

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
SEPTEMBER 16, 2009**

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 P.M., Wednesday, September 16, 2009. Chairman Aceto presided with the following members present: Bellamy, Bisette, Bryson, Creighton, Haner, Kelly, Sobol, Stanley and VeHaun. Mr. Metcalf and Mr. Russell were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Joseph Martin with Woodfin Sanitary Water & Sewer District, Leah Karpen with the League of Women Voters, Marcus Jones with Henderson County, Keith Levi with Habitat for Humanity, Ed Bradford, John Kiviniemi, Peter Weed, Scott Powell, Ken Stines, Roger Watson, Angel Banks, Julie Willingham and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the August 19, 2009 Board Meeting:

Mr. Aceto asked if there were any objections to approving the Minutes of the August 19, 2009 Board Meeting as presented. With no objections, the Minutes were approved by acclamation.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Ms. Karpen, Mr. Martin, Mr. Jones and Mr. Levi.

6. Report of the General Manager:

Mr. Hartye reported that Mr. Ed Calis of Mount Vernon Circle called to express his appreciation for the work MSD did in repairing a storm sewer that had created a sink hole and collapsed the sanitary sewer below it. He expressed his appreciation to Roy Lytle, Eric Dawson, Shane Meadows, Chris Johnson, Rick Bradley and Shaun Buckner.

Mr. Hartye reported that the Dingle Creek and Black Mountain annexation projects are examples of cooperative efforts with member agencies. He stated that the Capital Improvement Plan includes an interceptor replacement/upgrade along Dingle Creek as well as a small rehab project near Crowfields. These projects will cost over \$2 million and \$500,000 respectively and have been scheduled for FY 2011. However, the City of Asheville received stimulus funding for a drainage project in this area and MSD is working with the City to coordinate this effort. He further reported that another cooperative effort is the Black Mountain annexation projects. At the time of consolidation the District committed to financially participate in the extension of sewers to certain areas identified by its member agencies to be annexed. He stated that the member agency typically runs the sewer and MSD contributes 35% of the cost of the project. The last few such projects are planned to be accomplished this fiscal year in the area of Black Mountain. MSD is partnering with Black Mountain to get some state loan funds to be used for their part. In addition, MSD is partnering on another project with Black Mountain and the NCDOT on sidewalk improvements and, because of some low

bids received on the Collection System, MSD was able to move up two (2) projects, which Mr. Bradford will give a report on.

Mr. Bissette asked if the Swannanoa Incorporation will have an affect on MSD if approved. Mr. Clarke said it's possible, in that the Town of Swannanoa could get a seat on the MSD Board. He stated that since Swannanoa does not have a sewer system, its interest should be represented by Buncombe County. Ms. Bellamy asked about Leicester. Mr. Clarke said it's the same scenario, although most of Leicester is not within the MSD boundary and Swannanoa is. Mr. Sobol asked if the criteria are based on whether a town has a sewer system or not. Mr. Clarke said no, it's whether a town is within the boundary of the District. After some discussion on how this issue should be addressed, Mr. Clarke said he will look into it and report back to the General Manager. Mr. Bissette suggested that this issue be considered by the Planning Committee at its next meeting.

Mr. Bradford showed the location of the Dingle Creek projects. He reported that the Dingle Creek Interceptor consists of 7,189 LF at a cost of \$2.2 million, and during development of this project in 2005, representatives from The Ramble requested that MSD locate the new interceptor such that future City stormwater improvements could be made. The project was designed, and the easements for the new interceptor were obtained. The City is in the process of finalizing its stormwater project, and MSD staff proposes to accelerate this portion of the interceptor rehab to accommodate the City project. He further reported that Dingle Creek @ Crowfields project consists of 2,317 LF at a cost of \$524,000. Mr. Bradford presented pictures of where the City's stormwater project will take place, but noted the main creek channel is not shown. He stated that this portion of the project is currently scheduled for the next fiscal year at a cost to MSD of approximately \$200,000. He further stated that funds for this project are available considering low bid prices received on recent projects, and that MSD staff is working closely with City staff to coordinate this effort.

In conjunction with the Black Mountain/NCDOT Sidewalk Project, Mr. Bradford reported that when MSD learned that Ingles Warehouse planned to redo its trucking lanes, MSD proceeded with a portion of the US 70 @ Neil Price Avenue project through an informal bid in order not to disturb the structural pavement done by Ingles. He stated that because the Town of Black Mountain and the NCDOT are receiving stimulus funds for work along US 70, MSD proposes to construct this project early in order to avoid conflicts with new sidewalk installation by the Town along this corridor. He further stated that the cost of the project is estimated at \$520,000, and that staff is working closely with Town staff to coordinate this effort.

Mr. Bradford reported that the Town of Black Mountain has three (3) annexation projects left from the Consolidation Agreement, of which two (2), Blue Ridge Road and McCoy Avenue, will be constructed in FY 10. Mr. Bradford stated that since these projects are turned over to MSD after construction, Black Mountain would relinquish the asset value, which can pose difficulties in borrowing funds. Therefore, MSD & Black Mountain have an agreement whereby Black Mountain retains ownership for loan security and MSD will maintain the systems. The systems will be turned over to MSD after the loan is paid off, but MSD will still collect all fees, billing, etc.

Mr. Bradford reported that several other smaller projects are also being coordinated with the City of Asheville with paving projects and the NCDOT in widening a section of Sweeten Creek Road. He stated that MSD staff coordinates projects with agencies wherever possible through joint sharing of project lists, annual budgets, UCC meetings, etc. This coordination saves money, makes for better overall projects, and reduces disruption to neighborhoods. Ms. Karpen asked if the \$520,000 project cost along the US 70 corridor is capital funds. Mr. Bradford said yes. He stated that in preparing the budget, they use the previous year's actual bid amounts received. Mr. Hartye stated that the footage gained by these two projects getting moved up, will be

applied towards the footage required in MSD's permit. Mr. Haner questioned the lower bidding prices and if there is a large discrepancy between the bids Mr. Bradford stated the bidding prices are less than they were last year and MSD is seeing more bidders and the bids are not erratic.

Mr. Hartye presented an article on the City's Dingle Creek Project and an announcement from the UNC School of Government on education opportunities.

Mr. Hartye reported that the next Right of Way Committee meeting will be held September 23rd at 9 AM and the next regular Board Meeting will be held October 21st at 2PM.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported that the Right of Way Committee met August 26, 2009 to consider compensation budgets for the Forest Ridge GSR and Ruth Street Rehabilitation projects. In addition, the Committee considered condemnations on the US 70 @ Neil Price Avenue, Phase II project and the Rockdale Avenue PRP Project. Ms. Banks presented a report outlining condemnation statistics from July 1, 1991 to June 30, 2009.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets – Forest Ridge Road GSR and Ruth Street Rehabilitation Projects:

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budgets. Ms. Bellamy asked if there are any plans to extend sewer in the Rock Hill Road area since there are several people still on septic. Mr. Hartye said no. Ms. Bellamy asked what these residents would have to do to get sewer. Mr. Hartye said it depends on where they are located and would get back to her with that information. Mr. Sobol suggested looking at other less expensive options. Ms. Bellamy asked if this could be brought up at the next Planning Committee Meeting. Mr. Hartye said yes.

b. Consideration of Condemnation, US 70 @ Neil Price Avenue, Phase II:

Mr. Hartye reported that this project involves replacement of the existing public sewer under rail tracks owned by Norfolk Southern Railroad. He stated that the Right of Way Committee held a long discussion regarding an easement from Norfolk Southern instead of a license agreement for this project. The Committee recommends authority to obtain an appraisal and proceed with condemnation. Mr. Sobol asked Mr. Clarke what the outcome of the meeting was. Mr. Clarke stated that following the meeting, he wrote a letter to Norfolk Southern and included information on the project, and explained that this project would come before the Board at its September meeting. He followed up with additional calls, but did not get a response.

c. Consideration of Condemnation, Rockdale Avenue PRP:

Mr. Hartye reported that the Right of Way Committee recommends authority to obtain appraisal and proceed with condemnation.

d. Acceptance of Developer Constructed Sewer System – Hyannis Drive

Mr. Hartye reported that this project included the installation of approximately 361 linear feet of 8" gravity sewer to serve a fourteen (14) unit residential

development. He stated that approximately 275 linear feet of existing 6" sewer line with related appurtenances and easement will be abandoned as part of the project and that staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

e. Consideration of Sanitary Sewer Rehabilitation Project – Eastwood Avenue @ Old US 70:

Mr. Hartye reported that this project is for the replacement of an eight-inch clay line, which was generated through MSD's Pipe Rating program. The following bids were received on September 3, 2009: Bolton Corporation with a total bid of \$462,371.00; DPI Construction with a total bid of \$364,849.16; Disaster Recovery Group with a total bid of \$324,395.00; Jones Brothers with a total bid of \$307,839.87; Iron Mountain Construction with a total bid of \$298,271.00; Bryants Land Development with a total bid of \$254,106.75; Spur Construction with a total bid of \$253,132.20; Moore & Son Site Construction with a total bid of \$242,906.00; Carolina Specialties, Inc. with a total bid of \$212,376.22; Buckeye Construction with a total bid of \$199,553.70; Terry Brothers Construction with a total bid of \$198,102.00; Huntley Construction with a total bid of \$189,047.00; Blythe Co. Construction, LLC with a total bid of \$189,000.00; T&K Utilities, Inc. with a total bid of \$165,330.00. Mr. Hartye stated that staff recommends award of the contract to T&K Utilities, Inc. in the amount of \$165,330.00, subject to review and approval by District Counsel.

f. Consideration of Purchase of Vactor 2100 Plus Combination Sewer Cleaner:

Mr. Hartye reported that System Services has an on-going preventative maintenance program and has cleaned in excess of 900,000 liner feet of sewer line utilizing combination trucks in 2008. He stated that the Vactor 2100 will replace a smaller 2001 combo truck and the fuel efficiency on the new truck has been significantly increased to reduce fuel consumption by 20 to 30 percent. The following bids were received and opened on August 24, 2009: Public Works Equipment with a total bid of \$317,023.28; Rodders and Jets Supply Co., with a total bid of \$319,110.47; Jet-Vac Sewer Equipment Co., with a total bid of \$319,760.00; Sansom Equipment Co., with a total bid of \$339,890.00; VA Public Works Equipment with a total bid of \$341,394.00 and Environmental Products of Florida with a total bid of \$344,780.00. Mr. Hartye stated that funds are available in the FY 2010 Fleet Replacement Fund and staff recommends award of the bid to Public Works Equipment in the amount of \$317,023.28. Mr. Hartye noted that MSD is phasing into a preventative maintenance mode and that all of this work is now being done in-house.

g. Series Resolution Authorizing Issuance of Bonds:

Mr. Hartye reported that on July 15th, the Board approved making an application to the Local Government Commission (LGC) to issue revenue bonds to provide funding for the CIP. The LGC approved the issuance on September 1st. Under its Bond Order, the District Board is required to adopt a Series Resolution authorizing issuance of the bonds and related actions necessary to sell the bonds. Mr. Hartye said this is the 2009A new money bonds in the amount of \$19,500,000. The business plan is attached to provide the financial impact of the debt issuance to the District. He further stated that staff recommends approval of the Series Resolution for the 2009A Bonds

h. Series Resolution Authorizing Issuance of Bonds:

Mr. Hartye reported that on July 15th, the Board approved submitting an application to the Local Government Commission (LGC) to issue revenue bonds to

refund the remaining maturities of the Series 1999 bonds. The LGC approved the issuance on September 1st. Under its Bond Order, the District Board is required to adopt a Series Resolution authorizing issuance of the bonds and related actions necessary to sell the bonds. Mr. Hartye stated that the resolution authorizes issuance of the Series 2009B Bonds in an amount not to exceed \$15,000,000. The business plan is attached to provide the financial impact of the debt refunding to the District. He further stated that based on interest rates as of September 1st, the District would achieve a net present value savings in excess of 4% or \$286,555 a year in interest expense over the remaining life of the debt. Staff recommends approval of the Series Resolution for the 2009BBonds.

Mr. Aceto called for further discussion on both the Series 2009A and 2009B Bonds. Mr. Clarke stated that the first Series Resolution is authorizing \$19,500,000 in Bonds, which is the maximum amount. He explained that the Series 2009A Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution. The Depository Trust Company will keep a record of who owns the bonds. In addition, the Board is approving the Preliminary Official Statement, which will be distributed to investors to look at along with a history of the Metropolitan Sewerage District. The Bond Purchase Agreement is an agreement between the LGC, MSD and Wachovia Bank. Wachovia Bank buys the bonds from MSD for slightly less than the face amount then sells them for a profit. Mr. Clarke further stated that of the \$19,500,000 the District will actually get \$19,400,000, which is shown in the 2010 fiscal year as being added to the mix of pay-as-go and bond funds for the CIP. By approving the Series Resolution, the District is pledging to pay for these bonds out of its net revenues, excluding Facility and Tap Fees. Mr. Clarke noted that as of this date, all of the rating agencies (Standard & Poor's, Moody's & Fitch) have confirmed the District's AA rating.

Mr. Clarke reported that the 2009B Series Resolution is for the issuance of Bonds to refund the maturities of the remaining Series 1999 Bonds in an amount not to exceed \$15,000,000. Mr. Clarke stated that Mr. Hartye and Mr. Powell have done an outstanding job for meeting, with conference calls and preparation of the Preliminary Official Statement.

i. Cash Commitment/Investment Report – Month Ended July 31, 2009:

Mr. Hartye reported that in addition to typical investment information, Mr. Powell has added trend graphs of the District's operational revenues and expenditures. Mr. Aceto asked Mr. Powell to explain. Mr. Powell reported that on page four (4) is an analysis of cash receipts, which shows how the District is stacking up in relation to cash receipts on a monthly basis and a year to date basis. This information is used to do a snapshot, since most of MSD's billing is done by member agencies, to let the Board know where MSD stands. When looking at July's information in the domestic revenue area, MSD typically ranges in the 8.3% to 9% range, but this year at 6.7%. The reason for the disparity is MSD received a deposit on June 30th from the City of Asheville which is typically received on July 1st. Mr. Powell stated that the Industrial Revenue numbers are trending very similar, but in FY08, staff budgeted low because it expected industrial revenue to come out, but did not. When looking at Facility and Tap Fees, MSD is at 36% of budget in the first month. In looking back at the previous budget, staff budgeted ultra conservatively at approximately \$300,000.00 and, as of September 15th, MSD is at 95% of that budget. Ms. Bellamy asked what the fees consist of. Mr. Boyd said residential, commercial and institutional.

Mr. Powell reported that page five (5) shows an analysis of expenditures. He stated that monthly operations and maintenance expenditures are slightly higher due to three (3) pay periods occurring in July versus the typical two. Debt Service is down

due to the variable rate component as shown on page six (6). Ms. Bellamy said the graphs are excellent and are very helpful. Mr. Aceto expressed his appreciation to Mr. Powell for his effort in presenting this information to the Board. Mr. Powell stated that at the next Board meeting he will present a year-to-date trend in relation to investment runnings as well as a portfolio makeup.

Mr. Aceto called for a motion regarding the Consolidated Motion Agenda. Mr. VeHaun moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. With no discussion, roll call vote was as follows: 10 Ayes; 0 Nays.

9. House Bill 1452 – Ethics, Conduct and Attendance Policy for the MSD Board:

Mr. Clarke reported that at the request of the Board, he has reviewed House Bill 1452 and the current MSD Board Policy on Ethics, Conduct and Attendance. He stated that although the Statute does not specifically mention the MSD, he felt the Board expressed a desire to comply with that Statute. He suggested the Board consider amending its current policy with his recommended changes. He stated that the only thing the current policy does not make reference to is open meeting and public record laws, which are now added under paragraphs III and VII of the policy, and the language now in the preamble comes from House Bill 1452. With these changes, MSD would be in compliance with what other local governments are doing. Regarding to the two-hour Ethics training, Mr. Clarke stated it would be best to sign up with the League of Municipalities or others who are offering such a course. Mr. Hartye said he will look into the options. Mr. Aceto suggested the School of Government course on Finance. Mr. Bissette moved that the Board adopt the amendments to the Ethics, Conduct and Attendance Policy as presented by Counsel. Ms. Bellamy seconded the motion. Ms. Karpen stated that she would be interested in attending an Ethics meeting if open to the public. With no further discussion, Mr. Aceto called for the question. Voice vote in favor of the motion was unanimous.

10. Old Business:

Ms. Bellamy announced that the City of Asheville has a new Public Works Director. Cathy Ball has accepted the position and will be moving from Engineering to Public Works. In addition, Ms. Bellamy extended an invitation to Board Members to attend an open house on September 25th for a one-stop-shop for Pubic Works.

11. New Business:

None

12. Adjournment:

With no further business, Mr. Aceto called for adjournment at 2:50 PM.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 9/16/09

✓	Agenda Item	Presenter	Time
	01. Call to Order and Roll Call	Aceto	2:00
	02. Inquiry as to Conflict of Interest	Aceto	2:05
	03. Approval of Minutes of the August 19, 2009 Board Meeting.	Aceto	2:10
	04. Discussion and Adjustment of Agenda	Aceto	2:15
	05. Informal Discussion and Public Comment	Aceto	2:20
	06. Report of General Manager	Hartye	2:25
	07. Report of Committees: a. Right of Way Committee – 8/26/09 - Kelly	Aceto	2:40
	08. Consolidated Motion Agenda		2:50
	a. Consideration of Compensation Budgets – Forest Ridge Road GSR and Ruth Street Rehabilitation	Hartye	
	b. Consideration of Condemnation – US 70 @ Neil Price Avenue Phase II	Hartye	
	c. Consideration of Condemnation – Rockdale Avenue PRP.	Hartye	
	d. Consideration of Developer Constructed Sewer System – Hyannis Drive.	Hartye	
	e. Consideration of Bids for Eastwood Avenue @ Old US 70 Sewer Replacement Project.	Hartye	
	f. Consideration of Bids for Purchase of Vactor 2100 Plus Combination Sewer Cleaner Truck	Hartye	
	g. Consideration of Series Resolution 2009A authorizing the Issuance of New Money Bonds	Hartye	
	h. Consideration of Series Resolution 2009B Refunding Bond.	Hartye	
	i. Cash Commitment/Investment Report – Month Ended July 31, 2009.	Hartye	
	09. MSD/House Bill 1452 – Ethics, Conduct & Attendance Policy for the MSD Board.	Hartye	3:05
	10. Old Business:	Aceto	3:20
	11. New Business:	Aceto	3:30
	12. Adjournment (Next Regular Meeting –10/21/09)	Aceto	3:40

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
AUGUST 19, 2009**

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 P.M., Wednesday, August 19, 2009. Chairman Aceto presided with the following members present: Bellamy, Bryson, Creighton, Haner, Kelly, Metcalf, Russell, Stanley and VeHaun. Mr. Bissette and Mr. Sobol were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Joseph Martin with Woodfin Sanitary Water & Sewer District, Leah Karpen with the League of Women Voters, Marcus Jones with Henderson County, Stan Boyd, Ed Bradford, John Kiviniemi, Peter Weed, Scott Powell, Jim Hemphill, Ken Stines, Angel Banks, Mike Butler and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the July 15, 2009 Board Meeting:

Mr. Aceto asked if there were changes to the Minutes of the July 15, 2009 Board Meeting. Mr. Haner moved that the Board approve the Minutes as presented. Mr. VeHaun seconded the motion. Mr. Aceto called for discussion. With no discussion, voice vote in favor of the motion was unanimous. Ms. Bellamy was absent during the vote.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Ms. Karpen, Mr. Jones and Mr. Martin.

6. Report of General Manager:

Mr. Hartye reported that a Plumbers/workshop was held July 23rd by the System Services Division, headed up by Barry Cook, who began this tradition approximately 18 years ago. He stated that there were approximately 20 plumbers in attendance as well as the County plumbing inspector and 8 representatives from the City of Asheville. Topics covered included the sewer service policy, first responders, flooded structures, cut permits, tap applications, cleanout installations, private sewer rehab, grease trap installations, web map capabilities, grading permits and city codes. He further stated that the meeting was a great success as a public relations measure and as an information exchange on how best to serve customers. He expressed his thanks to Barry Cook, Lisa Tolley, Eric Bryant, Jason Capizzi, Kathryn Brewer, Mike Butler and Wayne Tipton.

Mr. Hartye reported that MSD has received the Gold Safety Award for the 6th consecutive year due to low illness and injury rates. He stated that MSD is below the state average, which translates into reduced workers comp premiums. He expressed his congratulations to the employees and a special thanks to Jim Naber and Sandra Moore for their work with MSD's Safety program.

Mr. Hartye presented a copy of the NCLM Legislative Bulletins for July 17th and 31st and noted the highlighted sections on the Ethics Policy and Electronic Notice. He also presented a copy of the AWWA Streamlines regarding the Water Trust Fund and the NACWA Regulatory Update of July 8th. Mr. Aceto asked about the Ethics Policy and its application to the MSD Board. Mr. Clarke said the policy appears to apply to all local governments, and that it would require each Board Member to have two hours of ethics training upon appointed to MSD and two hours after re-appointment. He stated that

training will be offered in several locations, but feels this can be accomplished in a two-hour session prior to a regularly scheduled Board meeting. He further stated that he will review the Board's current Ethics, Conduct and Attendance Policy and he and Mr. Hartye will make a recommendation to the Board on how to comply.

Mr. Hartye announced the following upcoming staff events: Bobby Arrowood Retiring, August 27th, Day of Caring, September 3rd; United Way Golf Tourney, September 18th and Employee Picnic, September 24th.

Mr. Hartye reported that the next Right of Way Committee meeting will be held August 26th at 9 A.M., and the next regular Board Meeting will be held September 16th at 2PM.

With regard to House Bill SB 600 - Condemnation of Conservation Easements, Mr. Clarke reported that municipal utility projects, including electric, gas, water, sewer, stormwater systems and greenways are exempt.

7. Report of Committees:

Personnel Committee

Mr. VeHaun reported that the Personnel Committee met July 22, 2009 for the evaluation of the General Manager. He stated that Mr. Hartye discussed and presented his objectives and short term goals. Mr. VeHaun further stated that although the Board is extremely pleased with Mr. Hartye's performance, the Committee felt that since the employees received no salary increase, any increase to Mr. Hartye would be put on hold until next year.

8. Consolidated Motion Agenda:

a. Sanitary Sewer Rehabilitation Project – Town Branch Interceptor:

Mr. Hartye reported that the Town Branch project is necessary due to repeated maintenance calls associated with an aged and structurally deficient clay interceptor and structures constructed both near and over the line. The project is comprised of 1,339 LF of 8-inch through 30-inch DIP. Mr. Hartye stated that the following bids were received on July 23, 2009: Spur Construction with a total bid of \$999,490; Carolina Specialties Construction with a total bid of \$886,529.00; Haren Construction Co., with a total bid of \$877,320.00; B E & L Mechanical with a total bid of \$ 869,970.50; Goodwater, Inc. with a total bid of \$856,685.00; Pipeline Utilities, Inc. with a total bid of \$828,600.00; Cooper Construction, Co., with a total bid of \$815,470.00; D.H. Griffin Infrastructure with a total bid of \$794,318.00; L-J, Inc. with a total bid of \$779,830.72; Buckeye Construction Co., with a total bid of \$778,151.59; DPI Construction, Inc. with a total bid of \$730,335.69; Terry Brothers Construction with a total bid of \$729,006.00 and BC&D Associates, Inc. with a total bid of \$726,875.00. Mr. Hartye further reported that staff recommends award of this contract to BC&D Associates, Inc. in the amount of \$726,875.00, subject to review and approval by District Counsel. He stated that BC&D has not previously worked on MSD rehabilitation projects, but all five references checked were complimentary.

b. Consideration of Developer Constructed Sewer Systems - Bell Road Subdivision and Honeysuckle Lane Subdivision:

Mr. Hartye reported that the Bell Road Subdivision consists of five (5) single family homes and the Honeysuckle Lane Subdivision consists of four (4) single family homes. Staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

c. Fourth Quarter Budget to Actual Review:

Mr. Hartye reported that Capital project expenditures at 67% of budget is due to delay of the microscreen project until FY 10.

d. Fourth Quarter City of Asheville Billing Report:

Mr. Hartye reported that a comparison of the first three quarters of FY 09 with the same time period in FY 08 reveals a reduction in residential consumption as well as signs of recessionary constraints on commercial usage. In addition, the aging percentages do not currently indicate any significant changes and staff will continue to monitor this in future quarters as this could have a cash flow effect on the District.

e. Cash Commitment/Investment Report-Month Ended June 30, 2009:

Presented as information only.

f. Consideration of Reimbursement Resolution for Bond Projects:

Mr. Hartye reported that the proposed Reimbursement Resolution identifies major projects intended to be solely or substantially financed by bonds anticipated to be issued in fiscal year 09-10. Board approval is required to obtain the tax-exemption of interest paid on MSD bonds by authorizing reimbursement from bond proceeds of the expenditures for these projects. Mr. Hartye presented a list of the projects and stated that the estimated reimbursable expenditure total is \$3,629,644.

Mr. Bellamy reported on an effort by local design firms and contractors to get more dollars spent locally. She asked what MSD's policy is on bidding projects. Mr. Clarke stated that State law does not allow MSD to give preference to local contractors. MSD must advertise in newspaper of general circulation, or electronically. The intent of the local bid laws is to get the lowest possible price. Mr. Hartye stated that most of the local contractors are winning the contracts, unless the project is much larger or more technical. As far as design services and RFP's, MSD does most of this work in-house, with the exception of more technical work, which would go to a consultant. Ms. Bellamy stated that she gave Mr. Hartye's name to David Price, who heads up this group of Architects and Builders, which is called Asheville Design-Asheville Build. Mr. Hartye stated that when he receives information from this group, he will forward it to Ed Bradford who maintains a list of Engineers and Surveyors. Mr. Bradford asked if MSD can choose from a list of contractors for informal projects. Mr. Clarke said MSD can do informal bids, but cannot say it has a preference for a local contractor.

Mr. VeHaun moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. Mr. Aceto called for discussion. With no discussion, roll call vote was as follows: 10 Ayes; 0 Nays.

9. Old Business:

Mr. Hartye presented a list of MSD Board 2009-2010 Goals and Objectives. Mr. Aceto requested that the Board review them and forward any comments to Mr. Hartye or himself. He stated that the Goals and Objectives will be forwarded to the appropriate committee for consideration in the coming year.

10. New Business:

None

11. Adjournment:

With no further business, Mr. Aceto called for adjournment at 2:22 PM.

Jackie W. Bryson, Secretary/Treasurer

REPORT OF COMMITTEES

**RIGHT OF WAY
COMMITTEE RECOMMENDATIONS
AND MINUTES
August 26, 2009**

I. Call To Order

The regular monthly meeting of the Right of Way Committee was held in the Boardroom of the William H. Mull Building and called to order at approximately 9:00 a.m. on Wednesday, August 26, 2009. The following Right of Way Committee members were present: Glenn Kelly, Jackie Bryson, Mike Sobol and Jerry VeHaun.

Others present were: Billy Clarke, General Counsel; Steven Aceto, Chairman of the Board; Max Haner, Bill Stanley and Terry Bellamy, Board members; Ellen McKinnon, Martin/McGill; Ed Bradford, Angel Banks, Mike Stamey, Scott Powell, Stan Boyd, Jim Hemphill and Pam Nolan, M.S.D.

II. Inquiry as to Conflict of Interest

Mr. Kelly inquired if anyone had a conflict of interest with Agenda items. There was none.

III. Consideration of Compensation Budgets –

**Forest Ridge Road GSR, Project No. 2006013
Ruth Street Rehabilitation, Project No. 2008183**

The attached Compensation Budgets are based on current ad valorem tax values and follow the MSD approved formula.

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Ms. Banks explained that the Forest Ridge Road Project is located off of Sweeten Creek Road near Rock Hill Road and runs across two large mobile home parks. It consists of approximately 2800 lf 8" DIP to replace existing 8" clay and 6" orangeburg pipe which is in poor condition.

Ms. Banks explained that the Ruth Street Rehabilitation Project is located in Black Mountain and consists of approximately 1000 lf of 8" DIP to replace the existing 4" and 6" clay pipe which is undersized and in poor condition.

There was no discussion. Mr. VeHaun made the motion to accept Staff's recommendation. Mrs. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

**IV. Consideration of Condemnation, US 70 @ Neil Price Avenue, Phase II,
Project No. 2005098**

PIN 0609.00-01-9891 - This project involves replacement of the existing public sewer across rail tracks owned by Norfolk Southern Railroad (NSRR) located along US 70 near the Ingles Warehouse facility. MSD applied for a License Agreement from NSRR September 4, 2008. NSRR required a \$27,000 fee for the MSD rehabilitation, disregarding a 2003 informal agreement whereby they would charge a \$2,500 fee for MSD replacements.

In January of this year the ROW Committee considered a condemnation request across Norfolk Southern tracks in the Town Branch Project (aka Nasty Branch). The Committee approved that request and recommended that in the future MSD obtain easements, rather than licenses (NSRR's preferred methodology), for crossings. MSD Counsel has contacted NSRR staff numerous times about an easement for this crossing and NSRR will not move forward with the request. MSD needs to move forward with this project to avoid conflicts with new sidewalk installation by the Town of Black Mountain along this US 70 corridor.

Total Contacts: MSD Staff - 3
MSD Counsel – 1 telephone, 4 e-mail

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks explained the above situation and stated that Mr. Clarke has since spoken with staff at Norfolk Southern, she then turned the meeting over to him. Mr. Clarke stated that in the January condemnation approval on the Town Branch Project (aka Nasty Branch), MSD and Norfolk Southern reached an agreement fairly quickly for a price on an easement and thought the same could be done for this project. Mr. Clarke has since had a lengthy telephone conversation with George Meade from Roanoke and Shelia Billingsley from Atlanta. There were two types of projects discussed. The first is where MSD is replacing an existing public sewer crossing under the Norfolk Southern Railway. Mr. Clarke explained to Norfolk Southern that in those situations the Board clearly expressed a desire to obtain an easement (rather than a license), and the Board expected to pay a reasonable amount for the easement. Mr. Clarke stated that they are in agreement that MSD is also a public utility and should not be paying exorbitant fees for the crossings, but Ms. Billingsley is not necessarily in agreement that they should be giving MSD an easement instead of a license agreement. The other situation discussed is where developers extend sewer which runs across or parallel with Norfolk Southern rights of way, and MSD requires the developer to obtain a right of way before transferring the system to MSD. Norfolk Southern will only give the developers a license agreement. It was agreed it would be helpful to have a meeting between MSD and the Norfolk Southern representatives. Both Mr. Meade and Ms. Billingsley agreed to meet with MSD staff and look at some of the crossings. Mr. Clarke is trying to arrange this meeting for sometime in September. Mr. Clarke recommends that Committee accept Staff's recommendation at this time for this specific project. Mr. Clarke has explained to Norfolk Southern representatives that there will be a Board Meeting in September and will convey the recommendation made today.

There was some further discussion. Mr. Kelly made the motion to accept staff's recommendation. Mr. Sobol seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

**V. Consideration of Condemnation, Rockdale Avenue PRP
Project No. 2006312**

PIN 9699.17-11-7547 – Project is located along Highway 70 on the left just past Beacon Village headed east. The subject property is mostly unimproved although the property owner has stated he has future building plans for this property.

A meeting was held on site with the property owner and he did not have any concerns pertaining to the project but did want his attorney to review all of the information provided by MSD.

The property owner at a later date requested that his compensation (\$576) be paid in the form of wastewater allocation fee credit for two sewer taps already installed as part of the North Swannanoa Interceptor project. These sewer taps (for future connection) were installed approximately 7 years ago as part of the property owner's special provisions.

We explained MSD is not able to waive allocation fees per board policy. It was also explained to the property owner that this is a depletion fee and is used for future treatment plant upgrades for capacity. MSD did offer to increase the compensation from \$576 to \$1000. Property owner refused this offer and insisted the allocation fees be waived for two sewer taps.

Total Contacts: 7

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks reviewed the above and stated that the final offer stands at \$1500 which is above the standard compensation of \$576. Ms. Banks also stated that about 60% of this easement lies within the waterway of the Swannanoa River. She stated that the area is basically landlocked due to the river on one side and other property owners on the other side. Ms. Banks stated that she had asked Mike Sobol to talk to the property owner to further confirm that MSD does not waive allocation fees. Owner still states that he wants the fees waived or would consider a sum around \$2600. Staff does not feel that this easement is worth \$2600. Mr. Sobol stated that he did speak with the property owner a few weeks ago and explained their conversation. Mr. Sobol also stated that he feels that MSD has bent over backwards to accommodate this owner and he recommends that Committee accept staff's recommendation to obtain appraisal and proceed with condemnation. There was some further discussion regarding what allocation fees might be for this owner. Owner has not stated exactly what he wants to build on the property so the fees could vary widely. Mr. Haner stated that he felt that this recommendation was based on principal instead of a dollar figure. There was some further discussion.

Mr. Sobol made the motion to accept staff's recommendation. Mr. VeHaun seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

VI. Statistics – July 1, 1991 to June 30, 2009

Attached you will find a report outlining condemnation statistics from July 1, 1991 to June 30, 2009.

STAFF RECOMMENDATION: For information only. No action required.

Ms. Banks explained the report. There was some further discussion regarding the pending items.

There being no further business the meeting adjourned at approximately 9:24 am.

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: September 10, 2009
SUBJECT: Report from the General Manager

- Kudos

- Mr. Ed Callis of Mount Vernon Circle called to express his appreciation for the work that MSD did in repairing a storm sewer that had created a sink hole and collapsed the sanitary sewer below it. Thanks to, Roy Lytle, Eric Dawson, Shane Meadows, Chris Johnson, Rick Bradley and Shaun Buckner.

- Dingle Creek

The Capital Improvement Plan includes an interceptor replacement/upgrade along Dingle Creek as well as a smaller rehab project near Crowfields. These projects will cost over \$ 2 million and \$500,000 respectively and have been scheduled for FY 2011. The City of Asheville received funds for a drainage project in this area (see article below). MSD is working with the City to coordinate our efforts. Staff will give a little presentation regarding this effort at the meeting.

- Black Mountain Annexation Projects

At the time of consolidation the District committed to financially participating in the extension of sewers to certain areas identified by our member agencies to be annexed. The member agency typically runs the sewer and MSD contributes 35% of the cost of the project. The last few such projects are planned to be accomplished this fiscal year by the Town of Black Mountain. The District is partnering with Black Mountain so that State loan funds may be used for their part. The District is also partnering with Black Mountain and NCDOT on sidewalk improvements to be accomplished with stimulus funds.

- Reading

- AC-T article on the City's Dingle Creek Project.
- UNC School of Government Education Opportunities

- Board/Committee Meetings

The next Right of Way Committee will be held September 23rd at 9 am. The next Regular Board Meeting will be held October 21st at 2pm.

Project to help ease floodings

\$454,500 grant will target Dingle Creek

Joel Burgess

JBURGESS@CITIZEN-TIMES.COM

ASHEVILLE

South Asheville residents

should see relief from flooding and water pollution with work to come from a \$454,500 federal economic stimulus grant.

The grant, provided through the American Reinvestment and Recovery Act, will pay for a major overhaul of Dingle Creek. Paved roadways and construction around Hendersonville Road now hamper the natural flow of water into the creek,

flooding downstream properties and bringing mud and other pollutants, water quality experts say.

The City Council voted 6-1 Tuesday to accept the grant.

The restoration project will rebuild and reroute 400 feet of creek banks and create an acre of wetlands to ease flooding and filter pollution.

The project would do much to help problems in neighborhoods, such as the Crowfields subdivision, said Cathy Ball, past city engineer and current

public works director.

"This is a very big piece of the puzzle," Ball said.

But the work will not solve all flooding problems around that portion of busy highway, she said. "Upstream there are still some flooding issues to be addressed," she said.

Pavement and construction in upstream areas cause many of the problems. On undisturbed hillsides with trees and other vegetation, rain absorbs slowly

into the ground and creeks. But when rain hits disturbed or paved areas, it picks up dirt and pollution, rushing water into streams and increasing water temperature, which can harm aquatic plants and animals.

The federal grant includes a \$227,000 loan. Most will be repaid by the state Clean Water Management Trust Fund. Asheville property owners will pay \$62,250 over 20 years through stormwater fees.

Carl Mumpower, the one council member to vote against the grant, said accepting the money

exacerbated the federal deficit and did not guarantee residents or other workers in the country legally would get the jobs.

"You want to talk about a jobs program for America, let's talk about hiring legal workers," Mumpower said.

Vice Mayor Jan Davis suggested the city do its best to publicize stormwater projects like the one at Dingle Creek so landowners understand where their fees go.

"I have a little difficulty sometimes when a citizen asks where the stormwater money is going," Davis said.

OO training, computer-based training directed to natural gas & proficiency w/ Microsoft Office. Apply at ESC, 103 W. Center St. Ext, Lexington 27295. EOE.
Human Resources Director - Moore Co., pop. 83, 932. Be-

special projects, will report to city mgr. for budget development, monitoring & reporting, & to dir. of finance for ops, systems integration & staff development. Bach's or equiv. in public admn., bus., finance or other related field, min. 8 yrs. related exp. in public or private sectors, strong interpersonal

admin., position; demonstrates an expert understanding of modern principles & practices of city budget mgmt. & financial planning systems; demonstrates an ability to apply that understanding in strategic planning, solving complex problems & meeting the spec. needs of the public; resp. for re-

& full benefits. Relocation is not a req. but frequent travel across N.C. is req'd. For inquiries, please email resume to jivesaj@csppinc.com or fax to 919-424-2086.



LOCAL ELECTED LEADERS

Academy

*Strategic Leadership Education
for Municipal and County Elected Officials*

Governing from Good to Great

OCTOBER 24-25, 2009 GREENVILLE

Public officials often make choices that involve multiple values, which means there is always more than one solution.

Great boards and councils learn to "map" policy problems and craft solutions that do "good" things without harming other "good" things. This matters in our democratic society—because how we decide is as important as what we decide. This interactive workshop, composed of two half-day sessions, will be led by Phil Boyle, president of Leading & Governing Associates.

This pre-conference workshop is open to both municipal and county elected officials and managers. To register, visit www.ncim.org/conference.htm, or call the NCLM at 919.715.4000. Elected officials will earn credit toward recognition through the Local Elected Leaders Academy.

