trustee of an Event of Default hereunder, the District, the Trustee, each Insurer and the Bondholders shall be restored to their former positions and rights under this Bond Resolution, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible

to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section 14.10.

Section 14.11 Notice of Events of Default.

(A) Within 30 days after:

(1) The receipt of notice of an Event of Default as provided in Section 14.08(A)(1)(b) or (c) hereof; or

(2) The occurrence of an Event of Default under paragraphs (1) or (2) of subsection (A) of Section 13.01 hereof, as to which the Trustee shall be deemed to have notice,

the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Insurer of any Series of Bonds then Outstanding, if any, and to each Bondholder, provided that, except in the case of a default in the payment of Principal Installments of, together with premium, if any and interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(B) The Trustee shall immediately notify the District and each Insurer of any Series of Bonds then Outstanding of any Event of Default actually known to the Trustee.

Section 14.12 Rights of Insurers.

Any Series Resolution may provide that any Insurer, insuring the applicable Series of Bonds, upon the occurrence of an Event of Default and with respect to all remedies provided herein, may prevent the acceleration of the Bonds of all Series or may prevent the annulment of the acceleration of the Bonds of all Series. Such Insurer may be subrogated to the rights to payment of the Holders of any Bonds with respect to which it pays any principal or interest on the Bonds owned by that Holder.

[End of Article XIV]

ARTICLE XV - TRUSTEE AND ITS FUNCTIONS; OTHER FIDUCIARIES

Section 15.01 Appointment and Vesting of Powers in Trustee; Limitation of Rights of Bondholders to Appoint Trustee.

Except as provided in Article XVII herein, prior to the delivery of any Bonds pursuant to this Bond Resolution, the District shall appoint the Trustee. Such appointment shall be made by means of the Series Resolution adopted by the Commission in connection with the issuance of the first Series of Bonds pursuant to this Bond Resolution or as otherwise permitted under the provisions of this Bond Resolution. The Trustee shall be and is hereby vested with all rights and powers necessary to enable it to discharge its duties hereunder but the right of the Bondholders to appoint a Trustee hereunder is limited to the circumstances contemplated by Section 15.10 hereof.

Section 15.02 Functions of Trustee.

The Trustee shall have the following additional functions:

(A) To authenticate the Bonds of all Series that may be issued;

(B) To act as custodian of the Debt Service Funds;

(C) Except as otherwise provided herein, to act as custodian of the Debt Service Reserve Funds, if any;

(D) Except as otherwise provided herein, to act as Paying Agent for the Bonds;

(E) Unless otherwise prescribed by any Series Resolution, to act as Registrar for the Bonds, and to maintain a set of registration books therefor, which shall at all times accurately reflect the names and addresses of all those who may be Holders of any Bonds;

(F) To make reports to the District on a monthly or such other basis as may be requested by the District, but not less often than semi-annually:

(1) Establishing balances on hand;

(2) Listing investments made for any fund handled by the Trustee;

(3) Establishing the market value of the Debt Service Reserve Funds; and

(4) Listing all securities, if any, pursuant to Section 15.13 hereof.

Section 15.03 Duty of Trustee with Respect to Deficits in Debt Service Funds.

It shall be the further duty of the Trustee to give written notice to the District 3 Business Days prior to each Bond Payment Date, if there is any deficiency in any Debt Service Fund Account which would result in a need for further moneys to meet the payment of interest and/or

principal falling due on the next ensuing Bond Payment Date, and the extent, if any, to which resort must be had to the applicable Debt Service Reserve Fund to meet such deficiency.

Section 15.04 Acceptance by Trustee Required.

Prior to the delivery of any Bonds, the Trustee appointed pursuant to Section 15.01 hereof shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Bond Resolution, by executing and delivering to the District a written acceptance thereof.

Section 15.05 Liability as to Recitals in Bond Resolution and Bonds.

The recitals of fact made in this Bond Resolution and in the Bonds shall be taken as statements of the District, and the Trustee shall not be deemed to have made any representation as to the correctness of the same, nor shall the Trustee be deemed to have made any representation whatsoever as to the validity or sufficiency of this Bond Resolution or of the Bonds issued hereunder except with respect to the authentication of any Bonds. Nor shall the Trustee be under any responsibility or duty with respect to the issuance of said Bonds, or the application of the proceeds thereof, except to the extent provided for herein. Nor shall the Trustee be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 15.06 Trustee May Rely on Notices, Etc.

The Trustee shall at all times be protected in acting upon any notice, resolution, request, consent, order, certificate, statement, opinion, bond, or other paper or document believed to be genuine and to have been signed by the proper party or parties.

Section 15.07 Trustee Permitted to Resign.

The Trustee may, at any time, resign and be discharged of its duties and obligations hereunder by giving to the District and the Bondholders written notice of such resignation, specifying a date (not less than sixty days after such notice) when such resignation is intended to take effect. Such resignation shall take effect immediately upon but not before the appointment and qualification of such successor. If after sixty days no successor has been appointed, the Trustee may petition a court of competent jurisdiction to appoint a successor.

Section 15.08 Removal of Trustee.

(A) The Trustee may be removed at any time by the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding upon 30 days written notice to the Trustee.

(B) Provided an Event of Default has not occurred and is not continuing, the Trustee may be removed at any time by the District upon thirty days written notice to the Trustee.

(C) Any such removal shall take effect immediately (after the 30 day notice period) upon, but not before the appointment and qualification of such successor.

Section 15.09 Appointment of Successor Trustee Upon Resignation or Removal of Trustee.

(A) In case at any time the Trustee shall resign, or be removed or become incapable of acting, or be adjudged bankrupt or insolvent, or a receiver of its property shall be appointed, or any public officer shall take charge or control of its property or affairs, a successor thereto shall be promptly appointed by a resolution of the Commission duly adopted. Such successor shall in all instances be a bank or a trust company, and duly chartered pursuant to the laws of the United States or of any state and shall have a combined capital and surplus of not less than $500,000,000.

(B) Immediately following such appointment the District shall give written notice of such appointment to the Bondholders and any Registrar other than the Trustee.

Section 15.10 When Bondholder May Seek Successor Trustee.

If, in a proper case, no appointment of a successor Trustee shall be promptly made pursuant to Section 15.09, any Bondholder, the resigning or removed Trustee may make application to any court of competent jurisdiction for the appointment of a successor and said court may thereupon, after such notice, if any, as such court may prescribe, appoint a successor.

Section 15.11 Acceptance by Successor Trustee.

Any successor Trustee appointed hereunder shall execute and deliver to its predecessor and to the District a written acceptance of such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally named as such Trustee and its predecessor shall be obligated to pay over, transfer, assign and deliver all moneys, securities and other property held by it to its successor, and on the written request of the District, or the successor, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may be reasonably required for the vesting and confirming in such successor all the right, title and interest of the predecessor in and to any property held by it.

Section 15.12 Effect of Trustee Merging With Another Bank.

Any bank or trust company into which the Trustee may be merged, or with which it may be consolidated, or any bank or trust company resulting from any merger or consolidation to which it shall be a party, or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall become the successor without the execution or filing of any paper or the performance of any further act; provided, always, that if the District shall be dissatisfied with the institution resulting from the merger, consolidation or other action spoken of above, then the District may at any time within 30 days after such action name a new Trustee (with the qualifications prescribed by Section 15.09 hereof) in lieu of the Trustee then acting.

Section 15.13 Trustee to Secure Funds and Securities Held in Trust.

Unless the same be secured as trust funds in the manner provided by the regulations of the Comptroller of the Currency as from time to time in effect, all funds or securities in the custody of the Trustee, in excess of the amount of such deposit insured by the Federal Deposit Insurance Corporation, shall be invested in Authorized Investments at the written direction of the District.

Section 15.14 Disposition of Paid Bonds.

It shall be the duty of the Trustee to cancel all Bonds which shall have been paid, whether upon their maturity or redemption prior to maturity; such cancellation shall be done in such fashion as to render such Bonds incapable of further negotiation or hypothecation. In any event it shall furnish appropriate certificates to the District indicating the disposition of such Bonds. Upon effecting such cancellation, the Trustee shall furnish appropriate certificates to the District setting forth the disposition made of the Bonds so cancelled.

Section 15.15. Appointment of Substitute Registrar.

The District may, from time to time, appoint a Registrar or Registrars to act in the place and stead of the Trustee as Registrar of the Bonds of one or more Series. The District shall cause written notice of such appointment to be mailed to the Holders of all Bonds affected by such appointment 30 days prior to the effective date of such appointment.

Section 15.16 Additional Provisions Regarding the Trustee.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Bond Resolution, and no implied covenants or obligations should be read into this Bond Resolution against the Trustee. If any Event of Default under this Bond Resolution shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Bond Resolution and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs.

The Trustee agrees to perform the trust functions provided herein upon and subject to the following expressed terms and conditions:

(A) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers appointed with due care.

(B) The permissive items assigned to the Trustee as enumerated herein shall not be construed as a duty.

(C) The Trustee shall not be accountable for the use or application by the District of any money paid over by the Trustee in accordance with the provisions of this Bond Resolution.

(D) Before taking any action under this Bond Resolution relating to an Event of Default or in connection with its duties under this Bond Resolution other than making payments of principal and interest on the Bonds as they become due or causing an acceleration of the Bonds whenever required by this Bond Resolution, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all costs and expenses to which it may be put (including legal fees, costs and expenses) and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or Resolution related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken.

(E) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(F) None of the provisions of this Bond Resolution shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds cannot be assured to the Trustee's satisfaction.

(G) So long as investments are made in Authorized Investments, the Trustee may conclusively rely upon the District's written instructions as to both the suitability and legality of all investments directed hereunder. To the extent invested in Authorized Investments, the Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge reasonable fees for such trades, including cash sweep accounts. Notwithstanding anything to the contrary herein, in the absence of written investment instructions from the District, the Trustee shall not be responsible or liable for keeping moneys held by it hereunder fully invested. While invested in Authorized Investments, the Trustee shall not be liable for any losses from such investments. Broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered.

(H) The Trustee shall have no duty to review or analyze any financial statements delivered to it hereunder (including the audit required by Section 9.02 hereof) or verify the accuracy thereof and shall hold such financial statements solely as a repository for the benefit of the Bondholders; the Trustee shall not be deemed to have notice of any information contained therein or Event of Default which may be disclosed therein.

(I) The District shall pay to the Trustee reasonable compensation for all services performed by it hereunder and also its reasonable expenses, charges and other disbursements and the fees, costs, and expenses of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder. If the Trustee is required by governmental agency or court proceeding initiated by a third party to undertake efforts beyond

that which is set forth herein but related thereto, the Trustee shall notify the District of same in writing. Payment for such extraordinary fees, costs and expenses (including but not limited to reasonable attorney's fees, costs and expenses) shall be made promptly by the District only after said notice.

(J) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Bond Resolution arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation: acts of God; earthquakes; fire; flood; hurricanes or other catastrophic storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(K) Upon request from any Bondholder and absent any further direction or consent of the District, the Trustee may disseminate a copy of the financial statements to such requester.

(L) The Trustee shall have the right to accept and act upon directions or instructions delivered using Electronic Means; provided, however, that the District shall provide to the Trustee an incumbency certificate listing qualified officers with the authority to provide such directions or instructions (each a "***Qualified Officer***") and containing specimen signatures of such Qualified Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustee's understanding of such directions or instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Qualified Officer listed on the incumbency certificate provided to the Trustee have been sent by such Qualified Officer. The District shall be responsible for ensuring that only Qualified Officers transmit such directions or instructions to the Trustee and that all Qualified Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties, (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions, and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

[End of Article XV]

ARTICLE XVI - REMEDIES AVAILABLE WHEN A CUSTODIAN, INSTEAD OF A TRUSTEE, IS APPOINTED AND ACTING UNDER THIS BOND RESOLUTION

Section 16.01 Generally.

The remedies provided in this Article XVI shall be available to Bondholders only in the event a Custodian, instead of a Trustee, is appointed and acting pursuant to this Bond Resolution.

Section 16.02 Acceleration; Annulment of Acceleration.

(A) Upon the occurrence of an Event of Default pursuant to Section 13.01(A)(1) and (2), the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the District, declare all Bonds Outstanding immediately due and payable; and such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Bond Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

(B) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Resolution, the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding may annul such declaration and its consequences with respect to any Bonds not then due by their terms if:

(1) Moneys shall have been deposited in each Debt Service Fund Account sufficient to pay all matured installments of interest and principal (other than principal then due only because of such declaration) of all Outstanding Bonds;

(2) All other amounts then payable by the District hereunder shall have been paid; and

(3) Every known Event of Default (other than a default in the payment of such Bonds then due only because of such declaration) shall have been remedied.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 16.03 Additional Remedies and Enforcement of Remedies.

Upon the occurrence and continuance of any Event of Default, any Holder of any Bonds Outstanding may proceed forthwith, pursuant to Section 16.05 hereof, to protect and enforce its rights and the rights of the other Bondholders under this Bond Resolution by such suits, actions or proceedings as such Holder shall deem expedient, including but not limited to:

(1) Seeking a *writ of mandamus*, requiring the District to carry out its duties and obligations under the terms of this Bond Resolution and under the Enabling Act;

(2) Suit upon all or any part of the Bonds;

(3) Civil action to require the District to account as if it were the trustee of an express trust for the Holders of Bonds;

(4) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(5) Enforcement of any other right of the Bondholders conferred by law or by this Bond Resolution including the right to make application for the appointment of a receiver to administer and operate the System.

Section 16.04 Application of Revenues and Other Moneys After Default.

During the continuance of an Event of Default, all moneys, securities, Gross Revenues, payments and receipts in its possession and the income therefrom of the District shall be applied as follows and in the following order:

(1) To the payment of all necessary Operation and Maintenance Expenses;

(2) To the payment of the interest and principal (and redemption premium, if any) then due on the Bonds, as follows:

(a) Unless the principal of all of the Bonds shall have become or has been declared due and payable,

(i) First: To the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference;

(ii) Second: To the payment to the persons entitled thereto of the unpaid Principal Installments (and redemption premiums, if any) of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal (plus redemption premium, if any) due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the

Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any differences as to the applicable rates of interest specified in the Bonds; and

(3) To the payment of the amounts required by Section 8.04, ratably, according to the amounts due thereon to the persons entitled thereto;

(4) To the payment of the amounts required by Section 8.05, ratably, according to the amounts due thereon to the persons entitled thereto;

(5) To the payment of the amounts required by Section 8.06, ratably, according to the amounts due thereon to the persons entitled thereto;

(6) To the payment of the required deposits to the Depreciation Fund under Section 8.07; and

(7) To the payment of the required deposits to the Contingent Fund under Section 8.07.

Section 16.05 Remedies Not Exclusive.

No remedy by the terms of this Bond Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Resolution or existing at law or in equity or by statute (including the Enabling Act) on or after the date hereof.

Section 16.06 Individual Bondholder Action Restricted.

(A) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Bond Resolution or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(B) Nothing contained in this Bond Resolution shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond:

(1) To receive payment of the principal of or interest on such Bond on the due date thereof; or

(2) To institute suit for the enforcement of any such payment on or after such due date.

Section 16.07 Termination of Proceedings.

In case any proceeding taken by any Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bondholders, the District and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bondholders shall continue as if no such proceeding had been taken.

Section 16.08 Waiver and Non-Waiver of Event of Default.

(A) No delay or omission of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article XVI to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(B) Notwithstanding anything contained in this Bond Resolution to the contrary, the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one Series of Bonds shall at the time be Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), may waive any Event of Default hereunder and its consequences; provided, however, that except under the circumstances set forth in subsection (B) of Section 13.01 hereof, a default in the payment of the principal of, premium, if any, or interest on, any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

In case of any waiver of an Event of Default hereunder, the District and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 16.09 Rights of Insurers.

Any Series Resolution may provide that any Insurer insuring the applicable Series of Bonds upon the occurrence of an Event of Default and with respect to all remedies provided herein, may act as the Holder of all Outstanding Bonds of that Series. Such Insurer may be subrogated to the rights to payment of the Holders of any Bonds with respect to which it pays any principal or interest on the Bonds owned by that Holder.

[End of Article XVI]

ARTICLE XVII - CUSTODIAN AND ITS FUNCTIONS

Section 17.01 Custodians, Generally.

(A) With respect to any Series of Bonds, in the event the Commission determines not to appoint a Trustee, then a Custodian shall be appointed to provide banking services to the District and shall be directed to hold the Debt Service Fund and Debt Service Reserve Fund, if any, created with respect to such Series of Bonds. In the event a Custodian is appointed as provided herein, none of the provisions applicable to the Trustee in Articles XIV and XV shall be applicable to the Custodian or any Series of Bonds issued hereunder or thereunder; instead, the provisions of Article XVI and this Article XVII shall be applicable.

(B) Each Custodian to be appointed hereunder pursuant to the provisions of a Series Resolution shall, on the occasion of its appointment, be a member of the Federal Deposit Insurance Corporation and shall remain such a member throughout the period during which it shall act as such Custodian. Each Custodian shall accept its appointment of the duties imposed by this Bond Resolution by a written instrument; such instrument shall also include a covenant of the Custodian to remain a member of the Federal Deposit Insurance Corporation.

(C) All Custodians shall at all times be protected in acting upon any notice, resolution, resolution, request, consent, order, certificate, statement, opinion, bond, or other paper or document believed to be genuine and to have been signed by the proper party or parties. No Custodian shall be under any obligation to perform any act, which would involve it in expense, or to institute any suit, or defend the same, or to advance any of its own moneys, unless properly indemnified to its satisfaction. Nor shall any Custodian be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

(D) Should any Custodian resign, become incapable of acting, or fail to remain a member of the Federal Deposit Insurance Corporation, the Chairman of the Issuer shall be empowered to appoint a successor Custodian. Immediately following such appointment, the Issuer shall give written notice of such appointment of any Series secured by funds held by such successor Custodian,

(E) All funds held by the Custodians shall be impressed with a trust for the benefit of the person or persons entitled thereto as provided by the provisions of the Enabling Act and of this Bond Resolution.