Local Finance: Making Sense of it All

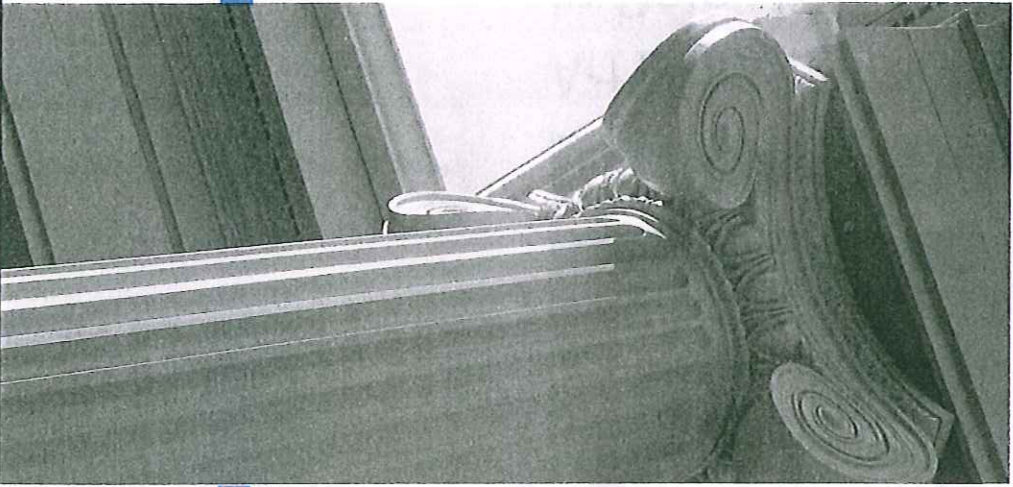
DECEMBER 2, 2009 RESEARCH TRIANGLE PARK
 JANUARY 13, 2010 WILLMINGTON
 JANUARY 29, 2010 CONCORD
 FEBRUARY 17, 2010 GREENVILLE
 FEBRUARY 24, 2010 ASHEVILLE
 MARCH 3, 2010 KITTY HAWK

This one-day Regional Leader-Shop is focused on the role of local elected officials in ensuring the financial viability of their municipal or county government. As stewards of the public trust, municipal and county elected officials must put in place the funding and infrastructure their communities need to thrive.

This engaging and interactive workshop will provide an explanation of the basics of local government finance, with an emphasis on how decisions made today will affect the future.

To register, visit www.sog.unc.edu/courses/1641/, or contact Gail Wilkins at 919.962.9754.

Visit www.lcla.unc.edu for an up-to-date calendar of educational programs offered through the Local Elected Leaders Academy. To learn more, contact Donna Warner at 919.962.1575 or warnerd@sog.unc.edu.



CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County

Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 8/26/2009

BOARD MEETING DATE: 9/16/2009

SUBMITTED BY: Tom Hartye, PE, General Manager
 PREPARED BY: Angel Banks, Right of Way Manager
 REVIEWED BY: Ed Bradford, PE, Director of CIP

SUBJECT: Consideration of Compensation Budgets –

Forest Ridge Road GSR, Project No. 2006013
Ruth Street Rehabilitation, Project No. 2008183

The attached Compensation Budgets are based on current ad valorem tax values and follow the MSD approved formula.

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Ms. Banks explained that the Forest Ridge Road Project is located off of Sweeten Creek Road near Rock Hill Road and runs across two large mobile home parks. It consists of approximately 2800 lf 8" DIP to replace existing 8" clay and 6" orangeburg pipe which is in poor condition.

Ms. Banks explained that the Ruth Street Rehabilitation Project is located in Black Mountain and consists of approximately 1000 lf of 8" DIP to replace the existing 4" and 6" clay pipe which is undersized and in poor condition.

There was no discussion. Mr. VeHaun made the motion to accept Staff's recommendation. Mrs. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

COMMITTEE ACTION TAKEN	
Motion by: Jerry VeHaun	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Jackie Bryson	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other
BOARD ACTION TAKEN	
Motion by:	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff

Forest Ridge Road GSR

Project Number 2006013

Compensation Budget

23-Jul-09

Pin Number and Name	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
965605199201	12.53	545,806.80	\$142,300.00	\$0.26	22,353.00	\$5,811.78	\$2,905.89	24,448.00	\$6,356.48	\$635.65	3	\$158.91	\$3,065
965605185605	7.56	329,313.60	\$111,500.00	\$0.34	16,607.00	\$5,646.38	\$2,823.19	18,440.00	\$6,269.60	\$626.96	3	\$156.74	\$2,980
TOTALS:												\$6,045	
Staff Contingency:												\$5,000	
GM's Contingency												\$5,000	
Amendment													
Total Budget:												\$16,045	

Ruth Street Sewer Rehabilitation

Project Number 2008183

Compensation Budget

23-Jul-09

Pin Number and Name	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
0710009605	0.54	23,522.40	\$42,200.00	\$1.79	4,089.00	\$7,319.31	\$3,659.66	5,362.00	\$9,597.98	\$959.80	2	\$159.97	\$3,820

TOTALS:	\$3,820
Staff Contingency:	\$5,000
GM's Contingency	\$5,000
Amendment	
Total Budget:	\$13,820

Metropolitan Sewerage District of Buncombe County

Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 8/26/2009

BOARD MEETING DATE: 9/16/2009

SUBMITTED BY: Tom Hartye, PE, General Manager
 PREPARED BY: Angel Banks, Right of Way Manager
 REVIEWED BY: Ed Bradford, PE, Director of CIP

**SUBJECT: Consideration of Condemnation, US 70 @ Neil Price Avenue, Phase II,
 Project No. 2005098**

PIN 0609.00-01-9891 - This project involves replacement of the existing public sewer across rail tracks owned by Norfolk Southern Railroad (NSRR) located along US 70 near the Ingles Warehouse facility. MSD applied for a License Agreement from NSRR September 4, 2008. NSRR required a \$27,000 fee for the MSD rehabilitation, disregarding a 2003 informal agreement whereby they would charge a \$2,500 fee for MSD replacements.

In January of this year the ROW Committee considered a condemnation request across Norfolk Southern tracks in the Town Branch Project (aka Nasty Branch). The Committee approved that request and recommended that in the future MSD obtain easements, rather than licenses (NSRR's preferred methodology), for crossings. MSD Counsel has contacted NSRR staff numerous times about an easement for this crossing and NSRR will not move forward with the request. MSD needs to move forward with this project to avoid conflicts with new sidewalk installation by the Town of Black Mountain along this US 70 corridor.

Total Contacts: MSD Staff - 3
 MSD Counsel – 1 telephone, 4 e-mail

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks explained the above situation and stated that Mr. Clarke has since spoken with staff at Norfolk Southern, she then turned the meeting over to him. Mr. Clarke stated that in the January condemnation approval on the Town Branch Project (aka Nasty Branch), MSD and Norfolk Southern reached an agreement fairly quickly for a price on an easement and thought the same could be done for this project. Mr. Clarke has since had a lengthy telephone conversation with George Meade from Roanoke and Shelia Billingsley from Atlanta. There were two types of projects discussed. The first is where MSD is replacing an existing public sewer crossing under the Norfolk Southern Railway. Mr. Clarke explained to Norfolk Southern that in those situations the Board clearly expressed a desire to obtain an easement (rather than a license), and the Board expected to pay a reasonable amount for the easement. Mr. Clarke stated that they are in agreement that MSD is also a public utility and should not be paying exorbitant fees for the crossings, but Ms. Billingsley is not necessarily in agreement that they should be giving MSD an easement instead of a license agreement. The other situation discussed is where developers extend sewer which runs across or parallel with Norfolk Southern rights of way, and MSD requires the developer to obtain a right of way before transferring the system to MSD. Norfolk Southern will only give the developers a license agreement. It was agreed it would be helpful to have a meeting between MSD and the Norfolk Southern representatives.

Both Mr. Meade and Ms. Billingsley agreed to meet with MSD staff and look at some of the crossings. Mr. Clarke is trying to arrange this meeting for sometime in September. Mr. Clarke recommends that Committee accept Staff's recommendation at this time for this specific project. Mr. Clarke has explained to Norfolk Southern representatives that there will be a Board Meeting in September and will convey the recommendation made today.

There was some further discussion. Mr. Kelly made the motion to accept staff's recommendation. Mr. Sobol seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

COMMITTEE ACTION TAKEN	
Motion by: Glenn Kelly	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Mike Sobol	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other
BOARD ACTION TAKEN	
Motion by:	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other

Metropolitan Sewerage District of Buncombe County

Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 8/26/2009

BOARD MEETING DATE: 9/16/2009

SUBMITTED BY: Tom Hartye, PE, General Manager
PREPARED BY: Angel Banks, Right of Way Manager
REVIEWED BY: Ed Bradford, PE, Director of CIP

**SUBJECT: Consideration of Condemnation, Rockdale Avenue PRP
Project No. 2006312**

PIN 9699.17-11-7547 – Project is located along Highway 70 on the left just past Beacon Village headed east. The subject property is mostly unimproved although the property owner has stated he has future building plans for this property.

A meeting was held on site with the property owner and he did not have any concerns pertaining to the project but did want his attorney to review all of the information provided by MSD.

The property owner at a later date requested that his compensation (\$576) be paid in the form of wastewater allocation fee credit for two sewer taps already installed as part of the North Swannanoa Interceptor project. These sewer taps (for future connection) were installed approximately 7 years ago as part of the property owner's special provisions.

We explained MSD is not able to waive allocation fees per board policy. It was also explained to the property owner that this is a depletion fee and is used for future treatment plant upgrades for capacity. MSD did offer to increase the compensation from \$576 to \$1000. Property owner refused this offer and insisted the allocation fees be waived for two sewer taps.

Total Contacts: 7

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks reviewed the above and stated that the final offer stands at \$1500 which is above the standard compensation of \$576. Ms. Banks also stated that about 60% of this easement lies within the waterway of the Swannanoa River. She stated that the area is basically landlocked due to the river on one side and other property owners on the other side. Ms. Banks stated that she had asked Mike Sobol to talk to the property owner to further confirm that MSD does not waive allocation fees. Owner still states that he wants the fees waived or would consider a sum around \$2600. Staff does not feel that this easement is worth \$2600. Mr. Sobol stated that he did speak with the property owner a few weeks ago and explained their conversation. Mr. Sobol also stated that he feels that MSD has bent over backwards to accommodate this owner and he recommends that Committee accept staff's recommendation to obtain appraisal and proceed with condemnation. There was some further discussion regarding what allocation fees might be for this owner. Owner has not stated exactly what he wants to build on the property so the fees could vary widely. Mr. Haner stated that he felt that this recommendation was based on principal instead of a dollar figure. There was some further discussion.

Mr. Sobol made the motion to accept staff's recommendation. Mr. VeHaun seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

COMMITTEE ACTION TAKEN	
Motion by: Mike Sobol	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Jerry VeHaun	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other
BOARD ACTION TAKEN	
Motion by:	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
<input type="checkbox"/> Other	

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: September 16, 2009

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: David Monteith, Kevin Johnson

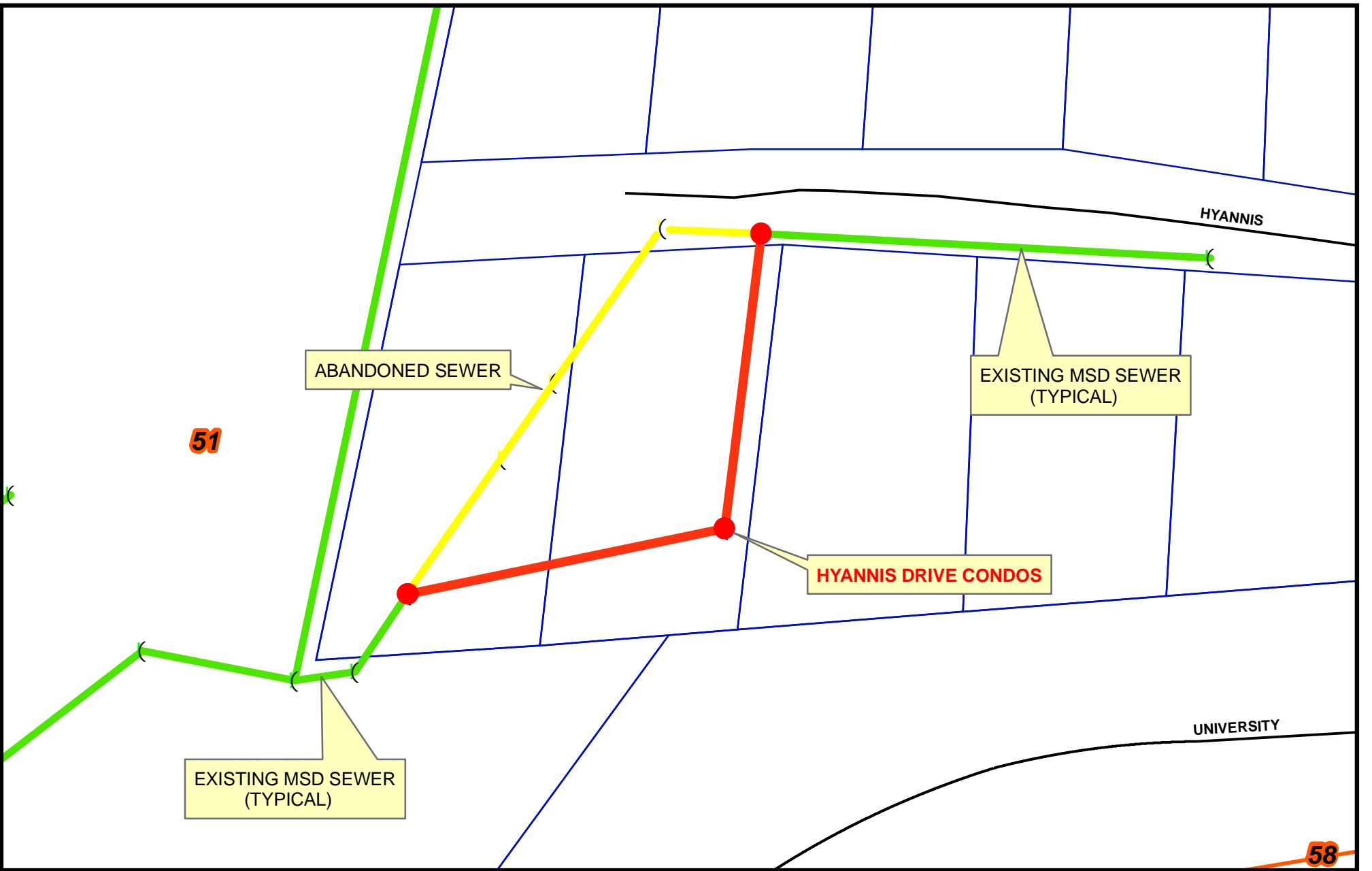
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System and Abandonment of Portion of Existing System for Hyannis Drive Condominiums Project.

BACKGROUND: This project is located inside the District boundary at the end of Hyannis Drive adjacent to the UNC-A Campus in Asheville, North Carolina. The developer of the project is Dayle Phillips of MD Asheville Associates, LLC. The project included the installation of approximately 361 linear feet of 8" gravity sewer to serve a fourteen (14) unit residential development. In addition, approximately 275 linear feet of existing 6" sewer line with related appurtenances and easement will be abandoned as part of this project. A wastewater allocation was issued in the amount of 3,200 GPD for the project. The estimated cost of the sewer extension is \$32,000.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system. (All MSD requirements have been met)

COMMITTEE ACTION TAKEN	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
BOARD ACTION TAKEN	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	



Project #2007245

Not To Scale



METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

**Hyannis Drive Condos
Sewer Extension**

Metropolitan Sewerage District of Buncombe County BOARD ACTION ITEM

BOARD MEETING DATE: September 16, 2009

SUBMITTED BY: Tom Hartye, P.E. - General Manager

PREPARED BY: Ed Bradford, P.E. - Director of CIP
Mike Stamey, P.E. - Project Manager

SUBJECT: Sanitary Sewer Rehabilitation Project: Eastwood Avenue @ Old US70 (PRP29015), MSD Project No 2006012

BACKGROUND: This rehabilitation project is for the replacement of an eight-inch clay line which is undersized, and contains a significant number of structural defects.

It was generated through MSD's Pipe Rating program, which numerically rates pipe segments based on several structural factors. Line segments with high (meaning bad) ratings are then evaluated by an engineer for possible rehabilitation needs.

This project is located in the Grovemont area of Swannanoa, and is comprised of 2,118 LF of 8-inch and 12-inch DIP.

The project was advertised and fourteen informal bids were received on Thursday, September 3, 2009 as follows:

<u>Contractor</u>	<u>Bid Amount</u>
1) Bolton Corporation	\$462,371.00
2) DPI Construction	\$364,849.16
3) Disaster Recovery Group	\$324,395.00
4) Jones Brothers	\$307,839.87
5) Iron Mountain Construction	\$298,271.00
6) Bryants Land Development	\$254,106.75
7) Spur Construction	\$253,132.20
8) Moore & Son Site Contractors	\$242,906.00
9) Carolina Specialties, Inc.	\$212,376.22
10) Buckeye Construction Company	\$199,553.70
11) Terry Brothers Construction Co., Inc.	\$198,102.00
12) Huntley Construction	\$189,047.00
13) BlytheCo. Construction, LLC	\$189,000.00
14) T & K Utilities, Inc	\$165,330.00

The apparent low bidder is T&K Utilities, Inc., with a bid amount of \$165,330.00. T&K Utilities has extensive experience on previous MSD rehabilitation projects, and their work quality has been excellent.

Please refer to the attached documentation for further details.

FISCAL IMPACT: The FY09-10 construction budget for this project is \$394,000.00.

STAFF RECOMMENDATION: Staff recommends award of this contract to T&K Utilities, Inc. in the amount of \$165,330.00, subject to review and approval by District Counsel.

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA**

**Eastwood Avenue @ Old US 70 (PRP 29015) Sewer Replacement
Project No. 2006012**

**BID TABULATION
September 3, 2009**

BIDDER	MBE Form	Bid Forms (Proposal)	Total Bid Amount
W.E. Bolton Construction Asheville, NC	1	Yes	\$462,371.00
D P I Construction, Inc. Arden, NC	1	Yes	\$364,849.16
Disaster Recovery Group Arden, NC	1	Yes	(*) \$324,395.00
Jones Brothers Utilities Bryson City, NC	1	Yes	\$307,839.87
Iron Mountain Construction Mountain City, TN	1	Yes	\$298,271.00
Bryant's Land & Development Burnsville, NC	2	Yes	(*) \$254,106.75
Spur Construction Company Waynesville, NC	2	Yes	\$253,132.20
Moore & Son Site Contractors Mills River, NC	2	Yes	\$242,906.00
Carolina Specialties Construction Hendersonville, NC	1	Yes	\$212,376.22
Buckeye Construction Company Canton, NC	1	Yes	\$199,553.70
Terry Brothers Construction Company Leicester, NC	1	Yes	\$198,102.00
Huntley Construction Company Asheville, NC	1	Yes	(*) \$189,047.00
BlytheCo. Construction Company Penrose, NC	1	Yes	\$189,000.00
T & K Utilities, Inc. Asheville, NC	1	Yes	\$165,330.00

APPARENT LOW BIDDER

(*) Indicates correction in Contractor's bid amount.

Michael W. Stamey, P.E.
Project Engineer
Metropolitan Sewerage District of
Buncombe County, North Carolina



Michael W. Stamey
9/8/09

This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:00 p.m. on the 3rd day of September, 2009, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina. This was an informal bid and did not require a bid bond.

Interoffice Memorandum

TO: Tom Hartye, General Manager

FROM: Ed Bradford, CIP Manager
Mike Stamey, Project Manager

DATE: September 3, 2009

RE: Eastwood Avenue @ Old US 70 (PRP 29015) Sewer Replacement, MSD Project 2006012

The Eastwood Avenue @ Old US 70 sewer replacement project is located in the Grovemont Area of Swannanoa. It consists of 1,930 linear feet of 12-inch and 188 linear feet of 8-inch DIP sewer. The subject work is necessary due to repeated overflows, backups, and structural failures associated with the existing line segments.

Fourteen informal bids were received on Thursday, September 3, 2009 as follows:

<u>Contractor</u>	<u>Bid Amount</u>
1) Bolton Corporation	\$462,371.00
2) DPI Construction	\$364,849.16
3) Disaster Recovery Group	\$324,395.00
4) Jones Brothers	\$307,839.87
5) Iron Mountain Construction	\$298,271.00
6) Bryants Land Development	\$254,106.75
7) Spur Construction	\$253,132.20
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10) Buckeye Construction Company	\$199,553.70
11) Terry Brothers Construction Co., Inc.	\$198,102.00
12) Huntley Construction	\$189,047.00
13) BlytheCo. Construction, LLC	\$189,000.00
14) T & K Utilities, Inc	\$165,330.00

The FY09/10 budget for this project is \$394,000.00.

T & K Utilities is the apparent low bidder for this contract with a bid amount of \$165,330.00. T & K Utilities has extensive experience with District rehabilitation projects and has an excellent performance history.

Staff recommends award of this contract to T & K Utilities, Inc., subject to review and approval by District Counsel.

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENT PROGRAM

BUDGET DATA SHEET - FY 2009 - 2010

PROJECT: Eastwood Ave. @ Old US 70 - PRP 20015				LOCATION: Swannanoa		REVIEWED BY:
TYPE: Pipe Rated Projects				DATE OF REPORT: January-09		
PROJECT NO. 2006012		TOTAL L.F.: 2,120				MB
PROJECT BUDGET: \$438,900.00		PROJECT ORIGIN: Pipe Rolling Program				AB

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 6/30/08	TOTAL COSTS JULY - DEC 08	EST. COST JAN - JUNE 09	EST. BUDGET FY 09-10
01 - SURVEY / EASEMENT PLATS # PLATS: [10]	\$12,000.00	\$12,000.00			
02 - LEGAL FEES	\$6,309.00	\$6,309.00			
03 - ENGINEERING ASSISTANCE					
04 - ACQUISITION SERVICES	\$7,200.00	\$7,160.00			
05 - COMPENSATION	\$3,200.00	\$3,143.00			
06 - APPRAISAL	\$1,500.00	\$1,500.00			
7 - CONDEMNATION					
08 - ENVIRONMENTAL SURVEY					
09 - PRELIM. ENG. REP.					
10 - DESIGN / ASBUILT SURVEYS	\$12,700.00	\$8,950.00			\$3,750.00
11 - ENVIRONMENTAL ASSESSMENT					
12 - ARCHAEOLOGICAL					
13 - GEOTECHNICAL					
14 - CONSTRUCTION CONTRACT ADM.					
15 - CONSTRUCTION	\$394,000.00				\$394,000.00
16 - PERMITS					
17 - PUBLIC MEETINGS					
18 - TESTING	\$2,000.00				\$2,000.00
TOTAL AMOUNT	\$438,900.00	\$39,082.00	\$0.00	\$0.00	\$399,760.00

ENGINEER: MSD	ESTIMATED BUDGETS - FY '09-'18	
CONTRACTOR:	FY 10-11	\$0.00
CONSTRUCTION ADMINISTRATION: MSD	FY 11-12	\$0.00
INSPECTION: MSD	FY 12-13	\$0.00
R.O.W. ACQUISITION: Telax Inc.	FY 13-14	\$0.00
	FY 14-15	\$0.00
PROJECT NOTES:	FY 15-16	\$0.00
	FY 16-17	\$0.00
	FY 17-18	\$0.00
	FY 18-19	\$0.00



METROPOLITAN SEWERAGE DISTRICT
 OF
 BUNCOMBE COUNTY, NORTH CAROLINA



Budget Map

Eastwood Avenue @ Old US 70 - PRP 29015
Project No. 2006012



NOT TO SCALE

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

- Meeting Date:** September 16, 2009
- Submitted By:** Barry Cook, Director - System Services Division
Ken Stines, Asst. Director - System Services Division
Julie Willingham, CLGPO, Purchasing Supervisor
Neil Hall, Fleet Manager
- Reviewed By:** Billy Clarke, District Counsel
Scott Powell, Finance Director
- Subject:** Purchase of Vactor 2100 Plus Combination Sewer Cleaner
- Background:** System Services has an on-going preventive maintenance program utilizing combination sewer cleaners. MSD is required by the State DWQ Waste Water Permit to clean 10% (500,000lf) of the entire system. System Services cleaned in excess of 900,000lf of sewer line utilizing combination trucks in 2008. Sewer line cleaning plays an important role in the reduction of SSO and Customer complaints, as well prolonging the life of the system. The purchase of this truck is to replace a smaller 2001 combo truck. The new truck will be equipped with 800lf of 1" sewer hose capable of delivering 80gpm of water at 2500psi. Truck will have a 15 cubic yard debris body and a water capacity of 1500 gallons. The fuel efficiency on the new Vactor 2100 Plus has been significantly increased to reduce fuel consumption by 20 to 30 percent.
- Discussion:** Pursuant to North Carolina Purchasing Statutes and MSD Procedures, bids for the Vactor Truck were faxed to four vendors and an advertisement was placed on the MSD web site. Bids from six vendors were received and opened on August 24, 2009, at 2:00 pm. Public Works Equipment, Monroe, NC, was the lowest bidder. The bids are summarized below. Because the total cost of this truck exceeds \$90,000.00, this contract must receive Board approval.
- Fiscal Impact:** The total cost of this contract will be \$317,023.28 and funds are budgeted in the FY 2010 Fleet Replacement Fund.
- Staff Recommendation:** Staff recommends that the bid from Public Works Equipment be awarded.

Vendor	Bid Amount
Public Works Equipment Monroe, NC	\$317,023.28
Rodders and Jets Supply Co. Sumter, SC	\$319,110.47
Jet-Vac Sewer Equip. Co. Sumter, SC	\$319,760.00
Sansom Equipment Co. Birmingham, AL	\$339,890.00
VA Public Works Equipment Ashland, VA	\$341,394.00
Environmental Products of FL Winter Garden, FL	\$344,780.00

Board Action Taken	
Motion by:	to <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send to Committee
Other:	
Follow-up required:	
Person responsible:	Deadline:

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: September 16, 2009

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, Director of Finance

Reviewed By: Billy Clarke, Board Counsel

Subject: Series Resolution authorizing Issuance of Bonds

Background

On July 15th, the Board approved making an application to the Local Government Commission ("LGC") to issue revenue bonds to provided funding for the CIP. Application was submitted on August 17th, and the LGC approved the issuance on September 1st. Under its Bond Order, the District Board is required to adopt a Series Resolution authorizing issuance of the bonds and related actions necessary to sell the bonds.

Discussion

The attached Series Resolution 1) authorizes issuance of bonds designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds Series 2009A" (the "Series 2009A Bonds") in an aggregate principal amount not to exceed \$19,500,000 to pay for the replacement and rehabilitation of sewer lines and treatment plant improvements and to pay the costs of issuance of the bonds; 2) Authorizes the form of the Series 2009A Bonds; 3) Appoints the Bank of New York as Trustee for the proceeds of the Series 2009 A Bonds and establishes certain accounts with the Trustee for the proceeds of the sale of the Series 2009A Bonds; 4) Authorizes the General Manager to determine the final aggregate amount of the bonds (not to exceed \$19,500,000), to determine the maturities and the sale date and to negotiate the final sale in accordance with certain limitations; 5) Obligates the District to promptly pay interest and principal on the Series 2009A Bonds when due; 6) Approves the Official Statement for the Series 2009A Bonds; 7) Requests the LGC to award the Series 2009A Bonds to Wachovia Bank, a subsidiary of Wells Fargo, at an underwriters discount of not more than one percent (1%) of the par amount of the bonds subject to the approval of the General Manager; 8) Approves the Bond Purchase Agreement with Wachovia/Wells Fargo and authorizes the Chair and the GM to execute the Bond Purchase Agreement; and 9) Authorizes and directs Officers and Agents of the District and Trustee to do all acts and things required of them by the Series Resolution and the Bond Order to complete the sale of the Series 2009A Bonds. The Series Resolution was drafted by the District's Bond Counsel, Sidley Austin and has been reviewed and approved by the Local Government Commission and by the District's counsel, Billy Clarke.

Financial Impact

The Business Plan has been attached to provide the financial impact of the debt issuance to the District. The Business Plan incorporates this debt issuance with anticipated future revenue and expenditure assumptions. Based on these assumptions, the District will be able to maintain its goal of approximate 1.5x debt service coverage into the foreseeable future.

Staff Recommendation

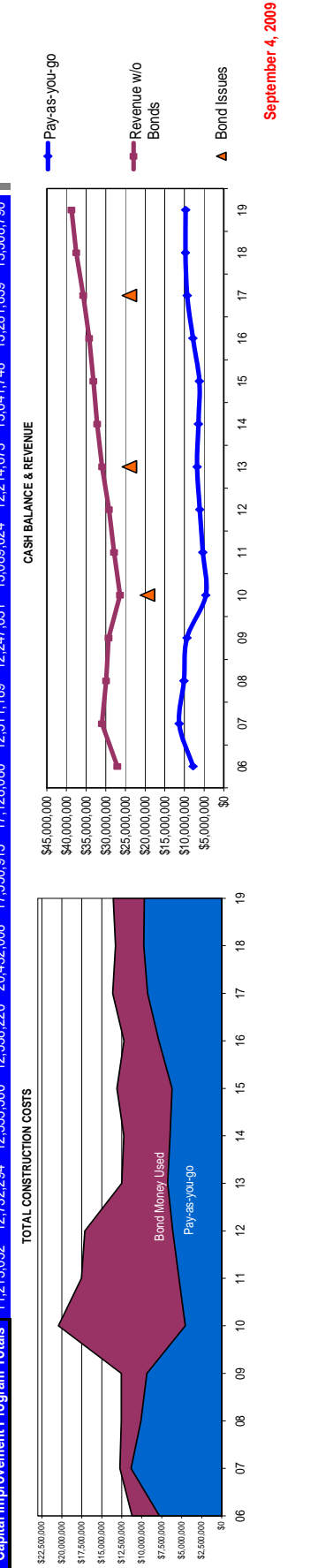
Staff recommends approval of the attached resolution.

Action Taken

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:			Deadline:

	\$18.7 Million Series 2009 Bonds										Sewer Rate Increase Average Monthly Bill			
	3.0%	4.5%	4.0%	3.0%	3.75%	3.5%	3.0%	3.0%	3.0%	3.0%		3.0%		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
July 1- Available for Construction	\$21.45	\$22.41	\$23.28	\$23.99	\$24.84	\$25.71	\$26.48	\$27.28	\$28.09	\$28.94	\$29.80	\$30.70	\$31.62	\$32.57
REVENUE:	38,827,187	35,045,692	32,628,926	29,669,151	25,822,513	23,046,992	16,519,531	5,023,976	22,798,322	16,506,775	9,127,868	4,274,595	23,456,644	19,473,218
Domestic Users	19,840,872	21,523,457	22,800,471	22,865,194	23,363,145	24,299,681	25,195,640	26,224,790	27,276,611	28,351,640	29,504,242	30,862,246	31,941,151	33,227,778
Industrial Users (No growth)	2,617,298	2,693,328	1,510,669	1,368,440	1,427,014	1,488,107	1,552,560	1,619,825	1,689,166	1,762,207	1,837,407	1,915,676	1,998,829	2,083,371
Billing and Collections (User Fee)	522,799	554,317	584,554	590,181	596,083	613,965	632,384	651,356	670,896	691,023	711,754	733,107	755,100	777,753
Tap Fees	199,600	203,370	333,185	278,430	37,500	73,500	110,250	147,000	147,000	147,000	147,000	147,000	147,000	147,000
Facility Fees	2,282,250	2,851,580	2,671,999	2,679,065	332,500	770,000	1,312,500	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Interest & Non-operating Revenues	1,520,926	2,582,983	1,792,514	817,650	548,695	569,582	296,223	417,334	589,576	384,520	201,037	415,969	858,597	691,663
City of Asheville (annex-Enka)	37,003	37,003	37,003	37,000	37,000	46,000	75,000	103,000	36,000	49,000	37,000	37,000	37,000	37,000
Rental Income	58,056	37,578	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560
Transfer from Reserves (to / from)	(51,926)	500,980	171,411	607,647	0	0	0	0	0	0	0	0	0	0
Miscellaneous	2,689	4,324	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	27,029,567	30,988,920	29,918,366	29,260,187	26,347,746	27,876,395	29,191,117	30,929,865	32,175,811	33,151,949	34,204,999	35,697,557	37,504,237	38,731,125
State and Federal (EPA) Grants					19,400,000			24,000,000				24,000,000		
Revenue Bonds/Stimulus														
Total Funds Available	65,856,754	66,035,612	62,547,292	58,929,337	71,570,259	56,923,387	45,710,648	59,953,841	54,974,133	49,688,725	43,332,867	63,972,152	60,960,881	58,204,343
EXPENSES:														
Operations & Maintenance	11,264,280	11,584,471	11,754,849	12,568,214	13,303,885	13,792,297	14,227,346	14,767,763	15,277,610	15,871,205	16,492,101	17,141,697	17,821,583	18,533,421
Replacement Funds (WRF & Fleet)	350,000	360,000	400,000	400,000	300,000	300,000	475,000	475,000	500,000	500,000	500,000	450,000	450,000	450,000
Debt Service	7,982,730	8,068,069	8,167,726	7,600,385	8,487,374	8,760,644	8,866,240	9,401,567	10,442,116	11,070,028	9,851,498	9,282,064	9,934,241	10,542,191
CIP (including Bond Projects)	11,213,052	12,732,294	12,555,566	12,538,226	17,550,915	17,128,086	12,511,189	12,247,631	13,089,624	12,214,673	13,641,748	13,281,839	13,568,796	13,568,796
Total Expenses	30,810,062	32,744,834	32,878,141	33,106,825	42,523,267	40,403,856	40,686,672	37,155,519	38,467,357	40,530,857	39,058,272	40,515,509	41,487,663	43,094,408
Pay-as-you-go (Current Revenue only)	7,782,557	11,336,380	10,090,081	9,356,831	4,556,487	5,323,454	6,107,531	6,760,535	6,456,084	6,210,716	7,861,400	9,273,797	9,748,414	9,655,513
Debt Coverage (User Fees only)	1.5	1.8	1.7	1.8	1.5	1.6	1.7	1.5	1.4	1.4	1.6	1.8	1.7	1.7
Debt Coverage with Total Revenue	2.0	2.4	2.2	2.2	1.5	1.6	1.7	1.7	1.6	1.6	1.8	2.0	2.0	1.9

	10-Year Capital Improvement Program													
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Interceptor/Wet Weather Rehabilitation	2,200,079	2,299,993	3,177,257	3,208,301	18,494	1,575,406	1,458,033	1,528,104	2,667,104	0	0	0	0	0
General Sewer Rehabilitation	5,575,172	4,291,143	3,776,152	9,128,926	5,289,449	5,247,134	6,849,438	5,132,516	6,091,707	8,270,282	8,556,434	1,497,376	1,497,376	1,497,376
Pipe Rated Projects	1,289,410	2,088,760	1,430,583	1,398,637	3,983,436	2,182,654	1,314,601	2,155,411	1,402,704	1,402,704	1,402,704	1,402,704	1,402,704	1,402,704
Unclaimed Sewer Rehabilitation	110,875	7,800	284,412	444,750	116,280	120,304	124,466	128,773	133,228	137,888	142,607	142,607	142,607	142,607
Treatment Plant / Pump Stations	500,000	7,379,000	5,881,863	74,928	166,115	171,863	325,983	183,961	190,326	196,911	67,908	67,908	67,908	67,908
Engineering Force Account	2,265,831	2,740,812	2,798,648	2,672,544	2,737,415	2,750,270	2,817,103	2,885,908	2,956,679	3,029,509	3,104,471	3,104,471	3,104,471	3,104,471
Reimbursements	596,859	624,500	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Contingency	0	1,000,000	0	0	0	0	0	0	0	0	0	0	0	0
Capital Improvement Program Totals	11,213,052	12,732,294	12,555,566	12,538,226	20,432,008	17,550,915	17,128,086	12,511,189	12,247,631	13,089,624	12,214,673	13,641,748	13,281,839	13,568,796



Assumptions:
 Consumption / Growth:
 3% Reduction in FY09
 2% Reduction in FY10
 .50% Increase FY11
 .75% Increase in FY12
 1.0% growth in Domestic Revenue thereafter
 No growth in Industrial Rate Party in 2020
 General Sewer Rehab to cover 50,000 lineal ft. / year
 2-year full in Facility Fees
 ENR 10-year Construction Index @ 3.46%
 3% inflation in O & M
 Replacement Funds and Engineering Force Account
 Bond Issues figured at:
 4.5% yield FY10
 5.0% yield FY13
 5.5% yield FY17

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE
COUNTY, NORTH CAROLINA

SERIES RESOLUTION

Adopted September 16, 2009

Authorizing and Securing Not Exceeding
\$19,500,000
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2009A

SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$19,500,000 SEWERAGE SYSTEM REVENUE BONDS, SERIES 2009A OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF THE AMENDED AND RESTATED BOND ORDER ADOPTED BY THE DISTRICT BOARD OF SAID DISTRICT ON APRIL 21, 1999, AS AMENDED.

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

WHEREAS, the District has heretofore issued (a) \$20,845,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 1992A (the "Series 1992A Bonds"), which are currently outstanding in the principal amount of \$25,000, (b) \$22,500,000 principal amount of its Sewerage System Revenue Bonds, Series 1992B (the "Series 1992B Bonds"), which are currently outstanding in the principal amount of \$25,000, (c) \$31,815,000 principal amount of its Sewerage System Revenue Bonds, Series 1999, which are currently outstanding in the principal amount of \$15,840,000, (d) \$21,020,000 principal amount of its Sewerage System Revenue Bonds, Series 2001, which are currently outstanding in the principal amount of \$1,535,000, (e) \$26,970,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2003, which are currently outstanding in the principal amount of \$17,970,000, (f) \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$33,460,000, and (g) \$22,165,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008B, which are currently outstanding in the principal amount of \$21,445,000, pursuant to the Act and an amended and restated bond order adopted by the District Board of the District (the "Board") on April 21, 1999 (the "Amended and Restated Bond Order", and together with any orders supplemental and amendatory thereto, the "Order"); and

WHEREAS, Section 2.08 of the Order authorizes the issuance, from time to time, of additional revenue bonds of the District in one or more series for the purpose of providing funds for paying, with any other available funds, all or any part of the Cost of any Additional Project (as defined in the Order) and all or any part of completing payment for the Cost of the Project (as defined in the Order) and any Additional Project; and

WHEREAS, the District has determined that it is necessary to acquire and construct a certain Additional Project which is described in Appendix A to this Series Resolution (the "2009

Project”) and to pay the cost of the 2009 Project by issuing an additional series of revenue bonds and using any other available funds as authorized by Section 2.08 of the Order; and

WHEREAS, the Board has determined to issue a series of revenue bonds of the District designated “Sewerage System Revenue Bonds, Series 2009A” (the “Series 2009A Bonds”) pursuant to Section 2.08 of the Order for the purpose of providing funds for paying, with any other available funds, (a) certain costs of the 2009 Project or reimbursing the District for costs of the 2009 Project paid prior to the date hereof and (b) certain costs and expenses incurred in connection with the issuance of the Series 2009A Bonds; and

WHEREAS, the Board has received information to the effect that the District will be able to satisfy the requirements of Sections 2.08 and 7.16 of the Order with respect to the issuance of the Series 2009A Bonds; and

WHEREAS, the District has submitted an application to the Local Government Commission of North Carolina (the “Local Government Commission”) requesting approval for the issuance of the Series 2009A Bonds pursuant to Section 159-86 of the Act, and requesting approval for the sale of the Series 2009A Bonds at private sale and without advertisement as required by Section 159-123 of the North Carolina General Statutes; and

NOW, THEREFORE, THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY DOES HEREBY RESOLVE, as follows:

Section 1. Definitions.

(a) Meaning of Words and Terms. Unless otherwise required by the context, words and terms used herein which are defined in the Order shall have the meanings assigned to them therein, and the following words and terms shall have the following meanings:

“Bond Registrar” means The Bank of New York Mellon Trust Company, N.A., as designated by Section 2(a) of this Series Resolution.

“Bond Year” means the period commencing on July 1 of any year and ending on June 30 of the following year; provided, however, that the initial Bond Year shall commence on the delivery date of the Series 2009A Bonds and end on June 30, 2010.