Section 17.02 Security of Funds Held by Custodian.

Unless the same be secured as trust funds in the manner provided by the applicable regulations of the Comptroller of the Currency of the United States of America, and unless otherwise provided for in this Bond Resolution, all funds in the custody of the Custodians shall be secured by the Federal Deposit Insurance Corporation, and any funds in the custody of the Custodian in excess of the amount of such deposit insured by the Federal Deposit Insurance Corporation not otherwise secured as trust funds in the manner provided by the applicable regulations of the Comptroller of the Currency of the United States of America shall be secured

and kept secured by direct obligations of the United States or any agency thereof of a market value at least equal to the sum on deposit and not insured as aforesaid by the Federal Deposit Insurance Corporation.

Section 17.03 Dissolution of Custodian; Merger with Trustee.

In the event any future Series of Bonds are issued which require the services of the Trustee, then the Custodian shall be required to transfer all accounts authorized hereunder to the Trustee upon the issuance of such Series of Bonds. From such point forward, the Trustee shall provide fiduciary services on all Series of Bonds Outstanding and all future Series of Bonds issued hereunder and the provisions of Articles XIV and XV shall become effective with respect to all Series of Bonds Outstanding and all future Series of Bonds issued hereunder.

[End of Article XVII]

ARTICLE XVIII - DEFEASANCE

Section 18.01 Defeasance Generally.

Subject to the provisions of any Series Resolution, if all of the Bonds issued pursuant to this Bond Resolution and any other amounts required to be paid to a provider of a surety bond, line of credit, insurance policy or letter of credit hereunder shall have been paid and discharged, then the obligations of the District under this Bond Resolution, the pledge of Net Revenues made hereby, and all other rights granted hereby shall cease and determine. Subject to the provisions of any Series Resolution, Bonds shall be deemed to have been paid and discharged within the meaning of this Article under each of the following circumstances:

(A) The Trustee shall hold, at the stated maturities of such Bonds, in trust and irrevocably appropriated thereto, sufficient money for the payment thereof.

(B) If default in the payment of the Principal Installments of such Bonds or the interest thereon shall have occurred and thereafter tender of such payment shall have been made, and the Trustee shall then hold in trust and irrevocably appropriated thereto, sufficient money for the payment thereof to the date of the tender of such payment.

(C) If the District shall have deposited with the Trustee, or any other bank or trust company which would otherwise meet the chartering and capital and surplus requirements contained in Section 15.09(A) hereof, in irrevocable trust money or Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof) will, as certified in a verification report provided by an independent entity providing such services and selected by the District, provide money which, together with the money, if any, deposited at the same time, shall be sufficient to pay, when due, the principal, interest and redemption premium, if any, due and to become due on and prior to the maturity, or, if the District has irrevocably elected to redeem Bonds, on and prior to the redemption date, of such Bonds.

Section 18.02 Money to be Held in Trust - When Returnable to the District.

Any money which at any time shall be deposited with the Trustee or other escrow holder authorized under Section 18.01(C), by or on behalf of the District, for the purpose of paying and discharging any Bonds or the interest thereon, shall be and is hereby assigned, transferred and set over to the Trustee or such other escrow holder in trust for the applicable Holders of the Bonds, and such money shall be and is hereby irrevocably appropriated to the payment and discharge thereof. But if, through lapse of time or otherwise, the Holders of said Bonds shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Trustee or such other escrow holder to forthwith return said funds to the District.

Section 18.03 Deposits with Trustee Subject to Conditions of Article XVIII.

The District covenants and agrees that any money which it shall deposit with the Trustee shall be deemed to be deposited in accordance with, and subject to, the applicable provisions of this Article, and that whenever it shall have elected to redeem Bonds it will irrevocably bind and

obligate itself to give notice of redemption thereof, and will further authorize and empower the Trustee to cause the publication of such notice of redemption in its name and on its behalf.

Section 18.04 No Defeasance of Series of Bonds Paid by Insurer.

In the event that the Principal Installments and/or interest due on a Series of Bonds shall be paid by an Insurer pursuant to a Municipal Bond Insurance Policy, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District until the Insurer has been reimbursed in full therefor in accordance with the terms of the Municipal Bond Insurance Policy, and the assignment and pledge of the Net Revenues of the System and all covenants, agreements and other obligations of the District to the registered Holders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Holders.

[End of Article XVIII]

ARTICLE XIX - MISCELLANEOUS

Section 19.01 Miscellaneous Rights of an Insurer.

(A) Notwithstanding any provision of this Bond Resolution to the contrary, each Insurer shall be deemed the exclusive Holder of all Bonds insured by that Insurer, for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies. No rights granted to an Insurer by this Bond Resolution shall be effective at any time that such Insurer is in breach of its obligations under the Municipal Bond Insurance Policy, has committed a default under the Municipal Bond Insurance Policy or is subject to bankruptcy or receivership proceedings. Additionally, this paragraph (A) shall be effective only in the event the Insurer's Municipal Bond Insurance Policy results in being rated at least investment grade by either Standard & Poor's or Moody's Investors Service, Inc.

(B) Any provision of this Bond Resolution expressly recognizing or granting rights in or to an Insurer may not be amended in any manner which affects the rights of such Insurer hereunder without the prior written consent of each such Insurer.

(C) To the extent that an Insurer makes payment of the principal of or interest on any Bonds, it shall become the owner and Holder of such Bonds, appurtenant coupons or right to payment of such principal of or interest on such Bonds and shall be fully subrogated to all of the registered Holders' rights thereunder, including the registered Holders' rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Insurer's rights as subrogee on the registration books of the District maintained by the Trustee or Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the registered Holders of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the District maintained by the Trustee or Registrar upon surrender of the Bonds by the registered Holders thereof to the Insurer or its agent.

(D) In the event that the principal of and/or interest on any Bonds shall be paid by the Insurer pursuant to the terms of its Municipal Bond Insurance Policy, (i) such Bonds shall continue to be "Outstanding" under this Bond Resolution, and (ii) the assignment and pledge of the Net Revenues and all covenants, agreements and other obligations of the District to the registered Holders shall continue to exist, and the Insurer shall be fully subrogated to all of the rights of such registered Holders in accordance with the terms and conditions of subparagraph (C) above and the Insurer's Municipal Bond Insurance Policy.

(E) The terms and provisions of this Bond Resolution or of any applicable Series Resolution may not be terminated as long as there are any moneys owed to an Insurer under such terms and provisions of this Bond Resolution or the applicable Series Resolution or any agreement between such Insurer and the District.

Section 19.02 Purpose of Covenants in Bond Resolution.

Every covenant, undertaking and agreement made on behalf of the District, as set forth in this Bond Resolution is made, undertaken and agreed to, for the proper securing of the payment of the principal of and interest on the Bonds. Each shall be deemed to partake of the obligation of the contract between the District and the Bondholders and shall be enforceable accordingly. In this connection, any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(D) hereof may enforce the terms, conditions and obligations under this Bond Resolution as a third-party beneficiary hereunder. Nothing in this Bond Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Insurers, the Trustee, and the Holders of the Bonds, any right, remedy or claim under or by reason of this Bond Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Bond Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the District the Insurers, the Trustee, and the Holders of the Bonds.

Section 19.03 Severability.

If any Section, paragraph, clause or provision of this Bond Resolution shall be held invalid, the invalidity of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Bond Resolution.

Section 19.04 Remedies Granted by Resolution Not Being Available to Holders of Other Bonds.

If it shall be held by any court of competent jurisdiction that any right or remedy granted by the Bond Resolution or any Series Resolution to the Holders of any Bond is not available to the Holders of all other Bonds, then such rights and remedies are herewith conferred upon the Holders of such other Bonds.

Section 19.05 Authorization to Sign.

For purposes of all consents and other necessary documentation associated with the issuance of Bonds, the Authorized Officers and the Secretary shall be authorized to sign on behalf of the District.

Section 19.06 Repealing Clause.

All resolutions, or parts thereof, inconsistent herewith shall be and the same are hereby repealed to the extent of such inconsistencies.

Section 19.07 Governing Law.

The provisions of this Bond Resolution shall be governed by the laws of the State, without regard to conflict of law principles.

Section 19.08 Date Effective.

The provisions of this Bond Resolution shall become effective as of adoption.

[End of Article XIX]

DONE, RATIFIED AND ADOPTED this 4th day of November, 2019.

(SEAL)

BOARD OF COMMISSIONERS OF THE METROPOLITAN SEWER SUBDISTRICT

Chairman of the Commission

Attest:

Secretary of the Commission

A SERIES RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF SEWER SYSTEM REVENUE BONDS OF METROPOLITAN SEWER SUBDISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING $38,000,000; THE ISSUANCE AND SALE OF NOTES IN ANTICIPATION OF THE ISSUANCE OF SUCH BONDS; AND OTHER MATTERS RELATING THERETO.

2024 SERIES RESOLUTION

Adopted July 15, 2024

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BE IT RESOLVED BY THE METROPOLITAN SEWER SUBDISTRICT COMMISSION, SOUTH CAROLINA, IN A MEETING ASSEMBLED, AS FOLLOWS:

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1.01 Findings and Determinations.

Incident to the adoption of this series resolution (this "***2024 Series Resolution***"), and the issuance of the bonds provided for herein, the Metropolitan Sewer Subdistrict Commission (the "***Commission***"), the governing body of Metropolitan Sewer Subdistrict, South Carolina ("***Metropolitan***") finds that the facts set forth in this Article exist and the following statements are in all respects true and correct:

(a) Metropolitan is a special purpose district of the State of South Carolina (the "***State***"), created pursuant to Act No. 687 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969, as amended (the "***Act***"). Pursuant to the Act, Metropolitan is fully empowered to "acquire, construct, operate, maintain, improve and extend facilities for the collection of sewage within the Subdistrict . . . ."

(b) The Commission has made general provision for the issuance of sewer system revenue bonds of Metropolitan through the means of a bond resolution adopted on November 4, 2019, entitled "A MASTER BOND RESOLUTION TO PROVIDE FOR THE ISSUANCE AND SALE OF SEWER SYSTEM REVENUE BONDS OF THE METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO" (the "***Bond Resolution***"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such term in the Bond Resolution.

(c) It is provided in and by the Bond Resolution that, upon adoption of a "Series Resolution," there may be issued one or more Series of Bonds for the purpose of, *inter alia*: (1) obtaining funds for the acquiring, purchasing, constructing, improving, enlarging, and repairing of the System and improvements and additions thereto, including the recoupment or reimbursement of funds already so expended; (2) providing funds for the payment of any Bond Anticipation Note; (3) refunding Bonds or other obligations issued to provide land or facilities or equipment which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System; (4) providing funds for the payment of interest due on any Bonds; (5) funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund to the amount equal to its Reserve Requirement, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to Section 7.05(E) of the Bond Resolution; and (6) paying the costs of issuance of Bonds, including any credit enhancement therefor.

(d) Metropolitan is additionally authorized pursuant to the BAN Act to issue Bond Anticipation Notes in anticipation of the issuance of Bonds.

(e) Metropolitan has previously issued the following Series of Bonds for which the Net Revenues of the System are pledged and hypothecated to the payment thereof:

(1) the $451,000 original principal amount Sewer System Revenue Bond, Series 2019, dated December 17, 2019 (the "***Series 2019 Bond***");

(2) the $8,847,000 original principal amount Sewer System Revenue Bond, Series 2020, dated August 6, 2020 (the "***Series 2020 Bond***"); and

(3) the $38,000,000 original principal amount Sewer System Revenue Bond, Series 2022, dated June 9, 2022 (the "***Series 2022 Bond***" and together with the Series 2020 Bond and Series 2019 Bond, the "***Parity Bonds***").

(f) Metropolitan has determined at the present time to issue the Series 2024 Bonds to defray or reimburse the costs of certain facilities and improvements to the System, including (i) the engineering, designing, planning, and developing of a new headquarters campus and the acquisition of real property in connection therewith; and (ii) the engineering, designing, planning, acquisition, construction, and installation of improvements to the System (collectively, the "***Project***").

(g) By reason of the foregoing, Metropolitan has determined to adopt this 2024 Series Resolution in accordance with the terms and provisions of the Bond Resolution in order to authorize the issuance of the Series 2024 Bonds, which shall be secured by a pledge of the Net Revenues of the System and a statutory lien on the System on a parity basis with the pledge of the Net Revenues of, and a statutory lien on, the System securing the Parity Bonds.

Section 1.02 Determinations Required by Bond Resolution.

In connection with the issuance of the Series 2024 Bonds, the Commission hereby specifies and determines that:

(a) The current period of usefulness of the System is as set forth in Article III;

(b) The Date of Issue of the Series 2024 Bonds shall be the date that the Series 2024 Bonds are executed and delivered, or as otherwise determined by an Authorized Officer pursuant to Article V;

(c) The maximum authorized principal amount of the Series 2024 Bonds is set forth at Section 4.01, and the exact principal amount of the Series 2024 Bond shall be determined by an Authorized Officer at the closing of the Series 2024 Bond pursuant to Article VI;

(d) The Bond Payment Dates, the Record Dates, and the dates and amounts of maturity of such Series 2024 Bonds, shall be determined by an Authorized Officer at the closing of such Series 2024 Bonds pursuant to Article V, provided, however, no such Series 2024 Bond shall mature later than 35 years from the Date of Issue;

(e) The Series 2024 Bonds are necessary to provide funds to be used and expended for purposes set forth in Section 4.01(A) of the Bond Resolution, as such purposes are particularly described at Section 4.02;

(f) The title and designation of the Series 2024 Bonds shall be as set forth at Section 4.01 or as otherwise determined by an Authorized Officer pursuant to Article V;

(g) The Series 2024 Bonds shall be sold in accordance with the provisions of Sections 4.01 and 8.01;

(h) The Series 2024 Bonds shall bear interest at a rate as determined by an Authorized Officer pursuant to Section 4.03, and Metropolitan will not enter into any interest rate swap or similar transaction with respect to the Series 2024 Bonds;

(i) The Series 2024 Bonds may be issued as either Serial Bonds or Term Bonds (with appropriate mandatory redemption provisions) as determined by an Authorized Officer pursuant to Section 4.03;

(j) The Redemption Price and dates applicable to the Series 2024 Bonds shall be as set forth at Section 4.03;

(k) U.S. Bank Trust Company, National Association shall serve as Trustee, Paying Agent, and Registrar for the Series 2024 Bonds;

(l) The Series 2024 Bonds shall be in the form as provided at Section 4.09 and Exhibit A hereto;

(m) The numbering, lettering and denominations of the Series 2024 Bonds shall be determined in the manner set forth at Sections 4.01 and 4.05;

(n) Series 2024 Bonds may be issued in book-entry form, as permitted by Section 4.20 of the Bond Resolution, as determined by an Authorized Officer at the closing of such Series 2024 Bonds pursuant to Article V;

(o) The Reserve Requirement applicable to the Series 2019 Bond has been met;

(p) No 2024 Debt Service Reserve Fund is contemplated to be established in connection with the Series 2024 Bonds, and thus no Series Reserve Requirement is anticipated to be established with respect to the Series 2024 Bonds; however, if the Authorized Officer determines that a Debt Service Reserve Fund with respect to the Series 2024 Bonds shall assist Metropolitan in obtaining more advantageous terms, he may establish both a 2024 Debt Service Reserve Fund and a 2024 Reserve Requirement;

(q) The proceeds of Series 2024 Bonds shall be applied as set forth at Article VII;

(r) The 2024 Debt Service Fund Account is established pursuant to Section 4.06;

(s) Pursuant to Section 7.02, the 2024 Construction Fund is established and the 2024 Cost of Issuance Account may be established as an account thereof; and

(t) Metropolitan estimates that the cost of the Project, exclusive of financing and related costs, will be not less than $38,000,000.

* * *

ARTICLE II

DEFINITIONS AND CONSTRUCTION

Section 2.01 Definitions.

(a) Except as provided in subsection (b) below, all capitalized terms which are defined in Section 2.02 of the Bond Resolution shall have the meanings given the same in this 2024 Series Resolution.

(b) As used in this 2024 Series Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"***2024 Cost of Issuance Account***" means the account within the 2024 Construction Fund that may be established by the Authorized Officer pursuant to Section 7.02.

"***2024 Construction Fund***" means the fund created at Section 7.02.

"***2024 Debt Service Fund Account***" means the account of that name established by this 2024 Series Resolution within the 2024 Debt Service Fund pursuant to Section 7.04 of the Bond Resolution.

"***2024 Debt Service Reserve Fund***" means the fund of that name authorized to be established by this 2024 Series Resolution pursuant to Section 7.05 of the Bond Resolution, if established pursuant thereto.

"***2024 Reserve Requirement***" if any, means an amount determined by the Authorized Officer in compliance with the provisions and requirements of the Code, if required in connection with the establishment of the 2024 Debt Service Reserve Fund.

"***2024 Series Resolution***" means this resolution of Metropolitan.

"***Authorized Officer***" has the meaning ascribed thereto in the Bond Resolution.

"***BAN Act***" means Title 11, Chapter 17 of the Code of Laws of South Carolina 1976, as amended.

"***Book-Entry System***" means, with respect to the Series 2024 Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Series 2024 Bonds may be transferred only through a book-entry, and (ii) physical Series 2024 Bonds in fully registered form are registered only in the name of a Securities Depository or its Securities Depository Nominee. The book-entry maintained by the Securities Depository is the record that identifies the owners of participatory interests in the Series 2024 Bonds, when subject to the Book-Entry System.

"***Financial Advisor***" means the municipal financial advisor engaged by Metropolitan to assist in the issuance of any Series of the 2024 Series Bonds.

"***Governmental Unit***" means a state or local governmental unit within the meaning of Section 141(b) of the Code.

"***Nongovernmental Person***" means any Person other than a Governmental Unit.

"***Person***" means firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities, including public bodies, as well as natural persons.

"***Project***" has the meaning ascribed to such term in Article I.

"***Rule 15c2-12***" means Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

"***Series 2024 Bonds***" means the one or more Series of Bonds authorized and designated by Section 4.01.