“Interest Payment Date” means January 1, 2010 and each January 1 and July 1 thereafter, to and including July 1, 2034.

“Investment Obligations” means any investment permitted by Section 159-30 of the North Carolina General Statutes, as amended from time to time, or any successor statute.

“Rating Agency” means Fitch Ratings, Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“Regular Record Date” means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“Securities Depository” means The Depository Trust Company, New York, New York, or other recognized securities depository selected by the District, which maintains a book-entry system in respect of the Series 2009A Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name shall be registered on the registration books maintained by the Bond Registrar the Series 2009A certificates to be required to be deposited with the Bond Registrar during the continuation with such Securities Depository of participation in such book-entry system.

“Serial Bonds” means the Series 2009A Bonds, if any, that are designated as such and mature on July 1 in the years and amounts set forth in the Series Certificate.

“Series 2009A Bonds” means the Metropolitan Sewerage District of Buncombe County, Sewerage System Revenue Bonds, Series 2009A, issued pursuant to the Order and this Series Resolution.

“Series 2009A Project Account” means the account in the Construction Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009A Subaccount of the Interest Account” means the subaccount in the Interest Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009A Subaccount of the Principal Account” means the subaccount in the Principal Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009A Subaccount of the Redemption Account” means the subaccount in the Redemption Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009A Subaccount of the Sinking Fund Account” means the subaccount in the Sinking Fund Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series Certificate” shall have the meaning given such term by Section 2(e) of this Resolution.

“Sinking Fund Requirement” means, with respect to the Term Bonds for any Bond Year, the principal amount fixed or computed as provided in the Series Certificate for the retirement of the Term Bonds by purchase or redemption on July 1 of the following Bond Year.

The Sinking Fund Requirement for the Term Bonds for each Bond Year shall be initially the respective principal amounts of the Term Bonds to be redeemed, or otherwise retired, on July 1 of the following Bond Year, as set forth in the Series Certificate.

During any Bond Year on or before the 45th day next preceding any July 1 on which Series 2009A Bonds, which are Term Bonds, are to be retired pursuant to the Sinking Fund Requirement, the District may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such July 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series 2009A Subaccount of the Sinking Fund Account on account of such Series 2009A Bonds in the amount of 100% of the principal amount of any such Term Bonds so purchased. If, during any Bond Year, the total principal amount of Term Bonds retired by purchase or redemption under the provisions of this Series Resolution and the Series Certificate shall be greater than the amount of the Sinking Fund Requirement for such Term Bonds, the subsequent Sinking Fund Requirements for such Term Bonds shall be reduced by the amount of such excess as shall be specified in an Officer’s Certificate filed with the Trustee on or prior to July 15 of the next ensuing Bond Year.

It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2009A Subaccount of the Redemption Account, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer’s Certificate to be filed with the Trustee pursuant to Section 3(b) of this Series Resolution.

“Term Bonds” means the Series 2009A Bonds, if any, that are designated as such and mature on July 1 in the years and amounts set forth in the Series Certificate.

(b) Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words used herein shall include the plural as well as the singular

number. References herein to particular articles or sections are references to articles or sections of this Series Resolution unless some other reference is indicated.

Section 2. Authorization, Form, Issuance, Delivery and Registration of the Series 2009A Bonds.

(a) Authorization of the Series 2009A Bonds. Pursuant to the Act and Section 2.08 of the Order, the District hereby authorizes the issuance of revenue bonds of the District, designated “Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds, Series 2009A” (the “Series 2009A Bonds”) in an aggregate principal amount not exceeding \$19,500,000 for the purpose of providing funds, together with other available funds, to pay (1) the Cost of the 2009 Project and (2) certain expenses incurred in connection with the issuance of the Series 2009A Bonds. The Series 2009A Bonds shall be dated the date of delivery thereof.

The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2009A Bonds.

(b) Form of Series 2009A Bonds. The Series 2009A Bonds are issuable in fully registered form in denominations of \$5,000 or any whole multiple thereof, shall be lettered “R2009A-” and shall be numbered from 1 consecutively upward. The Series 2009A Bonds and the Certificate of the Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2009A Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:

[Form of Series 2009A Bond]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R2009A-_____

\$_____

United States of America
State of North Carolina
County of Buncombe

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY
SEWERAGE SYSTEM REVENUE BOND, SERIES 2009A

<u>Maturity Date</u>	<u>Original Issuance Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 20__		_____%	_____

The Metropolitan Sewerage District of Buncombe County (the "District"), a public body and body politic and corporate in the County of Buncombe, State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to CEDE & CO. or registered assigns or legal representative, on the maturity date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in Jacksonville, Florida, or any successor bond registrar (the "Bond Registrar"), the principal sum of

_____ DOLLARS (\$_____).

The District promises to pay, but solely from said sources, interest on this bond (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, or it is authenticated prior to January 1, 2010, in which event it shall bear interest from the Original Issuance Date set forth above, payable on January 1, 2010, and semiannually thereafter on January 1 and July 1 of each year at the rate per annum set forth above until the principal sum hereof is paid. The interest so payable and punctually paid or duly provided for on any interest payment date will be paid to the person in whose name this bond is registered at the close of business on the regular record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding an interest payment date (the "Regular Record Date"). Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond is registered at the close of business on a Special Record Date, as defined in the hereinafter-mentioned Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be required by such law or exchange, all as more fully provided in the hereinafter-

mentioned Order. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This bond is one of a duly authorized series of revenue bonds of the District, designated “Sewerage System Revenue Bonds, Series 2009A” (the “Series 2009A Bonds”), issued for the purpose of providing funds, with any other available funds, for paying (i) certain costs of the 2009 Project (as defined in the Series Resolution) or reimbursing the District for costs of the 2009 Project paid prior to the Original Issuance Date set forth above and (b) certain costs and expenses incurred in connection with the issuance of the Series 2009A Bonds.

The Series 2009A Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution, as hereinafter defined. One Series 2009A Bond certificate with respect to each date on which the Series 2009A Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution) is being issued and required to be deposited with the Bond Registrar and immobilized in its custody. The book-entry system will evidence positions held in the Series 2009A Bonds by the Securities Depository’s participants, beneficial ownership of the Series 2009A Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The District, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2009A Bond, as the owner of this Series 2009A Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2009A Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2009A Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The District, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository’s participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2009A Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2009A Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Order and the Series Resolution and the Securities Depository.

The Series 2009A Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Metropolitan Sewerage Districts Act, as amended, and The State and Local Government Revenue Bond Act, as amended

(collectively, the “Enabling Act”), an amended and restated bond order duly adopted by the District Board of the District (the “Board”) on April 21, 1999 (said amended and restated bond order, together with all orders supplemental and amendatory thereto as therein permitted, being herein collectively called the “Order”) and a series resolution duly adopted by the Board on September 16, 2009 (the “Series Resolution”). The District has heretofore issued and secured under the Order \$20,845,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 1992A (the “Series 1992A Bonds”), \$22,500,000 original principal amount of its Sewerage System Revenue Bonds, Series 1992B (the “Series 1992B Bonds”), [\$31,815,000 original principal amount of its Sewerage System Revenue Bonds, Series 1999 (the “Series 1999 Bonds”) to be removed from bond form if all of the Series 1999 Bonds are redeemed], \$21,020,000 original principal amount of its Sewerage System Revenue Bonds, Series 2001 (the “Series 2001 Bonds”), \$26,970,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2003 (the “Series 2003 Bonds”), \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A (the “Series 2008A Bonds”) and \$22,165,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008B (the “Series 2008B Bonds”). Simultaneously with the issuance of the Series 2009A Bonds, the District shall issue and secure under the Order \$_____ original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2009B (the “Series 2009B Bonds”) issued for the purposes of refunding certain of the District’s outstanding Sewerage System Revenue Bonds, Series 1999. The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of acquiring and constructing any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the remaining 2008B Bonds, the remaining 2008A Bonds, the remaining Series 2003 Bonds, the remaining Series 2001 Bonds, [the remaining Series 1999 Bonds], the remaining Series 1992B Bonds, the remaining Series 1992A Bonds, the Series 2009A Bonds and the Series 2009B Bonds being herein collectively called the “Bonds”). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2009A Bonds are special obligations of the District secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The District is not obligated to pay the principal of or interest on the Series 2009A Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof or the District is pledged to the payment of the principal of and the interest on the Series 2009A Bonds. The Order provides for the issuance or incurrence from time to time under the

conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is hereby made to the Order and the Series Resolution for a more complete statement of the provisions thereof and the rights of the District, the Trustee and the registered owners of the Series 2009A Bonds.

The Order provides for the creation of a special fund designated the “Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds Bond Fund” (the “Bond Fund”). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2009A Bonds (the “Subaccounts”), which Subaccounts are pledged to and charged with the payment for the principal of and interest on the Series 2009A Bonds. The Series Resolution also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order.

The Order provides for the charging by the District of rates, fees and charges for the use of and for the services and facilities furnished or to be furnished by the Sewerage System, as defined in the Order in order to produce at all times sufficient Net Revenues to pay the principal of and interest on all Parity Indebtedness and Subordinate Indebtedness as the same shall become due and to create certain reserves for such purposes.

The Series 2009A Bonds are issuable in fully registered form, in such denominations as the Board may by resolution determine. At the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2009A Bonds may be exchanged for an equal aggregate principal amount of Series 2009A Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the principal corporate trust office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the District shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2009A Bond or Series 2009A Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate. The District or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2009A Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series 2009A Bonds. Neither the District nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2009A Bonds during the fifteen (15) days

immediately preceding the date of first giving of notice of any redemption of Series 2009A Bonds or any portion thereof or of any Series 2009A Bond after such Series 2009A Bond or any portion thereof has been selected for redemption.

The Series 2009A Bonds at the time outstanding that are stated to mature on or after July 1, 20__ may be redeemed prior to their respective maturities, at the option of the District, on or after July 1, 20__ in whole or in part on any date, in such order of maturity as the District in its discretion may determine and by lot within a single maturity, from any moneys that may be available for such purpose, at the following redemption prices (expressed as a percentage of the principal amount of Series 2009A Bonds to be redeemed), plus the interest accrued thereon to the redemption date:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
July 1, 20__ to June 30, 20__	%
July 1, 20__ to June 30, 20__	
July 1, 20__ and thereafter	100

The Series 2009A Bonds at the time outstanding that are stated to mature on July 1, 20__ are required to be redeemed from moneys in the Series 2009A Subaccount of the Sinking Fund Account, as defined in the Order, on July 1, __, and on each July 1 thereafter set forth below, in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount of such Series 2009A Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
*	

* _____
Maturity Date

The Series 2009A Bonds at the time outstanding that are stated to mature on July 1, 20__ are required to be redeemed from moneys in the Series 2009A Subaccount of the Sinking Fund Account, as defined in the Order, on July 1, __, and on each July 1 thereafter set forth below, in the principal amounts set forth below, at a redemption price equal to 100% of the principal

amount of such Series 2009A Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
*	

* Maturity Date

If less than all of the Series 2009A Bonds are called for redemption, the Series 2009A Bonds to be so redeemed shall be called for redemption in the manner that the District shall determine as set forth in an Officer’s Certificate filed with the Trustee. If less than all of the Series 2009A Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2009A Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one Series 2009A Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2009A Bonds is Cede & Co., such selection shall be made by DTC.

Not more than forty-five (45) days and at least thirty (30) days before the redemption date of any Series 2009A Bonds, the Bond Registrar shall cause a notice of any such redemption, either in whole or in part, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to all registered owners of Series 2009A Bonds or portions of Series 2009A Bonds to be redeemed at their addresses as they appear on the registration books of the District kept by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been given as aforesaid, the Series 2009A Bonds or portions of Series 2009A Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2009A Bonds or portions thereof on such date, and, if moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2009A Bonds or portions thereof shall cease to accrue, such Series 2009A Bonds or portions thereof shall cease to be entitled to any benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2009A Bonds or portions thereof except to receive payment of the

redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2009A Bond or Series 2009A Bonds in principal amount equal to the unredeemed portion hereof, of the same maturity and bearing interest at the same rate will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2009A Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on the such Series 2009A Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the District shall not be required to redeem such Series 2009A Bonds. In the event that such notice of redemption contains such a provision and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

The registered owner of this bond shall have no rights to enforce the provisions of the Order or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Order or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Order.

In certain events, on the conditions, in the manner and with the effect set forth in the Order, the principal of all Bonds and Parity Debt then outstanding under the Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Order may be made by the District only to the extent and in the circumstances permitted by the Order.

As declared by the Enabling Act, this bond, subject only to the provisions for registration and registration of transfer stated herein and contained in the Order, is an investment security within the meaning of and for all the purposes of Article 8 of the Uniform Commercial Code of the State of North Carolina.

This bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina, the Order and the Series Resolution to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Order until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the Metropolitan Sewerage District of Buncombe County has caused this bond to bear the [manual] [facsimile] signatures of the Chairperson and the Secretary-Treasurer of the Board of the District and [a facsimile of] the corporate seal of the District to be imprinted hereon, all as of the ____ day of _____, 2009.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY

[SEAL]

By: _____
Chairperson

Secretary-Treasurer

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within bond has been approved under the provisions of The State and Local Government Revenue Bond Act of North Carolina.

Secretary
Local Government Commission of North Carolina

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the series designated therein and issued under the provisions of the within-mentioned Order.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Bond Registrar

By: _____
Authorized Agent

Date of authentication: _____

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY NUMBER
OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE

the within bond and all right 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 Guaranteed:

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

(c) Details of Series 2009A Bonds. The Series 2009A Bonds shall be dated as of the date of their delivery, shall be stated to mature on July 1, in such years and amounts, shall bear interest, payable on January 1, 2010 and semiannually thereafter on January 1 and July 1 in each year, at such rate or rates, and shall have such optional redemption provisions as shall be set forth in the Series Certificate; provided, however, that the final maturity of the Series 2009A Bonds shall not be later than July 1, 2034, the true interest cost thereof shall not exceed 5.50% per annum, and the Series 2009A Bonds shall be subject to optional redemption starting no later than ten and one-half (10 1/2) years from their date at a redemption price or prices not to exceed 102% of their face amount plus accrued interest to the date of redemption. The Series 2009A Bonds that are designated as Term Bonds in the Series Certificate shall have such Sinking Fund Requirements as set forth in such certificate.

The Series 2009A Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2009A Bonds are stated to mature, in the aggregate principal amount of the Series 2009A Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), will be issued and required to be deposited with the Bond Registrar and immobilized in its custody. The book-entry system will evidence ownership of the Series 2009A Bonds in the principal amount of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2009A Bond and interest with respect thereto shall be payable to Cede & Co. or any other person appearing on the registration books of the District as the registered owner of such Series 2009A Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2009A Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The District, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (i) DTC determines not to continue to act as Securities Depository for the Series 2009A Bonds or (ii) the District determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2009A Bonds would adversely affect the interests of the beneficial owners of the Series 2009A Bonds, the District will discontinue the book-entry system with DTC. If the District identifies another qualified Securities Depository to replace DTC, the District will make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the

outstanding Series 2009A Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If the District fails to identify another qualified Securities Depository to replace DTC, the District will deliver replacement bonds in the form of fully registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2009A Bonds as required by DTC.

(d) Delegation and Standards. The District hereby delegates to the General Manager of the District, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2009A Bonds:

(i) Principal Amount. To determine the aggregate principal amount of the Series 2009A Bonds and the principal amounts of each maturity of the Series 2009A Bonds, such principal amount, not to exceed \$19,500,000, to be sufficient for the purposes described in Section 2(a) of this Series Resolution;

(ii) Maturities. To determine the maturity dates of the Series 2009A Bonds and the final maturity date thereof, such final stated maturity not to extend beyond July 1, 2034;

(iii) Serial Bonds and Term Bonds. To determine the Series 2009A Bonds to be designated as and comprising Serial Bonds and the Series 2009A Bonds to be designated as and comprising Term Bonds, if any;

(iv) Optional Redemption Requirements. To determine the optional redemption provisions relating to the Series 2009A Bonds;

(v) Sinking Fund Requirements. To determine the Sinking Fund Requirements for any Series 2009A Bonds designated as and comprising Term Bonds;

(vi) Date of Sale. To determine the date of the sale of the Series 2009A Bonds;

(vii) Negotiated Sale. To approve the sale of the Series 2009A Bonds in a negotiated sale in accordance with the provisions of Section 16 of this Series Resolution; provided, however, that the net interest cost for the Series 2009A Bonds shall not exceed five and six-tenths percent (5.60%) per annum and, provided further, that the underwriters' discount for the Series 2009A Bonds shall not exceed one percent (1.00%) of the par amount of the Series 2009A Bonds; and

(viii) Other Provisions. To determine any other provisions deemed advisable and not in conflict with the provisions of this Series Resolution or the Order.

(e) Series Certificate. The General Manager of the District shall execute a certificate or certificates (collectively, the “Series Certificate”) evidencing the determinations or other actions taken by him pursuant to the authority granted in this Series Resolution, and any such Series Certificate shall be conclusive evidence of the action taken.

(f) Issuance and Delivery of Series 2009A Bonds; Application of Certain Proceeds and Certain Other Moneys. The Series 2009A Bonds shall be executed substantially in the forms and in the manner herein set forth and shall be deposited with the Bond Registrar for authentication, but before the Series 2009A Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Trustee, the items required to be delivered to the Trustee pursuant to Section 2.08 of the Order.

When the documents mentioned in Section 2.08 of the Order shall have been filed with the Trustee, and when the Series 2009A Bonds shall have been executed and authenticated as required by this Series Resolution, the Series 2009A Bonds shall be delivered to or upon the order of the purchasers thereof, but only upon the deposit with the Trustee of the purchase price of the Series 2009A Bonds.

Section 3. Redemption of Series 2009A Bonds.

(a) Redemption of Series 2009A Bonds.

(i) The Series 2009A Bonds shall not be subject to prior redemption except as provided in the Series Certificate, this Section 3 and in Article III of the Order.

(ii) The Series 2009A Bonds shall be subject to redemption, at the option of the District, at such times and at such redemption prices as shall be set forth in the Series Certificate.

(iii) Term Bonds, if any, shall be subject to mandatory redemption, as specified in the Series Certificate and shall be redeemed to the extent of any Sinking Fund Requirement therefor on July 1 immediately following each Bond Year in which there is a Sinking Fund Requirement, at a redemption price equal to 100% of the principal amount of Term Bonds to be redeemed, plus accrued interest to the redemption date.

(b) Selection of Series 2009A Bonds for Redemption. The Series 2009A Bonds shall be redeemed only in whole multiples of \$5,000. If less than all the Series 2009A Bonds are called for redemption, the Series 2009A Bonds to be so redeemed shall be called for redemption in the manner set forth in an Officer’s Certificate filed with the Trustee.

If less than all of the Series 2009A Bonds of any one maturity are to be called for redemption, the Bond Registrar shall select the Series 2009A Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2009A Bond for this purpose; provided, however, that so long as the only Owner of the Series 2009A Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository.

(c) Redemption Notice. At least thirty (30) days but not more than forty-five (45) days prior to the redemption date of any Series 2009A Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2009A Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by registered or certified mail and provided further that failure to mail any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2009A Bonds of any other Owner to whom such notice has been properly given. The Bond Registrar shall also give such notice of redemption, by certified or registered mail, to at least one securities depository and at least one national information service which disseminates redemption information, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2009A Bonds.

Each such notice shall set forth the designation and date of the Series 2009A Bonds, the CUSIP numbers of the Series 2009A Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2009A Bonds to be redeemed and, if less than all of the Series 2009A Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2009A Bonds to be redeemed and, in the case of Series 2009A Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2009A Bond is to be redeemed in part only, the notice of redemption shall also state that on or after the redemption date, upon surrender of such Series 2009A Bond, a new Series 2009A Bond in principal amount equal to the unredeemed portion of such Series 2009A Bond will be issued.

Any notice of redemption, except a notice of redemption with respect to a Sinking Fund Requirement, may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2009A Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2009A Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2009A Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a

reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4. Series 2009A Project Account, Subaccounts in Other Accounts, Application of Net Receipts and Investment of Funds

(a) Establishment of Series 2009A Project Account and Subaccounts in Other Accounts. There is hereby established with the Trustee within the Construction Fund, an account designated “Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds, Series 2009A Project Account”, which account constitutes an Additional Project Account within the meaning of the Order.

The following subaccounts are hereto established:

- (i) Series 2009A Subaccount of the Interest Account of the Bond Fund;
- (ii) Series 2009A Subaccount of the Principal Account of the Bond Fund;
- (iii) Series 2009A Subaccount of the Sinking Fund Account of the Bond Fund; and
- (iv) Series 2009A Subaccount of the Redemption Account of the Bond Fund.

The subaccounts mentioned above shall be established with and held by the Trustee pursuant to the Order and this Series Resolution.

(b) Series 2009A Project Account. On the delivery date of the Series 2009A Bonds, the District shall cause to be deposited with the Trustee, from the proceeds of the Series 2009A Bonds, to the credit of the Series 2009A Project Account in the Construction Fund, such amount as is required by Section 4(c) of this Series Resolution. The Series 2009A Project Account shall be governed by the provisions of Article IV of the Order, and the moneys in the Series 2009A Project Account shall be applied to pay the Cost of the 2009 Project and the costs of issuance of the Series 2009A Bonds.

(c) Application of Proceeds of the Series 2009A Bonds. Simultaneously with the delivery of the Series 2009A Bonds and the deposit of the net proceeds of the Series 2009A Bonds with the Trustee, the Trustee shall deposit such net proceeds of the Series 2009A Bonds to the credit of the Series 2009A Project Account.

(d) Application of Net Receipts. On or before the dates set forth below, the District shall, subject to the provisions of the Order, deposit or cause to be deposited, from Net Receipts

held in the Revenue Account, with the Trustee the following amounts, and the Trustee shall apply such amounts to the various subaccounts and account specified herein in the following order:

(i) into the Series 2009A Subaccount of the Interest Account two Business Days prior to the next ensuing Interest Payment Date, an amount equal to the interest payable on the Series 2009A Bonds on such Interest Payment Date;

(ii) into the Series 2009A Subaccount of the Principal Account two Business Days prior to July 1 of each year, an amount equal to the principal of all Serial Bonds due on such July 1; and

(iii) into the Series 2009A Subaccount of the Sinking Fund Account two Business Days prior to July 1 of each year, the amount required to retire the Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such July 1, in accordance with the Sinking Fund Requirements therefor.

In addition, the Trustee shall deposit to the Series 2009A Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by the District from time to time with instructions that such amounts be so deposited.

(e) Application of Money in the Series 2009A Subaccount of the Sinking Fund Account. Money held in the Series 2009A Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

(i) The Trustee shall, at the written request of the District, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2009A Subaccount of the Sinking Fund Account or maturing on the next ensuing July 1 at the most advantageous price obtainable with reasonable diligence. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2009A Subaccount of the Interest Account or from other funds made available by the District and the purchase price from the Series 2009A Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2009A Subaccount of the Sinking Fund Account within the period of forty-five (45) days immediately preceding any July 1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds during such Bond Year shall not exceed the amount deposited in the Series 2009A Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2009A Subaccount of the Sinking Fund Account for the payment of

any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (i) or delivered during such Bond Year to the Trustee by the District exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee shall endeavor to purchase Outstanding Term Bonds with such excess money at the most advantageous price obtainable but in no event greater than par plus accrued interest;

(ii) The Trustee shall call for redemption on July 1 immediately following the then current Bond Year the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired during such Bond Year by purchase pursuant to paragraph (i) of this Section or delivered during such Bond Year to the Trustee by the District. If the amount available in the Series 2009A Subaccount of the Sinking Fund Account on such July 1 is not equal to the Sinking Fund Requirement for the Term Bonds for such Bond Year less the principal amount of any such Term Bonds so delivered or purchased and retired, the Trustee shall apply the amount available in the Series 2009A Subaccount of the Sinking Fund Account to the redemption of Term Bonds then subject to redemption so as to exhaust, to the extent practicable, the amount available. On each redemption date the Trustee shall withdraw from the Series 2009A Subaccount of the Sinking Fund Account the amount required to pay the Redemption Price of the Term Bonds so called for redemption. The amount of interest on the Term Bonds so called for redemption shall be paid from the Series 2009A Subaccount of the Interest Account. If such date is the stated maturity date of any such Term Bonds, the Trustee shall not call such Term Bonds for redemption but, on such maturity, shall withdraw the amount required for paying the principal of such Term Bonds when due and payable.

If on any date there is money in the Series 2009A Subaccount of the Sinking Fund Account and no Term Bonds are then Outstanding or if on any payment date money remains therein after the mandatory redemption of Term Bonds in accordance with the Sinking Fund Requirement therefor, the Trustee shall withdraw such money therefrom and shall apply the same as follows and in the following order: (x) deposit in the Series 2009A Subaccount of the Interest Account and the Series 2009A Subaccount of the Principal Account, the amounts, if any, required to be paid thereto in such month and (y) deposit all remaining amounts to the Revenue Account.

If, in any Bond Year, by the application of money in the Series 2009A Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from the District and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with the District not later than the twentieth (20th) day prior to the next July 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. The District shall thereafter cause an

Officer's Certificate to be filed with the Trustee not later than July 15 of the following Bond Year setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Upon the retirement of any Term Bonds by purchase and redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Term Bonds, and the amount paid as interest thereon. The expenses incurred in connection with the purchase or redemption of any such Term Bonds shall be paid by the District from the Revenue Account or from any other available moneys.

(f) Application of Money in the Series 2009A Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2009A Subaccount of the Redemption Account to the purchase or redemption of Series 2009A Bonds as follows:

(i) Subject to the provisions of clause (iii) of this Section 4(f), at the written request of the District, the Trustee shall endeavor to purchase and cancel Series 2009A Bonds or portions thereof, regardless of whether such Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, provided that the purchase price of each Series 2009A Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2009A Bond under the provisions of the applicable Series 2009A Subaccount of the Redemption Account. The Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement from the Series 2009A Subaccount of the Interest Account or other funds provided by the District and the purchase price from the Series 2009A Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2009A Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2009A Bonds or portions thereof are to be redeemed.

(ii) Subject to the provisions of clause (iii) of this Section 4(f), the Trustee shall call for redemption on a date permitted by this Series Resolution such amount of Series 2009A Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2009A Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2009A Bonds shall be called for redemption at any one time unless the Trustee is so instructed by the District. The Trustee shall pay the accrued interest on the Series 2009A Bonds or portions thereof to be redeemed to the date of redemption from the Series 2009A Subaccount of the Interest Account and the Redemption Price of such Bonds or portions thereof from the Series 2009A Subaccount of the Redemption Account. The Trustee shall withdraw from

the Series 2009A Subaccount of the Redemption Account and set aside the respective amounts required to pay the Redemption Price of the Series 2009A Bonds or portions thereof so called for redemption.

(iii) Money in the Series 2009A Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2009A Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2009A Bonds to be redeemed. In the event no such certificate is filed (x) the Trustee shall apply such money to the purchase of Series 2009A Bonds bearing the highest rate of interest and (y) if Series 2009A Bonds of more than one maturity bear the same interest rate, the Trustee shall redeem such Series 2009A Bonds in the inverse order of maturities.

Upon the retirement of any Series 2009A Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Series 2009A Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2009A Bonds shall be paid by the District from the Revenue Account or from any other available moneys.

(g) Investment of Money. Money held for the credit of the Series 2009A Project Account and subaccounts in the Bond Fund established by this Series Resolution shall be continuously invested and reinvested by the Trustee in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such account or subaccounts will be required for the purposes intended. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2009A Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money in or credited to any account or subaccount established by this Series Resolution shall be deemed at all times to be part of such account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such account or subaccount. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations shall be credited to such account or subaccounts as follows:

Accounts or Subaccounts

Credit to

Series 2009A Project Account

Series 2009A Project Account

All Subaccounts

Respective Subaccounts

Any such interest accruing and any such profit realized shall be transferred upon the receipt thereof by the District or the Trustee, as the case may be, pursuant to the provisions of the Order and this Series Resolution.

An Authorized Officer shall give to the Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section 4(g), and the Trustee shall then invest such money as so directed. The Trustee may request in writing additional direction or authorization from the Authorized Officer with respect to the proposed investment of money. Upon receipt of such directions, the Trustee shall invest, subject to the provisions of this Section 4(g), such money in accordance with such directions. The Trustee shall not be liable to the District for any loss suffered by the District as a result of or in connection with any investment in Investment Obligations made by the Trustee in good faith as instructed by or approved by an Authorized Officer.

The Trustee shall sell at the best price reasonably obtainable or, acting in a commercially reasonable manner, reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such account or subaccount. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a transfer of money between two or more of the accounts or subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Order, provided that the Investment Obligations transferred are those in which money of the receiving account or subaccount could be invested at the date of such transfer.

(h) Payment of Principal, Interest and Premium. The District covenants that it will promptly pay the principal of and the interest on every Series 2009A Bond at the places, on the dates and in the manner provided herein and in the Series 2009A Bonds, and any premium required for the retirement of the Series 2009A Bonds by purchase or redemption, according to the true intent and meaning thereof. The District further covenants that it will faithfully perform at all times all of its covenants, undertakings and agreements contained in this Series Resolution and the Order, or in any Series 2009A Bond or in any proceedings of the District pertaining thereto. The District represents and covenants that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Series 2009A Bonds authorized by this Series Resolution and to pledge the Net Receipts in the manner and to the extent in the Order set forth; that all action on its part for the issuance of the Series 2009A Bonds has been duly and effectively taken; and that such Series 2009A Bonds in the hands of the Owners thereof are and will be valid and binding special obligations of the District payable according to their terms.

(i) Tax Covenant. The District covenants to do and perform all acts and things permitted by law in order to assure that interest paid on the Series 2009A Bonds which was excludable from the gross income of their Owners for federal income taxes on the date of their issuance shall continue to be so excludable.

Section 5. The Trustee

(a) Acceptance of Duties by Trustee. Simultaneously with the taking effect of the Order and this Series Resolution, the Trustee shall, by the execution of an instrument of acceptance, accept and agree to perform the duties and fulfill the trusts imposed upon it by this Series Resolution.

(b) Trustee Not Responsible for Disclosure Documents. The Trustee shall have no duty or responsibility to examine or review, and shall have no liability for, the contents of any documents submitted to or delivered to any Owner in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

Section 6. Supplemental Resolutions

(a) Supplemental Resolutions Without Consent of Owners. The District may, from time to time and at any time, adopt such resolutions supplemental hereto (which supplemental resolutions shall thereafter form a part hereof) as shall be substantially consistent with the terms and provisions of this Series Resolution and, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, shall not materially and adversely affect the interest of the Owners:

(i) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Series Resolution or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Series Resolution;

(ii) to grant or to confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee;

(iii) to add to the covenants and agreements of the District in this Series Resolution other covenants and agreements thereafter to be observed by the District or to surrender any right or power herein reserved to or conferred upon the District;

(iv) to permit the qualification of this Series Resolution under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District so determines, to add to this Series Resolution or any supplemental Order such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law; or

(v) to provide for the issuance of Series 2009A Bonds in bearer form.

(b) Supplemental Resolutions with Consent of Owners. Subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2009A Bonds then Outstanding shall have the right, from time to time, anything contained in this Series Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Board of such resolutions supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Series Resolution or in any supplemental resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Series 2009A Bond without the consent of the Owner of such Series 2009A Bond, (ii) a reduction in the principal amount of any Series 2009A Bond or the redemption premium or the rate of interest thereon without the consent of the Owner of such Series 2009A Bond, (iii) the creation of a pledge of Net Receipts other than the lien and pledge created by the Order without the consent of the Owners of all Series 2009A Bonds, (iv) a preference or priority of any Series 2009A Bond over any other Series 2009A Bond without the consent of the Owners of all Series 2009A Bonds, or (v) a reduction in the aggregate principal amount of Series 2009A Bonds required for consent to such supplemental resolution without the consent of the Owners of all Series 2009A Bonds. Nothing herein contained, however, shall be construed as making necessary the approval by the Owners of the execution and delivery of any supplemental resolution as authorized in Section 6(a) of this Series Resolution.

The Trustee shall, at the expense of the District, such expense to be paid from the Revenue Account or from any other available moneys, cause notice of the proposed adoption of such supplemental resolution to be mailed, postage prepaid, to the Local Government Commission and all Owners of the Series 2009A Bonds. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such supplemental resolution when approved and consented to as provided in this Section.

Whenever, at any time within three years after the date of the mailing of such notice, the District shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Series

2009A Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, such supplemental resolution may be adopted by the Board, or, if theretofore adopted by the Board, take effect, in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of the Series 2009A Bonds Outstanding at the date of the adoption or effective date of such supplemental resolution have consented to and approved the adoption thereof as herein provided, to the extent permitted by law, no Owner shall have any right to object to the adoption of such supplemental resolution, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the adoption or taking effect thereof, or enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption or taking effect of any supplemental resolution pursuant to the provisions of this Section 6(b) or Section 6(a), this Series Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Series Resolution of the District, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Series Resolution, as so modified and amended.

(c) Exclusion of Series 2009A Bonds. Series 2009A Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2009A Bonds provided for in this Section 6, and the District as Owner of such Series 2009A Bonds shall not be entitled to consent or take any other action provided for in this Section 6. At the time of any consent or other action taken under this Article, the District shall furnish the Trustee an Officer's Certificate upon which the Trustee may rely, describing all Series 2009A Bonds so to be excluded.

Section 7. Manner of Giving Notice. All notices, demands and requests to be given to or made hereunder by the District, the Local Government Commission, the Trustee or the Bond Registrar shall be given or made in writing and shall be deemed to be properly given or made if sent by United States registered mail, return receipt requested postage prepaid, addressed as follows:

(a) As to the District--

Metropolitan Sewerage District of Buncombe County
Administration Building
2028 Riverside Drive

Asheville, North Carolina 28804
Attention: General Manager

(b) As to the Trustee or Bond Registrar-

The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust Department

(c) As to the Local Government Commission-

North Carolina Local Government Commission
305 N. Salisbury Street
Raleigh, North Carolina 27603-1385
Attention: Secretary

Overnight Courier
4505 Fair Meadow Lane, Suite 102
Raleigh, North Carolina 27607
Attention: Secretary

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

Section 8. Substitute Notice. If, because of the temporary or permanent suspension of postal service, the District, the Local Government Commission, the Trustee or the Bond Registrar shall be unable to mail any notice required to be given by the provisions of this Series Resolution, such party shall give notice in such other manner as in the judgment of such party shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Series Resolution be deemed to be in compliance with the requirement for the mailing thereof.

Section 9. Continuing Disclosure. The District hereby undertakes, for the benefit of the beneficial owners of the Series 2009A Bonds, to provide:

(a) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ended June 30, 2009, to the Electronic Municipal Market Access system (“EMMA”) (<http://emma.msrb.org>), the audited financial statements of the District for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not available by seven months from the end of such Fiscal Year, the unaudited financial statements of the District for such Fiscal Year to be replaced subsequently by the audited financial statements of the District to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ended June 30, 2009, to EMMA, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings “INCOME AVAILABLE FOR DEBT SERVICE AND DEBT SERVICE COVERAGE – Historical Income Available for Debt Service and Debt Service Coverage” in the Official Statement of the District, to be dated on or about September 24, 2009, relating to the Series 2009A Bonds (the “Official Statement”), “Rates, Fees and Charges” in Appendix A to the Official Statement and “Commercial Customers” in Appendix A to the Official Statement, to the extent such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner, to EMMA, notice of any of the following events with respect to the Series 2009A Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009A Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2009A Bonds;

(8) redemption of any of the Series 2009A Bonds other than mandatory sinking fund redemptions;

(9) defeasances;

(10) release, substitution or sale of any property securing repayment of the Series 2009A Bonds; and

(11) rating changes; and

(d) in a timely manner, to EMMA, notice of a failure of the District to provide required annual financial information described in (a) or (b) above on or before the date specified.

If the District fails to comply with the undertaking described above, any beneficial owner of the Series 2009A Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an Event of Default and shall not result in any acceleration of payment of the Series 2009A Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2009A Bonds.

The District reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the District, provided that:

(e) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District;

(f) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) as of the date of the Official Statement with respect to the Series 2009A Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(g) any such modification does not materially impair the interests of the beneficial owners, as determined by bond counsel, or by approving vote of the registered owners of a majority in principal amount of the Series 2009A Bonds pursuant to the terms of the Order, as it may be amended from time to time, at the time of the amendment.

The District agrees that the annual financial information containing modified operating data or financial information will 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.

The provisions of this Section 9 shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2009A Bonds.

Section 10. District, Trustee, Bond Registrar and Owners Alone Have Rights under Series Resolution. Except as herein otherwise expressly provided, nothing in this Series Resolution, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the District, the Trustee, the Bond Registrar and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Series Resolution or any provision being intended to be and being for the sole and exclusive benefit of the District, the Trustee, the Bond Registrar and the Owners.

Section 11. Effect of Partial Invalidity. In case any one or more of the provisions of this Series Resolution or the Series 2009A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Series Resolution or the Series 2009A Bonds, but this Series Resolution and the Series 2009A Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in this Series Resolution or the Series 2009A Bonds shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the District to the full extent permitted by law.

Section 12. Effect of Covenants; Governing Law. All covenants, stipulations, obligations and agreements of the District contained in this Series Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent permitted by the Constitution and laws of the State. This Series Resolution is adopted with the intent that the laws of the State shall govern this construction.

Section 13. Headings. Any heading preceding the text of the several articles hereof, any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series Resolution, nor shall they affect its meaning, construction or effect.

Section 14. Payment Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right as provided in this Series Resolution is not a Business Day, such payment may be made or act performed or right exercised on the next Business Day with the same force and effect as if done on the date provided in this Series Resolution.

Section 15. Approval of Official Statement. The form of preliminary official statement (the “Preliminary Official Statement”) relating to the Series 2009A Bonds on file with the Secretary-Treasurer of the Board of the District is hereby deemed approved. Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in purchasing the Series 2009A Bonds. The General Manager of the District and the Director of Finance of the District, acting singly, is hereby authorized to certify on behalf of the District, that the Preliminary Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12). The Official Statement in substantially said form with such changes as the Chairperson of the Board of the District or the General Manager of the District may approve (including all information previously permitted to have been omitted by Rule 15c2-12), which approval shall be conclusively evidenced by execution by the Chairperson of the Board of the District or the General Manager of the District of the Official Statement and delivery thereof to the underwriters of the Series 2009A Bonds within 7 business days of the sale of the Series 2009A Bonds, is hereby approved.

Section 16. Local Government Commission Requested to Award the Series 2009A Bonds. The District hereby requests that the Local Government Commission award the Series 2009A Bonds at negotiated sale without advertisement to Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company, as the representative of the underwriters of the Series 2009A Bonds, at an underwriters’ discount of not more than one percent (1.00%) of the par amount of the Series 2009A Bonds, subject to the approval thereof by the General Manager of the District.

Section 17. Approval of Bond Purchase Agreement. The District hereby approves the Bond Purchase Agreement relating to the Series 2009A Bonds (the “Bond Purchase Agreement”), in substantially the form of the draft dated September 3, 2009, and hereby authorizes the Chairperson of the Board or the General Manager of the District to execute the Bond Purchase Agreement in substantially the form of said draft, together with such changes, modifications, insertions and deletions, as he, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the District.

Section 18. Authorization to District Officials and Officers and Agents of Trustee and Bond Registrar. The officers, agents and employees of the District and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2009A Bonds, the Order, the Bond Purchase Agreement, this Series Resolution, the Series Certificate and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 19. Exclusion From Gross Income Covenant. The District covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2009A Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 20. Notice to Local Government Commission and Rating Agencies. The Local Government Commission and each Rating Agency then rating the Series 2009A Bonds shall receive notice from the Trustee of the following events: any change in the Trustee or the Bond Registrar; any material change in the Order or this Series Resolution; any acceleration of the Series 2009A Bonds; any redemption (other than any mandatory sinking fund redemption) or defeasance of Series 2009A Bonds, and any issuance of Parity Indebtedness.