"***Taxable Bonds***" has the meaning given such term in Section 10.01(g).

"***Trustee***" means, initially, U.S. Bank Trust Company, National Association, its successors and assigns and thereafter any successor or assign permitted in accordance with the Bond Resolution.

Section 2.02 Interpretations.

In this Bond Resolution, unless the context otherwise requires:

(1) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs.

(2) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities, including public bodies, as well as natural persons.

(3) The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms used in this 2024 Series Resolution, refer to this 2024 Series Resolution or Sections or paragraphs, and the term "hereafter" shall mean any date after the date of adoption. Three asterisks mark the end of each Article of this 2024 Series Resolution.

Section 2.03 Authority for this 2024 Series Resolution.

This 2024 Series Resolution is adopted pursuant to the provisions of the Bond Resolution.

* * *

ARTICLE III

USEFUL LIFE

Section 3.01 Determination of the Useful Life of the System.

The period of usefulness of the System is hereby determined to be not less than 45 years from the completion of the Project.

* * *

ARTICLE IV

AUTHORIZATION AND TERMS OF THE SERIES 2024 BONDS

Section 4.01 Principal Amount; Designation of Series 2024 Bonds.

(a) Pursuant to the provisions of the Bond Resolution, the Series 2024 Bonds of Metropolitan entitled to the benefits, protection, and security of the provisions of the Bond Resolution are hereby authorized in the aggregate principal amount of not-exceeding $38,000,000; such Bonds so authorized shall be designated as the "Metropolitan Sewer Subdistrict Sewer System Revenue Bonds, Series 2024," and shall bear a numeric or alphanumeric Series designation as may be necessary to distinguish them from the Bonds of every other Series, and shall designate the year in which the Series is issued. The Series 2024 Bonds may be sold as a single Series or from time to time as multiple Series, in principal amounts to be determined by an Authorized Officer, provided that the aggregate principal amount of all Series 2024 Bonds issued pursuant to this 2024 Series Resolution shall not exceed $38,000,000, with each such Series of Series 2024 Bonds bearing any such designation as appropriate. References herein to the Series 2024 Bonds shall include all Series of Bonds authorized by this 2024 Series Resolution. As authorized by Section 10.01(g), any Series of the Series 2024 Bonds may be issued as Taxable Bonds and in such event, it shall bear an appropriate designation so as to distinguish its tax status.

(b) Should the Series 2024 Bonds not be issued in calendar year 2024, the designation for the Series 2024 Bonds and all other references to "2024" recited herein shall be changed to appropriately reflect the year of such actual issuance. References herein to the Series 2024 Bonds shall include all Series of Bonds authorized hereunder.

Section 4.02 Purposes of the Series 2024 Bonds.

The Series 2024 Bonds are authorized for the principal purposes of:

(1) defraying all or a portion of the cost of the Project, including the recoupment of costs previously paid or incurred in connection with the Project;

(2) funding the 2024 Debt Service Reserve Fund, if any, in an amount equal to the 2024 Reserve Requirement in a manner permitted by the Bond Resolution;

(3) paying certain costs and expenses relating to the issuance of the Series 2024 Bonds, including credit enhancement therefor; and

(4) repaying all or any portion of the outstanding principal amount of and accrued interest on any Bond Anticipation Note issued to defray or refinance the cost of all or a portion of the Project.

Section 4.03 Date of Issue; Interest Rates; Maturity; Redemption.

(a) The Date of Issue of each Series of Series 2024 Bonds shall be the date of delivery thereof, subject to an alternate designation by the Authorized Officer pursuant to Article V. Series 2024 Bonds shall mature on such dates and in such principal amounts, and shall bear interest at such rates, as may be determined by an Authorized Officer pursuant to Article V, provided that the final maturity of any Series of the Series 2024 Bonds shall not exceed 35 years from their Date of Issue and in no event shall final maturity extend beyond the forty-fifth anniversary of the date on which this 2024 Series Resolution was adopted. Series 2024 Bonds shall mature as Serial Bonds or Term Bonds, with such mandatory sinking fund installments as are set forth in a schedule approved by the Authorized Officer prior to or simultaneously with the issuance of such Series 2024 Bonds.

(b) Interest on any Series of Series 2024 Bonds shall be payable on such Bond Payment Dates as are determined by the Authorized Officer pursuant to Article V. Such interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Consistent with the terms of the Bond Resolution, the Record Dates for the payment of interest on Series 2024 Bonds shall be the 15th day of the month prior to each Bond Payment Date.

(c) Series 2024 Bonds may be subject to redemption prior to maturity, upon such terms and conditions, and at such Redemption Prices, as may be established by an Authorized Officer pursuant to Article V, prior to or simultaneously with the issuance of the applicable Series of Series 2024 Bonds.

Section 4.04 Authentication; Payment of Series 2024 Bonds.

(a) The Series 2024 Bonds shall be authenticated by the Registrar on or before such date as it shall, in each case, be delivered. Each of the Series 2024 Bonds shall bear interest from its respective Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Series 2024 Bonds' authentication.

(b) The interest on the Series 2024 Bonds shall be paid by check or draft mailed from the office of the Trustee to the person in whose name each of the Series 2024 Bonds is registered at the close of business on the Record Date; provided, however, that any Holder of such Series 2024 Bonds in the aggregate principal amount of $1,000,000 or more may request (in writing, delivered to the Paying Agent at least 20 days prior to the applicable Bond Payment Date) that interest payments be made by wire transfer to such Holder at an account maintained by a financial institution located in the continental United States specified in such request. As long as Cede & Co. or another DTC nominee is the registered owner of the Series 2024 Bonds, the Trustee shall make all payments with respect to the Series 2024 Bonds by wire transfer in immediately available funds. CUSIP number identification with appropriate dollar amounts for each CUSIP number shall accompany all payments of principal and interest with respect to any Series 2024 Bond, whether by check or by wire transfer.

(c) Presentment of the Series 2024 Bonds for payment shall not be required, except for the final payment of the principal and interest thereon or upon such other condition or indicia of satisfaction as may be mutually agreed-upon by Metropolitan and the Holder of such Series 2024 Bonds, notice of which shall be provided to the Trustee in advance of such final payment.

Section 4.05 Denomination of the Series 2024 Bonds.

(a) Series 2024 Bonds shall be issued in denominations of $5,000 or any multiple thereof. Each Series 2024 Bond shall be numbered by the Trustee in such a fashion as to reflect the fact that it is one of the Series 2024 Bonds, and to identify the owner thereof on the books kept by the Registrar. The initial maturity of the Series 2024 Bonds shall be numbered R-1, and thereafter sequentially "R-" numbered for identification.

(b) As necessary for the marketability and sale of the Series 2024 Bonds, the Authorized Officer may determine to authorize any Serial Bonds to be issued with split serial maturities.

Section 4.06 Establishment of 2024 Debt Service Fund Account.

In accordance with Section 7.04 of the Bond Resolution, the Trustee is hereby directed to establish the 2024 Debt Service Fund Account (and any applicable subaccounts permitted under the Bond Resolution) on the Date of Issue of the Series 2024 Bonds for the benefit of the Holders of the Series 2024 Bonds. In the event that more than one Series of Bonds is issued pursuant to the terms hereof, a Debt Service Fund Account (and any applicable subaccounts permitted under the Bond Resolution) shall be established for each such Series.

Section 4.07 2024 Debt Service Reserve Fund.

In accordance with Section 7.05 of the Bond Resolution and the terms hereof, if an Authorized Officer determines that the 2024 Debt Service Reserve Fund is necessary and desirable, he shall direct the Trustee in writing to establish such 2024 Debt Service Reserve Fund. If established, the 2024 Debt Service Reserve Fund shall be maintained by the Trustee in accordance with the provisions of the Bond Resolution in an amount equal to the 2024 Reserve Requirement, as may be determined by an Authorized Officer in accordance with Article V. The 2024 Debt Service Reserve Fund, if established, may be funded by cash or another method permitted by Section 7.05(D) of the Bond Resolution, such method of funding to be determined by an Authorized Officer.

Section 4.08 Appointment of Trustee, Paying Agent, and Registrar.

U.S. Bank Trust Company, National Association is hereby appointed as Trustee, Paying Agent, and Registrar under the Bond Resolution and this 2024 Series Resolution. The Trustee shall signify its acceptance of the duties of Trustee, Paying Agent, and Registrar upon delivery of the Series 2024 Bonds. Metropolitan shall pay to the Trustee from time to time reasonable compensation based on the then-standard fee schedule of such parties for all services rendered under the Bond Resolution and this 2024 Series Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents, and

employees, incurred in and about the performance of their powers and duties under the Bond Resolution and this 2024 Series Resolution.

The Series 2024 Bonds shall be presented for registration of transfers and exchanges and notices and demands to or upon the Trustee and Metropolitan in respect of the Series 2024 Bonds shall be served, at the corporate trust office of the Trustee.

The Trustee (or any affiliate thereof which holds the funds and accounts hereunder as depository on behalf of the Trustee) shall be a member of the Federal Deposit Insurance Corporation (the "***FDIC***") and shall remain such a member throughout the period during which it shall act as Trustee, Paying Agent, and Registrar. The Trustee, in its capacity as Trustee, Paying Agent, and Registrar, shall accept its appointment by a written instrument embodying its agreement to remain, or maintain an affiliate that serves as depository that is, a member of the FDIC. Unless the same be secured as trust funds in the manner provided by the applicable regulations of the Comptroller of the Currency of the United States of America, and unless otherwise provided for in the Bond Resolution and in this 2024 Series Resolution, all moneys in the custody of the Trustee (or such affiliate thereof) in excess of the amount of such deposit insured by the FDIC shall be secured in Authorized Investments, at the written direction of the Authorized Officer that are at least equal to the sum on deposit and not insured by the FDIC.

In addition to the provisions of Section 15.16(G) of the Bond Resolution, and notwithstanding anything to the contrary herein or in the Bond Resolution, in the absence of written investment instructions from Metropolitan, the Trustee shall not be responsible or liable for keeping moneys held by it hereunder or under the Bond Resolution uninvested in cash.

Section 4.09 Form of Series 2024 Bond.

Series 2024 Bonds, together with the certificate of authentication, certificate of assignment and/or statement of insurance, if any, are to be in substantially the form attached hereto as Exhibit A with such necessary and appropriate variations, omissions and insertions as permitted or required upon advice of Bond Counsel and as determined by an Authorized Officer, or as otherwise authorized by the Bond Resolution or this 2024 Series Resolution. The execution of the Series 2024 Bonds shall constitute conclusive evidence of the approval of any changes to the form of any Series 2024 Bond.

Section 4.10 Book-Entry System.

Pursuant to Section 4.20 of the Bond Resolution, any Series of Series 2024 Bonds may be held under a Book-Entry System of a securities depository as determined pursuant to Article V.

(a) Notwithstanding anything to the contrary herein, so long as the Series 2024 Bonds are being held under a Book-Entry System of a Securities Depository, transfers of beneficial ownership of the Series 2024 Bonds will be effected pursuant to rules and procedures established by such Securities Depository. If held under a Book-Entry System, the initial securities depository for the Series 2024 Bonds will be DTC. DTC and Cede & Co., and any-successor securities

depositories and successor securities depository nominees, are hereinafter referred to as the "Securities Depository" and "Securities Depository Nominees" respectively.

(b) As long as a Book-Entry System is in effect for the Series 2024 Bonds, the Securities Depository Nominee will be recognized as the Holder of the Series 2024 Bonds for the purposes of: (i) paying the Principal Installments, interest, and Redemption Price, if any, on such Series 2024 Bonds, (ii) selecting the portions of such Series 2024 Bonds to be redeemed, if Series 2024 Bonds are to be redeemed in part, (iii) giving any notice permitted or required to be given to Bondholders under this 2024 Series Resolution, (iv) registering the transfer of Series 2024 Bonds, and (v) requesting any consent or other action to be taken by the Holders of such Series 2024 Bonds, and for all other purposes whatsoever, and Metropolitan shall not be affected by any notice to the contrary.

(c) Metropolitan shall not have any responsibility or obligation to any participant, any beneficial owner, or any other person claiming a beneficial ownership in any Series 2024 Bonds which are registered to a Securities Depository Nominee under or through the Securities Depository with respect to any action taken by the Securities Depository as Holder of such Series 2024 Bonds.

(d) The Paying Agent shall pay all Principal Installments, interest, and Redemption Price, if any, on Series 2024 Bonds issued under a Book-Entry System, only to the Securities Depository or the Securities Depository Nominee, as the case may be, for such Series 2024 Bonds, and all such payments shall be valid and effectual to fully satisfy and discharge the obligations with respect to the Principal Installments of, interest on, and Redemption Price, if any, of such Series 2024 Bonds.

(e) In the event that Metropolitan determines that it is in the best interest of Metropolitan to discontinue the Book-Entry System of transfer for the Series 2024 Bonds, or that the interests of the beneficial owners of the Series 2024 Bonds may be adversely affected if the Book-Entry System is continued, then Metropolitan shall notify the Securities Depository of such determination. In such event, the Registrar shall authenticate, register, and deliver physical certificates for the Series 2024 Bonds in exchange for the Series 2024 Bonds registered in the name of the Securities Depository Nominee.

(f) In the event that the Securities Depository for the Series 2024 Bonds discontinues providing its services, Metropolitan shall either engage the services of another Securities Depository or arrange with a Registrar for the delivery of physical certificates in the manner described in subsection (e) above.

(g) In connection with any notice or other communication to be provided to the Holders of Series 2024 Bonds by Metropolitan or by the Registrar with respect to any consent or other action to be taken by the Holders of Series 2024 Bonds, Metropolitan or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository Nominee notice of such record date not less than 15 days in advance of such record date to the extent possible.

(h) At the closing of any Series 2024 Bonds and the delivery of the same to the purchaser thereof through the facilities of DTC, the Registrar may maintain custody of Bond certificates on behalf of DTC in accordance with DTC's "FAST" closing procedures.

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ARTICLE V

CERTAIN DELEGATIONS

Section 5.01 Certain Delegations.

The Commission hereby expressly delegates to the Authorized Officer the authority to make the following determinations in connection with the issuance of the Series 2024 Bonds:

(1) whether to issue Series 2024 Bonds for the purposes set forth herein and the final principal amount of any Series thereof, in accordance with Section 4.01;

(2) the Date of Issue, interest rates, maturity dates and amounts, Bond Payment Dates, whether Series 2024 Bonds shall mature as Serial Bonds or Term Bonds and the sinking fund installments therefor (if necessary), and the redemption provisions of the Series 2024 Bonds, in accordance with Section 4.03;

(3) whether to establish the 2024 Debt Service Reserve Fund and the amount of the 2024 Reserve Requirement therefor and the method of funding thereof, in accordance with Section 4.07;

(4) the final form of the Series 2024 Bonds, in accordance with Section 4.09; and

(5) such other matters regarding the issuance of the Series 2024 Bonds as are necessary or appropriate to effect the issuance thereof.

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ARTICLE VI

EXECUTION; NO RECOURSE

Section 6.01 Execution of the Series 2024 Bonds.

The Series 2024 Bonds shall be executed and attested by the Chairman and the Secretary, respectively, in accordance with the applicable provisions of the Bond Resolution; however, in the absence of the Chairman or the Secretary for any reason, an Authorized Officer shall be authorized to either execute the Series 2024 Bonds or attest to the execution of the Series 2024 Bonds on behalf of the absent party; however, in no event shall the same Authorized Officer be permitted to both execute and attest to the Series 2024 Bonds. If acting on behalf of an absent person, such Authorized Officer shall be authorized to execute, sign, certify or attest any documentation otherwise required of the Chairman or Secretary respecting the issuance and delivery of the Series 2024 Bonds.

Facsimiles or electronic signatures by the Chairman or the Secretary, or any Authorized Officer are expressly authorized and permitted with respect to the Series 2024 Bonds and all closing documents and certificates associated therewith.

Section 6.02 No Recourse on the Series 2024 Bonds.

All covenants, stipulations, promises, agreements, and obligations of Metropolitan contained in the Bond Resolution or in this 2024 Series Resolution shall be deemed to be the covenants, stipulations, promises, agreements, and obligations of Metropolitan and not those of any officer or employee of Metropolitan in his or her individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Series 2024 Bonds or for any claim based thereon or on the Bond Resolution or on this 2024 Series Resolution, either jointly or severally, against any officer or employee of Metropolitan or any person executing the Series 2024 Bonds.

* * *

ARTICLE VII

APPLICATION OF BOND PROCEEDS

Section 7.01 Use and Disposition of Bond Proceeds.

Upon the delivery of any Series 2024 Bonds and receipt of the proceeds thereof, net of underwriter's discount or premium, if any, such funds shall be disposed of as follows:

(1) the amount necessary to pay the outstanding principal amount of and interest accrued on any Bond Anticipation Note issued to defray costs of the Project as of the date of maturity or the date of redemption prior to maturity as determined in accordance with the terms thereof;

(2) if an Authorized Officer determines to fund the 2024 Debt Service Reserve Fund with proceeds of Series 2024 Bonds, the sum or instrument equal to the 2024 Reserve Requirement, whether in cash or otherwise, shall be deposited into the 2024 Debt Service Reserve Fund;

(3) the amounts necessary to pay costs of issuance of the Series 2024 Bonds, including any credit enhancement therefor, as shall be deemed necessary by the Authorized Officer, may be applied directly to pay such costs of issuance or deposited in the 2024 Cost of Issuance Account and used to defray such costs of issuance, as determined by the Authorized Officer; and

(4) the remaining net proceeds, including any premium, shall be deposited in the 2024 Construction Fund and used to defray the costs of the Project.

Section 7.02 Establishment of 2024 Construction Fund; Excess Funds.