Section 21. Effective Date. This Series Resolution shall take effect immediately upon its adoption. The General Manager of the District is hereby authorized and directed to deliver this Series Resolution upon the issuance of the Series 2009A Bonds with such changes, insertions and omissions as may be approved by the General Manager of the District, such delivery being conclusive evidence of such approval; and provided, however, such changes, insertions and omissions shall be necessary to effectuate the intent of this Series Resolution.

APPENDIX A

DESCRIPTION OF THE ADDITIONAL PROJECT

The Additional Project consists of various improvements to the system, including the replacement and rehabilitation of various sewer interceptors and collection lines, as well as the replacement of a certain pumps for the wastewater treatment plant of the District. Highlights of the Additional Project are described below.

Lower Smith Mill Creek Interceptor

This project is located in West Asheville and is located adjacent to Patton Avenue, along Smith Mill Creek. This interceptor serves the major western commercial corridor for the City of Asheville. It is comprised of 7,226 LF of 18-inch and 20-inch DIP.

Middle Beaverdam Creek Interceptor

This project is located in the North Asheville/Woodfin area and is along US 25 (Merrimon Avenue) between Elkwood Road and US 19/23. This interceptor serves the Beaverdam Creek Valley, which also includes a commercial corridor serving North Asheville. It is comprised of 3,949 LF of 8-inch through 30-inch DIP.

Reems Creek Interceptor Sewer Rehabilitation

This project is located in Northern Buncombe County along Reems Creek. This interceptor serves the Reems Creek Basin, which also includes the Town of Weaverville. It is comprised of 15,032 LF of 24-inch through 30-inch DIP.

Sweeten Creek at Rock Hill Road Interceptor Sewer Rehabilitation

This project is located in South Asheville along Sweeten Creek Road. This interceptor serves one of two southern commercial corridors for the City of Asheville. Problems have included poor structural condition, repeated maintenance calls, SSO's, and limited capacity. This project is comprised of 5,800 LF of 8-inch through 16-inch DIP.

Town Branch Interceptor Sewer Rehabilitation

This project is located in Asheville's River District, near the Norfolk Southern Train Yard at Depot Street. This interceptor serves a large central portion of the City of Asheville, as well as several older neighborhoods surrounding the City. The line passes under multiple train tracks,

and has had to be relocated due to the close proximity to some existing railroad structures. It is comprised of 1,339 LF of 8-inch through 30-inch DIP.

Intermediate Pump Replacement

This project is located at the Water Reclamation Facility. It is for the replacement of the District's aged Intermediate Pumps – which are used to pump water from the final RBC basin to the Intermediate Clarifier. These pumps are critical to plant operations because all plant flows must pass through them. The new pumps will be electric and much more efficient.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2009

NEW ISSUE
BOOK-ENTRY ONLY

Ratings: *Fitch:* ___
Moody's: ___
Standard & Poor's: ___
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the District with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants, as described herein, interest on the Series 2009 Bonds will not be includable in the gross income of the owners of the Series 2009 Bonds for federal income tax purposes, and interest on the Series 2009 Bonds will be exempt from all State of North Carolina income taxes. See "TAX TREATMENT" herein for further information regarding certain provisions of the Code that may affect the tax treatment on the Series 2009 Bonds for certain owners of the Series 2009 Bonds.

**[METROPOLITAN
SEWERAGE
DISTRICT SEAL]**

**METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA**

**[\$2009A Amount]*
Sewerage System Revenue Bonds, Series 2009A**

**[\$2009B Amount]*
Sewerage System Revenue Refunding Bonds, Series 2009B**

Dated: Date of Issuance

Due: July 1, as shown below

The Series 2009A Bonds and Series 2009B Bonds offered hereby (collectively, the "Series 2009 Bonds") are being issued by the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"). The principal of and interest on the Series 2009 Bonds are payable solely from, and secured solely by a pledge of, the Net Receipts (defined herein) of the System (defined herein) and from certain other moneys of the District under the terms of the Bond Order (defined herein). **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO PAYMENT OF THE SERIES 2009 BONDS. THE SERIES 2009 BONDS DO NOT OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES THEREFOR OR TO MAKE ANY PROVISION FOR THEIR PAYMENT EXCEPT FROM FUNDS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER.**

The Series 2009A Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity, as more fully described herein. The Series 2009B Bonds are not subject to redemption prior to their maturity.

The Series 2009 Bonds will be issued as fully registered certificates and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2009 Bonds will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates. Transfers of the Series 2009 Bonds will be effected through a book-entry only system as described herein. Payments of principal of, premium, if any, and interest on the Series 2009 Bonds will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2009 Bonds, by The Bank of New York Mellon Trust Company, N.A., as trustee, to be subsequently disbursed to the beneficial owners of the Series 2009 Bonds. Interest on the Series 2009 Bonds is payable on July 1 and January 1, beginning January 1, 2010 at the rates set forth below. Principal is payable, subject to redemption of the Series 2009A Bonds as hereinafter described, on July 1 in the years and amounts set forth below.

Maturity Schedule*

Series 2009A Bonds
\$ _____ Serial Bonds

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
-------------	---------------	-------------	--------------	-------------	---------------	-------------	--------------

\$ _____ % Term Bonds due July 1, 20 __, priced at ___ % to yield approximately ___ %

Series 2009B Bonds
\$ _____ Serial Bonds

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
-------------	---------------	-------------	--------------	-------------	---------------	-------------	--------------

The Series 2009 Bonds are offered, subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject to the approval of their validity by Sidley Austin LLP, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its counsel, Roberts & Stevens, P.A., Asheville, North Carolina, and for the Underwriters by their counsel, McGuireWoods LLP, Charlotte, North Carolina. It is expected that the Series 2009 Bonds will be available through the facilities of DTC for delivery in New York, New York, on or about October 7, 2009.

Wells Fargo Securities

BB&T Capital Markets

a division of Scott & Stringfellow, LLC

Citi

Dated: September __, 2009

* Preliminary, subject to change.

IN CONNECTION WITH THIS OFFERING, WELLS FARGO SECURITIES, CITIGROUP GLOBAL MARKETS INC. AND BB&T CAPITAL MARKETS, A DIVISION OF SCOTT & STRINGFELLOW, LLC (COLLECTIVELY, THE “*UNDERWRITERS*”) MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation in connection with this offering other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. 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 2009 Bonds by any person, in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District and from other sources that are deemed to be reliable.

The information set forth herein has been obtained from sources which are believed to be reliable and is in form deemed final by the District for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)).

NEITHER THE SERIES 2009 BONDS NOR THE BOND ORDER HAS BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 304(a)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2009 BONDS AND THE BOND ORDER IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2009 BONDS AND THE BOND ORDER HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2009 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT
Relating to

**METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA**
[\$[2009A Amount]* Sewerage System Revenue Bonds, Series 2009A

and

[\$[2009B Amount]* Sewerage System Revenue Refunding Bonds, Series 2009B

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the offering of \$[2009A Amount]* Sewerage System Revenue Bonds, Series 2009A (the “Series 2009A Bonds”) and \$[2009B Amount]* Sewerage System Revenue Refunding Bonds, Series 2009B (the “Series 2009B Bonds” and collectively with the Series 2009A Bonds, the “Series 2009 Bonds”) of the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”).

This introduction provides certain limited information to serve as a guide to this Official Statement and is expressly qualified by this Official Statement as a whole. Prospective investors should make a full review of the entire Official Statement and of the documents summarized or described herein. For the definition of certain terms used in this Official Statement and a summary of certain provisions of the Bond Order and the Series Resolutions (each as hereinafter defined), see APPENDIX D, “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings given such terms in the Bond Order.

The District and the System. See APPENDIX A, “METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA” for particular information regarding the District and the System.

Authorization. The Series 2009 Bonds are being issued pursuant to (1) the North Carolina Metropolitan Sewerage Districts Act, being Article 5 of Chapter 162A of the General Statutes of North Carolina, as amended, and, in accordance with the provisions thereof, The State and Local Government Revenue Bond Act, being Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended (collectively, the “Enabling Act”); (2) an Amended and Restated Bond Order adopted by the District Board of the District on April 21, 1999 (the “Bond Order”); and (3) a series resolution with respect to the Series 2009A Bonds (the “2009A Series Resolution”) and a series resolution with respect to the Series 2009B Bonds (the “2009B Series Resolution” and, together with the Series 2009A Series Resolution, the “Series Resolutions”), both adopted by the District Board of the District on September 16, 2009. Under the Bond Order, The Bank of New York Mellon Trust Company, N.A. serves as the trustee (the “Trustee”). The Bank of New York Mellon Trust Company, N.A. also will serve as Bond Registrar for both series of the Series 2009 Bonds.

* Preliminary, subject to change.

Security. The Series 2009 Bonds will be special obligations of the District, secured by a pledge of and payable from Net Receipts and certain other moneys. The Series 2009 Bonds will be additionally secured by certain funds, accounts and subaccounts held by the Trustee under the Bond Order and the Series Resolutions. The Series 2009 Bonds will be secured under the Bond Order on a parity with the District's (1) \$20,845,000 Sewerage System Revenue Refunding Bonds, Series 1992A, which are currently outstanding in the principal amount of \$25,000 (the "Series 1992A Bonds"); (2) \$22,500,000 Sewerage System Revenue Bonds, Series 1992B, which are currently outstanding in the principal amount of \$25,000 (the "Series 1992B Bonds"); (3) \$21,020,000 Sewerage System Revenue Bonds, Series 2001, which are currently outstanding in the principal amount of \$1,535,000 (the "Series 2001 Bonds"); (4) \$26,970,000 Sewerage System Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), which are currently outstanding in the principal amount of \$17,970,000; (5) \$33,635,000 Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$33,460,000 (the "Series 2008A Bonds"); (6) \$22,165,000 Sewerage System Revenue Refunding Bonds, Series 2008B, which are currently outstanding in the principal amount of \$21,445,000 (the "Series 2008B Bonds"); (7) a \$1,500,000 sanitary sewer bond issued in 1985 by the Enka-Candler Water and Sewer District, which is currently outstanding in the principal amount of \$902,000 (the "Enka Bond"), the payment of which has been assumed by the District, and which constitutes Parity Debt; and (8) any additional bonds hereafter issued by the District pursuant to the Bond Order. The Series 1992A Bonds, the Series 1992B Bonds, the Series 2001 Bonds, the Series 2003 Bonds, the Series 2008A Bonds, the Series 2008B Bonds and the Series 2009 Bonds and any additional bonds hereafter issued by the District pursuant to the Bond Order are referred to herein collectively as the "Bonds". Subject to the provisions of the Bond Order, the District may incur or issue other obligations secured by a pledge of Net Receipts on a parity with the Bonds and the Enka Bond. In addition, there is currently outstanding \$15,840,000 in principal amount of the District's Sewerage System Revenue Bonds, Series 1999 (the "Series 1999 Bonds") that are to be refunded by the Series 2009B Bonds. See "SECURITY FOR THE BONDS" herein.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS. THE SERIES 2009 BONDS DO NOT OBLIGATE THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES THEREFOR OR TO MAKE ANY PROVISION FOR THEIR PAYMENT EXCEPT FROM THE FUNDS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER. See "SECURITY FOR THE BONDS" herein.

Purpose. The District is issuing the Series 2009A Bonds for the purpose of providing funds, together with other available funds, to (1) pay certain costs of the 2009 Project, as hereinafter described, and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2009A Bonds. The District is issuing the Series 2009B Bonds for the purpose of providing funds, together with other available funds, to (1) refund all of the outstanding Series 1999 Bonds and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2009B Bonds. See "THE PLAN OF FINANCE AND REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2009 Bonds. The Series 2009 Bonds will be dated as of their date of issuance, and will bear interest from their date payable on January 1, 2010, and semiannually thereafter on each January 1 and July 1, at the rates shown on the cover. Principal of the Series 2009 Bonds will be payable, subject to redemption of the Series 2009A Bonds as described herein, on July 1 in the years and amounts shown on the cover. The Series 2009 Bonds are offered in denominations of \$5,000 and integral multiples thereof. The Series 2009A Bonds will be subject to optional redemption and mandatory sinking fund redemption, as described below. The Series 2009B Bonds will be not subject to redemption prior to maturity. See "THE SERIES 2009 BONDS" herein.

Book-Entry Form. The Series 2009 Bonds will be issued in book-entry only form, without physical delivery of Series 2009 Bonds to beneficial owners of the Series 2009 Bonds (the “Beneficial Owners”). The Trustee will make principal, redemption premium (if any) and interest payments to The Depository Trust Company (“DTC”), New York, New York, which will in turn remit such payments to its participants for subsequent distribution to Beneficial Owners. See APPENDIX G hereto.

Tax Treatment. See the caption “TAX TREATMENT” herein.

Professionals. The Underwriters for the Series 2009 Bonds (collectively, the “Underwriters”) are listed on the cover page of this Official Statement. Sidley Austin LLP, New York, New York, serves as Bond Counsel to the District. Roberts & Stevens, P.A., Asheville, North Carolina, is counsel to the District. McGuireWoods LLP, Charlotte, North Carolina, is serving as counsel to the Underwriters. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, is serving as the Trustee and Bond Registrar. Davenport & Company LLC, Richmond, Virginia, is serving as financial advisor to the District.

Financial Statements. The District’s general purpose financial statements have been audited by independent certified public accountants for each fiscal year through the fiscal year ended June 30, 2008. Copies of these financial statements, including audited financial statements containing the unqualified reports of the independent certified public accountants, are available from the District at 2028 Riverside Drive, Asheville, North Carolina 28804, Attention: Director of Finance. APPENDIX C hereto contains the District’s general purpose financial statements and the notes thereto, lifted from the District’s audited financial statements for the Fiscal Year ended June 30, 2008, including the notes thereto.

Copies of Documents. Brief descriptions and summaries of the Series 2009 Bonds, the Bond Order and the Series Resolutions are included in this Official Statement and the appendices hereto. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bond Order and the Series Resolutions are qualified in their entirety by reference to the originals thereof. Upon written request, the District’s Director of Finance will provide copies of the Bond Order and the Series Resolutions in reasonable quantities. The Director of Finance’s address is 2028 Riverside Drive, Asheville, North Carolina 28804.

THE SERIES 2009 BONDS

Authorization

The Series 2009A Bonds will be issued under the Enabling Act, the Bond Order and the 2009A Series Resolution. The Series 2009B Bonds will be issued under the Enabling Act, the Bond Order and the 2009B Series Resolution. The Sale of the Series 2009 Bonds will be made by the Local Government Commission of North Carolina (the “LGC”), subject to the approval of the District. See APPENDIX F hereto for information on the LGC and its borrowers and duties.

General Terms

Payment Terms. The Series 2009 Bonds will be dated as of their date of issuance, and will bear interest from their date payable on January 1, 2010, and semiannually thereafter on each January 1 and July 1 (the “Interest Payment Dates”), at the rates shown on the cover (calculated on the basis of a 360-day year consisting of twelve 30-day months). Principal of the Series 2009 Bonds will be payable, subject to redemption of the Series 2009A Bonds as described herein, on July 1 in the years and amounts shown on the cover. Payments will be effected through DTC. See APPENDIX G hereto.

Denominations. The Series 2009 Bonds are issuable only as fully registered bonds in denominations of \$5,000 and integral multiples thereof.

Transfer, Registration and Exchange. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, registration of transfers and exchanges of beneficial ownership interests in the Series 2009 Bonds will be available only through DTC participants, as hereinafter described. See APPENDIX G hereto.

Redemption Provisions

Optional Redemption. The Series 2009A Bonds maturing on or after July 1, 20__ are subject to redemption prior to maturity, at the District's option, on or after July 1, 20__, in whole or in part on any date, from any funds that may be available to the District for such purpose, at a redemption price equal to 100% of the principal amount of such Series 2009A Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption. The Series 2009A Bonds maturing on July 1, 20__ are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount of such Series 2009A Bonds to be redeemed, plus accrued interest to the redemption date, on July 1 in the years and amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
-------------	---------------	-------------	---------------

*Maturity.

Notice of Redemption. The Bond Registrar is required to send notice of redemption of any Series 2009A Bonds to be redeemed by first-class mail, postage prepaid, at least 30 days but not more than 45 days before the redemption date to all Owners of Series 2009A Bonds to be redeemed, but notice to DTC will be sent by registered or certified mail. Failure to mail any notice to any Owner or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given. The 2009A Series Resolution also requires the Bond Registrar to send such notice of redemption to at least one securities depository and at least one national information service which disseminates redemption information. Failure to provide such notice to a securities depository or an information service will not affect the validity of the proceedings for redemption.

Any notice of redemption, except a notice of redemption with respect to a mandatory sinking fund redemption of the Series 2009A Bonds, may state that the redemption to be effected is conditioned on receipt by the Trustee or the Bond Registrar on or before the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2009A Bonds to be redeemed. If such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2009A Bonds are not received by the Trustee or the Bond Registrar on or before the redemption date, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of Series 2009A Bonds for Redemption. If less than all of the Series 2009A Bonds are called for redemption, the District will select the maturity or maturities of the Series 2009A Bonds to be redeemed. If less than all Series 2009A Bonds of any maturity are to be redeemed, the Series 2009A Bonds of such maturity to be redeemed will be selected (1) by DTC pursuant to its rules and procedures

or (2) if a book-entry system is no longer in effect, by the Bond Registrar by lot. If the Series 2009A Bonds are to be redeemed in part, they may be redeemed only in integral multiples of \$5,000 and each \$5,000 portion of the principal will be counted as one Series 2009A Bond for such purpose. If a portion of a Series 2009A Bond is called for redemption, a new Series 2009A Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Owner thereof upon surrender thereof.

Effect of Call for Redemption. On or before the date on which the Series 2009A Bonds or portions thereof are to be redeemed, the District will deposit with the Trustee or the Bond Registrar money or Defeasance Obligations, or a combination of both, that will be sufficient to pay on the redemption date the Redemption Price of and interest accruing on the Series 2009A Bonds to be redeemed on such redemption date.

If notice is properly given, the Series 2009A Bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date, and if moneys sufficient to pay the redemption price of the Series 2009A Bonds or portions thereof to be redeemed plus accrued interest thereon to the date of redemption are held by the Trustee or the Bond Registrar in trust for the Owners of Series 2009A Bonds to be redeemed, (1) interest on such Series 2009A Bonds or portions thereof shall cease to accrue from and after such date, (2) such Series 2009A Bonds or portions thereof shall cease to be entitled to any benefits or security under the Bond Order or to be deemed Outstanding and (3) Owners of such Series 2009A Bonds or portions thereof shall have no right in respect thereof except to receipt of payment of the Redemption Price thereof, plus accrued interest to the date fixed for redemption.

SECURITY FOR THE BONDS

Special Obligations

The Series 2009 Bonds are special obligations of the District, secured by a pledge of and payable from Net Receipts and certain other moneys of the District hereinafter described. The Bonds and the Enka Bond are, and any additional Bonds issued by the District under the Bond Order will be, equally and ratably secured by Net Receipts and such other moneys, and the District is not obligated to pay the principal of or the interest on the Bonds, the Enka Bond or any such additional Bonds except from Net Receipts and such other moneys. The City of Asheville, North Carolina has agreed to make payments to the District for application to the payment of a portion of the debt service on the Enka Bond under an arrangement which is based on the percentage of land area in the Enka-Candler Water and Sewer District that has been annexed by the City of Asheville. **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2009 BONDS. THE SERIES 2009 BONDS DO NOT OBLIGATE THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES THEREFOR OR TO MAKE ANY PROVISION FOR THEIR PAYMENT EXCEPT FROM FUNDS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER.**

The District may sell or dispose of the System or any part thereof upon compliance with the provisions of the Bond Order. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER — Covenants Against Sale and Exceptions Thereto” in APPENDIX D hereto.

Pledge of Net Receipts

The Net Receipts of the System are pledged to the payment of, and as security for, the Bonds, the Enka Bond and any other Parity Indebtedness or Subordinated Indebtedness. See “—Parity Indebtedness and Subordinated Indebtedness” herein.

Net Receipts for any period means the excess, if any, of Gross Receipts after the payment of Current Expenses for such period. Gross Receipts generally include all receipts, revenues, income, proceeds and money received in any period by or for the District in respect of the System. Current Expenses generally include the District's current expenses for the operation, maintenance and repair of the System as determined in accordance with generally accepted accounting principles, except that Current Expenses do not include reserves for extraordinary replacements and repairs, allowances for depreciation or amortization of financing expense, deposits to any fund, account or subaccount created by the Bond Order or any Series Resolution or debt service payments or deposits in respect of Parity Debt, Subordinated Indebtedness or System G.O. Indebtedness. See APPENDIX D hereto for complete definitions of "Gross Receipts" and "Current Expenses."

Subject to compliance with applicable provisions of North Carolina law, the District may issue general obligation bonds, secured by the ad valorem taxing power of the District, to finance the costs of improvements to the System. The District currently has no System G.O. Indebtedness. Under the Bond Order, System G.O. Indebtedness is not secured by a pledge of and lien on the Net Receipts, but may be paid from Net Receipts following the payment of the Bonds and Parity Debt, Subordinated Indebtedness and any required transfers to reserve funds. See "—Application of Gross Receipts" herein. In addition, although the Bond Order does not create a pledge of and lien on the Net Receipts on behalf of the holders of System G.O. Indebtedness, North Carolina law requires that revenues, if any, of a utility or public service enterprise must be applied, first, to pay the operating, maintenance and capital outlay costs of the utility or enterprise, and, second, to pay the bonds incurred to finance the utility or enterprise before such funds may be used for any other purpose. Therefore, although the District is not required by law to collect rates, fees and charges sufficient to pay debt service on System G.O. Indebtedness, to the extent such rates, fees and charges are collected, they must be applied to pay debt service on System G.O. Indebtedness to the extent amounts are available for such purpose following payment of Current Expenses, capital outlay, debt service on Parity Debt and Subordinated Indebtedness and required reserve fund transfers.

Funds and Accounts

Revenue Account. The Revenue Account will be administered by the District and will not be a Trustee-held fund. The District will deposit all Gross Receipts as received in the Revenue Account. In addition, all proceeds of any Derivative Agreement will be deposited in the Revenue Account. However, on the occurrence of any Event of Default under the Bond Order, the Trustee may, and on the written request of the Owners and Holders of not less than a majority in aggregate principal amount of Parity Indebtedness then Outstanding will, (a) require the District to endorse all checks and other negotiable instruments representing Gross Receipts to the order of the Trustee immediately on receipt thereof and deliver such endorsed instruments daily to the Trustee, (b) notify any or all account debtors of the District to pay any amounts representing Gross Receipts, when due and owing, directly to the Trustee and (c) require the District to deliver to the Trustee all money and Investment Obligations held by the District in the Revenue Account. The disposition of Gross Receipts held by the Trustee under (a), (b) and (c) above is subject to the provisions of the Bond Order governing the disposition of Gross Receipts to the same extent as if the District had deposited such Gross Receipts in the Revenue Account.

Bond Fund. The Bond Fund is held by the Trustee and consists of six separate accounts known as the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account and the Parity Reserve Account. Each series resolution authorizing a Series of Bonds will provide for the creation, to the extent applicable, of separate subaccounts within the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account relating to the Series of Bonds authorized by such series resolution. Moneys held in such subaccounts are pledged to the payment of the principal of (whether at maturity or pursuant

to mandatory sinking fund redemption) and interest on the Series of Bonds for which such subaccounts are established.

Parity Reserve Account. Each Parity Resolution providing for the issuance or incurrence of Parity Indebtedness may provide that the Parity Indebtedness authorized thereby will be secured by the Parity Reserve Account. If any Parity Indebtedness is secured by the Parity Reserve Account, the District must fund the Parity Reserve Account in an amount equal to the Parity Reserve Account Requirement at the time of delivery and payment for such Parity Indebtedness. If the Parity Resolution authorizing Parity Indebtedness does not provide that such Parity Indebtedness will be secured by the Parity Reserve Account, such Parity Indebtedness will have no claim on the Parity Reserve Account. Moneys on deposit in the Parity Reserve Account (or provided under a Reserve Alternative Instrument) will be used as necessary to pay the principal of and interest on all Parity Indebtedness secured by the Parity Reserve Account to the extent that moneys on deposit for such payment are insufficient therefor. The Series 2009 Bonds will not be secured by the Parity Reserve Account.

Special Reserve Account. A Parity Resolution authorizing Parity Indebtedness may also provide for the creation of a Special Reserve Account to be maintained by the Trustee or a Depository that will secure only the Parity Indebtedness authorized by such Parity Resolution. The Series 2009 Bonds will not be secured by a Special Reserve Account.

Insurance and Condemnation Award Fund. The Insurance and Condemnation Award Fund will be held by the Trustee. Under certain circumstances described in the Bond Order, Net Insurance Proceeds and Net Eminent Domain Proceeds are required to be deposited by the District in the Insurance and Condemnation Award Fund. Moneys held in the Insurance and Condemnation Award Fund will be (a) disbursed to replace, repair, rebuild or restore the System or to redeem Bonds or Parity Debt in the manner set forth in the Bond Order or (b) transferred to the District's General Fund or any other fund or account designated by the District if the System has been restored with other funds of the District which were not subject to the lien in favor of the Owners and Holders. See "Insurance and Condemnation Award Account" in APPENDIX D hereto.

Capital Reserve Fund. The Capital Reserve Fund will be administered by the District and will not be a Trustee-held fund. Moneys held in the Capital Reserve Fund will be used (a) in the District's sole discretion, to make deposits to the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Fund Account to remedy any deficiency therein or to pay the interest on or the principal of or amortization requirements in respect of any Parity Debt when due, whenever moneys are insufficient for such purposes and (b) to pay all or a portion of the cost of unusual or extraordinary maintenance, repairs, renewals or replacements or capital improvements related to the System. The Capital Reserve Fund is currently funded at the Capital Reserve Fund Requirement. DEPOSITS TO THE CAPITAL RESERVE FUND BY THE DISTRICT TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS IS WHOLLY DISCRETIONARY, AND NO MONEYS ARE CURRENTLY BEING DEPOSITED THEREIN FOR SUCH PURPOSE. THE OWNERS OF THE SERIES 2009 BONDS SHOULD NOT ANTICIPATE THAT MONEYS WILL BE AVAILABLE IN THE CAPITAL RESERVE FUND TO PAY PRINCIPAL OF OR INTEREST ON THE SERIES 2009 BONDS.

Series 2009A Project Account. On the delivery date of the Series 2009A Bonds, the District will cause to be deposited with the Trustee, from the proceeds of the Series 2009A Bonds, to the credit of the Series 2009A Project Account in the Construction Fund, such amount as is required by the 2009A Series Resolution. The Series 2009A Project Account will be governed by the provisions of the Bond Order, and the moneys in the Series 2009A Project Account will be applied to pay the cost of the 2009 Project and the costs of issuance of the Series 2009A Bonds.

Series 2009B Costs of Issuance Account. On the delivery date of the Series 2009B Bonds, the District will cause to be deposited with the Trustee, from the proceeds of the Series 2009B Bonds, to the credit of the Series 2009B Costs of Issuance Account established in the 2009B Series Resolution such amount as is required by the 2009B Series Resolution. The Series 2009B Costs of Issuance Account will be governed by the provisions of the Bond Order and the moneys will be applied to pay the costs of issuance of the Series 2009B Bonds.

Application of Gross Receipts

The District will pay Current Expenses from Gross Receipts deposited in the Revenue Account, and Current Expenses will be a first charge against the Revenue Account; provided, however, that the District may pay Current Expenses from any other legally available sources. Current Expenses will be paid as they become due and payable in conformity with the District's applicable budgetary and payment procedures. At such time or times as are specifically provided for in the Bond Order or in any Parity Debt Resolution or Derivative Agreement, the District will use amounts on deposit in the Revenue Account to make the required deposits under such documents.

Each Series Resolution provides that, with respect to the related Series 2009 Bonds, the District will deposit with the Trustee from moneys held in the Revenue Account the following amounts, for application in the following order:

- (a) into the applicable Series 2009 Subaccount of the Interest Account, two Business Days prior to the next ensuing Interest Payment Date, an amount equal to the interest payable on the applicable Series 2009 Bonds on such Interest Payment Date;
- (b) into the applicable Series 2009 Subaccount of the Principal Account, two Business Days prior to July 1 of each year, an amount equal to the principal of all applicable Serial Bonds due on such July 1; and
- (c) into the Series 2009A Subaccount of the Sinking Fund Account, two Business Days prior to July 1 of each year, the amount required to retire the applicable Series 2009A Bonds that are Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such July 1, in accordance with the Sinking Fund Requirements therefor.

The deposits required by the applicable Series Resolution mentioned above are subject to the provisions of the Bond Order which provides that the District will deposit from moneys held in the Revenue Account the following amounts, for application in the following manner and order:

- (a) (i) at such time or times as provided in the Parity Resolutions, the District will deliver to the Trustee (1) the amounts required in any series resolution for deposit to the appropriate subaccounts of the Interest Account and (2) the amounts required by any Parity Debt Resolution for the payment of interest on such Parity Debt for deposit with or payment to the appropriate Persons designated in such Parity Debt Resolution and (ii) if a Derivative Agreement provides for any payments thereunder by the District relating to interest on Parity Indebtedness constituting

Derivative Indebtedness, then at such time or times as provided in the Derivative Agreement the District will deliver to the Trustee for deposit with or payment to the Person designated in the Derivative Agreement the amount of such interest required by such Derivative Agreement to be paid thereunder by the District, provided that if there are not sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to each such subaccount and appropriate Person designated in such Parity Debt Resolution or Derivative Agreement ratably according to the amount so required to be deposited or paid;

(b) at such time or times as provided in the Parity Resolutions, the District will deliver to the Trustee (1) the amounts required in any series resolution for deposit to the appropriate subaccounts of the Principal Account and the Sinking Fund Account and (2) the amounts required by any Parity Debt Resolution for the payment of principal on Parity Debt, whether at maturity or pursuant to an amortization requirement, for deposit with or payment to the appropriate Persons designated in such Parity Debt Resolution, provided that if there are not sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to each such subaccount and appropriate Person designated in such Parity Debt Resolution ratably according to the amount so required to be deposited or paid;

(c) at such time or times as provided in the Parity Resolutions, if the amount in the Parity Reserve Account is less than the Parity Reserve Account Requirement or the amount in any Special Reserve Account is less than the applicable Special Reserve Account Requirement, the District will deliver to the Trustee the amounts required by the Bond Order to replenish any deficiency in the Parity Reserve Account and the amounts required by any series resolution or Parity Debt Resolution to make up any deficiencies in any Special Reserve Accounts for deposit in such Special Reserve Accounts or payment to the appropriate parties designated in such series resolution or Parity Debt Resolutions, provided that if there is not sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made among the Parity Reserve Account and each Special Reserve Account ratably according to the amounts so required to be deposited or paid;

(d) so long as System G.O. Indebtedness is outstanding, the District, in its sole discretion, may pay interest on and principal of System G.O. Indebtedness as the same become due and payable;

(e) as long as installment purchase, lease purchase, conditional sale contract or other similar types of indebtedness incurred to finance all or any part of the System are outstanding, the District, in its sole discretion, may pay interest on and principal of such indebtedness, or corresponding installment, lease or other similar type payments, as the same become due and payable; and

(f) beginning on July 25 of each Fiscal Year, and thereafter on the 25th day of each month, the District will deposit to the credit of the Capital Reserve Fund 1/12th of the difference between the amount on deposit therein at the close of business on the immediately preceding July 24th and the Capital Reserve Fund Requirement.

The District may provide in a Subordinated Indebtedness Resolution for the disposition of Net Receipts for the principal of or interest on Subordinated Indebtedness or in a Derivative Agreement for the making of payments or repayments thereunder on a subordinated basis prior to the deposits required by clauses (d), (e) and (f) above, but only after making the required deposits or payments required by clauses (a), (b) and (c) above.

Except during the continuation of an Event of Default, the District, in its discretion, after making the deposits required by clauses (a), (b), (c), (d), (e) and (f) above, may transfer any balance remaining in the Revenue Account in each month, in whole or in part, to the General Fund or any fund or account designated by the District, provided that (1) an Authorized Officer first certifies to the Trustee that, in his or her opinion, the transfer of such amount will not have a materially adverse effect on the District's ability over the next 12 calendar months to pay Current Expenses, to make the deposits required under the Bond Order and to meet all other financial obligations imposed by the Bond Order or any Parity Resolution and (2) the amount transferred in any month does not exceed 1/12th of the total amount budgeted to be transferred from the Revenue Account in such Fiscal Year as shown in the Annual Budget multiplied by the number of full months elapsed in such Fiscal Year less amounts previously transferred from the Revenue Account in such Fiscal Year. ANY MONEYS SO TRANSFERRED, OTHER THAN TRANSFERS MADE TO ANY ACCOUNT OR SUBACCOUNT OF THE BOND FUND, WILL NO LONGER BE SUBJECT TO THE PLEDGE, CHARGE AND LIEN UPON THE NET RECEIPTS CREATED BY THE BOND ORDER.

Notwithstanding anything in the Series Resolutions to the contrary, the District's obligation to make any and all termination payments or other fees, expenses, indemnification or other obligations under any Derivative Agreement entered into with respect to the Series 2009 Bonds, other than required payments thereunder by the District relating to interest on Parity Indebtedness constituting Derivative Indebtedness, will be subordinate and junior in right of payment to the prior payment in full of Parity Indebtedness and Subordinated Indebtedness, and will be payable by the District after the payments required by clauses (a), (b), (c), (d), (e) and (f) above. The obligation of the District described in the preceding sentence will not constitute Indebtedness for purposes of the Bond Order and the Series Resolutions.

General Fund

The Bond Order creates a General Fund established with a Depository of the District to the credit of which the District may make deposits monthly. The Bond Order also provides for the deposit to the credit of the General Fund of any moneys representing acreage, tap, connection, developer, plant capacity, sampling and monitoring fees, impact fees, special assessment and similar fees and charges and grants.

Under the Bond Order, moneys in the General Fund which represent Gross Receipts and such acreage, tap, connection, developer, plant capacity, sampling and monitoring fees, impact fees, special assessment and similar fees and charges and grants (less the allocable costs of providing the capital improvements in connection with which such fees and charges and grants are collected and any amounts of such fees and charges which are otherwise obligated) may be used for any lawful purpose of the District.

Parity Indebtedness and Subordinated Indebtedness

Under the conditions and limitations set forth in the Bond Order and without the approval or consent of the Owners or Holders of Indebtedness, the District may issue or incur additional Parity Indebtedness secured by a pledge, charge and lien upon the Net Receipts on a parity with the Series 2009 Bonds. See "Limitation on Parity Indebtedness" in APPENDIX D hereto.

Under the conditions and limitations set forth in the Bond Order and without the approval or consent of the Owners or Holders of Indebtedness, the District may issue or incur Subordinated Indebtedness which shall be subordinate and junior in right of payment to the prior payment in full of Parity Indebtedness to the extent and in the manner set forth in the Bond Order and that may be made payable from Net Receipts but only after the District has made the cash deposits required under the Bond

Order to pay, among other things, principal of and interest on the Series 2009 Bonds and any other Parity Indebtedness, and the amounts required by the related documentation to make up any deficiencies in the Parity Reserve Account or any Special Reserve Account. See “Limitation on Subordinated Indebtedness” in APPENDIX D hereto.

Rate Covenant

Under the Bond Order, the District has covenanted as follows:

(a) to fix, charge and collect rates, fees, rentals and charges for the use of and for the services furnished or to be furnished by the System, and from time to time and as often as it shall appear necessary, to revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Income Available for Debt Service for each Fiscal Year will not be less than the greater of (1) 120% of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year or (2) 100% of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year; and

(b) to fix, charge and collect rates, fees, rentals and charges for the use of and for the services furnished or to be furnished by the System, and from time to time and as often as it shall appear necessary to revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Gross Receipts will be sufficient in each Fiscal Year (1) to pay the Current Expenses, (2) to make the cash deposits in each Fiscal Year required under the Bond Order to pay, among other things, principal of and interest on the Bonds and any other Parity Indebtedness, and the amounts required by the related documentation to make up any deficiencies in the Parity Reserve Account or any Special Reserve Account and (3) to make the cash deposits in each Fiscal Year required by any Subordinated Indebtedness Resolutions with respect to the payment of interest on or principal of Subordinated Indebtedness.

In addition, the District has covenanted that all users will pay for services at the established rates, fees and charges established by the District from time to time in accordance with the District’s customary billing practices and policies.

THE PLAN OF FINANCE AND REFUNDING

The District is issuing the Series 2009A Bonds for the purpose of providing funds, together with other available funds, to (1) pay certain costs of the 2009 Project and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2009A Bonds. The District is issuing the Series 2009B Bonds for the purpose of providing funds, together with other available funds, to (1) refund the outstanding Series 1999 Bonds, and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2009B Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2009 Project

The 2009 Project consists of various improvements to the System including (1) the replacement and rehabilitation of various sewer interceptors and collection lines and (2) the replacement of, and installation of equipment for, certain portions of the wastewater treatment plant of the District. Certain details relating to the 2009 Project are set forth below.

Lower Smith Mill Creek Interceptor. This project involves the replacement of an interceptor line, which is located in West Asheville, adjacent to Patton Avenue, along Smith Mill Creek. This interceptor serves the major western commercial corridor for the City of Asheville. Historically, this line

has had a number of problems, including numerous sanitary sewer overflows (“SSO’s”), access issues, and significant structural defects which have contributed to groundwater and surface water infiltration/inflow into the old line. The replacement project includes 7,226 linear feet (“LF”) of 18-inch and 20-inch ductile iron pipe (“DIP”).

Middle Beaverdam Creek Interceptor. This project involves the replacement of an interceptor line, which is located in the North Asheville/Woodfin area and runs along U.S. Highway 25 (Merrimon Avenue) between Elkwood Road and U.S. Highway 19/23. This interceptor serves the Beaverdam Creek Valley, which also includes a commercial corridor serving North Asheville. The old line has accessibility problems, including structures constructed over or near it, and is structurally deficient. There have been four SSO’s on this interceptor line in recent years. The replacement project includes 3,949 LF of 8-inch through 30-inch DIP.

Reems Creek Interceptor Sewer Rehabilitation. This project involves the rehabilitation of an interceptor line, which is located in northern Buncombe County along Reems Creek. This interceptor line serves the Reems Creek Basin, which also includes the Town of Weaverville. The project is necessary due to numerous maintenance problems associated with this line, which include poor structural condition triggering SSO’s, accessibility to the line, and inadequate line capacity. The rehabilitation project includes 15,032 LF of 24-inch through 30-inch DIP.

Sweeten Creek at Rock Hill Road Interceptor Sewer Rehabilitation. This project involves the rehabilitation of an interceptor line, which is located in South Asheville along Sweeten Creek Road. This interceptor line serves one of two southern commercial corridors for the City of Asheville. Problems with the old line have included poor structural condition, repeated maintenance calls, SSO’s, and limited capacity. Work on this project is particularly difficult due to steep terrain in one area, access between existing businesses, existing structures built over the line, and multiple stream crossings. The rehabilitation project includes 5,800 LF of 8-inch through 16-inch DIP.

Town Branch Interceptor Sewer Rehabilitation. This project involves the rehabilitation of an interceptor line, which is located in Asheville’s River District, near the Norfolk Southern train yard at Depot Street. This interceptor line serves a large central portion of the City of Asheville, as well as several older neighborhoods surrounding the City of Asheville. The interceptor line passes under multiple train tracks, and will be relocated due to the close proximity to some existing railroad structures. There have been multiple SSO’s on the line and the District’s System Services Department has had to make multiple repairs to the line. The rehabilitation project includes 1,339 LF of 8-inch through 30-inch DIP.

Intermediate Pump Replacement. This project is located at the District’s Water Reclamation Facility. It involves replacement of the District’s aged intermediate pumps, which are used to pump water from the final rotating biological contact basin to the intermediate clarifier. These pumps are critical to plant operations because all plant flows must pass through them. The old pumps are inefficient and hydraulically-driven (using fluid to pump fluid). They also pose a contamination risk, due to the hydraulic oil used to power them. The new pumps will be electric and much more efficient. The new pumps are projected to save an estimated \$72,000 per year in energy costs.

For more information on the System and its various facilities and components, including the 2009 Project, see “The Sewerage System,” “The Wastewater Treatment Plant” and “Capital Improvements Program” in APPENDIX A hereto.

Refunding of the Series 1999 Bonds

To accomplish the refunding of the Series 1999 Bonds stated to mature on July 1, in the years 2010, 2011, 2013 and 2019, the District has called such Series 1999 Bonds for redemption on October 7, 2009, the date of issuance of the Series 2009B Bonds. The District intends to apply proceeds of the Series 2009B Bonds, together with certain funds held by the trustee for the Series 1999 Bonds and other funds contributed by the District, to pay the principal of and interest and redemption premium on the Series 1999 Bonds stated to mature on July 1, in the years 2010, 2011, 2013 and 2019, on their redemption date.

To accomplish the refunding of the Series 1999 Bonds stated to mature on July 1, 2012, the District has made arrangements for The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (the "Escrow Agent"), to purchase, from a portion of the proceeds of the Series 2009B Bonds, non-callable U.S. Government Obligations, the principal of and interest on which, when due, together with other moneys to be deposited with the Escrow Agent, will provide sufficient moneys to enable the Escrow Agent to deposit with itself, as bond registrar, sufficient moneys to pay on January 1, 2010, the redemption price of the Series 1999 Bonds stated to mature on July 1, 2012 and the interest accruing on such Series 1999 Bonds through such date.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated funds available from the proceeds of the Series 2009A Bonds and the Series 2009B Bonds and the estimated uses of such funds are as follows:

Sources of Funds:

Principal Amount of Series 2009A Bonds	\$ _____
Principal Amount of Series 2009B Bonds	_____
Net Original Issue [Premium/Discount] on Series 2009A Bonds	_____
Net Original Issue [Premium/Discount] on Series 2009B Bonds	_____
[Trustee-held Funds]	_____
 Total Sources of Funds	 \$ _____

Uses of Funds:

2009 Project Costs	\$ _____
Redemption of the Series 1999 Bonds	_____
Costs of Issuance ¹	_____
 Total Uses of Funds	 \$ _____

¹ Includes underwriters' discount, fees and expenses of Bond Counsel and counsel to the District, fees and expenses of the Trustee and miscellaneous expenses.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for all outstanding Parity Indebtedness:

Fiscal Year Ending June 30	Outstanding Bonds ^{1, 2}	Series 2009A Bonds	Series 2009B Bonds	Total Debt Service Requirements
2010	\$7,567,805			
2011	4,326,003			
2012	4,278,103			
2013	4,248,663			
2014	4,256,672			
2015	7,783,350			
2016	7,778,344			
2017	6,562,528			
2018	4,882,391			
2019	4,875,615			
2020	4,876,778			
2021	5,955,003			
2022	5,963,430			
2023	5,960,122			
2024	4,460,861			
2025	4,436,648			
2026	4,438,589			
2027	4,453,946			
2028	4,464,838			
2029	4,468,691			
2030	4,478,696			
2031	1,287,398			
2032	1,288,609			
2033				
2034				
Total				

¹ Includes debt service with respect to the Enka Bond, the Series 1992A Bonds, the Series 1992B Bonds, the Series 2001 Bonds, the Series 2003 Bonds, the Series 2008A Bonds and the Series 2008B Bonds. Excludes debt service with respect to the Series 1999 Bonds to be refunded by the Series 2009B Bonds, except for the principal and interest payment with respect to the Series 1999 Bonds in the amount of \$1,474,468.13 made by the District on July 1, 2009.

² Includes interest with respect to the Series 2008A Bonds at the fixed swap rate of 3.4175% per annum and interest on the Series 2008B Bonds at an assumed rate of 3.50% per annum.

NOTE: Certain amounts may not foot due to rounding.

THE DISTRICT

The District is a public body and body politic and corporate of the State of North Carolina, exercising public and essential governmental functions and organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, being Article 5, Chapter 162A of the General Statutes of North Carolina, as amended. Certain information with respect to the District and the System is set forth in APPENDIX A hereto. APPENDIX C hereto contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2008, including the notes thereto.

Historical Income Available for Debt Service and Debt Service Coverage

The table below presents the Income Available for Debt Service of the District for the five Fiscal Years ended June 30, 2004 to 2008 (audited) and for the Fiscal Year ended June 30, 2009 (unaudited) and the ratio of Income Available for Debt Service to the Long-Term Debt Service Requirement on the Bonds at the time Outstanding under the Bond Order and the Enka Bond. The table was prepared using the District's audited financial statements for the five Fiscal Years ended June 30, 2004 to 2008 (restated to present any prior period amounts in the proper year) and the District's internal financial statements for the Fiscal Year ended June 30, 2009 and the provisions of the Bond Order applicable to the determination of Income Available for Debt Service. These calculations of Income Available for Debt Service, defined in the Bond Order as being the excess of Revenues over Current Expenses, differ in several important aspects from the District's calculations of net income prepared in conformity with generally accepted accounting principles in that they do not include certain revenues and expenses as specified in the Bond Order. See "DEFINITIONS OF CERTAIN TERMS" in APPENDIX D hereto for the definitions of "Current Expenses" and "Revenues."

	FISCAL YEAR ENDED JUNE 30					
	2004	2005	2006	2007	2008	2009 Unaudited
Revenues						
Operating	\$24,791,169	\$25,030,325	\$25,988,211	\$29,020,695	\$28,603,655	\$28,253,167
Nonoperating	447,907	1,345,629	1,820,511	2,176,555	1,692,182	1,083,696
Less:						
(Gain) loss on sale of capital assets	0	\$(60,985)	\$101,491	\$13,698	\$49,926	(\$36,108)
Gifts, grants, donations	0	(396,484)	0	(19,862)		
Pump Station Acceptance and Other Fees				(642,272)	(210,972)	
Investment income—restricted accounts	(229,969)	(557,179)	(1,439,469)	(1,401,495)	(1,024,861)	(427,341)
Tap and facility fees	(2,081,110)	(1,799,035)	(2,511,050)	(3,054,950)	(3,005,184)	(2,957,515)
Total Revenues	\$22,927,997	\$23,562,271	\$23,959,694	\$26,092,369	\$26,104,746	\$25,915,899
Current Expenses						
Operating	\$16,356,341	\$18,488,479	\$19,553,799	\$19,783,776	\$19,135,947	\$20,885,516
Nonoperating	2,797,268	3,549,934	4,233,614	4,005,421	3,827,691	3,062,142
Less:						
Depreciation	\$(5,780,468)	\$(7,319,331)	\$(7,700,136)	\$(7,806,535)	\$(7,065,752)	\$(8,417,274)
Amortization	(93,432)	(67,760)	(81,306)	(80,684)	(91,286)	(73,887)
Interest	(2,703,836)	(3,482,174)	(4,152,308)	(3,3924,737)	(3,736,405)	(2,988,255)
Total Current Expenses	\$10,575,873	\$11,169,148	\$11,853,663	\$11,977,241	\$12,070,195	\$12,468,242
Income Available for Debt Service	\$12,352,124	\$12,393,123	\$12,106,031	\$14,115,128	\$14,034,551	\$13,447,657
Long-Term Debt Service Requirement	\$6,603,923	\$6,946,701	\$7,866,765	\$8,066,669	\$8,074,031	\$7,600,385
Ratio of Income Available for Debt Service to Long-Term Debt Service Requirement¹	1.87x	1.78x	1.54x	1.75x	1.74x	1.77x

¹ The District's audited financial statements for the Fiscal Years ended June 30, 2004 through 2008 reflect ratios of Income Available for Debt Service to Long-Term Debt Service Requirement of 1.87x, 1.97x, 1.52x, 1.73x and 1.71x, respectively. The ratios in the District's audited financial statements for such Fiscal Years were calculated using the budgeted Long-Term Debt Service Requirement for each such Fiscal Year. The ratios in the table above are calculated in accordance with the terms of the Bond Order using the actual Long-Term Debt Service Requirement for each Fiscal Year shown.

LEGAL MATTERS

Litigation

No litigation is now pending or, to the best of the District's knowledge, threatened against or affecting the District which seeks to restrain or enjoin the authorization, execution or delivery of the Series 2009 Bonds, the Bond Order or the Series Resolutions, or which contests the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2009 Bonds, or the District's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the District's authorization, execution and delivery of the Bond Order, the Series Resolutions or the Series 2009 Bonds, or the District's authority to carry out its obligations thereunder, or which would have a material adverse effect on the District's condition, financial or otherwise.

Opinions of Counsel

The authorization and issuance of the Series 2009 Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel. The proposed forms of opinion of Bond Counsel are set forth in APPENDIX E hereto. Certain legal matters will be passed upon for the Underwriters by McGuireWoods LLP, Charlotte, North Carolina, counsel to the Underwriters, and for the District by Roberts & Stevens, P.A., Asheville, North Carolina, counsel to the District.

TAX TREATMENT

Opinion of Bond Counsel

The District has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Series 2009 Bonds for purposes of federal income taxation. In the opinion of Sidley Austin LLP, Bond Counsel, assuming compliance by the District with such provisions of the Code, interest on the Series 2009 Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation under existing law. Failure by the District to comply with such applicable requirements may cause interest on the Series 2009 Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2009 Bonds. The opinion of Sidley Austin LLP states that such opinion may not be relied upon to the extent that the exclusion from gross income of the interest on the Series 2009 Bonds for federal income tax purposes is adversely affected as a result of the taking of any action, or the failure to take any action, in reliance upon the opinion of counsel other than such firm.

In the opinion of Sidley Austin LLP, Bond Counsel, interest on the Series 2009 Bonds will not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Interest on the Series 2009A Bonds is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability, however, interest on the Series 2009B Bonds is included as an adjustment in calculating federal corporate alternative minimum taxable income for such purposes. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin LLP, Bond Counsel, renders no opinion, as a result of ownership of the Series 2009 Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

In the opinion of Sidley Austin LLP, Bond Counsel, under existing law, interest on the Series 2009 Bonds is exempt from all State of North Carolina income taxes.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Series 2009 Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2009 Bonds with original issue discount (a “Discount Bond”) will be excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2009 Bonds. In general, the issue price of a maturity of the Series 2009 Bonds is the first price at which a substantial amount of Series 2009 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser’s adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes. Original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed below. In addition, a portion of the original issue discount that accrues in each year to a corporate owner of a Series 2009B Bond that is a Discount Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements, other collateral federal income tax consequences, and in the case of a corporate owner of a Series 2009B Bond that is a Discount Bond, an alternative minimum tax liability, although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale, or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Series 2009 Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Bond Premium

The excess, if any, of the tax basis of Series 2009 Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2009 Bonds as inventory, stock in trade, or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Bond premium is amortized over the term of such Series 2009 Bonds for federal income tax purposes (or, in the case of a bond with bond premium 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 such bond). Owners of such Series 2009 Bonds are required to decrease their adjusted basis in such Series 2009 Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2009 Bonds are held. The amortizable bond premium on such Series 2009 Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium on such Series 2009 Bonds is treated as an offset to qualified stated interest received on such Series 2009 Bonds. Owners of such Series 2009 Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Series 2009 Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2009 Bonds.

Backup Withholding

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Series 2009 Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2009 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Other Tax Consequences

The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which Sidley Austin LLP, Bond Counsel, expresses no opinion, as a result of ownership of the Series 2009 Bonds or the inclusion in certain computations of interest on the Series 2009 Bonds that it excluded from gross income for purposes of federal income taxation.

PROSPECTIVE PURCHASERS OF THE SERIES 2009 BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICABILITY AND IMPACT OF ANY SUCH COLLATERAL TAX CONSEQUENCES.

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of Series 2009 Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Future Tax Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2009 Bonds to be subject, directly or indirectly, to federal income taxation, or interest on the Series 2009 Bonds to be subject to state or local income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Series 2009 Bonds. Prospective purchasers of the Series 2009 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Sidley Austin LLP, Bond Counsel, expresses no opinion.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina provides that the Series 2009 Bonds are securities in which all public officers and public bodies of the State of North Carolina and its political subdivisions and agencies and insurance companies, trust companies, investment companies, banks, savings banks, building and loan associations, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State of North Carolina, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, and the Series 2009 Bonds are securities that may properly and legally be deposited with and received by any State of North Carolina or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is now or may hereafter be authorized by law.

CONTINUING DISCLOSURE OBLIGATIONS

In the Series Resolutions, the District will undertake, for the benefit of the beneficial owners of the Series 2009 Bonds, to provide:

(a) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ended June 30, 2009, to the Electronic Municipal Market Access system (“EMMA”) (<http://emma.msrb.org>), the audited financial statements of the District for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not available by seven months from the end of such Fiscal Year, the unaudited financial statements of the District for such Fiscal Year to be replaced subsequently by the audited financial statements of the District to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ended June 30, 2009, to EMMA, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings “THE DISTRICT – Historical Income Available for Debt Service and Debt Service Coverage” herein and “Rates, Fees and Charges” and “Commercial Customers” in APPENDIX A hereto, to the extent such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner, to EMMA, notice of any of the following events with respect to the Series 2009 Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2009 Bonds;
- (8) redemption of any of the Series 2009 Bonds other than mandatory sinking fund redemptions;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Series 2009 Bonds;
and
- (11) rating changes; and

(d) in a timely manner, to EMMA, notice of a failure of the District to provide required annual financial information described in (a) or (b) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires that the District's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The Series Resolutions will provide that the undertaking described above is enforceable by any beneficial owner of the Series 2009 Bonds including an action for specific performance, but the District's failure to comply with the undertaking will not constitute an Event of Default and will not result in any acceleration of payment of the Series 2009 Bonds. An action must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2009 Bonds.

Pursuant to the Series Resolutions, the District will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the District, provided that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12") as of the date of the Official Statement with respect to the Series 2009 Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined by Bond Counsel, or by approving vote of the Owners of a majority in principal amount of the Series 2009 Bonds pursuant to the terms of the Bond Order, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information 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.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2009 Bonds.

The District has not failed to comply with any prior continuing disclosure undertakings under Rule 15c2-12.

UNDERWRITING

The Underwriters have entered into a Bond Purchase Agreement to purchase (i) all of the Series 2009A Bonds, if any of the Series 2009A Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, less an underwriters' discount of \$_____ and [less] [plus] a net original issue [discount] [premium] of \$_____, and (ii) all of the Series 2009B Bonds, if any of the Series 2009B Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, less an underwriters' discount of \$_____ and [less] [plus] a net original issue [discount] [premium] of

\$_____. The obligation of the Underwriters to pay for the Series 2009 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing the Series 2009 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wachovia Bank, National Association.

RATINGS

The 2009 Bonds have been assigned ratings of “___” by Fitch Ratings, Inc. (“Fitch”), “___” by Moody’s Investors Service, Inc. (“Moody’s”) and “___” by Standard & Poor’s Ratings Services (“S&P”). Further explanation of the significance of such ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004 (800-753-4824); from Moody’s at 250 Greenwich Street, New York, New York 10007 (212-553-0300); and from S&P at 55 Water Street, New York, New York 10041 (212-438-2124). The ratings are not a recommendation to buy, sell or hold the 2009 Bonds and should be evaluated independently. No assurance can be given that such ratings will not be withdrawn or revised downward by Fitch, Moody’s or S&P. Any such action may have an adverse effect on the market price of the 2009 Bonds. Neither the District nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2009 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL STATEMENTS

The financial statements of the District as of June 30, 2008 and for the year then ended have been audited by the District’s independent certified public accountants. APPENDIX C hereto contains the District’s general purpose financial statements and the notes thereto, lifted from the District’s audited financial statements for the Fiscal Year ended June 30, 2008, including the notes thereto.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, Minneapolis, Minnesota, a firm of independent certified public accountants, will deliver to the District and the Underwriters on or before the date of delivery of the Series 2009 Bonds its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, certain information and assertions provided by the Underwriters on behalf of the District. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the U.S. Government Obligations held in escrow by the Escrow Agent to pay on January 1, 2010, the redemption price of the Series 1999 Bonds stated to mature on July 1, 2012 and the interest accruing on such Series 1999 Bonds through such date.

The examination performed by Grant Thornton LLP is to be solely based on data, information and documents provided to Grant Thornton LLP by the Underwriters. The attestation report of its examination will state that Grant Thornton LLP has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

MISCELLANEOUS

The references herein to the Bond Order and the Series Resolutions are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the actual documents, copies of which are available for inspection in the offices of the District, for the full and complete provisions thereof.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the Owners of the Series 2009A Bonds or the Series 2009B Bonds.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2009 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement other than those made in APPENDIX F hereto. The District and the LGC have authorized the execution and delivery of this Official Statement.

**LOCAL GOVERNMENT COMMISSION OF
NORTH CAROLINA**

By: _____
Secretary of the Commission

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY**

By: _____
Chairman of District Board

By: _____
General Manager

**METROPOLITAN SEWERAGE
DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA**

**INFORMATION ON THE SERVICE AREA
OF THE METROPOLITAN SEWERAGE DISTRICT**

DISTRICT FINANCIAL STATEMENTS

The financial statements of the District as of June 30, 2008 and for the year then ended have been audited by the District's independent certified public accountants. This Appendix contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2008, including the notes thereto.

**DEFINITIONS OF CERTAIN TERMS
AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**PROPOSED FORMS OF
OPINION OF BOND COUNSEL**

Appendix E-1: Proposed Form of Opinion of Bond Counsel with respect to the Series 2009A Bonds

Appendix E-2: Proposed Form of Opinion of Bond Counsel with respect to the Series 2009B Bonds

**THE NORTH CAROLINA
LOCAL GOVERNMENT COMMISSION**

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission of North Carolina (the “LGC”), a division of the Department of State Treasurer, is a state agency that supervises the issuance of the bonded indebtedness of all North Carolina units of local government and most public authorities, including the District, and provides assistance in the area of fiscal management.

The LGC has a number of functions with respect to fiscal management of units of local government and public authorities. The LGC monitors compliance with certain fiscal and accounting standards prescribed by the North Carolina Local Government Budget and Fiscal Control Act and attempts to ensure that units of local government and public authorities follow generally accepted accounting principles, systems and practices. Such Act requires each unit of local government and each public authority to operate under a balanced budget and to have its accounts audited annually by a certified public accountant or by an accountant certified by the LGC as qualified to audit local government accounts. As of this date, no audit contract to be performed by an accountant other than an independent certified public accountant has been approved by the LGC. The LGC has the statutory authority to impound the books and records of any unit of local government and of public authorities subject to its jurisdiction, including the District, and assume full control of all its financial affairs if the unit of local government or public authority defaults on any debt service payment or, in the opinion of the LGC, will default on a future debt service payment if its financial policies and practices are not improved. If the LGC elects to exercise this authority, it is vested with all of the powers of the governing board of such unit of local government or public authority as to the levy of taxes, if applicable, expenditure of money, adoption of budgets and all other financial powers conferred upon the governing board by law. Moreover, if a unit of local government or public authority defaults on a required payment of principal of or interest on its outstanding debt and remains in default for 90 days, the LGC may take such action as it deems advisable to investigate the fiscal affairs of the unit of local government or public authority and negotiate with its creditors in order to assist in working out a plan for refinancing or adjusting such debt. The LGC is authorized to enter an order finding a plan to be equitable and within the ability of the unit of local government or public authority to meet and to advise such entity to take the necessary steps to implement such plan. If the unit of local government or public authority declines to do so within 90 days, the LGC may enter an order directing it to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the unit of local government or public authority must make such financial reports to the LGC as required by the LGC and must obtain the approval of the Secretary of the LGC of its annual budget ordinance until the LGC is satisfied that the unit of local government or public authority has performed or will perform the duties required of it in the refinancing plan and until agreements made with its creditors have been performed in accordance with such plan.

**THE DEPOSITORY TRUST COMPANY AND
THE BOOK-ENTRY SYSTEM**

THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Series 2009 Bonds (the “Securities Depository”). The Series 2009 Bonds will be delivered as fully registered certificates registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC.

One fully registered certificate will be issued for each maturity of the Series 2009 Bonds in the aggregate principal amount of the Series 2009 Bonds of such maturity and interest rate, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2009 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE SERIES 2009 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2009 BONDS.

The following description of DTC, of procedures and record keeping of beneficial ownership interests in the Series 2009 Bonds, payment of interest and other payments on the Series 2009 Bonds to DTC Participants or to Beneficial Owners (as such terms are defined herein), confirmation and transfer of beneficial ownership interests in the Series 2009 Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

Direct Participants and Indirect Participants. 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, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s direct 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” and, together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s highest rating: “AAA”. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (the “SEC”). More information about DTC can be found at www.dtc.org and www.dtcc.com.

Beneficial Owners. Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC’s records. The ownership interest of each actual purchaser of the Series 2009 Bonds (“Beneficial Owners”) 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 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

Transfers and Exchanges. To facilitate subsequent transfers, all Series 2009 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 the Series 2009 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 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2009 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.

Notices; Redemption. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct 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 the Series 2009 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series Resolutions and other basic documents.

Redemption notices will be sent to DTC. If less than all the Series 2009 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.

Consents and Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of Principal of, Redemption Premium (if any) and Interest on the Series 2009 Bonds. Principal, redemption premium (if any) and interest payments with respect to the Series 2009 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 the District or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 District or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium (if any) and interest to DTC (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 the Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the District and the Trustee and discharging its

responsibilities with respect thereto under applicable law. Under such circumstances, or in the event the District desires to use a similar book-entry system with another securities depository, there may be a successor securities depository (all references to DTC include any such successor). The District may also decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository) at any time by giving reasonable notice to DTC. If the book-entry system is discontinued and there is no successor securities depository, bond certificates are required to be printed and delivered to the Beneficial Owners as described in the Trust Agreement. The Beneficial Owners of the Series 2009 Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Series 2009 Bonds.

The District and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2009 Bonds (a) payments of principal of or interest on the Series 2009 Bonds, (b) confirmations of their ownership interests in the Series 2009 Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Series 2009 Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants will serve and act in the manner described in this Official Statement. The information in this section preceding this paragraph concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, 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 AMOUNT OF OR REDEMPTION PRICE OR INTEREST ON THE SERIES 2009 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 UNDER THE TERMS OF THE TRUST AGREEMENT; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2009 BONDS OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

**METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA**

History of the Metropolitan Sewerage District

The Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) was formed in 1962 to construct and operate facilities for sewage treatment for municipalities and sanitary districts within Buncombe County. In 1967, the District completed the construction of a 25 million gallon per day (“MGD”) wastewater treatment plant adjacent to the French Broad River. Subsequently, the District expanded the wastewater treatment plant to its current capacity of 40 MGD, constructed a hydroelectric dam and power house to mitigate energy costs and built a thermal converter for sludge disposal.

In July 1990, the political subdivisions comprising the District transferred their respective sewerage systems to the District. These systems had been previously owned, operated, and maintained separately by each political subdivision. The purpose of this sewer consolidation (“Sewer Consolidation”) was to create a consolidated sewerage system in the urbanized portion of Buncombe County with ownership of all components of the system and responsibility for their operation, maintenance, and capital improvement centralized with the District. Before Sewer Consolidation, the District had little control over the condition, operation, and maintenance of individual collector systems, which significantly affect the operational efficiency of the wastewater treatment plant.

The District is comprised of the following political subdivisions located within Buncombe County:

City of Asheville	Caney Valley Sanitary Sewer District
Town of Biltmore Forest	Crescent Hill Sanitary Sewer District
Town of Black Mountain	East Biltmore Sanitary Sewer District
Town of Montreat	Enka-Candler Water and Sewer District
Town of Weaverville	Fairview Sanitary Sewer District
Woodfin Sanitary Water and Sewer District	Skyland Sanitary Sewer District
Beaverdam Water and Sewer District	Venable Sanitary District
Busbee Sanitary Sewer District	Swannanoa Water and Sewer District
	Town of Woodfin

In 1994, the District expanded its boundaries to include a portion of the Hunter’s Trace Subdivision located in southern Buncombe County.

Although the District’s wastewater treatment plant and administrative offices are now within the corporate limits of the Town of Woodfin (“Woodfin”), Woodfin itself was not incorporated until 1971, some nine years after the creation of the District. Approximately two-thirds of Woodfin lies within the Woodfin Sanitary Water and Sewer District; the remaining one-third lies within Beaverdam Water and Sewer District. Woodfin never owned or operated a sewer system, and sanitary sewer service to Woodfin was provided by the Woodfin Sanitary Water and Sewer District and Beaverdam Water and Sewer District. In 2004, Woodfin requested a seat on the District Board, relying on Section 162A-67(4) of the North Carolina General Statutes. The District Board considered and granted such request in July 2004.

Under the North Carolina Metropolitan Sewerage Districts Act, the District is authorized, among other things, to: (a) acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, repair, maintain and operate any sewerage system or part thereof (including facilities for the generation and transmission of electric power and energy) within or without the District; (b) issue general obligation bonds and revenue bonds to pay the costs of any of the foregoing; and (c) fix and revise from time to time and collect rents, rates, fees and other charges for the use of or the services and facilities furnished by any sewerage system.

The District is governed by a twelve-member District Board whose members are appointed by the governing bodies of the municipalities and other political subdivisions comprising the District. The District is managed and supervised under the direction of the District Board by a registered Professional Engineer, who serves as the General Manager.

The Sewerage System

The District serves the City of Asheville and surrounding communities, including Biltmore Forest, Weaverville, Black Mountain, Montreat, Woodfin, and Woodfin Sanitary Water & Sewer District and certain unincorporated areas of Buncombe County. Through separate contractual arrangements, the District also serves customers in the Cane Creek Water and Sewer District in northern Henderson County and in the Avery Creek Sanitary Sewer District in southern Buncombe County. The collection system has been extended over the years as a result of expansion and development, and now collects wastewater through approximately 962 miles of sewer line and serves over 49,050 residential and commercial customers. The wastewater treated by the District is gathered in the collector sewer systems located primarily within the boundaries of the municipalities and other political subdivisions comprising the District and conveyed to the wastewater treatment plant through large sewer lines called interceptors that generally run parallel to the French Broad River, the Swannanoa River or one of their primary and secondary tributaries. Included in the system are 30 remote pumping stations that pump wastewater through force mains where gravity flow is not feasible.

As a part of Sewer Consolidation, the District agreed to operate, maintain, and repair or replace, as necessary, the various collector sewer systems. Many of the collector sewer systems were undersized, deteriorated, and inadequately maintained. Since taking over the sewer systems, the District has developed and implemented, with input from its member political subdivisions, an ongoing Capital Improvement Program (the "CIP"). Approximately 781,000 feet of existing sewer line have been replaced since Sewer Consolidation, representing over 19.2% of the original system. In addition, the District expects to replace another 250,000 feet of existing sewer lines over the next five years. (See "—Capital Improvements Program" herein.) The District also has an aggressive program in effect for systematic preventative maintenance of collector sewers. The lines are first cleaned using water under high pressure and then videotaped. The cleaning reduces line blockages and overflows, and the videotapes enable the District to locate and repair problems in the lines. The District cleans, and inspects by videotaping, between 15% and 20% of its system each year.

The Wastewater Treatment Plant

The District operates a 40 MGD wastewater treatment plant on the French Broad River. The wastewater treatment process includes grit and grease removal, primary microscreen removal of solids, organics removal by rotating biological contactors, secondary microscreen removal of solids, and chlorine disinfection prior to discharge. For 2008 the average daily flow through the plant was 15.8 MGD, the maximum flow in any 24-hour period was 33.2 MGD and the maximum peak flow was 65 MGD. Sludge from the treatment process is either burned in a thermal converter or processed in an alkaline stabilization process to produce Nutri-Lime, an agricultural supplement.

The District owns and operates a hydroelectric generating facility on the French Broad River adjacent to the wastewater treatment plant. This facility is capable of generating 2,550 kilowatt hours of electricity, enough power to supply most of the needs of the wastewater treatment plant. During the Fiscal Year ended June 30, 2008, the net value to the District of the power generated by such facility was \$262,000 (after deducting the expenses of the District related to the operation and maintenance of such facility). In addition, methane gas from the closed Buncombe County landfill is used to generate power for the wastewater treatment plant and as supplemental fuel for the thermal converter.

Environmental Regulation

NPDES Permit. The Federal Clean Water Act, 33 U.S.C. 1251, et seq., regulates, by permit, any discharge to the waters of the United States. Pursuant to agreement with the United States Environmental Protection Agency (the “EPA”), the North Carolina Department of Environment and Natural Resources (“NCDENR”), through its Division of Water Quality (“DWQ”), issues National Pollutant Discharge Elimination System (“NPDES”) permits for discharges to waters within the State of North Carolina (the “State”). The District is authorized to discharge up to 40 MGD to the French Broad River pursuant to its NPDES Permit (the “NPDES Permit”). As a condition of the NPDES Permit, the District operates an industrial pretreatment program whereby certain industrial users, depending on the character and the quantity of their discharge, are required to pretreat their wastewater prior to discharging it to the Sewerage System. The District carries out an extensive system of industrial monitoring and enforcement to ensure compliance with its pretreatment program. The District’s discharge has consistently been in compliance with the limitations in the NPDES Permit.

Air Permit. The District has been issued a permit by the Western North Carolina Regional Air Quality Agency, which is charged with enforcement of Federal, State and local laws regulating air quality. The permit governs emissions from the thermal converter used to incinerate sludge. The District is in compliance with the terms of its permit.

North Carolina Collection System Permit. The State’s Clean Water Act of 1999 authorized the North Carolina Environmental Management Commission, through DWQ, to issue permits to owners and operators of collector sewer systems. DWQ originally issued a Collection System Permit (the “Collection System Permit”) to the District effective September 17, 2002 and DWQ reissued a new five year permit effective October 25, 2007. The Collection System Permit prohibits overflows unless caused by factors beyond reasonable control or severe natural causes. The Collection System Permit also requires: (1) adequate measures to contain sanitary sewer system overflows (“SSO’s”); (2) a capital improvement program and funding; (3) regular inspection and cleaning of 10% of the sewer system each year; and (4) a record of SSO’s and complaints. The State’s Clean Water Act of 1999 also requires the operator of a sewer system treating municipal waste to give public notice of any discharge of untreated wastewater in excess of 1,000 gallons or in any amount if the discharge reaches surface waters, and to prepare an annual report on the system, including the number of overflows. The District has submitted the required annual reports, issues public notice of overflows as required, inspects and cleans at least ten percent (10%) of its sewerage system annually, has in place a capital improvement program and maintains a record of SSO’s and complaints. Due to aggressive rehabilitation efforts and preventative maintenance, the District has significantly reduced the number and severity of SSO’s from 288 SSO’s in the Fiscal Year ended June 30, 2000 to 23 SSO’s in the Fiscal Year ended June 30, 2009.

Master Planning by the District

The District completed an overall Wastewater System Master Plan in 2001 (the “2001 Master Plan”). The 2001 Master Plan included recommendations for sewerage system and treatment plant improvements for a 20-year period ending in 2021. The 2001 Master Plan, prepared by the District’s engineering consultant, Camp, Dresser and McKee (“CDM”), focused on compliance with new regulatory requirements and efficient management and operation of the sewerage system. The 2001 Master Plan also recommended a more detailed look at the wastewater treatment plant and local land use planning and its impact on System expansion.

As part of its continuing planning process, the District completed a Facilities Plan for the wastewater treatment plant in 2007 (the “2007 Facilities Plan”). The 2007 Facilities Plan, also prepared by CDM, took a detailed look at the plant facilities and provided specific recommendations for future replacement, rehabilitation and maintenance for a 20-year period ending in 2027. The Treatment Plant has substantial excess capacity for the future as the design and permit capacity are 40 MGD, while current average daily flows are less than 20 MGD.

In 2008, McGill Associates completed a Collection System Master Plan (the “2008 Collection System Plan”). The 2008 Collection System Plan focuses on the District’s comprehensive growth issues by incorporating all of the recent planning and zoning changes from the District’s member agencies. This plan also describes where and how areas will be served and provides for orderly growth of the sewer system to meet the needs of the region as a whole for the future. The 2001 Master Plan, the 2007 Facilities Plan and the 2008 Collection System Plan are sometimes collectively referred to herein as the “Master Plans”.

Capital Improvements Program

The District updates its ten-year Capital Improvement Program (the “CIP”) annually. The CIP incorporates various considerations including recommendations from the Master Plans, state and federal environmental requirements and results of ongoing infrastructure assessments. As outlined in the Master Plans, objectives for these projects include structural rehabilitation and replacement of failing sewers, handling wet-weather conditions, ensuring continued performance at the wastewater treatment plant, and preparing the sewerage system to handle expected future wastewater flows over the next decade. The District is required by the Collection System Permit to rehabilitate a minimum of 250,000 linear feet of the collection system every five years.

Projects planned over the next ten years focus primarily on rehabilitation of sewer mains, including interceptors, collection lines, and private sewers. Some equipment upgrades are scheduled for the wastewater treatment plant, but no major expansions are expected because the average daily flows through the wastewater treatment plant are approximately one half of its available treatment capacity. The CIP includes the 2009 Project to be financed, in part, with the proceeds of the Series 2009A Bonds. The 2009 Project is described in more detail in the front part of this Official Statement under “THE PLAN OF FINANCE AND REFUNDING—The 2009 Project.”

The District has an aggressive preventive maintenance program that cleans, and inspects by videotaping, between 15% and 20% of the system each year. This reduces back-ups and overflows in the system, and also provides valuable information in development of the CIP. The District has developed an award winning program called “Pipe Rating” whereby the information from the videotaped inspections is incorporated into the District’s Geographical Information System. Each pipe is scored and rated based upon criteria such as number of structural defects and their severity, back-ups and overflows, and work order history. The District uses this program to prioritize the rehabilitation and replacement of sewers throughout the sewerage system.

Approval of expenditures for capital improvements to the sewerage system and the financing of such expenditures are made by the District Board in consultation with representatives of the municipalities and other political subdivisions comprising the District and reviewed periodically by McGill Associates, the District’s consulting engineers (the “District’s Engineers of Record”). Set forth below are the expenditures on capital improvements during the past six Fiscal Years.

Fiscal Year Ended June 30,

2004	2005	2006	2007	2008	2009 Unaudited	TOTAL
\$11,816,018	\$14,055,591	\$11,213,052	\$12,732,294	\$12,555,566	\$12,538,226	\$74,910,747

The District’s projected capital improvement expenditures for the five Fiscal Years ending June 30, 2010 to 2014 aggregate approximately \$79.9 million. The District anticipates paying the cost of the CIP during such period with approximately \$43 million of bonds currently expected to be issued in the Fiscal Years ending June 30, 2010 and June 30, 2013, including the Series 2009A Bonds, and approximately \$36.9

million of internally generated funds. Estimated capital costs include construction contingency allowances and inflationary increases during the five-year period.

Organizational Awards

2009	NAWA Excellence in Management Award (2008-2011)
2007	AMSA Platinum (7) Peak Performance Award for Excellence in Wastewater Management
2003	Association of Metropolitan Sewerage Agencies (“AMSA”) Excellence in Management
2003	AMSA National Achievement Award for the District’s Pipe Rating Program
2002	ISO 14001 Certification in Environmental Management
1998 to present	Government Finance Officers Association (“GFOA”) Distinguished Budget Presentation Award
1995 to present	GFOA Certificate of Achievement for Excellence in Financial Reporting

Organization and Employees

The District is governed by a twelve-member District Board. The District’s Engineers of Record render technical advice and assistance to the Board. Members of the firm of Roberts & Stevens, P.A., Asheville, North Carolina, render legal advice and assistance to the District Board.

The District has a total of 150 employees.

District Board

Three members of the District Board are appointed by the Board of Commissioners for Buncombe County, three members are appointed by the City Council of the City of Asheville, and one member is appointed by each of the governing bodies of the towns of Black Mountain, Biltmore Forest, Montreat, Weaverville, and Woodfin and by the Woodfin Sanitary Water and Sewer District. The officers of the District Board are elected annually by the members of the District Board. Each member of the District Board is appointed for a term of three years. Appointments are staggered so that there is continuity in the membership from year to year. The following persons are presently serving as members of the District Board holding the following offices and terms:

<u>Member</u>	<u>Years Of Service</u>	<u>Term Expires</u>	<u>Appointing Unit</u>
Steven T. Aceto	17	1/2010	Town of Montreat
Terry M. Bellamy	5	1/2010	City of Asheville
W. Louis Bisette, Jr.	4	1/2011	City of Asheville
Jackie W. Bryson	24	1/2012	Woodfin Sanitary Water & Sewer District
Jon E. Creighton	3	1/2012	County of Buncombe
Bill Stanley	1	1/2012	County of Buncombe
Maxwell L. Haner	2	1/2010	County of Buncombe
E. Glenn Kelly	16	1/2010	Town of Biltmore Forest
Steven M. Metcalf	1	1/2011	Town of Weaverville
William A. Russell	1	1/2012	City of Asheville
C. Michael Sobol	16	1/2010	Town of Black Mountain
M. Jerry Vehaun	5	1/2011	Town of Woodfin

The members of the District Board, their educational backgrounds, their occupations and their professional affiliations are set forth below:

Steven T. Aceto, Chairman. Mr. Aceto is an attorney practicing in Asheville. He received his Doctor of Jurisprudence from Wake Forest University in 1982. Mr. Aceto was re-appointed to the District Board in January 1998, having previously served on the District Board from 1986 to 1992. He has served as Chairman of the Board since 2005.

C. Michael Sobol, Vice-Chairman. Mr. Sobol is the President of Sobol Properties. He received his B.S. Degree in Chemistry from the University of North Carolina at Chapel Hill in 1971. He is the Chairman of the CIP and Construction Committees and serves as a member of the Planning, Personnel, and Right-of-Way Committees. Mr. Sobol has served as Vice Chairman of the District Board since 1998.

Jackie W. Bryson, Secretary/Treasurer. Mrs. Bryson is a graduate of Blanton's Business College where she received a secretarial degree. Mrs. Bryson retired in 1993 from a position as a teaching assistant at Woodfin Elementary School. She was recently appointed to the Board of Aldermen of the Town of Woodfin. Mrs. Bryson was appointed to the District Board in 1985, is Secretary/Treasurer of the Board, and is a member of the Personnel, Finance, and Right-of-Way Committees.