There is hereby established, in accordance with Section 4.01(B)(19) of the Bond Resolution, the "2024 Construction Fund." If determined necessary by the Authorized Officer, the 2024 Cost of Issuance Account may be established as an account of the 2024 Construction Fund. There shall be paid into the 2024 Construction Fund the sums prescribed by Section 7.01(4) and, if established, there shall be paid into the 2024 Cost of Issuance Account the sums prescribed by Section 7.01(3). The 2024 Construction Fund, including the 2024 Cost of Issuance Account therein, if established, shall be held and controlled by Metropolitan pursuant to the terms of the Bond Resolution and this 2024 Series Resolution, unless otherwise determined by the Authorized Officer at the closing of the Series 2024 Bonds. Moneys held in the 2024 Construction Fund, including funds held in the 2024 Cost of Issuance Account, if established, shall be invested and reinvested at the written direction of the Authorized Officer in Authorized Investments. If there are any funds remaining in the 2024 Construction Fund, including funds held in the 2024 Cost of Issuance Account, if established, upon completion of the Project, such funds shall be transferred to the 2024 Debt Service Fund and used to pay principal of and interest on the Series 2024 Bonds as the same come due.

* * *

ARTICLE VIII

SALE OF BONDS

Section 8.01 Sale of Bonds.

The Series 2024 Bonds shall be sold to Truist Securities, Inc. (or any successor or additional underwriter selected by an Authorized Officer) (the "***Underwriter***") pursuant to the terms of a bond purchase agreement for resale in the public capital markets. The Underwriter was selected following a competitive solicitation on the basis of its relative experience with similar municipal bond offerings, financial strength, and pricing. Compensation thereof and reimbursement for expenses shall be substantially as set forth in the proposal thereof. The execution of the bond purchase agreement by an Authorized Officer is hereby authorized and shall constitute conclusive evidence of his or her approval thereof. The Commission hereby authorizes an Authorized Officer to prepare, or cause to be prepared, a preliminary official statement and authorizes the distribution of the preliminary official statement by the Underwriter. The Commission authorizes an Authorized Officer to "deem final" the preliminary official statement for purposes of Rule 15c2-12 and an Authorized Officer is further authorized to see to the completion of the final form of the official statement upon the sale of such Series 2024 Bonds so that it may be provided to the Underwriter. The physical or electronic execution and delivery of the final official statement by an Authorized Officer shall constitute conclusive evidence of the Metropolitan's approval thereof. An Authorized Officer is authorized to perform all actions necessary to comply with Rule 15c2-12 and any other applicable securities laws.

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ARTICLE IX

BOND ANTICIPATION NOTES

Section 9.01 Authority to Issue Bond Anticipation Notes.

(a) If the Authorized Officer should determine that issuance of Bond Anticipation Notes, in one or more series, pursuant to the BAN Act would be in the best interest of Metropolitan, upon the advice of the Financial Advisor, the Authorized Officer is hereby directed and authorized to effect the issuance of Bond Anticipation Notes pursuant to the BAN Act. If Bond Anticipation Notes are issued and if, upon the maturity thereof the Authorized Officer should determine that renewal or refunding of all of a portion of such Bond Anticipation Notes, or any Bond Anticipation Notes issued to defray the costs of the Project, would be in the best interest of Metropolitan, the Authorized Officer is directed and authorized to continue the renewal or refunding of such Bond Anticipation Notes until the Authorized Officer determines to issue Series 2024 Bonds on the basis as aforesaid, and such Series 2024 Bonds are issued. The aggregate stated principal amount outstanding from time to time of all Bond Anticipation Notes issued in anticipation of the Series 2024 Bonds shall not exceed $38,000,000.

(b) The proceeds of any Bond Anticipation Notes issued hereunder shall be applied for the purpose for which proceeds of the Series 2024 Bonds may be applied pursuant to Section 7.01, to provide for the renewal or refunding of Bond Anticipation Notes, or to provide for the costs of issuance thereof, or any combination thereof.

Section 9.02 Details of Bond Anticipation Notes.

Subject to changes in terms required for any particular issue of Bond Anticipation Notes issued hereunder, such notes and additional series thereof, if any, shall be subject to the following particulars:

(a) Bond Anticipation Notes shall be dated and bear interest either from the original date of deliver thereof or in such manner as shall be determined by the Authorized Officer; shall be payable upon the stated maturity thereof at the interest rate or rates determined by the Authorized Officer in the manner prescribed by Sections 9.02(c) or 9.02(d) below on the basis determined by an Authorized Officer; and shall mature on such date, not to exceed one year from the date of delivery thereof. Bond Anticipation Notes may be issued as draw-down obligations, in which event interest shall accrue and be payable thereon based on the dates of and principal amounts advanced.

(b) Bond Anticipation Notes shall be numbered from R-1 upwards for each issue and shall be in the denomination of $5,000 or any integral multiple thereof requested by the purchaser thereof or as may be specified by the Authorized Officer. The Authorized Officer shall determine the paying agent and registrar for the Bond Anticipation Notes, if any, prior to the sale thereof. Bond Anticipation Notes shall be payable, both as to principal and interest, in legal tender upon maturity.

(c) Bond Anticipation Notes shall bear such rate or rates of interest as shall at the sale of Bond Anticipation Notes referred to in Section 9.02(d) be determined by the Authorized Officer to be in the best interest of Metropolitan; provided, however, that:

(1) the interest rate named shall be expressed as 1/1000 of one percent;

(2) all other restrictions as may be imposed by the Authorized Officer prior to the sale of the Bond Anticipation Notes that are deemed to be in the best interest of Metropolitan shall apply; and

(3) no rate of interest shall exceed 7% per annum.

(d) Bond Anticipation Notes shall be sold through a competitive or negotiated direct placement, in the discretion of the Authorized Officer with the advice of the Financial Advisor and Bond Counsel.

(e) Bond Anticipation Notes shall be sold as tax-exempt obligations pursuant to the Code, subject to the tax covenants set forth at Section 10.01, unless the Authorized Officer determines, upon the advice of Bond Counsel, to issue such Bond Anticipation Notes as a taxable obligation. The Authorized Officer may further designate any Bond Anticipation Notes as a "qualified tax-exempt obligation" pursuant to the Code.

(f) Bond Anticipation Notes shall be issued in fully registered form, in substantially the form attached hereto as Exhibit B, provided, however, that such form may be substantially revised upon advice of Bond Counsel to achieve the objectives of Metropolitan as determined by the Authorized Officer, including any modification to accommodate a draw-down structure. Each series of Bond Anticipation Notes shall state on their face that they are issued in anticipation of the issuance of Bonds and are payable, both as to principal and interest, from the proceeds thereof.

(g) In the event any Bond Anticipation Note is mutilated, lost, stolen or destroyed, Metropolitan may execute a new Bond Anticipation Note of like date and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond Anticipation Note, such mutilated Bond Anticipation Note shall first be surrendered to Metropolitan or to its designated agent, and in the case of any lost, stolen or destroyed Bond Anticipation Note, there shall be first furnished to Metropolitan or its agent evidence of such loss, theft or destruction satisfactory to Metropolitan or its agent, together with indemnity satisfactory to it; provided that, in the case of a holder which is a bank or insurance company, the agreement of such bank or insurance company to indemnify shall be sufficient. In the event any such Bond Anticipation Note shall have matured, instead of issuing a duplicate Bond Anticipation Note, Metropolitan may pay the same without surrender thereof. Metropolitan or its agent may charge the holder of such Bond Anticipation Note with its reasonable fees and expenses in this connection.

(h) Any Bond Anticipation Note issued in fully registered form shall be transferable only upon the books of registry of Metropolitan, which shall be kept for that purpose at the office of the registrar (the "***Note Registrar***"), by the registered owner thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Note Registrar, duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any Bond Anticipation Note, the Note Registrar shall issue, subject

to the provisions of Paragraph (i) below, in the name of the transferee, a new Bond Anticipation Note or Bond Anticipation Note of the same aggregate principal amount as the unpaid principal amount of the surrendered Bond Anticipation Note. Any holder of a Bond Anticipation Note in fully registered form requesting any transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond Anticipation Note in fully registered form, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal and interest of any Bond Anticipation Note in fully-registered form shall be made only to or upon the order of the registered holder thereof, or his duly authorized attorney, and Metropolitan, the Note Registrar shall not be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond Anticipation Note to the extent of the sum or sums so paid.

(i) Any Bond Anticipation Note issued in fully registered form, upon surrender thereof at the office of the Note Registrar, with a written instrument of transfer satisfactory to the Note Registrar, duly executed by the holder of the Bond Anticipation Note or his duly authorized attorney, may, at the option of the holder of the Bond Anticipation Note, and upon payment by such holder of any charges which Metropolitan or the Note Registrar may make as provided in Paragraph (j) below, be exchanged for a principal amount of Bond Anticipation Notes in fully registered form of any other authorized denomination equal to the unpaid principal amount of surrendered Bond Anticipation Note.

(j) In all cases in which the privilege of exchanging or transferring Bond Anticipation Notes in fully registered form is exercised, Metropolitan shall execute and deliver Bond Anticipation Notes in accordance with the provisions. All Bond Anticipation Notes in fully registered form surrendered in any such exchanges or transfers shall forthwith be cancelled by Metropolitan. There shall be no charge to the holder of such Bond Anticipation Note for such exchange or transfer of Bond Anticipation Note in fully registered form except that Metropolitan and Note Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(k) The Authorized Officer, in his discretion and on advice received, shall determine whether the Bond Anticipation Note shall be subject to redemption prior to maturity at the option of Metropolitan, including applicable redemption dates and prices. In the event that Metropolitan shall elect to redeem Bond Anticipation Notes, it shall give notice to the Note Registrar and paying agent, if any, of such optional redemption. Such notice shall specify the date fixed for redemption.

Section 9.03 Security for Bond Anticipation Notes.

Metropolitan hereby obligates itself to issue the Series 2024 Bonds in an amount and in time sufficient to pay the principal of and interest on any Bond Anticipation Notes issued hereunder. For the payment of such Bond Anticipation Notes, there are hereby pledged the proceeds derived from the sale of the Series 2024 Bonds issued pursuant to this 2024 Series Resolution or from the sale, issuance and delivery of renewal or refunding Bond Anticipation Notes issued prior to the maturity of the then Outstanding Bond Anticipation Notes. The proceeds of such Series 2024 Bonds, when received by Metropolitan, shall be applied first to the payment of principal of and interest on such Bond Anticipation Notes. Metropolitan shall either issue such Series 2024 Bonds and apply the proceeds to the redemption of such Bond Anticipation Notes or

shall provide funds therefor from other sources, including the issuance of renewal or refunding Bond Anticipation Notes.

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ARTICLE X

TAX AND DISCLOSURE COVENANTS

Section 10.01 Tax Covenants.

(a) *General Tax Covenant.* Metropolitan will comply with all requirements of the Code in order to preserve the tax-exempt status of the Series 2024 Bonds, including without limitation, (i) the requirement to file Form 8038-G, *Information Return for Tax-Exempt Government Bonds*, with the Internal Revenue Service, and (ii) the requirement to rebate certain arbitrage earnings to the United States Government pursuant to Section 148(f) of the Code. In this connection, Metropolitan covenants to execute any and all agreements or other documentation as it may be advised by Bond Counsel will enable it to comply with this Section 10.01, including its certification on reasonable grounds that the Series 2024 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) *Tax Representations*. Metropolitan hereby represents and covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2024 Bonds to become includable in the gross income of the Holders thereof for federal income tax purposes pursuant to the provisions of the Code and the United States Treasury Regulations (the "***Regulations***"). Without limiting the generality of the foregoing, Metropolitan represents and covenants that:

(1) All property financed or refinanced with the proceeds of the Series 2024 Bonds will be owned by Metropolitan or another political subdivision of the State so long as the Series 2024 Bonds are Outstanding in accordance with the rules governing the ownership of property for federal income tax purposes.

(2) Metropolitan shall not use, and will not permit any party to use, the proceeds of the Series 2024 Bonds, or any bonds refunded thereby, in any manner that would result in (i) 10% or more of such proceeds being considered as having been used directly or indirectly in any trade or business carried on by any Nongovernmental Person, (ii) 5% or more of such proceeds being considered as having been used directly or indirectly in any trade or business of any Nongovernmental Person that is either "unrelated" or "disproportionate" to the governmental use of the financed facility by Metropolitan or by any other Governmental Unit (as the terms "unrelated" and "disproportionate" are defined for purposes of Section 141(b)(3) of the Code) or (iii) 5% or more of such proceeds being considered as having been used directly or indirectly to make or finance loans to any Nongovernmental Person.

(3) Metropolitan is not a party to, and will not enter into or permit any other party to enter into, any contract with any person involving the management of any facility financed or refinanced with the proceeds of the Series 2024 Bonds or by notes paid by the Series 2024 Bonds that does not conform to the guidelines set forth in Revenue Procedure 2017-13, or a successor revenue procedure, Code provision or Regulations.

(4) Metropolitan will not sell, or permit any other party to sell, any property financed or refinanced with the Series 2024 Bonds to any person unless it obtains an opinion of nationally recognized bond counsel that such sale will not affect the tax-exempt status of the Series 2024 Bonds.

(5) The Series 2024 Bonds will not be "federally guaranteed" within the meaning of Section 149(b) of the Code. Metropolitan shall not enter into, or permit any other party to enter into, any leases or sales or service contract with any federal government agency with respect to any facility financed or refinanced with the proceeds of the Series 2024 Bonds and will not enter into any such leases or contracts unless it obtains the opinion of nationally recognized bond counsel that such action will not affect the tax-exempt status of the Series 2024 Bonds.

(c) *Arbitrage Bonds, Rebate*. Metropolitan covenants that no use of the proceeds of the sale of the Series 2024 Bonds shall be made which, if such use had been reasonably expected on the date of issue of such Series 2024 Bonds would have caused the Series 2024 Bonds to be "arbitrage bonds" as defined in the Code, and to that end Metropolitan shall:

(1) comply with the applicable regulations of the Treasury Department previously promulgated under Section 103 of the Internal Revenue Code of 1954, as amended, and any regulations promulgated under the Code, so long as the Series 2024 Bonds are Outstanding;

(2) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code and Regulations relating to required rebate of certain amounts to the United States Government;

(3) make such reports of such information at the time and places required by the Code and Regulations; and

(4) take such other action as may be required to assure that the tax-exempt status of the Series 2024 Bonds will not be impaired.

(d) *Tax Certificate*. An Authorized Officer is hereby authorized and directed to execute, at or prior to delivery of any Series of Bonds, a certificate or certificates specifying actions taken or to be taken by Metropolitan, and the reasonable expectations of such officials, with respect to such Series of Bonds, the proceeds thereof, or Metropolitan.

(e) *Reimbursement Declaration*. Metropolitan hereby declares its intention to reimburse itself for a portion of the costs of the Project with the proceeds of Series 2024 Bonds. To that end, Metropolitan determines and declares as follows:

(1) no funds from any sources other than the Series 2024 Bonds are or are reasonably expected to be, reserved, allocated on a long-term basis or otherwise set aside by Metropolitan pursuant to the budget or financial policies of Metropolitan for the financing of the portion of the costs of acquisition, construction, and equipping of the Project to be funded with the Series 2024 Bonds;

(2) Metropolitan reasonably expects that all or a portion of the expenditures incurred for the Project and the issuance of the Series 2024 Bonds will be paid prior to the issuance of the Series 2024 Bonds;

(3) Metropolitan intends and reasonably expects to reimburse itself for all such expenditures paid by it with respect to the Project prior to the issuance of the Series 2024 Bonds from the proceeds of the Series 2024 Bonds, and such intention is consistent with the budgetary and financial circumstances of Metropolitan;

(4) all of the costs to be paid or reimbursed from the proceeds of the Series 2024 Bonds will be for costs incurred in connection with the issuance of the Series 2024 Bonds, or will, at the time of payment thereof, be properly chargeable to the capital account of the Project (or would be so chargeable with a proper election) under general federal income tax principles; and

(5) this 2024 Series Resolution shall constitute a declaration of official intent under United States Department of the Treasury Regulation Section 1.150-2.

(g) *Taxable Bonds*. Prior to the issuance of a Series of Series 2024 Bonds, an Authorized Officer may, pursuant to Article V, in consultation with Bond Counsel, designate such Series of Bonds as taxable under the Code. The election to issue a Series of Taxable Bonds shall be clearly indicated by including the phrase "Taxable Series," or words to that effect, in the series designation of such Taxable Bonds. The above provisions of this Section 10.01 shall not be applicable to any Series of Taxable Bonds.

(h) The Trustee shall have no responsibility to monitor Metropolitan's compliance with the covenants set forth in this Section 10.01.

Section 10.02 Disclosure Covenants.

(a) Metropolitan hereby covenants and agrees that it will comply with and carry out all of the provisions of any continuing disclosure certificate or agreement, executed by an Authorized Officer and dated the date of delivery of the Series 2024 Bonds, which will meet the requirements, as applicable, of Section 11-1-85 of the South Carolina Code, which may require, among other things, that Metropolitan file with a central repository when requested:

(1) a copy of its annual independent audit within 30 days of its receipt and acceptance, and

(2) event-specific information, within 30 days of an event adversely affecting more than five percent of its revenues or five percent of its tax base.

The only remedy for failure by Metropolitan to comply with the covenants in this Section 10.02 shall be an action for specific performance of this covenant. Metropolitan specifically reserves the right to amend this covenant to reflect any change in Section 11-1-85 of the South Carolina Code, without the consent of any Bondholder.

(b) Metropolitan hereby covenants and agrees that it will comply with and carry out all of the provisions of any continuing disclosure certificate, executed by an Authorized Officer and dated the date of delivery of the Series 2024 Bonds, which will meet the requirements, as applicable, of Rule 15c2-12 (the "***Continuing Disclosure Undertaking***"). Notwithstanding any other provision, failure of Metropolitan to comply with the Continuing Disclosure Undertaking shall not be considered an event of default hereunder; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause Metropolitan to comply with its obligations under this Section. The execution of the Continuing Disclosure Undertaking shall constitute conclusive evidence of the approval by the person executing the same of any and all modifications and amendments thereto. Additionally, an Authorized Officer is authorized to contract with a dissemination agent for certain dissemination services associated with the execution and delivery of the Continuing Disclosure Undertaking.

(c) The Trustee shall have no responsibility to monitor Metropolitan's compliance with the covenants set forth in this Section 10.02.

* * *

ARTICLE XI

MISCELLANEOUS

Section 11.01 Severability.

If any one or more of the covenants or agreements provided in this 2024 Series Resolution on the part of Metropolitan or any fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions.

Section 11.02 Further Action.

Metropolitan authorizes the Authorized Officers to execute and sign all other documents, certificates, and agreements necessary or convenient to effect the purchase and sale of the Series 2024 Bonds.

Section 11.03 Professional Services.

Metropolitan hereby authorizes, approves or ratifies, as applicable, the engagement of First Tryon Advisors to act as Financial Advisor and Pope Flynn, LLC to act as Bond Counsel and disclosure counsel (as applicable) in connection with the issuance of the Series 2024 Bonds and any Bond Anticipation Notes issued hereunder and authorizes (or ratifies, as applicable) an Authorized Officer to engage the services of these professionals and such other professionals and institutions of a type and in a manner customary in connection with the issuance of municipal bonds, including, but not limited to, contractual arrangements with other professionals, rating agencies, verification agents, financial and trust institutions, printers and the suppliers of other goods and services in connection with the sale, execution and delivery of the Series 2024 Bonds and any Bond Anticipation Notes, as is necessary and desirable.

Section 11.04 Table of Contents and Section Headings Not Controlling.

The Table of Contents and the headings of the several articles and sections have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision.

Section 11.05 2024 Series Resolution to Constitute Contract.

In consideration of the purchase and acceptance of Series 2024 Bonds by those who shall purchase and hold the same from time to time, the provisions shall be deemed to be and shall constitute a contract between Metropolitan and the Holder from time to time of the Series 2024 Bonds, and such provisions are covenants and agreements with such Holder which Metropolitan hereby determines to be necessary and desirable for the security and payment thereof. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed on behalf of Metropolitan shall be for the benefit, protection, and security of the Holder of the Series 2024 Bonds.

Section 11.06 Series 2024 Bonds Issued as Multiple Series.

In the event Series 2024 Bonds are sold in more than one Series, separate funds and accounts shall be created and maintained for each Series of Series 2024 Bonds and appropriate numeric or alphanumeric designations shall be established to appropriately account for the funds established pursuant to Article VII, as contemplated by Article VII of the Bond Resolution. Notwithstanding anything in the 2024 Series Resolution to the contrary, in the event that Series 2024 Bonds are sold in more than one Series, all references in this 2024 Series Resolution to Series 2024 Bonds shall, as the context may require, be read as referring to the applicable Series of Series 2024 Bonds.

Section 11.07 Bond Resolution.

Metropolitan hereby confirms the existence and applicability of the Bond Resolution and ratifies, restates, and reaffirms its representations, warranties, covenants, and agreements and all of the applicable terms, conditions, and provisions as set forth in the Bond Resolution, as supplemented by this Series Resolution. Except where otherwise expressly indicated in this Series Resolution, the provisions of the Bond Resolution are to be read as part of this Series Resolution as though copied verbatim herein, and provisions of this Series Resolution shall be read as additions to, and not as substitutes for or modifications of (except as otherwise specifically provided herein), the provisions of the Bond Resolution. Except as expressly amended, modified, or supplemented by this Series Resolution, all of the terms, conditions, and provisions of the Bond Resolution shall remain in full force and effect. Except as expressly amended, modified, or supplemented by this Series Resolution, all of the terms, conditions, and provisions of the Bond Resolution are hereby declared applicable to and broadened and extended so as to cover the Series 2024 Bonds and shall for all purposes apply to the Series 2024 Bonds as if the Series 2024 Bonds had been originally issued under the Bond Resolution simultaneously with the Outstanding Bonds.

Section 11.08 Funds and Accounts for Parity Bonds.

U.S. Bank Trust Company, National Association, its successors and assigns and thereafter any successor or assign permitted in accordance with the Bond Resolution, is hereby appointed as Trustee, Paying Agent, and Registrar with respect to each Series of the Parity Bonds, respectively. In connection therewith, in addition to the funds and accounts otherwise established pursuant to this Series Resolution, the Trustee is hereby authorized and directed to establish the Debt Service Fund and the following Debt Service Fund Accounts therein: (i) the 2019 Debt Service Fund Account; (ii) the 2020 Debt Service Fund Account; and (iii) the 2022 Debt Service Fund Account, in each instance pursuant to Section 7.04 of the Bond Resolution and subject to the applicable terms of the respective Series Resolutions authorizing each such Series of Parity Bonds. The Trustee is further authorized and directed to establish the 2019 Debt Service Reserve Fund in connection with the Series 2019 Bonds, subject to the applicable provisions of the Series Resolution authorizing the Series 2019 Bonds. In accordance with Section 17.03 of the Bond Resolution, the Custodian is hereby authorized and directed to transfer all funds and accounts held by the Custodian with respect to the Parity Bonds, and all monies held in such accounts, to the Trustee. The Authorized Officers are further authorized to direct the Trustee to establish such other funds and accounts with respect to the Parity Bonds as may be necessary or convenient and authorized pursuant to the Bond Resolution. The Authorized Officers, the Chairman, and the

Secretary are hereby authorized and directed to execute and sign all such documents, certificates, and agreements necessary or convenient to effect the transactions set forth in this Section.

* * *

DONE IN MEETING DULY ASSEMBLED, this 15th day of July 2024.

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA

(SEAL)

James R Freeland

Chairman, Board of Commissioners

Attest:

Jordia Berry

Secretary, Board of Commissioners

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA
SEWER SYSTEM REVENUE BONDS
SERIES 2024

No. R-1

Interest Rate	Maturity Date	Original Issue Date	CUSIP

Registered Holder: Cede & Co.

Principal Amount: _____________ ($________________)

THE METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA (the "***Issuer***"), acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Holder named above, or registered assigns, the Principal Amount stated above, on the Maturity Date set forth above, unless this bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender of this bond at the Corporate Trust Office of U.S. Bank Trust Company, National Association (the "***Paying Agent***"), and to pay interest on such principal sum at the Interest Rate set forth above (calculated on the basis of a 360-day year of twelve 30-day months), until the obligation of the Issuer with respect to the payment of such principal sum shall be discharged.

This bond bears interest from the _________ 1 or the _________ 1 to which interest has been paid next preceding the authentication date hereof, unless the authentication date hereof is a _________1 or a _________1, in which event this bond will bear interest from the earlier of such authentication date or the date to which interest has last been paid; provided that if the authentication date hereof precedes _________1, 202_, or if the Issuer shall fail to pay interest on __________ 1, 202_, then this bond will bear interest from _________1, 2024. Interest on this bond is payable on _________1 and _________1 of each year beginning _________1, 202_. The interest so payable on any _________1 or _________1 will be paid to the person in whose name this bond is registered at the close of business on the 15th day of the May or November as the case may be next preceding such _________1 or _________1.

Interest hereon is payable by check or draft mailed at the times provided herein from the Corporate Trust Office of the Paying Agent to the person in whose name this bond is registered on the Record Date at the address shown on the registration books kept by U.S. Bank Trust Company, National Association in _______ (the "***Registrar***"); provided, however, as long as Cede & Co. or another DTC nominee is the registered owner of the Series 2024 Bonds (as defined herein), the Paying Agent shall make all payments with respect to the Series 2024 Bonds by wire transfer in immediately available funds. The principal of, redemption premium, if any, and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This bond is one of an issue in the aggregate principal amount of _____________ ($____) (the "***Series 2024 Bonds***") of like tenor, except as to numbering, rate of interest, date of maturity, and redemption provisions, issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "***State***") including particularly Title 6, Chapter 21 of the Code of Laws of South Carolina 1976, as amended (the "***South Carolina Code***"), and by a resolution entitled, "A MASTER BOND RESOLUTION TO PROVIDE FOR THE ISSUANCE AND SALE OF SEWER SYSTEM REVENUE BONDS OF THE METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA; AND OTHER MATTERS RELATING THERETO," adopted by the Metropolitan Sewer Subdistrict Commission (the "***Commission***"), the governing body of the Issuer, on November 4, 2019 (the "***Bond Resolution***"), and a Series Resolution entitled, "A SERIES RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF SEWER SYSTEM REVENUE BONDS OF METROPOLITAN SEWER SUBDISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING $38,000,000; THE ISSUANCE AND SALE OF NOTES IN ANTICIPATION OF THE ISSUANCE OF SUCH BONDS; AND OTHER MATTERS RELATING THERETO" (the "***2024 Series Resolution***") duly adopted by the Commission on July 15, 2024 (the Bond Resolution and the 2024 Series Resolution are hereinafter together referred to as the "***Resolutions***"), for the purpose of (i) paying the outstanding principal and interest on any Bond Anticipation Note, whether at maturity or earlier redemption; (ii) defraying or reimbursing the costs of the Project; (iii) funding the 2024 Debt Service Reserve Fund, if any, or otherwise meeting the 2024 Reserve Requirement; (iv) paying capitalized interest, if any, for a period not exceeding the later of (a) three years from the Date of Issue of the applicable Series of Bonds or (b) one year from the time the Project is placed in service; and (v) paying costs of issuance of the Series 2024 Bonds, including payment of any premium due on any Municipal Bond Insurance Policy or other credit enhancement.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions. Certified copies of the Resolutions are on file in the office of the Trustee and in the offices of the Issuer.

So long as Cede & Co., as nominee of The Depository Trust Company, is the Registered Holder of the Bonds, references in this Bond to the Bondholders or Registered Holders of the Series 2024 Bonds shall mean Cede & Co. and shall not mean the beneficial owners.

For the payment of the principal of and interest on this bond issued pursuant to the Bond Resolution, there are hereby irrevocably pledged the Net Revenues. As permitted by the Enabling Act, the payment of the principal of and interest on this bond shall be additionally secured by a statutory lien upon the System. Such pledge securing this bond shall have priority over all other pledges except those made to secure any Bonds (as defined hereinbelow, including the following Outstanding Series of Bonds of the Issuer (collectively, the "***Parity Bonds***"):

(1) the $451,000 original principal amount Sewer System Revenue Bond, Series 2019, dated December 17, 2019;

(2) the $8,847,000 original principal amount Sewer System Revenue Bond, Series 2020, dated August 6, 2020; and

(3) the $38,000,000 original principal amount Sewer System Revenue Bond, Series 2022, dated June 9, 2022.

THIS BOND SHALL NOT IN ANY EVENT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR STATUTES OF THE STATE, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE; AND THE FAITH, CREDIT AND TAXING POWER OF THE ISSUER ARE EXPRESSLY NOT PLEDGED THEREFOR. THE ISSUER IS NOT OBLIGATED TO PAY THIS BOND, OR THE INTEREST HEREON, SAVE AND EXCEPT FROM THE NET REVENUES.

The Bond Resolution authorizes the issuance of additional bonds on a parity with the Series 2024 Bonds and the Parity Bonds which, when issued in accordance with the provisions of the Bond Resolution, will rank equally and be on a parity herewith and therewith ("***Additional Bonds***" and together with this bond and the Parity Bonds, collectively the "***Bonds***").

The Issuer has covenanted to continuously operate and maintain the System and fix and maintain such rates for the services and facilities furnished by the System as shall at all times be sufficient (i) to provide for the payment of Operation and Maintenance Expenses, (ii) to maintain the Debt Service Fund and Debt Service Fund Accounts and thus provide for the punctual payment of the principal of and interest on all Bonds, (iii) to maintain the Debt Service Reserve Funds, if any, in the manner prescribed in the applicable Series Resolution, (iv) to pay all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit as contemplated under Section 7.05(D) of the Bond Resolution, (v) to provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding, (vi) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order, and (vii) to discharge all obligations imposed by the Enabling Act and by the Bond Resolution and any applicable Series Resolution.

The Bond Resolution provides that, in addition to other remedies, upon a default in payment of principal of or interest on any Bond, the Trustee shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding, declare all Bonds Outstanding immediately due and payable.

This bond is transferable, as provided in the Bond Resolution, only upon the registration books of the Issuer kept for that purpose and maintained by the Registrar, by the holder hereof in person or by his duly authorized attorney, upon (i) surrender of this bond and an assignment with a written instrument of transfer satisfactory to the Trustee or any other Registrar, as the case may be, duly executed by the Holder hereof or his duly authorized attorney and (ii) payment of the charges, if any, prescribed in the Resolutions. Thereupon a new bond of the then outstanding principal amount, then current maturity schedule and interest rate shall be issued to the transferee in exchange therefor as provided in the Bond Resolution. The Issuer, the Trustee, and the Registrar

may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or Redemption Price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of the Series 2024 Bonds, the Issuer or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[The Series 2024 Bonds maturing on or prior to _____ 1, 20__ are not subject to optional redemption prior to their stated maturities.] [The Series 2024 Bonds maturing after _____ 1, 20__ may be redeemed at 100% of par prior to their respective maturities at the option of the Issuer on and after _____ 1, 20__, in whole or in part at any time, and, if in part, in those maturities designated by the Issuer and by lot within a maturity (but only in integral multiples of $5,000) upon 30 days written notice at the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption.]

[If less than all of the Series 2024 Bonds are to be redeemed, the particular Series 2024 Bonds or portions of Series 2024 Bonds to be redeemed will be selected by the Trustee. Series 2024 Bonds in denomination of more than $5,000 may be redeemed in part from time to time in one or more units of $5,000 in the manner provided in the Resolutions.]

This bond and the interest hereon are exempt from all State, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, that the amount of this bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by such Constitution or statutes.

IN WITNESS WHEREOF, THE METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA, has caused this Series 2024 Bond to be signed by the signature of the Chairman of the Commission, its corporate seal to be reproduced hereon and the same to be attested by the signature of the Secretary of the Commission.

METROPOLITAN SEWER SUBDISTRICT,
SOUTH CAROLINA

(SEAL)

By: ____________________________________
Chairman, Board of Commissioners

ATTEST:

____
Secretary, Board of Commissioners

CERTIFICATE OF AUTHENTICATION

This bond is a Series 2024 Bond as described in the within mentioned Resolutions.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Registrar

By: ____
Authorized Officer

Date: ____________________, 2024

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

____

____
(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints ____________________ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ____________________________
(Signature Guaranty)

____
Authorized Individual or Officer

NOTICE: Signature(s) to the assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or any change whatever.

Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agents Medallion Program (“STAMP”) or similar program enlargement.

WITH THE CONSENT OF THE PURCHASER, AND NOTWITHSTANDING ANY CONTRARY PROVISION CONTAINED IN THE 2024 SERIES RESOLUTION, THIS NOTE MAY BE SOLD OR TRANSFERRED ONLY TO PURCHASERS WHO EXECUTE AN INVESTMENT LETTER DELIVERED TO METROPOLITAN, IN FORM SATISFACTORY TO METROPOLITAN, CONTAINING CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS AS TO THE SUITABILITY OF SUCH PURCHASER TO PURCHASE AND HOLD THIS SERIES 2024 NOTE. SUCH RESTRICTION SHALL BE COMPLIED WITH BY EACH TRANSFEREE OF THIS NOTE.

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA
SEWER SYSTEM REVENUE
BOND ANTICIPATION NOTE
SERIES 2024

No. 1

REGISTERED HOLDER:

PRINCIPAL SUM:

MATURITY DATE:

The METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA (“***Metropolitan***”), hereby acknowledges itself indebted, and for value received, promises to pay to __________ at its principal offices in __________, __________, the sum of __________ Dollars ($__________) on __________, 2024, or on the occasion of the issuance and delivery of a refunding bond anticipation note issued for the purposes of refunding this Sewer System Revenue Bond Anticipation Note, Series 2024 (this “***Note***”) or the not exceeding $38,000,000 aggregate principal amount Metropolitan Sewer Subdistrict Sewer System Revenue Bonds, Series 2024 (the “***Series 2024 Bonds***”), and to pay interest on said principal sum, from the delivery date hereof, at the rate of __________ per centum (__________%) per annum (computed on the basis of an actual over 365-day year), payable upon the stated maturity or earlier redemption date of this Note.

If by reason of the issuance of a refunding bond anticipation note or the Series 2024 Bond in anticipation of which this Note is issued, on a date earlier than the stated maturity of this Note, this Note shall be redeemable upon payment of the principal amount due hereon, plus interest hereon to the redemption date, upon written notice of redemption to the payee hereof, seven (7) days prior to the date fixed for redemption.

Both the principal of and interest on this Note are payable in any coin or currency of the United States of America, which is, at the time of payment, legal tender for the payment of public and private debts.

This Note is issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Title 11, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the "***Act***"), a Bond Resolution adopted by Metropolitan on November 4, 2019, and a Series Resolution adopted by Metropolitan on _____________, 2024 (the "***Series Resolution***") authorizing the issuance of the Series 2024 Bonds to be issued by Metropolitan pursuant to Title 6, Chapter 21 of the Code of Laws of South Carolina 1976, as amended. The proceeds of this Note shall be used to provide interim financing pending issuance of the Series 2024 Bonds for a portion of the cost of certain improvements to the sewer system of Metropolitan.

Metropolitan obligates itself to issue the Series 2024 Bonds in an amount and in time sufficient to pay the principal of and interest on this Note. For the payment of this Note, there are hereby pledged the proceeds derived from the sale of the Series 2024 Bonds issued pursuant to the Series Resolution or from the sale, issuance and delivery of renewal or refunding note issued prior to the maturity of this Note. The proceeds of such Series 2024 Bonds, when received by Metropolitan, shall be applied first to the payment of principal of and interest on this Note. Metropolitan shall either issue such Series 2024 Bonds and apply the proceeds to the redemption of this Note or shall provide funds therefor from other sources, including the issuance of renewal or refunding notes.

This Note is issued in fully registered form shall be transferable only upon the books of registry of Metropolitan, which shall be kept for that purpose at the office of Metropolitan, as note registrar (the "***Note Registrar***"), by the registered owner thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Note Registrar, duly executed by the registered owner or his duly authorized attorney.