Terry Bellamy. Mrs. Bellamy was elected Mayor of the City of Asheville in November 2005. She is a native of Asheville, North Carolina. She graduated from the University of North Carolina at Charlotte in 1994 with a Bachelor of Arts in English and pursued a Master's degree in English at Western Carolina University. Mrs. Bellamy serves as a member of the Asheville Area Chamber of Commerce Board of Directors, the Land-of-Sky Regional Council and received the honor of being appointed to the 21st Century Transportation Committee by Governor Mike Easley. During her tenure as Mayor, she has shared her vision for a unified community that works together to address challenges and to take advantage of opportunities for the future. In addition, Asheville has received accolades and recognitions too numerous to mention. Mrs. Bellamy was appointed to the District Board in January 2004 and serves on the Finance, CIP, and Planning Committees.

W. Louis Bissette, Jr. Mr. Bissette graduated from Wake Forest University in 1965 with a B.A. in History. He graduated from the University of North Carolina School of Law in 1968 and the University of Virginia Graduate School of Business Administration in 1970. He is President of McGuire, Wood & Bissette, P.A., having served in that position since 1976. Mr. Bissette served as Mayor of the City of Asheville from 1985 to 1989. He serves as Chairman of the Board for WCI, Inc. and Chairman of Advantage Asheville/Economic Development Initiative from 1996 to the present. Ms. Bissette was appointed to the District Board in January 2005. He serves as Chairman of the Planning Committee and as a member of the Finance Committee.

Jon E. Creighton. Mr. Creighton is a native of Buncombe County. He received a Bachelor of Science Degree in Political Science from Appalachian State University in 1974 and received his M.A. in Public Administration from Appalachian State University in 1976. He began his employment with Buncombe County in March 1982 as a Planner and was promoted to Planning Director in December 1984. During his 26-year tenure, he has been intricately involved in the County's budget process, promoting economic development projects throughout the County, planning for parks and recreational facilities and addressing environmental issues. In July 1997, Mr. Creighton accepted the position of Assistant County Manager for Buncombe County where he provides oversight management for nine departments. Mr. Creighton was appointed to the District Board in January 2006. He serves as a member of the Planning, Finance, and Right-of-Way Committees.

Bill Stanley. Mr. Stanley is a retired high school coach and principal. He is serving his sixth term as a Commissioner for the County of Buncombe. In addition to his local involvement in civic affairs, he is a former President of the North Carolina Association of County Commissioners and is currently serving as a

member of the Metropolitan and Rural Planning Organization and Land of Sky Regional Council. Mr. Stanley was recently appointed to the North Carolina Advisory Commission on Military Affairs by Senate President Pro Tem Marc Basnight. Mr. Stanley was appointed to the District Board in January 2009. He serves as a member of the Planning and Personnel Committees.

Maxwell L. Haner. Mr. Haner received a B.S. in Chemistry from Western Carolina University in June 1968. He retired after over 33 years with the North Carolina Department of Environment and Natural Resources, Division of Water Quality. Mr. Haner is a past member of the Asheville Buncombe Drug Commission, Buncombe County Quality Growth Commission, Asheville Planning & Zoning Commission (two years as Chairman), and the Board of Directors of Asheville Day Nursery (child development center). He currently serves as Board Member of the Community Action Opportunities for Madison and Buncombe Counties and as Chairman of the State Employees Credit Union Advisory Board (Biltmore Branch). Mr. Haner was appointed to the District Board in January 2007. He serves as a member of the Finance and CIP Committees.

E. Glenn Kelly. Mr. Kelly is a partner with the law firm of Kelly & Rowe, P.A. in Asheville, North Carolina. In addition, he served as Mayor of the Town of Biltmore Forest from 1987 to 1999 and on the Biltmore Forest Board of Commissioners from 1981 to 1989 and from 2003 to date. He received his law degree from the University of North Carolina at Chapel Hill in 1963. He is a member of the North Carolina Bar Association, Buncombe County Bar Association. Mr. Kelly was appointed to the District Board in 1993 and is Chairman of the Finance and Right of Way Committee.

Stephen M. Metcalf. Mr. Metcalf has a diverse background in governmental affairs, covering all aspects of state and local government. He has been a city planner, a county manager, deputy secretary for two major state agencies, an assistant to the Governor, and a State Senator. In addition, in the private sector, Mr. Metcalf has had extensive experience in management and consulting to governmental agencies, including market research and polling for public agencies and private business. Mr. Metcalf is currently President of The Policy Group, Inc. The firm provides governmental relations and business development consulting for firms doing business with state government, local governments, public schools, and public universities. Mr. Metcalf was appointed to the District Board in January 2008 and serves as a member of the Planning and Personnel Committees.

William A. Russell. Mr. Russell resides in Asheville and is the owner of a State Farm Insurance Agency since 1999. He went to work for State Farm Insurance in 1994, beginning in auto claims and spent five years in Human Resources prior to opening his independent agency. Mr. Russell is a graduate of Marshall University in Huntington, West Virginia, with a degree in Business Administration. He worked six years in the commercial sales and wholesale distribution aspect of the commercial pipe and valve industry. Mr. Russell was appointed to the District Board in 2008 and serves as a member of the Personnel and Finance Committees.

M. Jerry VeHaun. Mr. VeHaun is a native of Woodfin and a graduate of Guyton College in Nashville, Tennessee. He has been employed by Buncombe County as Director of Emergency Services for the past 37 years. Mr. VeHaun has served on numerous boards and commissions in his area of professional expertise on the national, state, and local levels. He is the current Mayor of Woodfin. Mr. VeHaun was appointed to the Board in 2004 and serves as Chairman of the Personnel Committee and a member of the Planning, CIP, and Right-of-Way Committees.

Management

Thomas Hartye, P.E., General Manager. Mr. Hartye received a B.S. in Civil Engineering from Worcester Polytechnic Institute in 1980. He is a registered Professional Engineer in North Carolina, Georgia, and Florida. Mr. Hartye began his employment with the District in October 1998 as a Deputy General Manager of Operations and was promoted to his current position in January 2001. Before his employment at the District, he was employed as an engineer for Jamaica Water Supply Company, New York for four years;

as a Project Manager for Chattahoochee Geotechnical Consultants of Atlanta, Georgia for two years; as the Engineering Director of the Florida Keys Aqueduct Authority for five years; and as the Town Engineer/Utilities Director for Hillsborough, North Carolina for seven years. Mr. Hartye is a member of the American Water Works Association and Water Environment Federation.

W. Scott Powell, Director of Finance. Mr. Powell received a B.S. Degree in Business Administration with high honors from the University of Tennessee, Knoxville, Tennessee in 1991. Mr. Powell is a member of the National and North Carolina Government Finance Officers Associations as well as the North Carolina Local Government Investment Association. Before being promoted to the Director of Finance position at the District in 2008, Mr. Powell was employed in public accounting for six years specializing in governmental auditing, served six years as Accounting Manager of Great Smoky Mountains Association, and three years as Accounting Manager/Deputy Finance Director of the District. Mr. Powell has met the requirements for and will be awarded the Certified Local Governmental Financial Officer certification in March 2010.

John Kiviniemi, Director of Wastewater Treatment. Mr. Kiviniemi graduated from North Carolina State University in 1988 with a B.S. in Zoology. He was employed for one year at the Raleigh field office of the United States Geological Survey conducting hydrologic studies. Mr. Kiviniemi then went to work for the City of Raleigh where he progressed from his initial position in the Wastewater Treatment Plant laboratory to become the Industrial Waste Pretreatment Coordinator and then Superintendent of the City's 60 MGD plant. After serving in that capacity for four years, he assumed his current position with the District in December 1997. Mr. Kiviniemi is a Certified Grade IV Operator and maintains certifications in Land Application/Residuals and for Backflow Prevention/Cross Connection Control. He is a member of the Water Environment Federation and North Carolina Water Environment Association, where he serves on various committees and provides teaching assistance for the schooling and certification of new operators.

Barry S. Cook, Director of System Services. Mr. Cook served as Mobile Equipment Operations Supervisor for the City of Asheville from 1981 to 1991. In 1991, Mr. Cook came to the District during Sewer Consolidation as Technical Services Supervisor. From 1991 to present, Mr. Cook has served as Operator in Responsible Charge for the District's collection system. Since 2006, Mr. Cook has served as Director of System Services. He has been instrumental in the District's certification efforts with the International Organization for Standardization. Mr. Cook holds a Grade IV Wastewater Collection System Operator Certification from the State of North Carolina.

Stanley C. Boyd, Director of Engineering Services. Mr. Boyd received a B.S. degree in Civil Engineering from North Carolina State University in 1971. He is a registered Professional Engineer in North Carolina. Prior to joining the District in 1990 as Director of Engineering Services, he worked as a consulting engineer for approximately 13 years and, prior to that, was employed by the North Carolina Department of Transportation. Mr. Boyd is a member of the Water Pollution Control Federation, American Water Works Association, and the American Society of Civil Engineers.

Ed Bradford, P.E., Director of Capital Improvement Program. Mr. Bradford received his B. S. Degree in Civil Engineering from North Carolina State University in 1989. He is a registered Professional Engineer in the State of North Carolina. Mr. Bradford began his employment with the District in September 1997 as a Project Engineer, and was promoted to his current position in January 2001. Prior to his employment by the District, Mr. Bradford worked for eight years with the North Carolina Department of Transportation, spending six years in the Structure Design Unit and two years in the Location Surveys Unit. Mr. Bradford is a member of the Water Environment Federation, the North Carolina Water Environment Association, the North American Society for Trenchless Technology, and the Utilities Coordinating Committee of the Greater Asheville Area.

Rates, Fees and Charges

The District Board has adopted a rate resolution establishing the schedule of rates, fees, and charges for wastewater disposal services. See “SECURITY FOR THE BONDS—Rate Covenant” in this Official Statement for information regarding certain covenants on the part of the District under the Bond Order. On an annual basis, the District Board reviews and sets user charges and fees for its industrial and domestic users based on a ten-year projection of revenues, operational budgets, the long-term CIP, and future debt issues. To achieve parity between domestic and industrial users, the District has adopted a 20-year plan to move toward a more conventional rate structure determined by strength of waste produced by the user. The District Board intends, subject to the rate covenants set forth in the Bond Order, to continue reviewing and adjusting rates, fees, and charges annually.

The District is authorized by statute to set and revise from time to time rates, fees and other charges for services provided by the sewerage system. The District’s power to set, revise, and collect such fees, rates and charges is not subject to review, oversight or regulation by the North Carolina Utilities Commission or any other public or private rate regulatory agency. The agreements relating to Sewer Consolidation and other agreements in effect between the District and the political subdivisions comprising the District provide that the political subdivisions shall have no control over the rates, fees, and charges imposed by the District.

Sewer Charges. Sewer rates consist of three components: a maintenance charge, a billing charge, and a treatment (volume) charge.

The maintenance charge is calculated to recover service, inspection, and maintenance-related operational and capital costs. Applicable to sewer accounts, regardless of whether or not there is a treatment charge, the monthly maintenance charge is based on water meter size as follows:

<u>Size</u>	<u>Monthly Maintenance Charge</u>
5/8”	\$ 5.61
3/4”	\$ 8.16
1”	\$ 14.47
1 1/2”	\$ 33.17
2”	\$ 58.68
3”	\$ 130.13
4”	\$ 232.17
6”	\$ 523.01
8”	\$ 928.69
10”	\$ 1,454.26

Prior to the Fiscal Year ended June 30, 2001, industrial users were charged tiered rates based on total volume so that actual rates charged were considerably below those paid by residential consumers. In the Fiscal Year ended June 30, 2001, the District Board approved a plan to achieve rate parity between industrial and residential customers over the next 20 years. The annual increases from this parity plan are incorporated in adopted rates.

Industrial customers located within the District boundaries are currently charged \$2.045 per cubic hundred feet (“CCF”) and those located outside the District are currently charged \$2.055 per CCF.

Industrial users may also be subject to additional high strength waste surcharges. The purpose of this charge is to recover operation and maintenance costs from customers whose wastewater discharge into the

sewerage system is in excess of certain parameters for normal strength wastewater as determined by the District. High strength waste surcharges apply at the following rates to all wastes exceeding the following concentrations:

- Biochemical Oxygen Demand (“BOD”): \$0.386 per pound for all BOD in excess of 160 mg/l
- Total Suspended Solids (“TSS”): \$0.283 per pound for all TSS in excess of 160 mg/l

The treatment charge for domestic users of \$3.51 per CCF of water purchased within the District or \$3.52 per CCF outside the District boundaries is calculated to recover all direct and indirect costs of wastewater treatment and collection, maintenance, inspection, administration, and capital costs not recovered by the maintenance charge. This charge is applicable to all accounts receiving sewer service based on the water meter reading, sewer meter reading, if applicable, or estimated volume of discharge as determined by the District.

For existing sewer only accounts where there is no water meter, the District uses the following method for calculating the fixed monthly charge: (1) the monthly maintenance charge will be determined by the water meter size which would be required to supply water service to the property, and (2) the billable quantity will be estimated using the system average of five CCF per month.

The billing charge of \$2.05 per invoice is to cover the cost of billing and collection procedures. The District remits this fee to the municipalities performing billing and collection services for the District.

Allocation Fee. A flat fee of \$170 is assessed for extensions serving more than one lot or parcel and is designed to recover a portion of the costs associated with processing applications, locating and evaluating the capacity and condition of sewers to which the applicant will connect, and reserving capacity for the applicant’s project for a period of one year.

Facility Fee. The purpose of the facility fee is to recover a portion of the cost associated with providing treatment facility capacity. This charge must be paid for each connection to a public or private sewer system ultimately discharging to the District’s collection system. Facility fees are based on the demand on the sewerage system represented by the relative size of residential units or, in the case of commercial and industrial customers, on the water meter size as follows:

Residential

Each unit.....	\$1,900
Mobile Homes	\$1,320
Affordable Housing	\$490

Non-residential

5/8” Meter.....	\$1,900
¾” Meter.....	\$2,200
1” Meter.....	\$4,200
1 ½” Meter.....	\$8,600
2” Meter.....	\$15,200

3" Meter.....	\$34,200
4" Meter.....	\$66,500
6" Meter.....	\$158,200
8" Meter.....	\$180,500
Additions up to 1,400 Gallons Per Day ("GPD")	\$660
Additions over 1,400 GPD	based on flow rate/meter size

In an effort to encourage economic development from new and expanding industrial users, facility fees may be waived when potential jobs created or revenue generated comply with certain criteria.

Tap Fees. This charge is for making a tap of the applicant's private sewer lateral into the District's main sewer line or sewer manhole. If a developer installs the tap, there is a \$140 inspection fee. Otherwise, the District fee is \$600 plus an additional \$2,200 if pavement disturbance or boring is required.

Miscellaneous Fees and Charges. The District also assesses miscellaneous fees and charges such as non-discharge permits, manhole installation, or replacement, returned check fees, costs for map copies, and civil penalties for violations of ordinances.

Historical Rate Increases. The District has implemented a number of actions to reduce expenses and stabilize sewer rates. See "Management's Discussion and Analysis of Recent Financial Performance" herein. The District Board has attempted over the past nine years to keep rate increases to a minimum.

Recent historical and current domestic sewer rates are shown below:

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Rate Increase %	4.0%	2.5%	2.0%	2.0%	3.0%	4.5%	4.0%	3.0%	3.75%
Meter, Maintenance & Billing	\$5.18	\$5.39	\$5.48	\$5.58	\$5.75	\$6.01	\$6.23	\$6.43	\$6.64
Flow Rate	\$2.86	\$2.93	\$2.99	\$3.05	\$3.14	\$3.28	\$3.41	\$3.51	\$3.64
Avg. Monthly Bill (5ccf)	\$19.48	\$20.04	\$20.43	\$20.83	\$21.45	\$22.41	\$23.28	\$23.99	\$24.84

The District's average monthly bill of \$23.28 in 2008 compared favorably with the Southeast and the nation, based on a nationwide survey of sewer bills conducted by the National Association of Clean Water Agencies ("NACWA") in 2008. The 2008 NACWA survey is the most current such survey available. For EPA Region IV (Southeast) the average residential bill was \$28.70 per month with usage of nine (9) CCF, while the average bill throughout the nation was \$25.20 per month.

Future Rate Increases. The District has developed a 20-year financial plan to fund its operations, debt service requirements, and CIP. Consistent with the historical pattern of rate increases, such financial plan contemplates small rate increases, which will be in amounts sufficient to fund the long-term obligations of the District and to maintain a balance between bond proceeds and user fees as sources of funds for the CIP. However, such rate increases have not been formally adopted by the District Board and are subject to change in the sole discretion of the District Board.

Commercial Customers

In the Fiscal Year ended June 30, 2008, no single customer of the District accounted for more than 1.92% of the District's total operating revenues. Information regarding the District's ten largest commercial customers is shown below.

<u>Name of Customer</u>	<u>Total User Charge for Fiscal Year Ended June 30, 2008</u>	<u>% of Total Sewer User Charges</u>
Milkco, Inc.	\$479,093	1.92%
Ridgecrest Baptist Conference Center	222,261	0.89
Mission-St. Joseph's Health System	188,726	0.76
Anvil Knitwear	165,951	0.67
VA Medical Center	95,475	0.38
Owen Manufacturing Company, Inc.	84,870	0.34
Colbond	76,172	0.31
BASF	64,429	0.26
The Biltmore Company	64,094	0.26
Day International	<u>55,139</u>	<u>0.22</u>
Total	<u>\$1,496,210</u>	<u>6.01%</u>

The following chart shows total residential and industrial customers of the District for the past five Fiscal Years.

<u>Fiscal Year Ended June 30,</u>				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
45,240	46,520	48,060	48,868	49,050

Source: The District's Annual Financial Reports (except for the Fiscal Year ended June 30, 2009) and the District's Annual User Charge Analysis.

Billing and Collections

The District contracts with the municipalities and other member agencies which furnish water on a retail basis to residential customers for billing and collecting the District's user charges and fees from such users. The fee that the District pays for billing and collections is included as a separate item on such bills. If any payments received are less than the total amount of the charges for both water service and wastewater disposal services, the amount received is pro-rated as to each such item. In the event of customer non-payment, the municipality or other political subdivision that furnishes water to the District's customer will terminate water service, and not reinstate it until the charges are paid in full. The City of Asheville currently serves and bills approximately 85% of the users of the District's facilities. The other municipalities and political subdivisions rendering such billing and collection services to the District are the Woodfin Sanitary Water and Sewer District and the towns of Biltmore Forest, Weaverville, Black Mountain, and Montreat.

Henderson County, North Carolina also renders billing and collection services to the District for customers located in the Cane Creek Water and Sewer District, which is located in adjacent Henderson County.

The District bills approximately 398 customers directly. These customers are primarily residential users on private water supply wells. There are also some large commercial customers in this category. For domestic customers, District staff prepares and mails flat rate charges based on a Board-approved amount of five CCF per month. Business customers call in meter readings, which the District uses to prepare bills, and the District prepares invoices for significant industries reflecting appropriate charges for the content of the monitored wastewater.

During the Fiscal Year ended June 30, 2008, approximately 0.48% of customer receivables from customers billed by the District through the City of Asheville, representing approximately 85% of all District billings, were written off, which compares favorably with the NACWA average of 0.65%. Approximately 0.3% of customer receivables from customers billed directly by the District were written off in such Fiscal Year.

Preparation of Operating Budget

The Local Government Budget and Fiscal Control Act of North Carolina requires that before April 30 of each fiscal year (or an earlier date fixed by the budget officer), each department head shall transmit to the budget officer the budget requests and revenue estimates for his department for the budget year. At the same time, the finance officer or department heads must transmit to the budget officer a complete statement of, among other matters, the amount expended for each category of expenditure in the budget ordinance of the immediately preceding fiscal year, a complete statement of the amount estimated to be expended for each category of expenditure in the current year's budget ordinance by the end of the current fiscal year, the amount realized from each source of revenue during the immediately preceding fiscal year, and the amount estimated to be realized from each source of revenue by the end of the current fiscal year.

The development of the Annual Budget by the District is accelerated as the Bond Order requires the District to prepare a preliminary budget for the next Fiscal Year by May 15 of each year. The preliminary budget must include the District's estimates of Current Expenses, disbursements from the General Fund, Revenues of the District and the amount of moneys held for the credit of the General Fund to be transferred to the Revenue Fund. Copies of the preliminary budget must be filed with the Trustee and the Local Government Commission of North Carolina and mailed to each Owner or Holder who has requested the same in writing.

The District further covenants in the Bond Order that on or before the 15th day before the end of each Fiscal Year it will adopt the Annual Budget for the next ensuing Fiscal Year, copies of which must be promptly filed with the Trustee and the Local Government Commission of North Carolina and mailed by the District to each Owner or Holder who has requested the same in writing.

Financial Statements

The financial statements of the District as of June 30, 2008 and for the year then ended have been audited by the District's independent certified public accountants. Appendix C hereto contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2008, including the notes thereto.

Management's Discussion and Analysis of Recent Financial Performance

The District has historically experienced favorable operating results. The strong financial position of the District has resulted from effective management of operating expenses, long-term planning for capital improvements, and periodic rate increases to meet the funding requirements for capital improvements. Cash and investments have exceeded \$28 million each year since Sewer Consolidation in 1990.

The annual growth in the Operation and Maintenance Fund for the past five years has averaged 3.6%, a rate of increase that is comparable to cost-of-living increases in the national economy during the same period. The District's cost containment measures result from the following innovations and adoption of "best practices":

- Consolidation of five dispersed locations into one building complex adjacent to the District's wastewater treatment plant in 2001 has improved operational efficiencies, intradistrict communications, and overall utilization of resources.
- Technological and organizational efficiencies through reengineering have reduced full time staff from 167 in 2000 to 150 in 2009 with no decrease in service levels.
- Annual budgeted additions to replacement funds for fleet, wastewater treatment plant and pump station equipment have eliminated infrequent, large, unplanned expenditures resulting from equipment breakdowns and acquisitions. As of June 30, 2009, the replacement fund balance was in excess of \$1.7 million.
- The District has a capital reserve fund, which represents 6% of its annual operations. This reserve is to be used only for unusual and unforeseen expenditures. As of June 30, 2009 the capital reserve fund balance was in excess of \$0.8 million.
- The entire District operation is ISO 14001 Certified. ISO 14001 is an international certification requiring an organization to achieve and maintain environmental, safety and performance goals throughout the organization. The District is the largest utility in the State of North Carolina to be so certified.
- The District has included GASB 45 obligation funding in its financial plan starting in Fiscal Year 2009 and beyond.
- The District has incorporated the EPA Capacity, Management, Operation and Maintenance program components into the daily operations of the collection system operations.
- Utility expense has been mitigated by implementation of several energy audit recommendations at the District's wastewater treatment plant and by use of methane gas from the nearby closed Buncombe County landfill to power the thermal converters and gas generators.
- Wastewater treatment plant operational costs have been improved through more efficient use of the thermal converter to manage solids handling.
- In-house design and construction management have proved to be more cost-effective than outside contractors for managing some capital projects.
- Organizational structure and budgeting are adapted to changing circumstances to provide maximum managerial control over, and accountability for, operational expenditures.

Recent Operating Results

As of June 30, 2009, the District had collected approximately \$24.8 million, or 97.6%, of its budgeted sewer revenues. During the Fiscal Year ended June 30, 2009, the District experienced consumption declines in its light commercial and industrial customer base attributable to recessionary pressures in the current local economy. Additionally, the District experienced a slight consumption decline in its residential customer base. As of June 30, 2009, sewer revenues were down 0.4% compared to the Fiscal Year ended June 30, 2008.

The District has historically been conservative in budgeting for tap and facility fees revenue. As of June 30, 2009, the District had collected approximately \$2.9 million, or 200.2%, of budgeted tap and facility fees. These results were due to increased development in Buncombe County for the first two quarters of the

Fiscal Year ended June 30, 2009. Overall, however, compared to the Fiscal Year ended June 30, 2008, tap and facility fees were down 1.6 %.

Over the last ten years, the District has achieved an approximately 98% actual-to-budget ratio for operation and maintenance expenditures. As of June 30, 2009, the District had realized a 93% actual-to-budget ratio for the Fiscal Year ended June 30, 2009. The lower than normal ratio was primarily attributable to three vacant full time positions as well as decreased utilities costs.

As of June 30, 2009, change in net assets before contributed capital and depreciation was approximately \$13.8 million, which was 4.2% less than the comparable figure for the Fiscal Year ended June 30, 2008. The difference was primarily the result of the aforementioned decreases in revenue.

Additionally, the District had incurred \$12.5 million, or 66.7%, of its budgeted capital projects expenditures as of June 30, 2009. In light of uncertain economic conditions, the District's management delayed one project in the amount of \$5 million until the Fiscal Year ending June 30, 2010. In addition, during the Fiscal Year ended June 30, 2009, the District received favorable capital project bids due to the downturn in the economy, resulting in savings of \$400,000 in the capital project budget.

INFORMATION ON THE SERVICE AREA OF THE METROPOLITAN SEWERAGE DISTRICT

The District provides wastewater transport and treatment for most of the urbanized portion of Buncombe County, North Carolina. Most of the District's customers are located inside the geographical boundaries of the District. The District also provides service, pursuant to contract, to the Avery Creek Sanitary District, to the Cane Creek Water and Sewer District in the northern part of Henderson County and to a number of individuals and businesses in Buncombe County lying just outside the geographical boundaries of the District.

Most of the development within the service area of the District to date has consisted of dispersed industrial development and mixed residential development, including single-family residences, townhouses and condominiums, apartments and related commercial development, such as shopping facilities, restaurants and motels.

Relative Location and Features of the Service Area

Buncombe County is located in western North Carolina in the southern Appalachian Mountains. The topography ranges from fertile valleys to rugged mountains, with Buncombe County's urbanized core generally coinciding with the District's boundaries, consisting of a long flat plain, which has allowed Buncombe County to develop differently from the more mountainous counties of western North Carolina. The plain, with an elevation of approximately 2,000 feet, averages about 45 five miles in width. It is bisected from south to north by the French Broad River and from east to west by the Swannanoa River and Hominy Creek, two major tributaries of the French Broad River. The mean elevation of the City of Asheville is about 2,300 feet, the summers are cool and the winters are moderate with small amounts of snow. The higher elevations in Buncombe County may receive larger amounts of snow and the summers are cooler. The average January temperature is about 37 degrees for the City of Asheville and the average temperature in July is about 74 degrees. The City of Asheville receives an average of approximately 47 inches of rainfall per year. However, because the City of Asheville is located within a "rain shadow" caused by the shielding effect of the nearby mountain barriers, other areas of Buncombe County, especially to the south and southwest, receive significantly higher amounts of rainfall.

Transportation

Buncombe County and Asheville are served by an integrated network of highway, rail, and air services. Interstate Highway 40, Interstate Highway 26 and U.S. Highways 19-23, 70 and 74A link Buncombe County to the Piedmont area of North Carolina (including the cities of Charlotte, Greensboro, Raleigh and Winston-Salem) to the east, the Piedmont area of South Carolina (including the cities of Greenville and Spartanburg) to the south, Knoxville, Tennessee to the west, and the Tennessee-Ohio Valley area to the north. The Southern Railway System provides freight service to Buncombe County, and 40 motor freight carriers have terminals in the County.

Major air passenger and cargo services are available through the Asheville Regional Airport, which is operated by the Asheville Regional Airport Authority and served by AirTran, Atlantic Southeast (Delta Connection), Continental Express, and US Airways Express. These carriers provided service for over 500,000 passengers in 2008. FedEx, United Parcel Service, the U.S. Postal Service-Express, and DHL Worldwide Express provide express package service through flights at the Airport.

Population and Growth Statistics

Population growth in Buncombe County has occurred largely in a linear fashion along major transportation routes, which is reflected in the configuration of the District's service area. The District is approximately 180 square miles in total area, and comprises approximately 25% of the total land area of

Buncombe County. The District’s service area corresponds generally with the urbanized core of Buncombe County. A small portion of northern Henderson County is also served by the District.

Both Buncombe and Henderson Counties have experienced significant population growth since 1990; however, growth in Buncombe and Henderson Counties is expected to be at a more moderate rate due to the national economic downturn.

<u>Year</u>	<u>Buncombe County</u>	<u>Henderson County</u>
1990	174,436	69,285
2000	206,330	89,173
2008	228,909	100,563
2010 (projected)	234,080	107,402
2020 (projected)	262,660	125,032

Source: Asheville Chamber of Commerce and North Carolina State Demographics webpages.

Located in the approximate geographic center of Buncombe County, the City of Asheville is the major population center in the District. The City’s population represents about one-third (approximately 73,000) of Buncombe County’s residents. Five other incorporated towns in Buncombe County - Black Mountain, Biltmore Forest, Weaverville, Woodfin, and Montreat - are included in the District’s service area. Weaverville and Woodfin are north of Asheville, Black Mountain and Montreat are located in eastern Buncombe County, and Biltmore Forest is contiguous to the City of Asheville on its southern boundary. The Woodfin Sanitary Water and Sewer District is also part of the District.

The City of Asheville and Buncombe County have historically attracted large numbers of new residents, primarily retirees and entrepreneurs. This in-migration stimulates the economy by adding to the supply of investment dollars and human capital, while increasing demand for residential and commercial facilities, consumer services, and health care. National recognition of this significant trend is reflected in the following rankings:

Ranked #8 of Top 10 Metro Areas for Quality of Life
Business Facilities Magazine, July 2009

Ranked #7 of Top 10 Best Midsize Cities for Doing Business
Inc.Com, July 2008

Ranked #2 as One of the Nation’s Top Arts Destinations (Small Cities & Towns Category)
“2009 Top 25 Arts Destinations”
AmericanStyle Magazine, June 2009

Ranked #46 of 200 Best Performing Large Cities, 2nd Biggest Single-Year Gainer
Milken Institute, September 2008

Ranked #6 Best Metro Places for Business & Careers
“Best Places For Business And Careers”
Forbes.Com, March 2009

Ranked #2 of the Top 25 Small-City Art Destinations for 2008
AmericanStyle Magazine, June 2008

Included In 21 Best U.S. Towns for Baby Boomers’ Active Retirement
“2009 Best Places To Thrive”
Http://Bestboomertowns.Com

Ranked #26 of 200 Large Metros Best Places for Business & Careers
Forbes, March 2008

Ranked #11 of 20 Best Places to Retire
Black Enterprise Magazine, October 2008

Ranked #41 of 100 Best Places to Live & Launch
Cnn Money.Com, March 2008

Source: Asheville Area Chamber of Commerce

The impact of this in-migration trend is reflected in the number and value of building permits.

Value of Commercial Permits

	Buncombe County (Unincorporated Areas)	Asheville City
2007		
New Permit Values	\$54,050,982	\$221,624,008
Number of Units	102	163
2008		
New Permit Values	\$64,517,254	\$174,673,803
Number of Units	96	231

Source: Asheville Chamber of Commerce.

Value of Residential Building Permits in the Asheville MSA

	2007	2008
Number of Residential Units	3,408	2,326
New Permit Values	\$689,667,000	\$ 430,919,000

Source: Asheville Chamber of Commerce.

As of June 2009, the Asheville Metropolitan Statistical Area had experienced a year-to-date decline of 34.8% in new residential permits as well as a 56 % decline in new commercial permits. The decrease in both new residential and commercial permits is attributed to current economic conditions.

Income

Median household income has increased by 23.5% in Buncombe County from 2000 to 2008.

Median Household Income

	2000	2008	% Change
City Of Asheville	\$ 33,229	\$ 41,107	23.7%
Buncombe County	\$ 36,795	\$ 45,446	23.5%
North Carolina	\$ 39,257	\$ 49,470	26.0%
United States	\$ 42,257	\$ 52,599	24.5%

Source: U.S. Census of Population, 2000 and Asheville Chamber of Commerce.

Employment and Major Industries

Buncombe County serves as a regional economic center for western North Carolina. Its diverse commercial and industrial base includes manufacturing, distribution, travel and tourism, retail trade, health care and governmental services. According to U.S. Bureau of Labor Statistics for August 2008, 180,900 people were employed in non-farm positions in the Asheville Metropolitan Statistical Area (consisting of Buncombe, Haywood, Henderson and Madison Counties). The Asheville Metropolitan Statistical Area has

experienced a decrease of 9,400 non-farm positions over the past year. The makeup of the labor force for Asheville MSA as of June, 2009 was as follows:

Asheville Metro Major Industry Employment

	<u>% of Total</u>
Private Educational and Health Services	18.9
Government	16.9
Manufacturing	11.4
Retail	13.9
Leisure and Hospitality	13.6
Professional and Business Services	8.7
Construction	5.9
Financial Activities	3.6
Wholesale Trade	3.1
Transportation/Utilities	2.7
Information	1.3
Total	100%

Source: U.S. Bureau of Labor Statistics (June 2009)

Buncombe County's economy has become more diverse over the last decade. Recognizing that textile industries no longer dominate the manufacturing base, the public and private sectors in Buncombe County have been working together to encourage the relocation and development of new industries and other economic endeavors. In addition, the Buncombe County Tourism Development Authority works to foster the continued growth of tourism and convention business. Downtown redevelopment efforts by the City of Asheville have also provided additional office space, retail shop space, and parking space.

Asheville Metropolitan Statistical Area

New Jobs - 2000/2009 Employment Comparison

<u>Industry</u>	<u>2000</u>	<u>2009</u>	<u>% Change</u>
Private Educational and Health Services	21,700	30,550	40.8%
Government	24,500	27,317	11.5%
Retail	22,000	22,500	2.3%
Leisure and Hospitality	19,300	21,916	13.5%
Manufacturing	27,600	18,483	-33.0%
Professional and Business Services	12,300	13,950	13.4%
Construction	10,600	9,550	-9.9%
Financial Activities	5,200	5,717	9.9%
Wholesale Trade	5,000	5,050	1.0%
Transportation/Utilities	5,600	4,367	-22.0%
Information	<u>2,200</u>	<u>2,100</u>	<u>-4.6%</u>
Total	162,000	161,500	-0.3%

Source: Asheville Chamber of Commerce

In 2009, the largest non-manufacturing employers in the Asheville MSA were as follows:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Mission - St. Joseph's Health System	Health Care	>6,000
Buncombe County Public Schools	Elementary & Secondary Education	>3,700
Ingles Markets Incorporated-Home Office	Grocery Stores & Distribution Center	>3,000
Buncombe County Government	County Government	>1,500
The Biltmore Company	Travel and Tourism	>1,500
VA Medical Center	Hospitals	>1,100
The Grove Park Inn Resort & Spa	Accommodation	>1,100
Asheville City Government	Municipal Government	>1,000

Source: Asheville Area Chamber of Commerce, Economic Development Department.

Unemployment

Unemployment in Buncombe County has been consistently below the average for North Carolina and the United States. The County's average annual unemployment rates for the past five years, unadjusted for seasonal fluctuations, are as follows:

<u>June</u>	<u>Buncombe County</u>	<u>North Carolina</u>	<u>United States</u>
2005	4.3%	5.3%	5.1%
2006	3.8%	4.7%	4.6%
2007	3.6%	4.7%	4.6%
2008	4.8%	6.3%	5.8%
2009	9.0%	11.2%	9.5%

Source: Bureau of Labor Statistics.

Manufacturing & Technology

Employment in the service sector is increasing, but manufacturing remains an important part of the local economy. Diverse products manufactured include food, textiles, apparel, wood products, printing and publishing, rubber and plastic products, fabricated metal products, industrial machinery and equipment, computer and electrical equipment, and transportation equipment.

On June 9, 2009, the Asheville Chamber of Commerce announced that a new federal research center that will study climate change will be located in the City of Asheville. The center, which will study satellite data to help predict Earth's changing climate, is expected to bring \$32 million and as many as 100 scientific jobs to the City.

As of December 2008, the largest manufacturing employers in Buncombe County were as follows:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees</u>
BorgWarner Turbo & Emissions Systems	Transportation Equipment Mfg.	>750
Eaton Corp. – Electrical Division	Electrical Equip., & Component Mfg.	>750
Thermo Fisher Scientific, Inc.	Machinery Mfg.	>500
Arvato Digital Services.	Computer & Electronic Product Mfg.	>500
Kearfott Guidance & Navigation Corp.	Computer & Electronic Product Mfg.	>400
Unison Engine Components	Transportation Equipment Mfg.	>300
Day International, Inc.	Machinery Mfg.	>300

Source: Asheville Area Chamber of Commerce, Economic Development Department.

THE SERVICE SECTOR

Health Care

Health care, retail sales, education, and government services are the principal employers in the growing service sector of Buncombe County. Buncombe County serves as a regional medical center for much of western North Carolina. There are two major hospital complexes located in Buncombe County: Mission Hospital, Inc., part of the Mission Health System, is located on two adjoining hospital campuses, the Mission Campus and the St. Joseph Campus, an 803-bed acute care medical center; and the federally-funded Veteran's Administration Medical Center, consisting of a 116-bed acute care hospital and a 120-bed Community Living Center. Also located in Buncombe County is CarePartners Rehabilitation Hospital, an 80-bed regional referral center with rehabilitation programs for a multitude of illnesses, injuries and conditions.

Retail Trade in Buncombe County

Buncombe County is a primary trade center for the 16-county western North Carolina area. Approximately 22,500 persons were employed in Buncombe County in the retail trade field in 2008. Retail sales for the years ended June 30, 2006 through 2008 are shown below:

<u>Fiscal Year</u>	<u>Total Retail Sales</u>	<u>% Change</u>
2006	\$2,966,135,312	
2007	\$3,336,213,094	12.5%
2008	\$3,283,356,807	-1.6%

Source: Asheville Chamber of Commerce.

Governmental Services

As the most populous county in the western part of North Carolina, Buncombe County serves as a center for governmental services provided in the western region. Over 27,000 persons, more than approximately 15% of the total labor force in Buncombe County, was involved in governmental work (including federal, state and local) in 2008.

Education

Buncombe County has two public school systems: the Asheville City Administrative Unit, which serves about 3,900 students; and the Buncombe County Administrative Unit, which serves approximately

25,700 students. Asheville-Buncombe Technical Community College, a post-secondary institution located in Buncombe County, was established in 1961 and is jointly administered by the North Carolina Board of Community Colleges and a local Board of Trustees. Approximately 7,000 students receive training in a variety of business, technical, and health care curricula frequently adjusted to reflect the economic development needs of Buncombe County. Warren Wilson College and Montreat College, both located in the eastern part of Buncombe County, are private four-year colleges with a combined enrollment of approximately 2,000. The University of North Carolina at Asheville (“UNCA”) is an undergraduate, state-supported liberal arts college with an enrollment of approximately 3,000 students. UNCA also provides graduate education programs in collaboration with other universities in the North Carolina system.

Tourism

Western North Carolina is known as a recreational area. Tourism and the hospitality industry are major contributors to the economic vitality of Buncombe County. The Great Smoky Mountains National Park is located approximately 70 miles west of the City of Asheville. Approximately 160 miles of the Blue Ridge Parkway are in western North Carolina, and the Parkway bisects Buncombe County from east to west. Two national forests, Pisgah and Nantahala, are located within an easy drive of the City of Asheville. These outdoor recreational resources attract thousands of visitors each year to the area for camping, hiking, canoeing, white-water rafting, fishing, and hunting. Immediately south of the City of Asheville is the 255-room Biltmore House, the largest private home in the United States and one of North Carolina’s largest attended tourist attractions.