This Note and the interest hereon are exempt from all State, municipal, school, city and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer or certain franchise taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of South Carolina to exist, to happen, or to be performed precedent to or in the issuance of this Note and the Series 2024 Bonds, do exist, have happened and have been performed in regular and due time, form and manner, and that Metropolitan has irrevocably obligated itself to issue and sell prior to the stated maturity hereof, in the manner prescribed by law, a refunding note or the Series 2024 Bonds, in anticipation of which this Note is issued.

IN WITNESS WHEREOF, THE METROPOLITAN SEWER SUBDISTRICT has caused this Note to be signed by the signature of the Chairman of the Commission, its corporate seal to be reproduced hereon and the same to be attested by the signature of the Secretary of the Commission.

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA

(SEAL)

By: ____________________________________
Chairman, Board of Commissioners

Attest:

____
Secretary, Board of Commissioners

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes of the issue described in the within-mentioned Resolution.

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA, as Note Registrar

By:____________________________________
Secretary, Board of Commissioners

Date of Authentication: __________

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

____
(Please print or typewrite Name, Social Security or Taxpayer Identification Number and address of Transferee)

the within note and does hereby irrevocably constitute and appoint _________________________ attorney to transfer the within note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _______________________________

Signature Guarantee:

____
Signature(s) must be guaranteed by a member firm of the New York stock Exchange or a commercial bank or trust company

____
NOTICE: The signature to this assignment must correspond with the name of the registered holder as it appear upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

APPENDIX C

Economic and Demographic Data for Greenville County

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APPENDIX C

Economic and Demographic Data for Greenville County

Population

The following table shows population information for the County from the U.S. Bureau of the Census as of April 1 for the years listed below.

Year	County Population	Percent Increase
1990	320,167	11.2%
2000	379,616	18.6
2010	451,225	18.9
2020	525,534	16.4

Source: U.S. Census Bureau; U.S. Bureau of Economic Analysis.

Per Capita Personal Income

The County ranks second among the 46 counties of the State in per capita income, outranked only by Beaufort County, which includes the resort community of Hilton Head. The per capita income in the County, the State, and the United States for each of the last five years for which information is available is shown below.

Year	County	State	United States
2018	$48,084	$43,804	$53,309
2019	50,186	46,149	55,547
2020	52,076	48,772	59,153
2021	55,755	52,828	64,430
2022	56,653	53,618	65,470

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Retail Sales

The State imposes a 6% sales tax on all retail sales. The following table shows the level of gross retail sales over the last five calendar years for businesses located in the County and the increase or decrease over the previous year:

Year	Total Retail Sales	Increase (Decrease) Over Previous Year
2019	$19,257,759,682	3.3%
2020	18,710,502,874	(2.8)
2021	21,428,499,419	14.5
2022	24,821,884,189	15.8
2023	26,319,073,969	6.0

Source: South Carolina Department of Revenue.

Capital Investment

Listed below is the announced capital investment and announced employment for new and expanded industry in the County for the past five years and partial current year for which information is available.

Year	Total Capital Investment	Jobs Committed
2019	$111,230,000	1,802
2020	424,400,000	406
2021	89,235,000	1,467
2022	319,350,000	1,617
2023	389,300,000	883
2024[1]	514,100,000	545

Source: South Carolina Department of Commerce.
[1] As of July 17, 2024.

Major Employers

The ten largest manufacturing employers located within the County as of August 2024 and the approximate number of employees of each is listed below.

Name	Product / Service	Employees
Michelin North America	Tires	4,250
GE Power	Gas Turbines	2,650
Lockheed Martin Aircraft	Aircraft Maintenance and Modification	1,400
Sealed Air Corp.-Cryovac Division	Plastic Bags and Plastic Film	1,300
Robert Bosch Rexroth Corporation	Fluid Power Pumps and Motors	900
Magna International	Motor Vehicle Parts	850
House of Raeford (Columbia Farms)	Poultry Processing	650
International Vitamin Corp./Nutra	Nutraceuticals	650
Current Lighting (fka Hubbell)	Manufacturing/R&D	600
Mitsubishi Polyester Film Co.	Unsupported Plastic Film and Sheets	500

Source: Greenville Area Development Corp.

The ten largest non-manufacturing employers located within the County as of August 2024 and the approximate number of employees of each is listed below.

Name	Product / Service	Employees
Greenville County School District	Public Education	11,000
Bon Secours St. Francis Health System	Health Services	4,500
Prisma Health System	Health Services	3,500
Greenville County	County Government	2,140
TD Bank	Financial Services	2,100
Warehouse Services Inc.	Supply Chain Solutions	1,650
Fluor Corp.	Engineering/Construction Services	1,600
USC School of Medicine	Medical School	1,450
Greenville Technical College	Technical College	1,150
SYNNEX Corporation	Technology Solutions	1,000

Source: Greenville Area Development Corp.

Labor Force

The composition of the civilian labor force in the County for the last five years is as follows:

	2019	2020	2021	2022	2023
Civilian Labor Force	255,903	255,984	255,544	259,853	268,424
Employment	249,678	241,371	246,829	252,567	261,018
Unemployment	6,225	14,613	8,715	7,286	7,406
Percent of Labor Force Unemployed	2.4%	5.7%	3.4%	2.8%	2.8%

Note: Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households, and unpaid family workers.
Source: U.S. Department of Labor, Bureau of Labor Statistics

Unemployment

The average unemployment rates in the County, the State and the United States, for the latest 12 months available are shown below:

	County	State	United States
July 2023	3.1%	3.0%	3.8%
August 2023	2.1	2.7	3.9
September 2023	2.4	2.7	3.6
October 2023	2.7	3.1	3.6
November 2023	2.7	2.9	3.5
December 2023	2.8	3.0	3.5
January 2024	3.0	3.4	4.1
February 2024	3.3	3.6	4.2
March 2024	3.1	3.3	3.9
April 2024	2.6	2.9	3.5
May 2024	3.3	3.6	3.7
June 2024	4.2 [P]	4.6 [P]	4.3

[P] Preliminary.
Source: United States Department of Labor, Bureau of Labor Statistics.
Note: Rates shown are not seasonally adjusted.

Education

The School District of Greenville County (the "*School District*") is the major provider of primary and secondary education in the County. However, in the County, there are approximately 50 private schools also providing primary and secondary education, which have an approximate enrollment of 8,000 students, along with one charter school that is sponsored by the School District, which has an approximate enrollment of 447 students, and nine charter schools that are not sponsored by the School District which have an approximate enrollment of 3,500 students.

Several colleges are located in the County, the largest of which are Greenville Technical College, with 10,661 students, and Bob Jones University, with approximately 2,893 students, according to Fall 2023 enrollment numbers. Also located in the County is Furman University, with 2,453 students, and North Greenville University, with 2,219 students, according to 2023 Fall enrollment information. Southern Wesleyan University, Strayer University and the Greenville Metropolitan Campus of Webster University are also located in the County.

The University Center of Greenville, a partnership of ten colleges and universities, was founded in 1987 to provide a wider range of four-year and graduate degree programs for Greenville County area residents. The University Center of Greenville enrolls nearly 5,000 students annually and offers more than 600 courses in 76 graduate and undergraduate degree programs. The participating colleges and universities are Anderson University, Clemson University, Furman University, Greenville Technical College, Lander University, South Carolina State University, University of South Carolina, University of South Carolina-Upstate, Bob Jones University and Converse University.

Clemson University has full-time and part-time MBA degree programs located in the City of Greenville. Full-time students can attend classes and simultaneously hold internships or part-time positions in local businesses. Additionally, the Clemson University Department of Automotive Engineering is located in the City of Greenville at the Clemson University International Center for Automotive Research in the Carroll A. Campbell Jr. Graduate Engineering Center ("*CGEC*"). CGEC is a state-of-the-art building equipped with full-scale vehicle testing equipment. This graduate program has the distinction of being the first PhD program in automotive engineering in the United States. The program is industry focused and draws on the engagement of industry partners working side by side with faculty to achieve its goals.

The University of South Carolina School of Medicine – Greenville is a four-year medical school located in the City of Greenville adjacent to Greenville Memorial Hospital. The educational program blends interactive experience on a unified campus of state-of-the-art classrooms, clinical skills and simulation center and patient encounters at the Greenville Health System.

Medical Facilities

The healthcare systems known as Greenville Health System and Palmetto Health have combined into a healthcare system called Prisma Health. Prisma Health, a not-for-profit health system, is upstate South Carolina's most comprehensive healthcare provider and one of the State's largest hospital systems. Prisma Health is one of the County's largest employers. Prisma Health-Upstate is a part of Prisma Health and operates five inpatient hospitals in Greenville County and ranks in the top 100 integrated healthcare networks in the nation. Additional hospital facilities are provided by Bon Secours Mercy Health.

Transportation

The County is a major distribution center for the southeastern United States. Interstate 85, a major interstate that originates in Montgomery, Alabama, runs through Atlanta, Georgia and Charlotte, North Carolina and ends in Richmond, Virginia, passes through the County. Interstate 26 (which connects Charleston, South Carolina to Asheville, North Carolina) runs a few miles east of the County and is connected to the City of Greenville and Interstate 85 by Interstate 385. Interstate 26 provides direct access to South Carolina ports in Charleston, Port Royal and Georgetown. The County is located almost equidistant between New York and Miami and is positioned on Interstate 85 halfway between Charlotte, North Carolina and Atlanta, Georgia. U.S. Highways 25, 29, 123 and 276 traverse the County, and South Carolina Highways 81, 253 and 416 connect the County with other major arteries.

The County has traditionally been a rail center owing to its location between Atlanta and rail lines serving the East Coast. CSX Railroad and Norfolk Southern Railway provide freight service through rail lines located in the County, and Amtrak provides passenger service. More than 75 motor-freight trucking firms serve the County area with nearly 50% of them maintaining terminals there. These regional and local motor carriers offer fast, efficient service on long or short hauls. This location provides the area with a large and consistent supply of trucks from numerous specialized motor carriers serving the entire United States, enabling overnight trucking service to all major markets in the southeastern United States and second-morning delivery to any destination on the East Coast. One-day trucking service reaches over 44% of the United States population and more than 25% of the nation's manufacturing output.

The Greenville-Spartanburg International Airport ("*GSP*"), which is located approximately 15 minutes from the City of Greenville, offers regularly scheduled commercial airline service through seven major carriers (Delta Air Lines, United Airlines, Southwest Airlines, Silver Airways, Contour, American Airlines and Allegiant). GSP is one of the most active airports in the State based on scheduled daily flights and seats available. An average of approximately 50 non-stop daily departures to 14 major cities and 20 airports across the U.S. are offered at GSP. GSP reported 1,799,877 passengers in 2021, 2,187,884 passengers in 2022, and 2,563,853 passengers in 2023. GSP services include a federal customs immigration and agriculture inspection station, permitting international flights to fly directly to GSP to clear customs. GSP also provides cargo and general aviation services. In 2023, GSP handled 78,715 tons of cargo, a decline of 10.44% from 2022 but an increase of 20.6% from 2020. In October 2022, Maersk announced new scheduled air cargo service from GSP to Incheon International Airport in Seoul, Korea. GSP will be the first South Carolina airport to offer scheduled cargo service to Asia. In January 2023, GSP began a multi-phase program to improve traffic flow in and around the Terminal Complex at GSP. The program, called the Terminal Roadway Improvement Project (TRIP) will allow the airport to make roadway, curb and pedestrian enhancements to provide improved vehicle traffic flow and install necessary infrastructure that will allow the airport to continue to grow in the future.

In addition, the City of Greenville has general aviation services through an airport located in downtown Greenville, which hosts business executives, government officials and tourists traveling by private carrier, as well as Donaldson Center Airbase, which provides military and general aviation service. The downtown airport has approximately 230 based aircraft and two full-service fixed base operators, which offer fuel service, flight instruction, air charter service, full FAA-approved repair and maintenance, rental car services and courtesy cars.

Building Permits

The following table shows the approximate number of building permits issued for new construction in the County and the valuations assigned to those permits by the permitting offices, in each of the last five years.

	Residential		Commercial	
Year	Number of Permits	Value	Number of Permits	Estimated Construction Costs
2019	1,927	$611,249,107	234	$273,939,135
2020	2,021	703,355,738	188	203,615,367
2021	2,235	789,625,127	183	199,068,197
2022	1,625	567,822,756	202	556,868,326
2023	2,121	1,532,279,095	271	715,591,227

Source: Greenville County; Code Compliance Division
Note: Material prices went up approximately 25% in 2023.

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APPENDIX D

Form of Opinion of Bond Counsel

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POPE FLYNN
GROUP

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Columbia, SC 29201
www.popeflynn.com

September 25, 2024

Metropolitan Sewer Subdistrict
Greenville, South Carolina

Truist Securities, Inc.
Charlotte, North Carolina

U.S. Bank Trust Company, National Association
Columbia, South Carolina

Re: $36,070,000 Metropolitan Sewer Subdistrict, South Carolina Sewer System Revenue Bonds, Series 2024

Ladies and Gentlemen:

We have acted as bond counsel to the Metropolitan Sewer Subdistrict, South Carolina ("*Metropolitan*"), in connection with the issuance of its $36,070,000 Sewer System Revenue Bonds, Series 2024 (the "*Series 2024 Bonds*"). In such capacity, we have examined such law and certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2024 Bonds are issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the "*State*"), including particularly Article X, Section 14(10) of the South Carolina Constitution; Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended (the "*Act*"); a master bond resolution adopted by the Metropolitan Sewer Subdistrict Commission (the "*Commission*"), the governing body of Metropolitan, on November 4, 2019 (the "*Bond Resolution*"), and a series resolution adopted by the Commission on July 15, 2024 (the "*Series Resolution*" and together with the Bond Resolution, the "*Resolutions*"). Under the Resolutions, Metropolitan has pledged the Net Revenues (as such term is more particularly defined in the Bond Resolution) for the payment of principal of and interest on the Series 2024 Bonds when due.

Regarding questions of fact material to our opinion, we have relied upon representations of Metropolitan contained in the Resolutions and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. Metropolitan is validly existing as a body politic and corporate and special purpose district of the State with power to adopt the Resolutions, perform the agreements on its part contained therein, and issue the Series 2024 Bonds.

2. The Resolutions have been duly adopted by the Commission and constitute valid and binding obligations of Metropolitan enforceable against Metropolitan in accordance with their terms.

3. The Resolutions create a valid lien on the Net Revenues for the payment of the Series 2024 Bonds on a parity with other Bonds (as such term is defined in the Bond Resolution) issued heretofore or hereafter under the Resolutions. As additional security for the Series 2024 Bonds, a statutory lien on the System is granted pursuant to the provisions of the Act.

4. The Series 2024 Bonds have been duly authorized and executed by Metropolitan and are valid and binding limited obligations of Metropolitan enforceable against Metropolitan in accordance with their terms.

5. Interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "*Code*"). Such interest is, however, taken into account in determining the annual adjusted financial statement income of certain applicable corporations (as defined in Section 59(k) of the Code) for the purpose of determining the application of the 15-percent alternative minimum tax imposed on the adjusted financial statement income of such corporations. The opinion set forth in the preceding sentence as to the exclusion of interest on the Series 2024 Bonds from gross income is subject to the condition that Metropolitan comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2024 Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. Metropolitan has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2024 Bonds.

6. Under the laws of the State, the Series 2024 Bonds and the interest thereon are presently exempt from all income taxation in the State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Series 2024 Bonds.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2024 Bonds except as stated above.

The rights of the owners of the Series 2024 Bonds and the enforceability of the Series 2024 Bonds and the Resolutions are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the official statement relating to the Series 2024 Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Sincerely,

Pope Flynn, LLC

APPENDIX E

Form of Disclosure Dissemination Agent Agreement

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "***Disclosure Agreement***"), dated September 25, 2024, is executed and delivered by Metropolitan Sewer Subdistrict, South Carolina (the "***Metropolitan***" or "***Issuer***") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "***Disclosure Dissemination Agent***" or "***DAC***") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist Metropolitan in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "***Rule***").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from Metropolitan through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "***Act***"). DAC will not provide any advice or recommendation to Metropolitan or anyone on Metropolitan's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. <u>Definitions</u>. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"***Annual Filing Date***" means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

"***Annual Financial Information***" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"***Annual Report***" means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

"***Audited Financial Statements***" means the annual financial statements of Metropolitan for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3 of this Disclosure Agreement.

"***Bonds***" means the Bonds as listed on the attached <u>Exhibit A</u>, with the 9-digit CUSIP numbers relating thereto.

"***Certification***" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by Metropolitan and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"***Disclosure Dissemination Agent***" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by Metropolitan pursuant to Section 9 hereof.

"***Disclosure Representative***" means the Chief Financial Officer, or her designee, or such other person as Metropolitan shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"***Failure to File Event***" means Metropolitan's failure to file an Annual Report on or before the Annual Filing Date.

"***Financial Obligation***" as used in this Disclosure Agreement is defined in the Rule as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"***Force Majeure Event***" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"***Holder***" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"***Information***" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"***MSRB***" means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"***Notice Event***" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"***Obligated Person***" means any person, including Metropolitan, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on <u>Exhibit A</u>.

"***Official Statement***" means that Official Statement prepared by Metropolitan in connection with the Bonds, as listed on <u>Exhibit A</u>.

"***Trustee***" means the institution, if any, identified as such in the document under which the Bonds were issued.

"***Voluntary Event Disclosure***" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"***Voluntary Financial Disclosure***" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) Metropolitan shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than the August 1 following the end of each fiscal year of Metropolitan, commencing with the fiscal year ending December 31, 2024. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind Metropolitan of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that Metropolitan will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and Metropolitan irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of Metropolitan are prepared but not available prior to the Annual Filing Date, Metropolitan shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by Metropolitan pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Tender offers;"
13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. "Merger, consolidation, or acquisition of the obligated person, if material;"
15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by Metropolitan pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;" and
10. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by Metropolitan pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "timing of annual disclosure;"
3. "change in fiscal year/timing of annual disclosure;"
4. "change in accounting standard;"
5. "interim/additional financial information/operating data;"
6. "budget;"
7. "investment/debt/financial policy;"
8. "information provided to rating agency, credit/liquidity provider or other third party;"
9. "consultant reports;" and
10. "other financial/operating data."

(viii) provide Metropolitan evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) Metropolitan may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain Annual Financial Information with respect to Metropolitan, including the information provided in the Official Statement as follows:

(a) The financial statements of Metropolitan for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If Metropolitan's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement (excluding notes), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and operating data for the fiscal year then ended, to the extent such information is not included in Metropolitan's audited financial statements filed pursuant to subparagraph (a) above, included in the tables set forth under the following headings in the Official Statement in such format as the Issuer deems appropriate:

(i) THE SYSTEM – Customers
(ii) THE SYSTEM – Ten Largest Customers
(iii) THE SYSTEM – Wastewater Collection Service Rates – *Current and Future Year Rates* (table-only, to include only those rates and charges for the current fiscal year and any rates and charges for future fiscal years that they have been acted upon by the Commission)
(iv) FINANCIAL INFORMATION – Operating History
(v) FINANCIAL INFORMATION – Historical Revenues and Expenditures; Debt Service Coverage
(vi) FINANCIAL INFORMATION – Debt Service Requirements

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which Metropolitan is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. Metropolitan will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in this Agreement related to the Bonds, Metropolitan is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

Metropolitan will reserve the right to modify from time to time the specific type of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of Metropolitan; provided that Metropolitan will agree that any such modification will be done in a manner consistent with the Rule.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

Metropolitan shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that Metropolitan desires to make, contain the written authorization of Metropolitan for the Disclosure Dissemination Agent to disseminate such information, and identify the date Metropolitan desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify Metropolitan or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if Metropolitan determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that Metropolitan desires to make, contain the written authorization of Metropolitan for the Disclosure Dissemination Agent to disseminate such information, and identify the date Metropolitan desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by Metropolitan as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Metropolitan will provide the Disclosure Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. Metropolitan acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to Metropolitan, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. Metropolitan acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) Metropolitan may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that Metropolitan desires to make, contain the written authorization of Metropolitan for the Disclosure Dissemination Agent to disseminate such information, and identify the date Metropolitan desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by Metropolitan as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) Metropolitan may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that Metropolitan desires to make, contain the written authorization of Metropolitan for the Disclosure Dissemination Agent to disseminate such information, and identify the date Metropolitan desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by Metropolitan as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that Metropolitan is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent Metropolitan from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If Metropolitan chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, Metropolitan shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of Metropolitan and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when Metropolitan is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. Metropolitan has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. Metropolitan may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of Metropolitan or DAC, Metropolitan agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, Metropolitan shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to Metropolitan.

SECTION 10. Remedies in Event of Default. In the event of a failure of Metropolitan or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent Metropolitan has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by Metropolitan and shall not be deemed to be acting in any fiduciary capacity for Metropolitan, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for Metropolitan's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether Metropolitan has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of Metropolitan at all times.

The obligations of Metropolitan under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by Metropolitan.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, Metropolitan and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both Metropolitan and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither Metropolitan nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to Metropolitan. No such amendment shall become effective if Metropolitan shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Metropolitan, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter of the Bonds, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[*Remainder of Page Intentionally Left Blank; Signatures Follow on Next Page*]

The Disclosure Dissemination Agent and Metropolitan have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By:____
Name:____
Title:____

METROPOLITAN SEWER SUBDISTRICT, SOUTH CAROLINA, as Issuer

By:____
Name: Carol Elliott
Title: General Manager

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Metropolitan Sewer Subdistrict, South Carolina
Obligated Person(s):	Metropolitan Sewer Subdistrict, South Carolina
Name of Bond Issue:	$36,070,000 Sewer System Revenue Bonds, Series 2024
Date of Issuance:	September 25, 2024
Date of Official Statement	September 5, 2024

CUSIP Numbers:	592549AA7
	592549AB5
	592549AC3
	592549AD1
	592549AE9
	592549AF6
	592549AG4
	592549AH2
	592549AJ8
	592549AK5
	592549AL3
	592549AM1
	592549AN9
	592549AP4
	592549AQ2
	592549AR0
	592549AS8
	592549AT6
	592549AU3
	592549AV1

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Metropolitan Sewer Subdistrict, South Carolina
Obligated Person(s):	Metropolitan Sewer Subdistrict, South Carolina
Name of Bond Issue:	$36,070,000 Sewer System Revenue Bonds, Series 2024
Date of Issuance:	September 25, 2024
Date of Disclosure Agreement:	September 25, 2024

CUSIP Numbers:
592549AA7
592549AB5
592549AC3
592549AD1
592549AE9
592549AF6
592549AG4
592549AH2
592549AJ8
592549AK5
592549AL3
592549AM1
592549AN9
592549AP4
592549AQ2
592549AR0
592549AS8
592549AT6
592549AU3
592549AV1

NOTICE IS HEREBY GIVEN that Metropolitan has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement between Metropolitan and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. Metropolitan has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated: ______________________________

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of
Metropolitan

____

cc:

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

or Nine-Digit CUSIP Number(s) of the Bonds to which this event notice relates:

____

Number of pages attached: _____

____ Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-Payment related defaults, if material;"
3.______"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______"Substitution of credit or liquidity providers, or their failure to perform;"
6.______"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;"
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16._____"Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17._____"Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by Metropolitan or its agent to distribute this information publicly.

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September ___, 2024, between Metropolitan and DAC.

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

or Nine-Digit CUSIP Number(s) of the Bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1._____"amendment to continuing disclosure undertaking;"
2._____"change in obligated person;"
3._____"notice to investors pursuant to bond documents;"
4._____"certain communications from the Internal Revenue Service;"
5._____"secondary market purchases;"
6._____"bid for auction rate or other securities;"
7._____"capital or other financing plan;"
8._____"litigation/enforcement action;"
9._____"change of tender agent, remarketing agent, or other on-going party;" and
10.____"other event-based disclosures."

I hereby represent that I am authorized by Metropolitan or its agent to distribute this information publicly.

Signature:

____

Name: ______________________________ Title: ________________________________

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September ___, 2024, between Metropolitan and DAC.

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

or Nine-Digit CUSIP Number(s) of the Bonds to which this notice relates:

____

Number of pages attached: ____

____ Description of Voluntary Financial Disclosure (Check One):

1._____"quarterly/monthly financial information;"
2._____"change in fiscal year/timing of annual disclosure;"
3._____"change in accounting standard;"
4._____"interim/additional financial information/operating data;"
5._____"budget;"
6._____"investment/debt/financial policy;"
7._____"information provided to rating agency, credit/liquidity provider or other third party;"
8._____"consultant reports;" and
9._____"other financial/operating data."

I hereby represent that I am authorized by Metropolitan or its agent to distribute this information publicly.

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

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APPENDIX F

Feasibility Report

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Evaluation by Financial Feasibility Consultants
Metropolitan Sewer Subdistrict, South Carolina
Sewer System Revenue Bonds, Series 2024

We have evaluated the accompanying Forecast Statement of Revenues, Expenses, Debt Service, and Debt Service Coverage (the "Forecast Statement") for the Metropolitan Sewer Subdistrict, South Carolina (the "Metropolitan") for the six fiscal years ending December 31, 2024 through December 31, 2029. Our evaluation was conducted in accordance with guidelines for the sewer industry and included such procedures as we considered necessary to evaluate the assumptions of Metropolitan.

In evaluating the financial feasibility of the proposed Sewer System Revenue Bonds, Series 2024 (the "Series 2024 Bonds"), those assumptions that we believe are most significant include:

- The maintenance of rates and charges for future Fiscal Years that have been adopted by the Metropolitan Sewer Subdistrict Commission (the "Commission");
- Additional expected adjustments to the sewer user rates in subsequent fiscal years during the forecast period;
- Assumptions related to the growth in customers and usage during the forecast period;
- Assumptions related to projected expenses of Metropolitan; and
- Expected use of cash and reserves to meet capital investment needs.

The accompanying Forecast Statement provides a forecast of Net Earnings for the System that is presented on an accrual basis consistent with Metropolitan's audited financial statements and includes those adjustments necessary to determine Net Earnings as that term is defined in the Master Bond Resolution adopted by the Commission on November 4, 2019 (the "Bond Resolution"), which stipulates the conditions and terms under which the Series 2024 Bonds will be issued and secured. The Forecast Statement, together with the associated notes and supporting schedules, which are included as an integral part of the forecast, constitutes the "Feasibility Evaluation" for the proposed capital projects and related financing.

In our opinion, the accompanying Forecast Statement is presented in conformity with industry guidelines for presentation of a forecast, and the underlying assumptions provide a reasonable basis for Metropolitan's forecast. Based upon the assumptions set forth in this Feasibility Evaluation, the projected Net Earnings for Metropolitan provide adequate funds to maintain the debt service coverage ratios required by the Bond Resolution during the forecast period for the issuance of Metropolitan's proposed Series 2024 Bonds. However, there will be differences between the forecast and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update this report for events and circumstances occurring after the date of this Feasibility Evaluation.

Raftelis Financial Consultants, Inc.

Charlotte, NC
August 23, 2024

By: Melissa Levin
Executive Vice President

Metropolitan Sewer Subdistrict, South Carolina
Utility System
Historical Statement of Revenues, Expenses, Debt, and Debt Service Coverage
For Fiscal Year Ended June 30

	FY 2020 *Actual*	FY 2021 *Actual*	FY 2022 *Actual*	FY 2023 *Actual*	SY 2023 (1) *Actual*
Operating Revenue					
User charge rate (2)	$ 11,510,041	$ 11,775,748	$ 16,720,192	$ 22,985,246	$ 12,395,881
Property taxes (3)	281,134	17,364	6,134	27,555	489
Sewer fees	25,755	1,296	84	547	7
Tap fees and other	896,995	1,566,241	2,254,717	3,580,861	1,774,735
Total Operating Revenue	**$ 12,713,925**	**$ 13,360,649**	**$ 18,981,127**	**$ 26,594,209**	**$ 14,171,112**
Operating Expenses (4)					
Salaries, wages, and benefits	$ (3,942,514)	$ (4,338,052)	$ (6,401,543)	$ (9,381,585)	$ (5,131,597)
Professional fees	(675,570)	(1,068,939)	(757,969)	(792,974)	(371,207)
Project costs (5)	(3,895,718)	(3,923,547)	(8,636,504)	(1,700)	(88,774)
General and administration	(1,366,792)	(1,324,854)	(2,291,350)	(2,551,349)	(1,320,738)
Operations and maintenance	(979,255)	(1,204,608)	(2,361,656)	(3,026,198)	(1,234,594)
Operating Expenses Excluding Depreciation	$ (10,859,849)	$ (11,860,000)	$ (20,449,022)	$ (15,753,807)	$ (8,146,910)
Depreciation (5)	(618,380)	(586,184)	(903,752)	(7,090,570)	(3,672,623)
Total operating expenses	$ (11,478,229)	$ (12,446,184)	$ (21,352,774)	$ (22,844,377)	$ (11,819,533)
Operating Income (Loss)	**$ 1,235,696**	**$ 914,465**	**$ (2,371,647)**	**$ 3,749,832**	**$ 2,351,579**
Non Operating Revenue (Expenses)					
Interest Income	$ 131,052	$ 27,424	$ 7,128	$ 781,559	$ 1,100,360
Gain on sale of assets	40,021	45,820	166,176	395,237	113,500
Other revenue	-	287,116	25,736	104,411	33,320
Capital grant revenue	375,131	558,166	-	-	-
Grant revenue	-	89,609	440,316	1,700,000	2,524,645
GASB 68 - state retirement	(229,128)	(292,407)	47,142	609,405	(1,485,265)
GASB 75 - other post-employment benefits	(242,115)	29,030	(65,820)	(3,195)	5,207
Interest expense	(13,722)	(135,736)	(323,898)	(1,368,934)	(693,900)
Loss on disposal of sewer lines	-	(5,879,734)	-	-	-
Total non-operating revenue (expense)	$ 61,239	$ (5,270,712)	$ 296,780	$ 2,218,483	$ 1,597,867
Income (Loss) Before Adjustments	**$ 1,296,935**	**$ (4,356,247)**	**$ (2,074,867)**	**$ 5,968,315**	**$ 3,949,446**
Adjustments to Determine Net Earnings per Bond Resolution:					
Plus: Depreciation	$ 618,380	$ 586,184	$ 903,752	$ 7,090,570	$ 3,672,623
Plus: Interest expense	13,722	135,736	323,898	1,368,934	693,900
Plus: Project costs	3,895,718	3,923,547	8,636,504	1,700	88,774
Less: Property taxes	(281,134)	(17,364)	(6,134)	(27,555)	(489)
Less: Capital grant revenue	(375,131)	(558,166)	-	-	-
Less: Grant revenue	-	(89,609)	(440,316)	(1,700,000)	(2,524,645)
Less: GASB 68 & 75	471,243	263,377	18,678	(606,210)	1,480,058
Less: Loss on disposal of sewer lines	-	5,879,734	-	-	-
A **Net Earnings (6)**	**$ 5,639,733**	**$ 5,767,192**	**$ 7,361,515**	**$ 12,095,754**	**$ 7,359,667**
Annual Principal and Interest Requirements					
Sewer System Revenue Bond, Series 2019	$ -	$ 29,205	$ 29,205	$ 29,205	$ -
Sewer System Revenue Bond, Series 2020	-	43,208	741,395	741,878	44,634
Sewer System Revenue Bond, Series 2022	-	-	-	1,244,711	636,500
B Total Annual Principal and Interest Requirement	$ -	$ 72,413	$ 770,600	$ 2,015,794	$ 681,134
Debt Service Coverage - Bonds					
Calculated Using Net Earnings (A/B)	**N/A**	**79.64**	**9.55**	**6.00**	

Notes to the Historical Statement:

(1) Metropolitan transitioned from a fiscal year ending June 30th to a calendar year ending December 31st, beginning July 1, 2023. SY 2023 represents the period July 1 through December 31, 2023.

(2) Includes monthly user charge revenue from the base service charges and volumetric charges. Projected revenues for FY 2020 through FY 2023 were within 3.0% of audited revenue and increased significantly in FY 2022 due to the addition of sewer collection customers from special purpose districts Gantt, Berea, Wade Hampton and Marrietta. In FY 2023, additional customers were added from Parkers, Taylors, and in late FY 2023 Travelers Rest customers were added. The increase in customer accounts is shown below. [See footnote 1 on Supporting Schedule 1: Projection of Customers, regarding the calculation of customers for the purposes of this Forecast Statement for each Fiscal Year.]

FY 2021	FY 2022	FY 2023	SY 2023
45,809	65,250	89,323	97,271

(3) Prior to FY 2020, Metropolitan levied ad valorem property taxes and sewer fees (which were included on property tax bills) to fund sewer collection services. These amounts reflect the collection of automobile taxes and delinquent taxes and sewer fees from the years in which they were initially levied.

(4) Increases in operating expenses reflect the additional Metropolitan staff and resources needed to provide sewer service for the increased customer base. The addition of customer accounts from the special purpose districts discussed in the User Charge Rate Revenue, footnote 2.

(5) In FY 2023, Metropolitan transitioned to modified accrual basis accounting. Prior to FY 2023, rehabilitation, maintenance and roadway capital costs were captured in operating expenses and labeled Project Costs. Under the modified accrual basis, these Project Costs are now capitalized and depreciated.

(6) Net Earnings represent Metropolitan's Gross Revenues less Operation and Maintenance Expenses with adjustments made in accordance with the Bond Resolution.

Forecast Statement

Metropolitan Sewer Subdistrict, South Carolina
Utility System
Forecasted Statement of Revenues, Expenses, Debt, and Debt Service Coverage
For Fiscal Year Ending December 30

	FY 2024 *Budgeted*	FY 2025 *Projected*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*
Operating Revenue						
User charge rate (1)	$ 26,329,033	$ 28,056,020	$ 30,016,335	$ 31,488,774	$ 33,078,817	$ 34,720,993
Property taxes	-	-	-	-	-	-
Sewer fees	-	-	-	-	-	-
Tap fees and other (2)	2,250,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Total Operating Revenue	**$ 28,579,033**	**$ 30,156,020**	**$ 32,116,335**	**$ 33,588,774**	**$ 35,178,817**	**$ 36,820,993**
Operating Expenses (3)						
Salaries, wages, and benefits	$ (11,854,400)	$ (12,487,614)	$ (13,109,715)	$ (13,762,859)	$ (14,448,599)	$ (15,071,676)
Professional fees	(1,045,000)	(1,047,900)	(1,050,858)	(1,053,875)	(1,056,953)	(1,088,661)
General and administration	(3,450,000)	(3,390,750)	(3,574,418)	(3,674,578)	(3,829,810)	(3,944,705)
Operations and maintenance	(3,236,000)	(3,036,740)	(3,137,200)	(3,210,525)	(2,931,299)	(3,019,238)
Operating Expenses Excluding Depreciation	$ (19,585,400)	$ (19,963,004)	$ (20,872,190)	$ (21,701,837)	$ (22,266,661)	$ (23,124,280)
Depreciation (4)	(7,987,207)	(8,605,811)	(9,084,840)	(9,175,537)	(9,280,851)	(9,396,228)
Total operating expenses	$ (27,572,607)	$ (28,568,815)	$ (29,957,030)	$ (30,877,374)	$ (31,547,512)	$ (32,520,508)
Operating Income (Loss)	**$ 1,006,426**	**$ 1,587,205**	**$ 2,159,305**	**$ 2,711,399**	**$ 3,631,305**	**$ 4,300,485**
Non Operating Revenue (Expenses)						
Interest Income (5)	$ 1,000,000	$ 750,000	$ 500,000	$ 300,000	$ 300,000	$ 300,000
Gain on sale of assets	50,000	-	-	-	-	-
Other revenue (6)	250,000	-	300,000	-	-	-
Grant revenue (6)	2,524,645	9,500,000	10,000,000	6,000,000	-	-
Interest expense	(1,359,441)	(3,340,248)	(2,916,283)	(2,825,374)	(2,731,087)	(2,634,393)
Total non-operating revenue (expense)	$ 2,465,204	$ 6,909,752	$ 7,883,717	$ 3,474,626	$ (2,431,087)	$ (2,334,393)
Income (Loss) Before Adjustments	**$ 3,471,630**	**$ 8,496,956**	**$ 10,043,022**	**$ 6,186,026**	**$ 1,200,218**	**$ 1,966,093**
Adjustments to Determine Net Earnings per Bond Resolution:						
Plus: Depreciation	7,987,207	8,605,811	9,084,840	9,175,537	9,280,851	9,396,228
Plus: Interest expense	1,359,441	3,340,248	2,916,283	2,825,374	2,731,087	2,634,393
Less: Other revenue	(250,000)	-	(300,000)	-	-	-
Less: Grant revenue	(2,524,645)	(9,500,000)	(10,000,000)	(6,000,000)	-	-
A **Net Earnings (7)**	**$ 10,043,633**	**$ 10,943,016**	**$ 11,744,145**	**$ 12,186,937**	**$ 13,212,156**	**$ 13,996,714**
Annual Principal and Interest Requirements						
Sewer System Revenue Bond, Series 2019	$ 29,205	$ 29,205	$ 29,205	$ 29,205	$ 29,205	$ 29,205
Sewer System Revenue Bond, Series 2020	737,420	737,681	737,844	736,921	736,908	553,887
Sewer System Revenue Bond, Series 2022	2,711,495	2,710,664	2,710,157	2,709,909	2,707,885	2,707,036
Sewer System Revenue Bond, Series 2024 (8)	-	2,253,520	2,249,188	2,249,688	2,248,688	2,251,063
B Total Annual Principal and Interest Requirements	$ 3,478,120	$ 5,731,069	$ 5,726,394	$ 5,725,722	$ 5,722,686	$ 5,541,190
Debt Service Coverage - Bonds						
Calculated Using Net Earnings (A/B)	**2.89**	**1.91**	**2.05**	**2.13**	**2.31**	**2.53**

Notes to the Forecast Statement:

(1) FY 2024 user charge revenue based on current rates and FY 2023 actual number of accounts and usage escalated by 1.0%. FY 2025 revenue and beyond based on projected rates and demand. Projected demand assumes a rate of growth in customer accounts and usage of 1.0% annually.

(2) Includes revenue from connection fees and other development charges.

(3) Operating expenses for FY 2024 are based on Metropolitan's approved budget. Projected expenses for FY 2025 through FY 2029 include various adjustments for inflation for different categorical costs and reflect an annual inflation escalation of 3.38%.

(4) Depreciation is calculated based on the current capital improvement plan. For the calculation, existing depreciation from the latest financial audit is continually reduced by an assumed 2% per year. Depreciation calculated from new capital assets, based on the annual capital spend depreciated over an assumed 50-year useful life, were then added to the reduced depreciation. This calculation is the basis for the forecasted depreciation amount.

(5) Interest income is budgeted in FY 2024 and gradually decreased throughout the forecast period to reflect the use of reserve funds throughout the forecast.

(6) Grant revenues and Other revenues from developer contributions are directly offsetting capital costs and are not reflected on the schedule of revenues.

(7) Net Earnings represent Metropolitan's excess Revenues over Current Expenses (operating and non-operating expenses) with adjustments made in accordance with the Bond Order.

(8) Debt service payments on the Series 2024 Bonds provided by Metropolitan's financial advisor, First Tryon Financial Advisors. Assumes a par amount of $36,265,000 with a 30-year, level debt service structure at an estimated true interest cost of 4.35%.

Supporting Schedule 1: Projection of Customers

	Projected for Fiscal Year Ending December 31					
Number of Sewer Accounts (1)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Residential						
Meter Size						
5/8"	91,599	92,515	93,441	94,376	95,320	96,273
1"	31	31	31	31	31	31
1 1/2'"	2	2	2	2	2	2
2"	-	-	-	-	-	-
3"	-	-	-	-	-	-
4"	-	-	-	-	-	-
6"	-	-	-	-	-	-
8"	-	-	-	-	-	-
Subtotal: Residential	91,632	92,548	93,474	94,409	95,353	96,306
Commercial						
Meter Size						
5/8"	3,866	3,904	3,943	3,982	4,021	4,061
1"	1,351	1,364	1,377	1,391	1,405	1,419
1 1/2'"	818	826	834	842	850	858
2"	404	408	412	416	420	424
3"	73	74	75	76	77	78
4"	12	12	12	12	12	12
6"	1	1	1	1	1	1
8"	2	2	2	2	2	2
Subtotal: Commercial	6,527	6,591	6,656	6,722	6,788	6,855
Industrial						
Meter Size						
5/8"	45	45	45	45	45	45
1"	8	8	8	8	8	8
1 1/2'"	6	6	6	6	6	6
2"	13	13	13	13	13	13
3"	4	4	4	4	4	4
4"	5	5	5	5	5	5
6"	2	2	2	2	2	2
8"	-	-	-	-	-	-
Subtotal: Industrial	83	83	83	83	83	83
Total: Sewer Accounts	**98,242**	**99,222**	**100,213**	**101,214**	**102,224**	**103,244**
% Change		*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*

(1) Customer accounts provided by several water providers: Greenville Water, Greer Public Works Commission, Laurens County Water and Sewer Commission, Marietta Water, Fire, Sanitation and Sewer District, Blue Ridge Rural Water Company, Renewable Water Resources (ReWa), and the City of Greenville. Greenville Water bills for approximately 97% of the customer accounts. Residential and Commercial accounts are projected to increase 1.0% annually over the forecast period. Industrial accounts are held constant over the forecast period.

The number of customer accounts in the rate model is based on the number of monthly bills issued in a given year. This may or may not be consistent with the number of customer accounts reported at year end.

Supporting Schedule 2: Projection of Usage

Sewer Usage Summary (in 1,000 gallons) (1)	Projected for Fiscal Year Ending December 31					
	2024	2025	2026	2027	2028	2029
Customer Class						
Residential	4,183,537	4,225,372	4,267,626	4,310,303	4,353,406	4,396,940
Commercial	2,073,355	2,094,088	2,115,029	2,136,179	2,157,541	2,179,116
Industrial	377,853	377,853	377,853	377,853	377,853	377,853
Total: Billed Sewer Volume	**6,634,745**	**6,697,313**	**6,760,508**	**6,824,335**	**6,888,800**	**6,953,909**
% Change		*0.9%*	*0.9%*	*0.9%*	*0.9%*	*0.9%*

(1) Customer usage provided by several water providers: Greenville Water, Greer Public Works Commission, Laurens County Water and Sewer Commission, Marietta Water, Fire, Sanitation and Sewer District, Blue Ridge Rural Water Company, Renewable Water Resources (ReWa), and the City of Greenville. Greenville Water bills for the majority of Metropolitan's sewer collection system usage, approximately 94%. Residential and Commercial usage is projected to increase 1.0% annually over the forecast period. Industrial usage is held constant over the forecast period.

Supporting Schedule 3: Projection of Sewer Rates

Sewer Rates (1)	*Approved*	*Approved*	*Approved*	*Projected for Fiscal Year Ending December 31*		
	2024	2025	2026	2027	2028	2029
Base Service Charge						
All Customers	$ 11.72	$ 11.72	$ 11.72	$ 12.19	$ 12.68	$ 13.18
Volumetric Charge						
All Customers	$ 1.85	$ 2.07	$ 2.32	$ 2.41	$ 2.51	$ 2.61
Typical Metro Sewer Customer - 4 kgal per month (2)	$ 19.12	$ 20.00	$ 21.00	$ 21.83	$ 22.72	$ 23.62
% Change		*4.6%*	*5.0%*	*3.9%*	*4.1%*	*4.0%*

(1) FY 2024-2026 sewer collection rates have been approved by the Commission but are subject to change through the Commission's annual review of rates and charges. The forecast for FY 2027-2029 assumes increases to both the base service charge and the volumetric rates of 4.0% annually.

(2) The projected impact for a typical sewer customer using 4,000 gallons per month ranges from 4.0% - 5.0% annually for Metropolitan's portion of the customer water and sewer bill. Metropolitan's sewer rates are assessed in conjunction with the Renewable Water Resources rates for sewer trunk and treatment and Greenville Water rates for water service.

Supporting Schedule 4: Projection of Revenues

Sewer System Revenues	Projected for Fiscal Year Ending December 31					
	2024	2025	2026	2027	2028	2029
Operating Revenues						
User Charges						
Base Charges	$ 13,816,755	$ 13,954,582	$ 14,093,956	$ 14,804,126	$ 15,549,929	$ 16,333,291
Volumetric Charges	12,274,278	13,863,438	15,684,379	16,446,647	17,290,888	18,149,702
Sewer User Charges (Municipalities)	238,000	238,000	238,000	238,000	238,000	238,000
Subtotal: User Charges (1)	$ 26,329,033	$ 28,056,020	$ 30,016,335	$ 31,488,774	$ 33,078,817	$ 34,720,993
% Change		*6.6%*	*7.0%*	*4.9%*	*5.0%*	*5.0%*
Other Revenues						
Other Operating Revenues (2)	$ 2,250,000	$ 2,100,000	$ 2,100,000	$ 2,100,000	$ 2,100,000	$ 2,100,000
Interest Income (3)	1,000,000	750,000	500,000	300,000	300,000	300,000
Gain (loss) on Sale of Assets	50,000	-	-	-	-	-
Other Revenue (4)	-	-	-	-	-	-
Grant Revenue (4)	-	-	-	-	-	-
Other Miscellaneous	-	-	-	-	-	-
Subtotal: Other Revenues	$ 3,300,000	$ 2,850,000	$ 2,600,000	$ 2,400,000	$ 2,400,000	$ 2,400,000
% Change		*-13.6%*	*-8.8%*	*-7.7%*	*0.0%*	*0.0%*
Total: Sewer System Revenues	**$ 29,629,033**	**$ 30,906,020**	**$ 32,616,335**	**$ 33,888,774**	**$ 35,478,817**	**$ 37,120,993**
% Change		*4.3%*	*5.5%*	*3.9%*	*4.7%*	*4.6%*

(1) Projected user charge revenue from base and volumetric charges are calculated using projected number of accounts and projected billable usage, multiplied by the approved and projected schedule of rates throughout the forecast. The details of customer accounts, usage, and rates are shown in Schedules 1-3. Metropolitan also collects user charge revenues from the City of Greenville labeled Sewer User Charges (Municipalities). These revenues are not anticipated to increase over the forecast period.

(2) Includes revenue from connection fees, development fees, and other miscellaneous charges.

(3) Interest income is budgeted in FY 2024 and gradually decreased throughout the forecast period to reflect the use of reserve funds throughout the forecast.

(4) Grant revenues and other developer contributions are directly offsetting capital costs, and therefore are not reflected on the schedule of revenues.

Supporting Schedule 5: Projection of Expenses

Sewer System Expenses	2024	2025	2026	2027	2028	2029
	Projected for Fiscal Year Ending December 31					
Operating Expenses						
Salaries, wages, and benefits	$ 11,854,400	$ 12,487,614	$ 13,109,715	$ 13,762,859	$ 14,448,599	$ 15,071,676
Professional fees	1,045,000	1,047,900	1,050,858	1,053,875	1,056,953	1,088,661
Project costs	-	-	-	-	-	-
General and administration	3,450,000	3,390,750	3,574,418	3,674,578	3,829,810	3,944,705
Operations and maintenance	3,236,000	3,036,740	3,137,200	3,210,525	2,931,299	3,019,238
Subtotal: Operating Expenses (1)	**$ 19,585,400**	**$ 19,963,004**	**$ 20,872,190**	**$ 21,701,837**	**$ 22,266,661**	**$ 23,124,280**
% Change		*1.9%*	*4.6%*	*4.0%*	*2.6%*	*3.9%*
Debt Service Expenses						
Bonds						
Series 2019 Bonds	$ 29,205	$ 29,205	$ 29,205	$ 29,205	$ 29,205	$ 29,205
Series 2020 Bonds	737,420	737,681	737,844	736,921	736,908	553,887
Series 2022 Bonds	2,711,495	2,710,664	2,710,157	2,709,909	2,707,885	2,707,036
Series 2024 Bonds	-	2,253,520	2,249,188	2,249,688	2,248,688	2,251,063
Forecasted Bonds (2)	-	-	-	-	-	-
Subtotal: Bonds	$ 3,478,120	$ 5,731,069	$ 5,726,394	$ 5,725,722	$ 5,722,686	$ 5,541,190
SRF Loans and Other Subordinate Indebtedness						
SRF Loans	$ -	$ -	$ -	$ -	$ -	$ -
Other Subordinate Debt	-	-	-	-	-	-
Subtotal: Other Indebtedness	$ -	$ -	$ -	$ -	$ -	$ -
Subtotal: Debt Service Expenses	**$ 3,478,120**	**$ 5,731,069**	**$ 5,726,394**	**$ 5,725,722**	**$ 5,722,686**	**$ 5,541,190**
Other Expenditures						
Rate Funded Capital	$ 6,565,514	$ 5,211,947	$ 6,017,751	$ 6,461,215	$ 7,489,470	$ 8,455,524
Other Transfers to Reserves	-	-	-	-	-	-
Subtotal: Other Expenditures	**$ 6,565,514**	**$ 5,211,947**	**$ 6,017,751**	**$ 6,461,215**	**$ 7,489,470**	**$ 8,455,524**
Total: Sewer System Expenses	**$ 29,629,033**	**$ 30,906,020**	**$ 32,616,335**	**$ 33,888,774**	**$ 35,478,817**	**$ 37,120,993**
% Change		*4.3%*	*5.5%*	*3.9%*	*4.7%*	*4.6%*

(1) Operating expenses for FY 2024 are based on Metropolitan's approved budget. Projected expenses for FY 2025 through FY 2029 include various adjustments for inflation for different categorical costs and reflect an annual inflation escalation of 3.38%.

(2) There is no additional debt outside of the Series 2024 Bonds projected in the forecast period.

Supporting Schedule 6: Projection of Capital Expenses

Capital Improvement Plan	Projected for Fiscal Year Ending December 31					
	2024	2025	2026	2027	2028	2029
Metro Capital Plan						
Annual Project Costs	**$ 32,568,850**	**$ 37,740,000**	**$ 30,625,000**	**$ 11,075,000**	**$ 11,675,000**	**$ 12,050,000**
Funding Sources						
Rate Funded	$ 6,565,514	$ 5,211,947	$ 6,017,751	$ 6,461,215	$ 7,489,470	$ 8,455,524
Grant Funded (1)	9,500,000	10,000,000	6,000,000	-	-	-
Other Funding Sources (2)	250,000	-	300,000	-	-	-
Reserve Funded	732,838	9,528,053	6,307,249	4,613,785	4,185,530	3,594,476
Available Bond Proceeds (Series 2020)	1,695,559	-	-	-	-	-
Available Bond Proceeds (Series 2022)	1,824,939	-	-	-	-	-
Series 2024 Bonds	12,000,000	13,000,000	12,000,000	-	-	-
Total: Funding Sources	**$ 32,568,850**	**$ 37,740,000**	**$ 30,625,000**	**$ 11,075,000**	**$ 11,675,000**	**$ 12,050,000**
% Change		*15.9%*	*-18.9%*	*-63.8%*	*5.4%*	*3.2%*

(1) Metropolitan has received $21.5 million in grant funds from the South Carolina Rural Infrastructure Authority (RIA), $20 million is earmarked for Mill Village projects, $1.5 million is earmarked for rehabilitation projects. Metropolitan also received a $4 million State and Tribal Assistance Grant (STAG) for Mill Village Replacement projects.

(2) Other Funding Sources are developer contributed funding.

Supporting Schedule 7: Projection of Fund Balances

Sewer System	Projected for Fiscal Year Ending December 31					
	2024	2025	2026	2027	2028	2029
Operating Reserve Fund						
Beginning Fund Balance	$ 51,225,102	$ 51,621,124	$ 42,093,071	$ 35,785,822	$ 31,172,037	$ 26,986,507
Surplus/(Deficit) from Rates	-	-	-	-	-	-
Reimbursements (1)	1,128,860	-	-	-	-	-
Reserve Funded Capital	(732,838)	(9,528,053)	(6,307,249)	(4,613,785)	(4,185,530)	(3,594,476)
Ending Operating Reserve Fund Balance	**$ 51,621,124**	**$ 42,093,071**	**$ 35,785,822**	**$ 31,172,037**	**$ 26,986,507**	**$ 23,392,031**
% Change		*-18.5%*	*-15.0%*	*-12.9%*	*-13.4%*	*-13.3%*
Days Cash on Hand (2)	**962 days**	**770 days**	**626 days**	**524 days**	**442 days**	**369 days**

(1) Proceeds from the Series 2024 Bonds will be used to reimburse Metropolitan for land purchase and associated costs. Proceeds from the sale of the Metropolitan current headquarters and operations facility anticipated for sale in 2025 are not included in the projection of fund balance.

(2) Metropolitan's minimum "unrestricted cash" is set at 250 days per its Financial Policies, however Metropolitan internally targets a minimum Days Cash on Hand of 365 days of operating expenses. This is calculated annually using the ending fund balance and operating costs for that year. Metropolitan is making a deliberate effort to draw down cash reserves to fund its capital plan.

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APPENDIX G

Book-Entry-Only System

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APPENDIX G

Book-Entry-Only System

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Metropolitan as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds (if any) and principal and interest payments on the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Metropolitan or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or Metropolitan, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Metropolitan and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to Metropolitan and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained Series 2024 Bond certificates are required to be printed and delivered to DTC.

Metropolitan may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2024 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Metropolitan believes to be reliable, but Metropolitan takes no responsibility for the accuracy thereof.

NEITHER METROPOLITAN NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2024 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE SERIES 2024 BONDS UNDER THE TERMS OF THE RESOLUTIONS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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