The area has received widespread recognition as a tourist destination, including 2009 One of the Nation’s Top Arts Destinations from *AmericanStyle Magazine*, Best Southern Town from *Outside Magazine* in August 2007, 2 of Top 10 easy spring weekend getaways from *MSNBC, April 2007*, and 3 of the Top 10 up-and-coming travel destinations from *VirtualTourist Spring 2007*. Asheville was named an “All-America” city in 1997 by the National Civic League and #1 of 10 America’s Best Eco-Neighborhoods from *Natural Home 2006 & 2007*. Tourism and the hospitality industry also constitute major segments of employment in the service sector and are projected to increase significantly. The impact of tourism is multi-dimensional and includes conventioners, commercial visitors, and tourists taking advantage of the mountain scenery, moderate climate, and craft skills of persons living in the area. Closely related to the tourism industry is the growth of discount malls and outlet stores. The seasonal influx of persons from outside the region is strengthening Buncombe County’s position as the primary regional retail center for area and tourist commerce. To provide a source of funds for promoting the recreational, cultural, and other attractions of the area, Buncombe County has imposed an occupancy tax on hotel and motel rooms in Buncombe County. The revenues from this tax are used by Buncombe County’s Tourism Development Authority to promote the growth of tourism and convention business.

Buncombe County Hotel/Motel Sales

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Sales	\$124,765,173	\$138,397,960	\$156,962,874	\$169,174,972	\$163,327,090

Source: Buncombe County Tourism Development Authority.

As of June 2009, the Asheville Metropolitan Statistical Area had experienced a year-to-date decline of 12.8% in Hotel/Motel Sales compared to the same period in 2008. This decrease is attributed to the current economic environment.

BOND PURCHASE AGREEMENT

among

Local Government Commission,

Metropolitan Sewerage District of Buncombe County, North Carolina

and

Wachovia Bank, National Association,
a subsidiary of Wells Fargo and Company,

on behalf of the Underwriters,

Relating to

[\$2009A Amount]

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2009A

and

[\$2009B Amount]

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Refunding Bonds, Series 2009B

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BOND PURCHASE AGREEMENT

Relating to

[\$[2009A Amount]

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2009A

and

[\$[2009B Amount]

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Refunding Bonds, Series 2009B

September __, 2009

Local Government Commission
Raleigh, North Carolina

Metropolitan Sewerage District of Buncombe County, North Carolina
Asheville, North Carolina

Ladies and Gentlemen:

The undersigned, Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company, on its own behalf and on behalf of BB&T Capital Markets, a division of Scott & Stringfellow, LLC, and Citigroup Global Markets Inc. (the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Agreement") with the Local Government Commission, a division of the Department of State Treasurer of the State of North Carolina (the "LGC"), and the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") which, upon acceptance of this offer by the LGC and approval of this offer and of the LGC's acceptance thereof by the District, will be binding upon the LGC, the District and the Underwriters. This offer is made subject to acceptance by the LGC and approval by the District on or before 5:00 p.m., Raleigh, North Carolina time, on the date hereof and, if not so accepted and approved, will be subject to withdrawal by the Underwriters upon notice delivered to the LGC and the District at any time prior to such acceptance and approval.

Section 1. Purchase and Sale of the Bonds. Upon the terms and conditions hereof and upon the basis of the representations set forth herein, the LGC and the District hereby agree to sell and the Underwriters hereby agree (a) to purchase the [\$[2009A Amount] aggregate principal amount of Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds, Series 2009A (the "Series 2009A Bonds") for an aggregate purchase price of \$_____ (representing the aggregate principal amount of the Series 2009A Bonds, [plus][less] net original issue [premium][discount] of \$_____ and less an underwriters' discount of \$_____), and (b) to purchase the [\$[2009B Amount] aggregate principal amount of Metropolitan Sewerage District of Buncombe County, North Carolina

Sewerage System Revenue Refunding Bonds, Series 2009B (the “Series 2009B Bonds” and, together with the Series 2009A Bonds, the “Bonds”) for an aggregate purchase price equal to \$_____ (representing the aggregate principal amount of the Series 2009B Bonds, [plus][less] net original issue [premium][discount] of \$_____ and less an underwriters’ discount of \$_____) (the delivery and payment and other actions contemplated hereby to take place at the time thereof being herein sometimes referred to as the “Closing”).

The proceeds of the Series 2009A Bonds are to be used to provide funds, together with other available funds, to (1) pay certain costs of the 2009 Project (as defined in the 2009A Series Resolution hereinafter mentioned) or reimburse the District for certain costs of the 2009 Project paid prior to the date hereof, and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2009A Bonds. The proceeds of the Series 2009B Bonds are to be used to provide funds, together with other available funds, to (1) refund the outstanding \$15,840,000 principal amount of the District’s Sewerage System Revenue Bonds, Series 1999 (the “Series 1999 Bonds”) and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2009B Bonds.

The Bonds shall be issued pursuant to the North Carolina Metropolitan Sewerage Districts Act, as amended (the “MSD Act”), and The State and Local Government Revenue Bond Act, as amended (the “Revenue Bond Act” and, together with the MSD Act, the “Enabling Act”), an Amended and Restated Bond Order adopted by the District Board of the District on April 21, 1999 (together with any orders supplemental thereto and amendatory thereof, the “Bond Order”), and a Series Resolution with respect to the Series 2009A Bonds (the “2009A Series Resolution”) and a Series Resolution with respect to the Series 2009B Bonds (the “2009B Series Resolution” and, together with the 2009A Series Resolution, the “Series Resolutions”), both adopted by the District Board of the District on September 16, 2009. The Bank of New York Mellon Trust Company, N.A. is the Trustee (the “Trustee”) and the Bond Registrar (the “Bond Registrar”) under the Bond Order and the Series Resolutions. The Bonds will be dated the date of their issuance and delivery, and will mature, bear interest and be subject to the right to purchase and of prior redemption as set forth on Schedule I attached hereto.

Section 2. Official Statement. Prior to their acceptance hereof, the LGC and the District shall deliver or cause to be delivered to the Underwriters two copies of the Preliminary Official Statement dated September __, 2009 related to the Bonds (the “Preliminary Official Statement”), marked to include such changes as shall have been accepted by the Underwriters and are necessary or desirable to reflect the terms of this Agreement and to complete the document as an Official Statement in final form, executed on behalf of the LGC and the District (together with any amendments or supplements thereto, the “Official Statement”). The Official Statement will be executed on behalf of the LGC by its Secretary and on behalf of the District by its Chairman and General Manager or any other representative of the District authorized by resolution of the District. The LGC and the District hereby approve the Official Statement and authorize the use of copies of the Official Statement in connection with the public offering and sale of the Bonds. The LGC and the District consent to the use by the Underwriters (prior to the date hereof) of the Preliminary Official Statement in connection with the public offering of the Bonds.

The District hereby deems the Preliminary Official Statement to be final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), except for the omission of pricing and other information allowed to be omitted pursuant to such Rule 15c2-12. The District will take all proper steps to prepare the Official Statement in final form, including the completion of all information required pursuant to such Rule 15c2-12. The execution of the Official Statement in final form by the Chairman and General Manager of the District or any other representative of the District authorized by resolution of the District shall be conclusive evidence that the District has deemed it final as of its date. The District shall arrange for the delivery within seven business days of today of a reasonable number of printed copies of the Official Statement in final form (which need not be manually executed) to the Underwriters for delivery to each potential investor requesting a copy of the Official Statement and to each person to whom the Underwriters initially sell the Bonds.

The Underwriters represent that a copy of the Official Statement will be electronically delivered before the “end of the underwriting period” (as defined herein) with the Municipal Securities Rulemaking Board at www.MSRB.org/msrb1/control/default.asp.

The District hereby agrees with the Underwriters that it will undertake to provide the financial, statistical and other information described in the Preliminary Official Statement under the heading “CONTINUING DISCLOSURE” at the times, to the persons and in the manner set forth therein, all in accordance with Rule 15c2-12.

Certain capitalized terms used in this Agreement which are not defined herein shall have the meaning given such terms in the Official Statement.

Section 3. Public Offering. The Underwriters agree to make a bona fide public offering of the Bonds at the initial offering prices or yields set forth on the cover page of the Official Statement. The Underwriters, however, reserve the right to change such initial offering prices as the Underwriters shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or yields set forth on the cover page of the Official Statement. The Underwriters shall inform the LGC and the District of any such changes in offering prices or yields and the amount of any such changes. At Closing, the Underwriters shall deliver to the District a certificate, in a form satisfactory to Sidley Austin LLP, New York, New York, bond counsel to the District (“Bond Counsel”), executed by an appropriate representative of the Underwriters, stating the initial offering prices paid by the public for the Bonds, excluding underwriters, bond houses, brokers and other intermediaries.

The Underwriters represent and warrant that the Underwriters will offer the Bonds only pursuant to the Official Statement and only in states where the offer and sale of the Bonds are legal, either as exempt securities, as exempt transactions or as a result of due registration of the Bonds for sale in any such state.

The Underwriters acknowledge that neither the LGC nor the District has authorized or consented to:

(a) the sale of Bonds to any purchaser in connection with the initial public offering of the Bonds unless a copy of the Official Statement is delivered to such purchaser not later than the settlement of such transaction;

(b) making any representations or providing any information to prospective purchasers of the Bonds in connection with the public offering and sale of Bonds other than the information set forth in the Official Statement and any amendment thereto approved in writing by the LGC and the District; or

(c) any actions in connection with the public offering and sale of the Bonds in violation of applicable requirements of federal and state securities laws and any applicable requirements of the Municipal Securities Rulemaking Board and the National Association of Securities Dealers, Inc.

Section 4. Representations of the Underwriters. Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company, represents that it is authorized to execute and deliver this Agreement on behalf of the Underwriters and each of the Underwriters represents that it is authorized to act under the provisions of this Agreement. The payment for, acceptance of and execution and delivery of any receipt for the Bonds and any other instruments in connection with the Closing shall be valid and sufficient for all purposes and binding upon the Underwriters, provided that any such action by the Underwriters shall not impose any obligation or liability upon the Underwriters other than as may arise as expressly set forth in this Agreement.

Section 5. Representations and Warranties of the LGC. The LGC makes the following representations and warranties to the Underwriters, all of which shall survive the delivery of the Bonds:

(a) The LGC is duly organized and validly existing as a division of the Department of the State Treasurer of the State of North Carolina, vested with the rights and powers conferred upon it by Chapter 159 of the General Statutes of North Carolina, as amended.

(b) The LGC has full power and authority to approve the issuance and provide for the sale of the Bonds as provided in this Agreement, and the LGC has taken or will take all action required by the Act or other applicable laws in connection therewith.

(c) The LGC has duly authorized the execution and delivery of this Agreement and has taken or will take all action necessary or appropriate to carry out the sale and delivery of the Bonds to the Underwriters.

(d) The execution and delivery of this Agreement and the performance by the LGC of its obligations hereunder are within the powers of the LGC and, to the best of the LGC's knowledge, will not conflict with or constitute a breach or result in a violation of (i) any federal or North Carolina constitutional or statutory provision, (ii) any agreement or other instrument to which the LGC is a party or by which it is bound, or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the LGC.

(e) The LGC has duly approved and authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Bonds.

(f) No consent, approval, authorization or order of any governmental or regulatory authority, other than the approvals of the District as herein required, is required to be obtained by the LGC as a condition precedent to the issuance or sale of the Bonds or the execution and delivery of the Official Statement or this Agreement or the performance by the LGC of its obligations hereunder; provided, however, that no representation or warranty is expressed as to any action required under federal or North Carolina or other state securities or blue sky laws in connection with the offering or sale of the Bonds by the Underwriters.

(g) There is no litigation or any other proceeding before any court or governmental body or agency pending or, to the knowledge of the LGC, threatened against or involving the LGC to restrain or enjoin the issuance or delivery of the Bonds or the execution or delivery by the LGC of this Agreement and the performance of its obligations hereunder.

Section 6. Representations and Warranties of the District. The District makes the following representations and warranties to the Underwriters, all of which shall survive the delivery of the Bonds:

(a) The District is a public body and body politic and corporate validly existing under the Constitution and laws of the State of North Carolina and is authorized pursuant to the provisions of the Enabling Act to (i) issue the Series 2009A Bonds for the purpose of financing the costs of the 2009 Project and the costs related thereto, (ii) issue the Series 2009B Bonds for the purpose of financing the costs of refunding the Series 1999 Bonds and the costs related thereto and (iii) secure the Bonds in the manner provided in the Bond Order and Series Resolutions.

(b) The District (i) has full legal right, power and authority to execute and deliver this Agreement, to adopt the Bond Order and the Series Resolutions, to issue and deliver the Bonds to the Underwriters as provided herein and to carry out and consummate all the transactions described in the Official Statement or contemplated by each of the aforesaid documents and (ii) has complied with all provisions of applicable law, including the Enabling Act, in all material matters relating to such transactions.

(c) By official action of the District prior to or concurrently with the date hereof, the District has duly authorized (i) the execution and delivery by the District of this Agreement, (ii) the issuance and delivery of the Bonds, (iii) the execution, delivery and distribution of the Official Statement and (iv) the taking of any and all such action as may be required on the part of the District to carry out, give effect to and consummate the transactions contemplated by such documents.

(d) The Bond Order and the Series Resolutions have been duly adopted by the District and constitute legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement

of creditors' rights generally and by general equitable principles. The Bond Order and the Series Resolutions have not been revoked, rescinded, repealed or amended in any way except as may have been agreed to by the Underwriters.

(e) This Agreement, when duly executed and delivered (and assuming due authorization, execution and delivery of such documents by the other parties thereto), will constitute legal, valid and binding agreements of the District enforceable against the District in accordance with its terms, except as enforcement of the foregoing may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(f) When delivered to and paid for by the Underwriters at Closing in accordance with the provisions of this Agreement, the Bonds will have been duly authorized, executed and delivered by the District and will constitute legal, valid and binding special obligations of the District enforceable in conformity with the provisions of the Enabling Act and the Constitution and laws of the State of North Carolina, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(g) The Series 2009A Bonds will be in substantially the form set forth in the 2009A Series Resolution and the Series 2009B Bonds will be in substantially the form set forth in the 2009B Series Resolution.

(h) The execution and delivery of this Agreement, the adoption of the Bond Order and the Series Resolutions, the issuance and delivery of the Bonds, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the District a violation of, breach of or default under any law, indenture, mortgage, deed of trust, note, loan agreement or other agreement or instrument to which the District is a party or by which the District or any of its property is bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the District or any of its activities or properties, and such action will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or other assets of the District under the terms of any such law, agreement, instrument, order, rule or regulation, except as provided or permitted by the Bonds, the Bond Order and the Series Resolutions.

(i) All consents, approvals, authorizations and orders of any governmental or regulatory authority which is required for the issuance and delivery of the Bonds as contemplated by the Official Statement or this Agreement have been or will be obtained at or prior to Closing.

(j) Subject to the provisions of the Bond Order and the Series Resolutions, the District will apply the proceeds derived from the sale of the Bonds to the purposes specified in the Series Resolutions.

(k) The District is not in violation or breach of or default under any applicable law or administrative regulation of the State of North Carolina or the United States or any applicable judgment or decree or administrative ruling, or any agreement, resolution, certificate

or other instrument to which the District is a party or is otherwise subject, which violation, breach or default would in any way materially adversely affect the transactions contemplated by this Agreement, the Bond Order or the Series Resolutions, or the issuance of the Bonds, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default.

(l) At the time of the District's acceptance of this Agreement and (unless an event occurs of the nature described in Section 6(m) below) at all subsequent times up to and including the Closing, the information contained in the Preliminary Official Statement and the Official Statement (except for the information with respect to the offering of the Bonds set forth on the cover page, or under the heading "UNDERWRITING" therein, or in APPENDIX G thereto) and in any amendment or supplement thereto that the District may authorize for use with respect to the Bonds is and will be true and correct and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact that should be stated therein or is necessary to make the statements in such document, in the light of the circumstances under which they were made, not misleading. If the Official Statement is supplemented or amended pursuant to Section 6(m) below, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Section 6(m)) at all times subsequent thereto up to and including the Closing, the District shall take all steps necessary to ensure that the Official Statement (except for the information with respect to the offering of the Bonds set forth on the cover page, or under the heading "UNDERWRITING" therein, or in APPENDIX G thereto) as so supplemented or amended does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If between the date of this Agreement and the date that is 25 days after the "end of the underwriting period," as defined below, any event shall occur that might or would cause the Official Statement, as then supplemented or amended (except for the information with respect to the offering of the Bonds set forth on the cover page, or under the heading "UNDERWRITING" therein, or in APPENDIX G thereto), to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements in such document, in the light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriters and the LGC. If, in the opinion of the Underwriters or the LGC, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District shall at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters and the LGC.

The "end of the underwriting period" is the time that is the later of (i) Closing or (ii) the time the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public.

(n) The financial statements of the District contained in the Official Statement present fairly the financial position of the District as of the dates specified therein, and the results of its operations and changes in its financial position for the periods specified therein, in conformity with generally accepted accounting principles applied on a consistent basis. Subsequent to the respective dates of the most recent financial statements included in the Official

Statement, there has been no material adverse change in the financial position or results of operations of the District except as set forth or contemplated in the Official Statement.

(o) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request to qualify the Bonds for offer and sale under the securities laws or regulations of such states and other jurisdictions of the United States as the Underwriters may designate; provided, however, that in no event shall the District be obligated to take any action that would subject it to general service of process in any jurisdiction where it is not now so subject, or qualify it to do business in any such jurisdiction, it being understood that the District is not responsible for compliance with or the consequences of failure to comply with applicable state securities laws and regulations.

(p) No consent, approval, authorization or order of, or filing or registration with, any court or governmental agency or body is required for the issuance, delivery or sale of the Bonds or the consummation of the other transactions contemplated by this Agreement, except as may be required under the blue sky or other securities laws or regulations of any jurisdiction in connection with the offering and sale of the Bonds by the Underwriters, or if any such consent, approval or authorization is required, the District will obtain it prior to the date of Closing and will provide evidence to the Underwriters that the same has been obtained.

(q) Any certificate signed by an authorized officer of the District and delivered to the Underwriters shall be deemed a representation and warranty of the District to the Underwriters as to the statements made therein.

(r) Except as disclosed in the Official Statement, there is no litigation or any other proceeding before any court or governmental body or agency, pending or, to the knowledge of the District, threatened against or involving the District or any of the members of the District in their respective capacities as such (nor, to the knowledge of the District, is there any basis therefor), restraining or enjoining the sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the sale thereof, or wherein an unfavorable decision, ruling or finding would, in any way, adversely affect (i) the transactions contemplated by this Agreement or the Official Statement, (ii) the organization, existence, or powers of the District or the title to the office of any of the members of the District, (iii) the business, properties or assets or the condition, financial or otherwise, of the District, (iv) the validity or enforceability of this Agreement, the Bond Order, the Series Resolutions or the Bonds (or any other agreement or instrument of which the District is a party or used or contemplated for use in the consummation of the transactions contemplated hereby) or (v) the exemption of the interest on the Bonds from taxation as described in the Official Statement.

(s) The District will comply with the information reporting requirements adopted by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board with respect to tax-exempt obligations such as the Bonds.

Section 7. Payment and Delivery. At 10:00 a.m., Raleigh, North Carolina time, on October 7, 2009, or at such other time or on such earlier or later date as we mutually agree upon,

the LGC and the District shall deliver or cause to be delivered to The Depository Trust Company (“DTC”) in New York, New York, or at such other place specified by the Underwriters, the Bonds in printed form duly executed and authenticated, and at the offices of Roberts & Stevens, P.A., in Asheville, North Carolina, the other documents hereinafter mentioned. It is anticipated that CUSIP identification numbers will be placed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and payment for the Bonds in accordance with the terms of this Agreement. Upon such delivery of the Bonds, the Underwriters shall pay the full purchase price thereof in immediately available funds payable to the order of the State Treasurer.

One fully registered Series 2009A Bond and Series 2009B Bond for each maturity, in the aggregate principal amount of each such maturity shall be registered in the name of Cede & Co., as nominee for DTC, as securities depository, and the beneficial interests in the Bonds so registered will be credited to such accounts with DTC as the Underwriters shall designate. The Bonds so registered to and held by DTC or its nominee, and the beneficial interests therein, shall be transferable only in accordance with the book-entry system.

Section 8. Conditions of Closing. The Underwriters have entered into this Agreement in reliance upon the representations and warranties of the LGC and the District contained herein and to be contained in the documents and instruments to be delivered at Closing, and upon the performance by the LGC and the District of their obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriters’ obligation under this Agreement to purchase and pay for the Bonds shall be subject to the performance by the LGC and the District of their obligations to be performed hereunder at or prior to Closing, and shall also be subject to the following conditions:

(a) At the time of Closing (i) the representations and warranties of the LGC and the District contained herein shall be true, complete and correct with the same effect as if made on the date of Closing, (ii) this Agreement, the Bond Order and the Series Resolutions shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriters and (iii) the LGC and the District shall have duly adopted and there shall be in full force and effect such orders or resolutions as in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated hereby, and such orders or resolutions shall not have been amended, modified or supplemented and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters.

(b) The Underwriters shall have the right to terminate the obligations of the Underwriters under this Agreement to purchase and pay for the Bonds by notifying the LGC and the District of its election to do so if, after the execution hereof and on or prior to the date of Closing:

(1) legislation shall have been introduced in or enacted by the Congress of the United States or the North Carolina General Assembly, or legislation pending in the Congress of the United States or the North Carolina General Assembly shall have been amended, or a decision shall have been

rendered by a court of the United States or the State of North Carolina, including the Tax Court of the United States, or a ruling shall have been made or a regulation shall have been proposed or made or a press release or other form of notice shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or North Carolina authority, with respect to interest on obligations of the general character of the Bonds, which may have the purpose or effect, directly or indirectly, of affecting the tax status of the District, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by relevant North Carolina statutes or, in the opinion of the Underwriters, affects materially and adversely the market for the Bonds, or the market price generally of obligations of the general character of the Bonds; or

(2) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or other unforeseen national or international calamity shall have occurred or accelerated to such an extent as, in the opinion of the Underwriters, affects materially and adversely the market for the Bonds, or the market price generally of obligations of the general character of the Bonds; or

(3) there shall have occurred and be in force a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States, State of North Carolina or New York State authorities; or

(4) there shall have occurred any material adverse change in the affairs of the District that, in the reasonable judgment of the Underwriters, materially or adversely affects the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(5) there shall be established any new restrictions on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or the change to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States or by executive order; or

(6) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency shall have been made or issued that would make the Bonds or any securities of the District or any similar body of the type contemplated herein subject to the registration requirements of the Securities Act of 1933, as amended, or require the qualification of the Bond Order or Series Resolutions under the Trust Indenture Act of 1939, as amended; or

(7) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency; or

(8) an event occurs which in the opinion of the Underwriters requires the preparation and distribution of a supplement or amendment to the Official Statement.

(c) On or prior to the date of the Closing, the Underwriters shall have received the following documents in form and substance satisfactory to the Underwriters and McGuireWoods LLP, Charlotte, North Carolina, counsel to the Underwriters ("Underwriters' Counsel"):

(1) approving opinions of Bond Counsel, dated as of the date of Closing, relating to the Bonds substantially in the forms attached as Appendix E to the Official Statement, together with a letter of Bond Counsel, dated as of the date of Closing and addressed to the Underwriters, consenting to the Underwriters' reliance upon such opinions;

(2) supplemental opinion of Bond Counsel, dated as of the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit A;

(3) opinion of Roberts & Stevens, P.A., Asheville, North Carolina, counsel to the District, dated as of the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit B;

(4) opinion of Underwriters' Counsel, dated as of the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit C;

(5) a copy of the Official Statement executed on behalf of the LGC and the District by duly authorized representatives thereof;

(6) a certificate, dated as of the date of Closing, signed by a District official satisfactory to the Underwriters, to the effect that:

(A) the representations and warranties of the District set forth in this Agreement are true, accurate and complete in all material respects as of the date of Closing and the conditions to be complied with and obligations to be performed by the District hereunder on or prior to the date of Closing have been complied with and performed;

(B) except as may be disclosed in the Official Statement, there is no litigation or any other proceeding before any court or governmental body or agency pending or, to the best of such official's knowledge, threatened against or affecting the District or any members of the District (nor, to the best of such official's knowledge, is there any basis therefor), restraining or enjoining the sale, execution or delivery of the Bonds, or in

any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the sale thereof, or wherein an unfavorable decision, ruling or finding would materially and adversely affect (i) the transactions contemplated by this Agreement or the Official Statement, (ii) the organization, existence or powers of the District or the title to the office of any of the members of the District, (iii) the business, properties or assets or the condition, financial or otherwise, of the District, (iv) the validity or enforceability of this Agreement, the Bond Order, the Series Resolutions or the Bonds (or any other agreement or instrument of which the District is a party, used or contemplated for use in the consummation of the transactions contemplated hereby) or (v) the exemption of the interest on the Bonds from taxation as described in the Official Statement; and

(C) the Official Statement did not as of its date and does not as of the date of Closing contain any untrue statement of a material fact or omit to state a material fact required to be stated therein for the purpose for which the Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that no representation or warranty regarding the information with respect to the offering of the Bonds set forth on the cover page of, or under the heading “UNDERWRITING” in, or in APPENDIX G to, the Official Statement;

(7) a copy of the necessary resolutions of the LGC, certified by the Secretary or Deputy Secretary thereof, authorizing the LGC to sell the Bonds and to execute and deliver this Agreement and the Official Statement;

(8) a specimen copy of the Series 2009A Bonds and the Series 2009B Bonds;

(9) copies, certified by appropriate officials of the District satisfactory to the Underwriters, of all proceedings of the District relating to approvals or authorizations for the Bonds, the adoption of the Bond Order and the Series Resolutions, the execution and delivery of this Agreement and the Official Statement and authorizing the use of the Official Statement by the Underwriters in connection with the offering of the Bonds;

(10) evidence, satisfactory in form and substance to the Underwriters, of receipt of a “___” rating assigned to the Bonds by Moody’s Investors Service, Inc., a “___” rating assigned to the Bonds by Standard & Poor’s Ratings Services, and a “___” rating assigned to the Bonds by Fitch Ratings, Inc.;

(11) an executed copy of the tax certificate of the District satisfactory to the Underwriters;

(12) evidence that all items required to be delivered to the Trustee as a condition precedent to the issuance of the Bonds under the Bond Order have been so delivered;

(13) a certificate of an authorized officer of the District certifying that the LGC fees have been paid prior to Closing;

(14) the verification report of Grant Thornton LLP, Minneapolis, Minnesota, dated the date of Closing and in form and substance satisfactory to Bond Counsel and the Underwriters;

(15) a certificate of an authorized officer of the Trustee certifying that it has received proceeds derived from the sale of the Series 2009B Bonds and amounts from the District, which together with other funds and accounts held pursuant to the series resolution relating to the Series 1999 Bonds, are sufficient to pay on the date of Closing the redemption price of all Outstanding Series 1999 Bonds and the interest accrued thereon; and

(16) such additional certificates (including appropriate no-litigation certificates), opinions, proceedings, instruments or other documents as the Underwriters may reasonably request.

All representations, warranties and agreements of the LGC and the District set forth in this Agreement shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Underwriters or any person controlling the Underwriters and (b) acceptance of and payment for the Bonds by the Underwriters.

Section 9. Payment of Expenses. The District shall pay from the proceeds of the Bonds or other available funds all expenses incident to the District's obligations hereunder and in connection with the authorization, execution, delivery and sale of the Bonds to the Underwriters, including, but not limited to, the cost of printing and distributing the Bonds, the Official Statement, rating agency fees, the fees and expenses of Bond Counsel, and the fees and expenses of consultants, the LGC and the Trustee.

The Underwriters shall pay their out-of-pocket expenses, the fees and expenses of Underwriters' Counsel, the cost of the blue sky survey, any advertising expenses in connection with a public offering of the Bonds, fees of the CUSIP Service Bureau and any fees of the Municipal Securities Rulemaking Board or the Public Securities Association.

In order to ensure compliance with applicable state and/or local ethics statutes that may apply to representatives of the District as well as federal securities regulations that may apply to the Underwriters, the District shall be solely responsible for and shall direct the Trustee to pay from the proceeds of the Bonds or shall reimburse the Underwriters from available funds (in either case, if permitted by applicable law) for any expenses incurred by the Underwriters on behalf of the District's employees and representatives in connection with this Agreement including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives of the District. Such payment may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

Section 10. Parties in Interest. This Agreement is made solely for the benefit of the Underwriters and persons controlling the Underwriters, the LGC and the District, and their respective successors and assigns, and no other person, partnership or corporation shall acquire or have any right under or by virtue of this Agreement. The terms “successors” and “assigns” shall not include any purchaser of Bonds from the Underwriters merely because of such purchase.

Section 11. Absence of Liability. No recourse shall be had by the Underwriters for any claims based on this Agreement or otherwise against any member, officer, employee or agent of the LGC or the District in his or her individual capacity, all claims, if any, being waived and released by the Underwriters.

Section 12. Indemnification. (a) To the fullest extent permitted by applicable law, the District agrees to indemnify and hold harmless the Underwriters and the LGC against any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), to which the Underwriters, the LGC or the other persons described in subsection (b) of this Section may become subject under any federal or state securities laws or other statutory law or at common law or otherwise, caused by or arising out of or based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in the Official Statement or caused by any omission or alleged omission from the Official Statement of any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading unless such untrue statement or misleading statement, such alleged untrue statement or alleged misleading statement, or such omission or alleged omission was made in reliance upon and in conformity with information furnished to the District by the Underwriters expressly for use in the Official Statement, including any amendment thereto.

(b) The indemnity provided under this Section shall extend upon the same terms and conditions to each officer, director, member, employee, agent or attorney of the Underwriters and the LGC, and each person, if any, who controls the Underwriters and the LGC within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each, an “indemnified party”). Such indemnity shall also extend, without limitation, to any and all expenses whatsoever reasonably incurred by any indemnified party in connection with investigating, preparing for or defending against, or providing evidence, producing documents or taking any other reasonable action in respect of, any loss, damage, expense, liability or claim referred to in subsection (a) of this Section (or action in respect thereof), whether or not resulting in any liability, and shall include the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever as set forth herein, if such settlement is effected with the written consent of the District.

(c) Within a reasonable time after an indemnified party under subsections (a) and (b) of this Section shall have been served with the summons or other first legal process or has received written notice of the threat of a claim in respect of which an indemnity may be

claimed, such indemnified party must, if a claim for indemnity in respect thereof is to be made against the District under this Section, notify the District in writing of the commencement thereof; but the omission to so notify the District shall not relieve it from any liability that it may have to any indemnified party other than pursuant to subsections (a) and (b) of this Section. The District shall be entitled to participate at its own expense in the defense, and if the District so elects within a reasonable time after receipt of such notice, or if all indemnified parties seeking indemnification in such notice so direct, the District shall assume the defense of any suit brought to enforce any such claim, and such defense will be conducted by counsel chosen promptly by the District and reasonably satisfactory to the indemnified party; provided, however, that, if the defendants in any action include an indemnified party and the District, or include more than one indemnified party, and any such indemnified party has been advised by its counsel that there may be legal defenses available to such indemnified party that are different from or additional to those available to the District or another indemnified party, and that in the reasonable opinion of such counsel are sufficient to make it undesirable for the same counsel to represent such indemnified party and the District, or another indemnified party, such indemnified party shall have the right to employ separate counsel in such action (and the District will not be entitled to assume the defense thereof on behalf of such indemnified party), and in such event the reasonable fees and expenses of such counsel shall be borne by the District. Nothing contained in this subsection (c) will preclude any indemnified party, at its own expense, from retaining additional counsel to represent such party in any action with respect to which indemnity may be sought from the District hereunder. Notwithstanding the foregoing, the LGC shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, and the reasonable fees and expenses of such counsel shall be paid by the District.

(d) If the indemnification provided for in subsections (a) and (b) of this Section is unavailable to hold harmless and indemnify any indemnified party in respect of any losses, damages, expenses, liabilities, or claims (or actions in respect thereof) referred to therein, or if the indemnified party failed to give the notice required under subsection (c) of this Section, then the District, on the one hand, and the indemnified party, on the other hand, shall contribute to the amount paid or payable by the indemnified party as a result of such losses, damages, expenses, liabilities or claims (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the District on the one hand and the indemnified party on the other hand from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the District on the one hand and the indemnified party on the other hand will contribute to such amount paid or payable by the indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the District on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, damages, expenses, liabilities or claims (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the District on the one hand and the indemnified party on the other hand shall be deemed to be in such proportion so that the indemnified party is responsible for that portion represented by the percentage that the underwriting discount payable to the Underwriters hereunder (i.e., the excess of the aggregate public offering price for the Bonds as set forth on the cover page of the Official Statement over the price to be paid by the Underwriters to the District upon delivery of the Bonds as specified in Section 1) bears to the aggregate public offering price as described above, and the District is responsible for the balance. The relative fault will be determined by reference to, among other

things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the District on the one hand or the indemnified party on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

In the event an indemnified party has knowledge of a claim subject to the contribution provided by this subsection (d), such indemnified party agrees, within a reasonable time of obtaining such knowledge, to convey notice of such claim to the District. It is agreed and understood that if the indemnified party fails, under the circumstances set forth in the preceding sentence, to convey the above-referenced notice to the District, then the District will not be obligated to provide contribution pursuant to this subsection (d).

The District, the LGC and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by any method of allocation that does not take account of the equitable considerations referred to in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, damages, expenses, liabilities or claims (or actions in respect thereof) referred to in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

The indemnity and contribution provided by this Section will be in addition to any other liability that the District may otherwise have hereunder, at common law or otherwise, and is provided solely for the benefit of the indemnified party, and its respective successors, assigns and legal representatives, and no other person will acquire or have any right under or by virtue of such provisions of this Agreement.

Section 13. Counterparts. This 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.

Section 14. Notices. Any notice or other communication to be given under this Agreement may be given by delivering the same in writing by registered or certified mail to the following addresses:

Local Government Commission
325 N. Salisbury Street
Raleigh, North Carolina 27603-1385
Attention: Secretary

Metropolitan Sewerage District of Buncombe County, North Carolina
2028 Riverside Drive
Asheville, North Carolina 28804
Attention: General Manager

Wachovia Bank, National Association
301 South College Street
4th Floor – NC0612
Charlotte, North Carolina 28202
Attention: Stephen J. Schemmel

Section 15. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

This Agreement shall become effective upon the execution of the acceptance and approval hereof by duly authorized representatives of the LGC and the District and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

WACHOVIA BANK, NATIONAL ASSOCIATION, a subsidiary of Wells Fargo and Company, on behalf of itself and as representative of BB&T Capital Markets, a division of Scott & Stringfellow, LLC, and Citigroup Global Markets Inc.

By: _____
Managing Director

(signatures continued)

Bond Purchase Agreement
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2009A and
Sewerage System Revenue Refunding Bonds, Series 2009B

Accepted:

LOCAL GOVERNMENT COMMISSION

By: _____
Secretary

(signatures continued)

Bond Purchase Agreement
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2009A and
Sewerage System Revenue Refunding Bonds, Series 2009B

Approved:

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: _____
Chairman of District Board

SCHEDULE I

Maturity Schedule

Series 2009A Bonds
\$_____ Serial Bonds

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
-------------	---------------	-------------	--------------	-------------	---------------	-------------	--------------

\$_____ ___% Term Bond due July 1, 20__ Yield ___%

Series 2009B Bonds
\$_____ Serial Bonds

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
-------------	---------------	-------------	--------------	-------------	---------------	-------------	--------------

\$_____ ___% Term Bond due July 1, 20__ Yield ___%

Redemption Provisions

[To be provided]

[SUPPLEMENTAL OPINION OF BOND COUNSEL]

[Closing Date]

Wachovia Bank, National Association
Charlotte, North Carolina

BB&T Capital Markets,
a division of Scott & Stringfellow, LLC,
Charlotte, North Carolina

Citigroup Global Markets Inc.
New York, New York

Re: \$[2009A Amount] Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds, Series 2009A and \$[2009B Amount] Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Refunding Bonds, Series 2009B

We have served as bond counsel to the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds are being purchased today by Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company, BB&T Capital Markets, a division of Scott & Stringfellow, LLC, and Citigroup Global Markets Inc. (the “Underwriters”) pursuant to a Bond Purchase Agreement, dated September __, 2009 (the “Bond Purchase Agreement”), among the North Carolina Local Government Commission (the “LGC”), the District and the Underwriters. Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Bond Purchase Agreement.

Based upon such examination as we have deemed necessary for the purpose of expressing the opinions set forth below, we are of the opinion, as of the date hereof and under existing law, that:

1. The LGC is duly organized and validly existing as a division of the Department of the State Treasurer of the State of North Carolina.

2. The LGC has full power and authority to approve the issuance of the Bonds and to sell the same as provided in the Bond Purchase Agreement, and the LGC has taken all action required in connection therewith.

3. The adoption by the LGC of the resolution authorizing the issuance and sale of the Bonds and the execution and delivery of the Bond Purchase Agreement (the “LGC Resolution”), the approval of the issuance and sale of the Bonds and the execution and delivery of the Bond Purchase Agreement and compliance with the provisions thereof, under the

circumstances contemplated thereby, (a) to the best of our knowledge after due inquiry, do not and will not in any material respect conflict with or constitute on the part of the LGC a breach or violation of or default under any agreement or other instrument to which the LGC is a party or by which it is bound in any way which would affect the validity or delivery of the Bonds and (b) do not and will not conflict with, violate or result in a breach of any federal or North Carolina constitutional or statutory provision.

4. No further consent, authorization or order of any governmental or regulatory authority is required to be obtained as a condition precedent to the sale of the Bonds or the execution and delivery of the Bond Purchase Agreement, except that we express no opinion as to any regulatory requirement applicable to the Underwriters or any action required under state securities or blue sky laws in connection with the offering and sale of the Bonds by the Underwriters.

5. The Bond Purchase Agreement has been duly authorized, executed and delivered by the LGC and the District and, assuming due authorization, execution and delivery thereof by the Underwriters, is a legal, valid and binding agreement of the LGC and the District enforceable against the LGC and the District in accordance with its terms, except that the enforceability thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and by general equitable principles. We note, however, that the covenants of the District in the Bond Purchase Agreement relating to indemnification and contribution are given to the extent permitted by law, and we express no opinion with respect to whether such covenants are permitted by law.

6. The LGC and the District have duly authorized, executed and delivered the Official Statement and have consented to the distribution of the Official Statement in connection with the offering and sale of the Bonds.

7. The statements contained in the Official Statement under the headings "THE SERIES 2009 BONDS" and "SECURITY FOR THE BONDS" and in Appendix D to the Official Statement, to the extent that such provisions purport to summarize certain provisions of the Bond Order and the Series Resolutions, fairly and accurately summarize such provisions. The statements in the Official Statement under the heading "TAX TREATMENT" are true and correct.

8. The Bonds conform as to form and tenor with the terms and provisions thereof as described in the Official Statement.

9. All conditions precedent to the delivery of the Bonds contained in the Bond Purchase Agreement, the Bond Order and the Series Resolutions have been fulfilled.

10. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Order and Series Resolutions are exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

Respectfully submitted,

[OPINION OF COUNSEL TO THE DISTRICT]

[Closing Date]

Wachovia Bank, National Association
Charlotte, North Carolina

BB&T Capital Markets,
a division of Scott & Stringfellow, LLC,
Charlotte, North Carolina

Citigroup Global Markets Inc.
New York, New York

Re: \$[2009A Amount] Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds, Series 2009A and \$[2009B Amount] Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Refunding Bonds, Series 2009B

We are counsel for the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) and have served in such capacity in connection with the execution and delivery on the date hereof of the above-referenced bonds (the “Bonds”). The Bonds are being issued under and pursuant to the terms of an Amended and Restated Bond Order adopted by the District on April 21, 1999 (the “Bond Order”) and two series resolutions, each adopted by the District on September 16, 2009 (the “Series Resolutions”). The Bonds are being purchased on the date hereof by Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company, BB&T Capital Markets, a division of Scott & Stringfellow, LLC, and Citigroup Global Markets Inc. (the “Underwriters”) pursuant to the terms of a Bond Purchase Agreement, dated September __, 2009 (the “Bond Purchase Agreement”), among the North Carolina Local Government Commission (the “LGC”), the District and the Underwriters. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Purchase Agreement.

Based upon such examination as we have deemed necessary for the purpose of expressing the opinions set forth below, we are of the opinion, as of the date hereof and under existing law, that:

1. The District is a public body and body politic and corporate duly organized and validly existing under the Constitution and laws of the State of North Carolina.
2. The District has duly adopted the Bond Order and the Series Resolutions authorizing the issuance of the Bonds.

3. The District has duly authorized, executed and delivered the Bond Purchase Agreement and, assuming due authorization, execution and delivery by the other parties thereto, it is a legal, valid and binding agreement of the District enforceable against the District in accordance with its terms, except that the enforceability thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and by general equitable principles. We note, however, that the covenants of the District in the Bond Purchase Agreement relating to indemnification and contribution are given to the extent permitted by law, and we express no opinion with respect to whether such covenants are permitted by law.

4. All authorizations, approvals, consents or orders of any governmental entity or any other person required for the valid issuance of the Bonds, the execution or delivery by the District of the Bond Purchase Agreement, the adoption by the District of the Bond Order and the Series Resolutions and any other transactions effected or contemplated thereby have been obtained, except that we express no opinion as to any action required under federal or state securities or blue sky in connection with the offering and sale of the Bonds by the Underwriters.

5. The District is not in breach of or default under any applicable law or administrative regulation of the State of North Carolina or the United States or any applicable judgment or decree or administrative ruling or any agreement, resolution, certificate or other instrument to which the District is a party or is otherwise subject, which breach or default would in any way have a material adverse effect on the transactions contemplated by the Bond Purchase Agreement, the Bond Order or the Series Resolutions, and no event has occurred and is continuing which with the passage of time or giving of notice, or both, would constitute such a breach of or default thereunder.

6. The issuance of the Bonds, the execution and delivery of the Bond Purchase Agreement, the adoption of the Bond Order and Series Resolutions, and compliance with the provisions thereof, will not conflict with or constitute a violation or breach of or default under any applicable law, rule or regulation of the United States or of the State of North Carolina or of any department, division, agency or instrumentality thereof, or any applicable order, judgment or decree of any court or other governmental agency or body or any bond, note, loan agreement, resolution, certificate, agreement or other instrument to which the District is a party or by which the District or its property is bound.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity before any court, public board or body pending, or to the best of our knowledge, threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Purchase Agreement or which, in any way, would adversely affect the validity of the Bond Purchase Agreement, the Bond Order, the Series Resolutions, the Bonds or the exemption of interest on the Bonds from taxation as described in the Official Statement.

8. The District has duly authorized, executed and delivered the Official Statement and has approved the use of the Official Statement in connection with the offering and sale of the Bonds.

9. Based upon information made available to us in the course of our representation of the District, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to our attention that would lead us to believe that the information contained in the Official Statement under the headings “INTRODUCTION,” “THE PLAN OF FINANCE AND REFUNDING,” “ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICT” (excluding in all cases financial and statistical data included or mentioned therein, as to which we express no opinion) and in Appendices A and B thereto, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Respectfully submitted,

[OPINION OF UNDERWRITERS' COUNSEL]

[Closing Date]

Wachovia Bank, National Association
Charlotte, North Carolina

BB&T Capital Markets,
a division of Scott & Stringfellow, LLC
Charlotte, North Carolina

Citigroup Global Markets Inc.
New York, New York

Re: \$[2009A Amount] Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds, Series 2009A and \$[2009B Amount] Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Refunding Bonds, Series 2009B

We have acted as counsel to you, the underwriters (the "Underwriters") named in the Bond Purchase Agreement, dated September __, 2009 (the "Bond Purchase Agreement"), among the Local Government Commission (the "LGC"), the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") and the Underwriters. Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Bond Purchase Agreement.

We have examined such documents and reviewed such questions of law and made such other inquiries as we have considered appropriate for the purpose of this opinion. On the basis of the foregoing, as of the date hereof and under existing law, we are of the opinion that the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Order and Series Resolutions are exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements made in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, to assist you in your investigation concerning the Official Statement, we have reviewed certain documents and have participated in conferences in which the contents of the Official Statement and related matters were discussed. During the course of our work on this matter, no facts have come to our attention that cause us to believe that the Official Statement (except for any financial and statistical data, forecasts, numbers, estimates, assumptions, expressions of opinion, information concerning The Depository Trust Company and the book-entry system for the Bonds contained or incorporated by reference in the Official

Statement and its appendices, as to which we express no opinion) contains, as of the date hereof, any untrue statement of a material fact or omits to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

This opinion is furnished by us for your sole benefit in connection with your offering and sale of the Bonds, and no other person or entity may rely upon this opinion without our prior written consent.

Respectfully submitted,

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: September 16, 2009

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, Director of Finance

Reviewed By: Billy Clarke, Board Counsel

Subject: Resolution authorizing issuance of bonds

Background

On July 15th, the Board approved submitting an application to the Local Government Commission ("LGC") to issue revenue bonds to refund the remaining maturities of the Series 1999. Application was submitted on August 17th and the LGC approved the issuance on September 1st. Under its Bond Order, the District Board is required to adopt a Series Resolution authorizing issuance of the bonds and related actions necessary to sell the bonds.

Discussion

The attached Series Resolution 1) authorizes issuance of bonds designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds Series 2009B" (the "Series 2009B Bonds") in an aggregate principal amount not to exceed \$15,000,000 to pay for the replacement and rehabilitation of sewer lines and treatment plant improvements and to pay the costs of issuance of the bonds; 2) Authorizes the form of the Series 2009B Bonds; 3) Appoints the Bank of New York as Trustee for the proceeds of the Series 2009B Bonds and establishes certain accounts with the Trustee for the proceeds of the sale of the Series 2009B Bonds; 4) Authorizes the General Manager to determine the final aggregate amount of the bonds (not to exceed \$15,000,000), to determine the maturities and the sale date and to negotiate the final sale in accordance with certain limitations; 5) Obligates the District to promptly pay interest and principal on the Series 2009B Bonds when due; 6) Approves the Official Statement for the Series 2009B Bonds; 7) Requests the LGC to award the Series 2009B Bonds to Wachovia Bank, a subsidiary of Wells Fargo, at an underwriters discount of not more than one percent (1%) of the par amount of the bonds subject to the approval of the General Manager; 8) Approves the Bond Purchase Agreement with Wachovia/Wells Fargo and authorizes the Chair and the GM to execute the Bond Purchase Agreement; and 9) Authorizes and directs Officers and Agents of the District and Trustee to do all acts and things required of them by the Series Resolution and the Bond Order to complete the sale of the Series 2009B Bonds. The Series Resolution was drafted by the District's Bond Counsel, Sidley Austin, and has been reviewed and approved by the LGC and by the District's counsel, Billy Clarke.

Financial Impact

The Business Plan has been attached to provide the financial impact of the debt refunding to the District. Based on interest rates as of September 1st, the District would achieve a net present value savings in excess of 4%. The District would save in excess of \$286,555 a year in interest expense over the remaining life of the debt. The Business Plan incorporates this refunding with anticipated future revenue and expenditure assumptions. Based on these assumptions, the District will be able to maintain its goal of approximate 1.5x debt service coverage into the foreseeable future.

Staff Recommendation

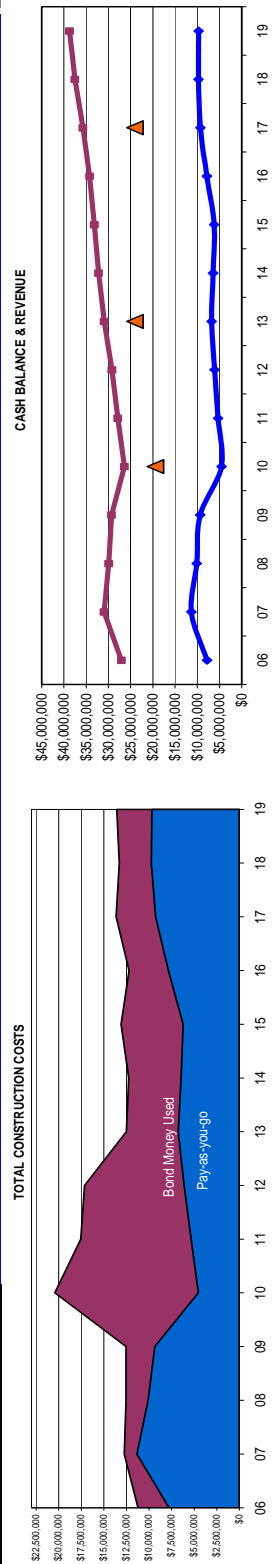
Staff recommends approval of the attached resolution.

Action Taken

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:			Deadline:

	\$18.7 Million Series 2009 Bonds										Sewer Rate Increase			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		FY 2016	FY 2017	FY 2018
July 1 - Available for Construction	\$21.45	\$22.41	\$23.26	\$23.99	\$24.84	\$25.71	\$26.48	\$27.28	\$28.09	\$28.94	\$29.80	\$30.70	\$31.62	\$32.57
REVENUE:														
Domestic Users	19,840,872	21,523,457	22,800,471	22,865,194	23,353,145	24,299,681	25,195,640	26,224,790	27,276,611	28,351,640	29,504,242	30,682,246	31,941,151	33,227,778
Industrial Users (No growth)	2,617,298	2,693,328	1,510,669	1,368,440	1,427,014	1,488,107	1,552,960	1,619,825	1,689,166	1,762,207	1,837,407	1,915,676	1,998,829	2,083,371
Billing and Collections (User Fee)	522,799	554,317	584,554	590,181	596,083	613,965	632,384	651,356	670,896	691,023	711,754	737,107	755,100	777,753
Tap Fees	199,600	203,370	333,185	278,430	36,750	73,500	110,250	147,000	147,000	147,000	147,000	147,000	147,000	147,000
Facility Fees	2,282,250	2,851,580	2,679,085	2,679,085	332,500	770,000	1,312,500	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Interest & Non-operating Revenues	1,520,926	2,582,983	1,792,514	817,650	548,695	569,582	296,223	417,334	589,576	384,520	201,037	415,969	858,597	691,663
City of Asheville (annex -Enka)	37,003	37,003	37,003	37,000	37,000	45,000	75,000	103,000	36,000	49,000	37,000	37,000	37,000	37,000
Rental Income	58,056	37,578	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560	16,560
Transfer from Reserves (to / from)	(51,926)	500,980	171,411	607,647	0	0	0	0	0	0	0	0	0	0
Miscellaneous	2,689	4,324	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	27,029,567	30,988,920	29,918,366	29,260,187	26,347,746	27,876,395	29,191,117	30,929,865	32,175,811	33,151,949	34,204,999	35,697,557	37,504,237	38,731,125
State and Federal (EPA) Grants					19,400,000									
Revenue Bonds/Stimulus														24,000,000
Total Funds Available	65,856,754	66,035,612	62,547,292	58,929,337	71,570,259	56,923,387	45,710,648	59,953,841	54,974,133	49,858,725	43,332,867	63,972,152	60,960,881	58,204,343
EXPENSES:														
Operations & Maintenance	11,264,280	11,584,471	11,754,849	12,568,214	13,303,885	13,792,297	14,227,346	14,767,763	15,277,610	15,871,205	16,492,101	17,141,697	17,821,583	18,533,421
Replacement Funds (WRF & Fleet)	350,000	360,000	400,000	400,000	300,000	300,000	475,000	475,000	500,000	500,000	500,000	450,000	450,000	450,000
Debt Service	7,982,730	8,068,069	8,167,726	7,600,385	8,487,374	8,760,644	8,856,240	9,401,567	10,442,116	11,070,028	9,851,498	9,282,064	9,934,241	10,542,191
CIP (including Bond Projects)	11,213,052	12,732,294	12,555,566	12,538,226	20,432,008	17,550,915	17,128,086	12,511,189	12,247,831	13,089,624	12,214,673	13,641,748	13,281,839	13,568,796
Total Expenses	30,810,062	32,744,834	32,878,141	33,106,825	42,523,267	40,403,856	40,686,672	37,155,519	38,467,357	40,530,857	39,058,272	40,515,509	41,487,663	43,094,408
Pay-as-you-go (Current Revenue only)	7,782,557	11,336,380	10,090,081	9,356,831	4,556,487	5,323,454	6,107,531	6,760,535	6,456,084	6,210,716	7,861,400	9,273,797	9,748,414	9,655,513
Debt Coverage (User Fees only)	1.5	1.8	1.7	1.8	1.5	1.5	1.5	1.5	1.4	1.4	1.6	1.8	1.7	1.7
Debt Coverage with Total Revenue	2.0	2.4	2.2	2.2	1.5	1.6	1.7	1.7	1.6	1.6	1.8	2.0	2.0	1.9
Active Plan CIP	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Interceptor/Wet Weather Rehabilitation	2,200,079	2,299,993	3,177,257	3,208,301	18,494	1,575,406	1,458,033	1,528,104	2,667,104	0	0	0	0	0
General Sewer Rehabilitation	5,575,172	4,291,143	3,778,152	9,128,926	5,289,449	5,247,134	6,849,438	5,132,516	6,091,707	8,270,282	8,556,434	8,270,282	8,556,434	8,556,434
Pipe Rated Projects	1,289,410	2,088,760	1,430,583	1,398,637	3,983,436	2,182,654	1,314,601	2,155,411	1,402,704	1,447,299	1,447,299	1,447,299	1,447,299	1,447,299
Unclaimed Sewer Rehabilitation	110,875	7,800	284,412	444,750	116,280	120,304	124,466	128,773	133,228	137,838	142,607	142,607	142,607	142,607
Treatment Plant / Pump Stations	500,000	7,379,000	5,881,863	74,928	166,115	171,863	323,983	183,961	190,326	196,911	196,911	196,911	196,911	196,911
Engineering Force Account	2,265,831	2,740,812	2,798,648	2,672,544	2,737,415	2,750,270	2,817,103	2,885,908	2,956,679	3,029,509	3,104,471	3,104,471	3,104,471	3,104,471
Reimbursements	596,859	624,500	624,500	624,500	624,500	624,500	624,500	624,500	624,500	624,500	624,500	624,500	624,500	624,500
Contingency	0	1,000,000	0	0	0	0	0	0	0	0	0	0	0	0
Capital Improvement Program Totals	11,213,052	12,732,294	12,555,566	12,538,226	20,432,008	17,550,915	17,128,086	12,511,189	12,247,831	13,089,624	12,214,673	13,641,748	13,281,839	13,568,796

Assumptions
 Consumption / Growth:
 3% Reduction in FY09
 2% Reduction in FY10
 .50% Increase FY11
 .75% Increase in FY12
 1.0% growth in Domestic Revenue thereafter
 No growth in Industrial Rate Parity in 2020
 General Sewer Rehab to cover 50,000 lineal ft / year
 2-year lull in Facility Fees
 ENR 10-year Construction Index @ 3.46%
 3% inflation in O & M, Replacement Funds and Engineering Force Account
 Bond issues figured at:
 4.5% yield FY10
 5.0% yield FY13
 5.5% yield FY17
 Target Debt Coverage 1.5
 Minimum Carry-over for Construction \$3,000,000
 \$707,346 in Stimulus Grant/Loans



METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE
COUNTY, NORTH CAROLINA

SERIES RESOLUTION

Adopted September 16, 2009

Authorizing and Securing Not Exceeding
\$15,000,000
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Refunding Bonds, Series 2009B

SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$15,000,000 SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2009B OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF THE AMENDED AND RESTATED BOND ORDER ADOPTED BY THE DISTRICT BOARD OF SAID DISTRICT ON APRIL 21, 1999, AS AMENDED.

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

WHEREAS, the District has heretofore issued (a) \$20,845,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 1992A (the "Series 1992A Bonds"), which are currently outstanding in the principal amount of \$25,000, (b) \$22,500,000 principal amount of its Sewerage System Revenue Bonds, Series 1992B (the "Series 1992B Bonds"), which are currently outstanding in the principal amount of \$25,000, (c) \$31,815,000 principal amount of its Sewerage System Revenue Bonds, Series 1999, which are currently outstanding in the principal amount of \$15,840,000 (the "Series 1999 Bonds"), (d) \$21,020,000 principal amount of its Sewerage System Revenue Bonds, Series 2001, which are currently outstanding in the principal amount of \$1,535,000, (e) \$26,970,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2003, which are currently outstanding in the principal amount of \$17,970,000, (f) \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$33,460,000, and (g) \$22,165,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008B, which are currently outstanding in the principal amount of \$21,445,000, pursuant to the Act and an amended and restated bond order adopted by the District Board of the District (the "Board") on April 21, 1999 (the "Amended and Restated Bond Order", and together with any orders supplemental and amendatory thereto, the "Order"); and

WHEREAS, Section 2.08 of the Order authorizes the issuance, from time to time, of additional revenue bonds of the District in one or more series for the purpose of providing funds for paying, with any other available funds, the cost (including financing costs) of refunding any Bonds (as defined in the Order); and

WHEREAS, the Board has determined to issue a series of revenue refunding bonds of the District designated "Sewerage System Revenue Refunding Bonds, Series 2009B" (the "Series 2009B Bonds") pursuant to Section 2.08 of the Order for the purpose of providing funds,

together with other available funds, to (a) refund all or a portion of the outstanding Series 1999 Bonds, and (b) pay certain costs and expenses incurred in connection with the issuance of the Series 2009B Bonds; and

WHEREAS, the Board has received information to the effect that the District will be able to satisfy the requirements of Sections 2.08 and 7.16 of the Order with respect to the issuance of the Series 2009B Bonds; and

WHEREAS, the District has submitted an application to the Local Government Commission of North Carolina (the "Local Government Commission") requesting approval for the issuance of the Series 2009B Bonds and the sale of the Series 2009B Bonds at private sale and without advertisement as required by Section 159-123 of the North Carolina General Statutes; and

NOW, THEREFORE, THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY DOES HEREBY RESOLVE, as follows:

Section 1. Definitions.

(a) Meaning of Words and Terms. Unless otherwise required by the context, words and terms used herein which are defined in the Order shall have the meanings assigned to them therein, and the following words and terms shall have the following meanings:

"Bond Registrar" means The Bank of New York Mellon Trust Company, N.A., as designated by Section 2(a) of this Series Resolution.

"Bond Year" means the period commencing on July 1 of any year and ending on June 30 of the following year; provided, however, that the initial Bond Year shall commence on the delivery date of the Series 2009B Bonds and end on June 30, 2010.

"Costs of Issuance Account" means the account created and so designated by Section 4 hereof.

"Escrow Agent" means The Bank of New York Mellon Trust Company, N.A. and any successor thereto under the Escrow Deposit Agreement.

"Escrow Deposit Agreement" means the Escrow Deposit Agreement, dated as of October 1, 2009, between the District and the Escrow Agent.

"Escrow Fund" means the fund so designated and created under the Escrow Deposit Agreement.

“Interest Payment Date” means January 1, 2010 and each January 1 and July 1 thereafter, to and including July 1, 2019.

“Investment Obligations” means any investment permitted by Section 159-30 of the North Carolina General Statutes, as amended from time to time, or any successor statute.

“Rating Agency” means Fitch Ratings, Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“Regular Record Date” means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“Securities Depository” means The Depository Trust Company, New York, New York, or other recognized securities depository selected by the District, which maintains a book-entry system in respect of the Series 2009B Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name shall be registered on the registration books maintained by the Bond Registrar the Series 2009B certificates to be required to be deposited with the Bond Registrar at such Securities Depository during the continuation with such Securities Depository of participation in such book-entry system.

“Serial Bonds” means the Series 2009B Bonds, if any, that are designated as such and mature on July 1 in the years and amounts set forth in the Series Certificate.

“Series 2009B Bonds” means the Metropolitan Sewerage District of Buncombe County, Sewerage System Revenue Refunding Bonds, Series 2009B, issued pursuant to the Order and this Series Resolution.

“Series 2009B Subaccount of the Interest Account” means the subaccount in the Interest Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009B Subaccount of the Principal Account” means the subaccount in the Principal Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009B Subaccount of the Redemption Account” means the subaccount in the Redemption Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2009B Subaccount of the Sinking Fund Account” means the subaccount in the Sinking Fund Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series Certificate” shall have the meaning given such term by Section 2(e) of this Resolution.

“Sinking Fund Requirement” means, with respect to the Term Bonds for any Bond Year, the principal amount fixed or computed as provided in the Series Certificate for the retirement of the Term Bonds by purchase or redemption on July 1 of the following Bond Year.

The Sinking Fund Requirement for the Term Bonds for each Bond Year shall be initially the respective principal amounts of the Term Bonds to be redeemed, or otherwise retired, on July 1 of the following Bond Year, as set forth in the Series Certificate.

During any Bond Year on or before the 45th day next preceding any July 1 on which Series 2009B Bonds, which are Term Bonds, are to be retired pursuant to the Sinking Fund Requirement, the District may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such July 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series 2009B Subaccount of the Sinking Fund Account on account of such Series 2009B Bonds in the amount of 100% of the principal amount of any such Term Bonds so purchased. If, during any Bond Year, the total principal amount of Term Bonds retired by purchase or redemption under the provisions of this Series Resolution and the Series Certificate shall be greater than the amount of the Sinking Fund Requirement for such Term Bonds, the subsequent Sinking Fund Requirements for such Term Bonds shall be reduced by the amount of such excess as shall be specified in an Officer’s Certificate filed with the Trustee on or prior to July 15 of the next ensuing Bond Year.

It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2009B Subaccount of the Redemption Account, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer’s Certificate to be filed with the Trustee pursuant to Section 2(f) of this Series Resolution.

“Term Bonds” means the Series 2009B Bonds, if any, that are designated as such and mature on July 1 in the years and amounts set forth in the Series Certificate.

(b) Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words used herein shall include the plural as well as the singular number. References herein to particular articles or sections are references to articles or sections of this Series Resolution unless some other reference is indicated.

Section 2. Authorization, Form, Issuance, Delivery and Registration of the Series 2009B Bonds.

(a) Authorization of the Series 2009B Bonds. Pursuant to the Act and Section 2.08 of the Order, the District hereby authorizes the issuance of revenue refunding bonds of the District, designated “Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 2009B” (the “Series 2009B Bonds”) in an aggregate principal amount not exceeding \$15,000,000 for the purpose of providing funds, together with other available funds, to (1) refund all or a portion of the outstanding Series 1999 Bonds and (2) pay certain expenses incurred in connection with the issuance of the Series 2009B Bonds. The Series 2009B Bonds shall be dated the date of delivery thereof.

The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2009B Bonds.

(b) Form of Series 2009B Bonds. The Series 2009B Bonds are issuable in fully registered form in denominations of \$5,000 or any whole multiple thereof, shall be lettered “R2009B-” and shall be numbered from 1 consecutively upward. The Series 2009B Bonds and the Certificate of the Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2009B Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:

[Form of Series 2009B Bond]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL

INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST
HEREIN.

No. R2009B-_____

\$_____

United States of America
State of North Carolina
County of Buncombe

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY
SEWERAGE SYSTEM REVENUE REFUNDING BOND, SERIES 2009B

<u>Maturity Date</u>	<u>Original Issuance Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 20__		_____%	_____

The Metropolitan Sewerage District of Buncombe County (the “District”), a public body and body politic and corporate in the County of Buncombe, State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to CEDE & CO. or registered assigns or legal representative, on the maturity date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in Jacksonville, Florida, or any successor bond registrar (the “Bond Registrar”) (the “Bond Registrar”), the principal sum of

_____ DOLLARS (\$_____).

The District promises to pay, but solely from said sources, interest on this bond (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, or it is authenticated prior to January 1, 2010, in which event it shall bear interest from the Original Issuance Date set forth above, payable on January 1, 2010, and semiannually thereafter on January 1 and July 1 of each year at the rate per annum set forth above until the principal sum hereof is paid. The interest so payable and punctually paid or duly provided for on any interest payment date will be paid to the person in whose name this bond is registered at the close of business on the regular record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding an interest payment date (the “Regular Record Date”). Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond is registered at the close of business on a Special Record Date, as defined in the hereinafter-mentioned Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not less than ten (10) days prior to such Special

Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be required by such law or exchange, all as more fully provided in the Order. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This bond is one of a duly authorized series of revenue refunding bonds of the District, designated “Sewerage System Revenue Refunding Bonds, Series 2009B” (the “Series 2009B Bonds”), issued for the purpose of providing funds, with any other available funds, to (i) refund [all or a portion of] the District’s outstanding Sewerage System Revenue Bonds, Series 1999 (the “Series 1999 Bonds”), and (ii) pay certain costs and expenses incurred in connection with the issuance of the Series 2009B Bonds.

The Series 2009B Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution, as hereinafter defined. One Series 2009B Bond certificate with respect to each date on which the Series 2009B Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution) is being issued and required to be deposited with the Bond Registrar and immobilized in its custody. The book-entry system will evidence positions held in the Series 2009B Bonds by the Securities Depository’s participants, beneficial ownership of the Series 2009B Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The District, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2009B Bond, as the owner of this Series 2009B Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2009B Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2009B Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The District, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository’s participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2009B Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2009B Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Order and the Series Resolution and the Securities Depository.

The Series 2009B Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Metropolitan Sewerage Districts Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the “Enabling Act”), an amended and restated bond order duly adopted by the District Board of the District (the “Board”) on April 21, 1999 (said amended and restated bond order, together with all orders supplemental and amendatory thereto as therein permitted, being herein collectively called the “Order”) and a series resolution duly adopted by the Board on September 16, 2009 (the “Series Resolution”). The District has heretofore issued and secured under the Order \$20,845,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 1992A (the “Series 1992A Bonds”), \$22,500,000 original principal amount of its Sewerage System Revenue Bonds, Series 1992B (the “Series 1992B Bonds”), [the Series 1999 Bonds to be removed from bond form if all of the Series 1999 Bonds are redeemed] , \$21,020,000 original principal amount of its Sewerage System Revenue Bonds, Series 2001 (the “Series 2001 Bonds”), \$26,970,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2003 (the “Series 2003 Bonds”), \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A (the “Series 2008A Bonds”) and \$22,165,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008B (the “Series 2008B Bonds”). Simultaneously with the issuance of the Series 2009B Bonds, the District shall issue and secure under the Order \$_____ original principal amount of its Sewerage System Revenue Bonds, Series 2009A (the “Series 2009A Bonds”) for the purpose of paying the cost of acquiring and constructing Additional Projects (as defined in the Order) of the System. The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of acquiring and constructing any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the remaining 2008B Bonds, the remaining 2008A Bonds, the remaining Series 2003 Bonds, the remaining Series 2001 Bonds, [the remaining Series 1999 Bonds], the remaining Series 1992B Bonds, the remaining Series 1992A Bonds , the Series 2009A Bonds and the Series 2009B Bonds being herein collectively called the “Bonds”). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2009B Bonds are special obligations of the District secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The District is not obligated to pay the principal of or interest on the Series 2009B Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof

or the District is pledged to the payment of the principal of and the interest on the Series 2009B Bonds. The Order provides for the issuance or incurrence from time to time under the conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is hereby made to the Order and the Series Resolution for a more complete statement of the provisions thereof and the rights of the District, the Trustee and the registered owners of the Series 2009B Bonds.

The Order provides for the creation of a special fund designated the "Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds Bond Fund" (the "Bond Fund"). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2009B Bonds (the "Subaccounts"), which Subaccounts are pledged to and charged with the payment for the principal of and interest on the Series 2009B Bonds. The Series Resolution also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order.

The Order provides for the charging by the District of rates, fees and charges for the use of and for the services and facilities furnished or to be furnished by the Sewerage System, as defined in the Order in order to produce at all times sufficient Net Revenues to pay the principal of and interest on all Parity Indebtedness and Subordinate Indebtedness as the same shall become due and to create certain reserves for such purposes.

The Series 2009B Bonds are issuable in fully registered form, in such denominations as the Board may by resolution determine. At the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2009B Bonds may be exchanged for an equal aggregate principal amount of Series 2009B Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the principal corporate trust office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the District shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2009B Bond or Series 2009B Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate. The District or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2009B Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series

2009B Bonds. Neither the District nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2009B Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2009B Bonds or any portion thereof or of any Series 2009B Bond after such Series 2009B Bond or any portion thereof has been selected for redemption.

The Series 2009B Bonds at the time outstanding that are stated to mature on or after July 1, 20__ may be redeemed prior to their respective maturities, at the option of the District, on or after July 1, 20__ in whole or in part on any date, in such order of maturity as the District in its discretion may determine and by lot within a single maturity, from any moneys that may be available for such purpose, at the following redemption prices (expressed as a percentage of the principal amount of Series 2009B Bonds to be redeemed), plus the interest accrued thereon to the redemption date:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
July 1, 20__ to June 30, 20__	%
July 1, 20__ to June 30, 20__	
July 1, 20__ and thereafter	100

The Series 2009B Bonds at the time outstanding that are stated to mature on July 1, 20__ are required to be redeemed from moneys in the Series 2009B Subaccount of the Sinking Fund Account, as defined in the Order, on July 1, __, and on each July 1 thereafter set forth below, in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount of such Series 2009B Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
*	

* Maturity Date

The Series 2009B Bonds at the time outstanding that are stated to mature on July 1, 20__ are required to be redeemed from moneys in the Series 2009B Subaccount of the Sinking Fund

Account, as defined in the Order, on July 1, __, and on each July 1 thereafter set forth below, in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount of such Series 2009B Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
*	

* Maturity Date

If less than all of the Series 2009B Bonds are called for redemption, the Series 2009B Bonds to be so redeemed shall be called for redemption in the manner that the District shall determine as set forth in an Officer’s Certificate filed with the Trustee. If less than all of the Series 2009B Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2009B Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one 2009B Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2009B Bonds is Cede & Co., such selection shall be made by DTC.

Not more than forty-five (45) days and at least thirty (30) days before the redemption date of any Series 2009B Bonds, the Bond Registrar shall cause a notice of any such redemption, either in whole or in part, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to all registered owners of Series 2009B Bonds or portions of Series 2009B Bonds to be redeemed at their addresses as they appear on the registration books of the District kept by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been given as aforesaid, the Series 2009B Bonds or portions of Series 2009B Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2009B Bonds or portions thereof on such date, and, if moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2009B Bonds or portions thereof shall cease to accrue, such Series 2009B Bonds or portions thereof shall cease to be entitled to any

benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2009B Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2009B Bond or Series 2009B Bonds in principal amount equal to the unredeemed portion hereof, of the same maturity and bearing interest at the same rate will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2009B Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on the such Series 2009B Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the District shall not be required to redeem such Series 2009B Bonds. In the event that such notice of redemption contains such a provision and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

The registered owner of this bond shall have no rights to enforce the provisions of the Order or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Order or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Order.

In certain events, on the conditions, in the manner and with the effect set forth in the Order, the principal of all Bonds and Parity Debt then outstanding under the Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Order may be made by the District only to the extent and in the circumstances permitted by the Order.

As declared by the Enabling Act, this bond, subject only to the provisions for registration and registration of transfer stated herein and contained in the Order, is an investment security within the meaning of and for all the purposes of Article 8 of the Uniform Commercial Code of the State of North Carolina.

This bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina, the Order and the Series Resolution to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Order until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the Metropolitan Sewerage District of Buncombe County has caused this bond to bear the [manual] [facsimile] signatures of the Chairperson and the Secretary-Treasurer of the Board of the District and [a facsimile of] the corporate seal of the District to be imprinted hereon, all as of the ____ day of _____, 2009.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY

[SEAL]

By: _____
Chairperson

Secretary-Treasurer

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within bond has been approved under the provisions of The State and Local Government Revenue Bond Act of North Carolina.

Secretary
Local Government Commission of North Carolina

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the series designated therein and issued under the provisions of the within-mentioned Order.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Bond Registrar

By: _____
Authorized Agent

Date of authentication: _____

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY NUMBER
OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE

the within bond and all right 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 Guaranteed:

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

(c) Details of Series 2009B Bonds. The Series 2009B Bonds shall be dated as of the date of their delivery, shall be stated to mature on July 1, in such years and amounts, shall bear interest, payable on January 1, 2010 and semiannually thereafter on January 1 and July 1 in each year, at such rate or rates, and shall have such optional redemption provisions as shall be set forth in the Series Certificate; provided, however, that the final maturity of the Series 2009B Bonds shall not be later than July 1, 2019 and the true interest cost thereof shall not exceed 3.25% per annum. The Series 2009B Bonds that are designated as Term Bonds in the Series Certificate shall have such Sinking Fund Requirements as set forth in such certificate.

The Series 2009B Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2009B Bonds are stated to mature, in the aggregate principal amount of the Series 2009B Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), will be issued and required to be deposited with DTC and immobilized in its custody. The book-entry system will evidence ownership of the Series 2009B Bonds in the principal amount of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2009B Bond and interest with respect thereto shall be payable to Cede & Co. or any other person appearing on the registration books of the District as the registered owner of such Series 2009B Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2009B Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The District, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (i) DTC determines not to continue to act as Securities Depository for the Series 2009B Bonds or (ii) the District determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2009B Bonds would adversely affect the interests of the beneficial owners of the Series 2009B Bonds, the District will discontinue the book-entry system with DTC. If the District identifies another qualified Securities Depository to replace DTC, the District will make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the outstanding Series 2009B Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If the District fails to identify another qualified Securities Depository to replace DTC, the District will deliver replacement bonds in the form of fully registered

certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2009B Bonds as required by DTC.

(d) Delegation and Standards. The District hereby delegates to the General Manager of the District, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2009B Bonds:

(i) Principal Amount. To determine the aggregate principal amount of the Series 2009B Bonds and the principal amounts of each maturity of the Series 2009B Bonds, such principal amount, not to exceed \$15,000,000, to be sufficient for the purposes described in Section 2(a) of this Series Resolution;

(ii) Maturities. To determine the maturity dates of the Series 2009B Bonds and the final maturity date thereof, such final stated maturity not to extend beyond July 1, 2019;

(iii) Serial Bonds and Term Bonds. To determine the Series 2009B Bonds to be designated as and comprising Serial Bonds and the Series 2009B Bonds to be designated as and comprising Term Bonds, if any;

(iv) Optional Redemption Requirements. To determine the optional redemption provisions, if any, relating to the Series 2009B Bonds;

(v) Sinking Fund Requirements. To determine the Sinking Fund Requirements for any Series 2009B Bonds designated as and comprising Term Bonds;

(vi) Date of Sale. To determine the date of the sale of the Series 2009B Bonds;

(vii) Refunded Bonds. To determine the specific maturities and principal amounts of the Series 1999 Bonds to be refunded;

(viii) Negotiated Sale. To approve the sale of the Series 2009B Bonds in a negotiated sale in accordance with the provisions of Section 16 of this Series Resolution; provided, however, that the net interest cost for the Series 2009B Bonds shall not exceed three and four tenths percent (3.40%) per annum and, provided further, that the underwriters' discount for the Series 2009B Bonds shall not exceed one percent (1.00%) of the par amount of the Series 2009B Bonds; and

(ix) Other Provisions. To determine any other provisions deemed advisable and not in conflict with the provisions of this Series Resolution or the Order.

(e) Series Certificate. The General Manager of the District shall execute a certificate or certificates (collectively, the “Series Certificate”) evidencing the determinations or other actions taken by him pursuant to the authority granted in this Series Resolution, and any such Series Certificate shall be conclusive evidence of the action taken.

(f) Issuance and Delivery of Series 2009B Bonds; Application of Certain Proceeds and Certain Other Moneys. The Series 2009B Bonds shall be executed substantially in the forms and in the manner herein set forth and shall be deposited with the Bond Registrar for authentication, but before the Series 2009B Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Trustee, the items required to be delivered to the Trustee pursuant to Section 2.08 of the Order.

When the documents mentioned in Section 2.08 of the Order shall have been filed with the Trustee, and when the Series 2009B Bonds shall have been executed and authenticated as required by this Series Resolution, the Series 2009B Bonds shall be delivered to or upon the order of the purchasers thereof, but only upon the deposit with the Trustee of the purchase price of the Series 2009B Bonds.

Section 3. Redemption of Series 2009B Bonds.

(a) Redemption of Series 2009B Bonds.

(i) The Series 2009B Bonds shall not be subject to prior redemption except as provided in the Series Certificate, this Section 3 and in Article III of the Order.

(ii) Term Bonds, if any, shall be subject to mandatory redemption, as specified in the Series Certificate and shall be redeemed to the extent of any Sinking Fund Requirement therefor on July 1 immediately following each Bond Year in which there is a Sinking Fund Requirement, at a redemption price equal to 100% of the principal amount of Term Bonds to be redeemed, plus accrued interest to the redemption date.

(b) Selection of Series 2009B Bonds for Redemption. The Series 2009B Bonds shall be redeemed only in whole multiples of \$5,000. If less than all the Series 2009B Bonds are called for redemption, the Series 2009B Bonds to be so redeemed shall be called for redemption in the manner set forth in an Officer’s Certificate filed with the Trustee.

If less than all of the Series 2009B Bonds of any one maturity are to be called for redemption, the Bond Registrar shall select the Series 2009B Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2009B Bond for this purpose; provided, however, that so long as the only Owner of the Series 2009B Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository.

(c) Redemption Notice. At least thirty (30) days but not more than forty-five (45) days prior to the redemption date of any Series 2009B Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2009B Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by registered or certified mail and provided further that failure to mail any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2009B Bonds of any other Owner to whom such notice has been properly given. The Bond Registrar shall also give such notice of redemption, by certified or registered mail, to at least one securities depository and at least one national information service which disseminates redemption information, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2009B Bonds.

Each such notice shall set forth the designation and date of the Series 2009B Bonds, the CUSIP numbers of the Series 2009B Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2009B Bonds to be redeemed and, if less than all of the Series 2009B Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2009B Bonds to be redeemed and, in the case of Series 2009B Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2009B Bond is to be redeemed in part only, the notice of redemption shall also state that on or after the redemption date, upon surrender of such Series 2009B Bond, a new Series 2009B Bond in principal amount equal to the unredeemed portion of such Series 2009B Bond will be issued.

Any notice of redemption, except a notice of redemption with respect to a Sinking Fund Requirement, may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2009B Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2009B Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2009B Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4. Costs of Issuance Account, Subaccounts in Other Accounts, Application of Net Receipts and Investment of Funds

(a) Establishment of Costs of Issuance Account and Subaccounts in Other Accounts. There is hereby established with the Trustee an account designated “Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 2009B Costs of Issuance Account.”

The following subaccounts are hereto established:

- (i) Series 2009B Subaccount of the Interest Account of the Bond Fund;
 - (ii) Series 2009B Subaccount of the Principal Account of the Bond Fund;
 - (iii) Series 2009B Subaccount of the Sinking Fund Account of the Bond Fund;
- and
- (iv) Series 2009B Subaccount of the Redemption Account of the Bond Fund.

The subaccounts mentioned above shall be established with and held by the Trustee pursuant to the Order and this Series Resolution.

(b) Costs of Issuance Account. On the delivery date of the Series 2009B Bonds, the District shall cause to be deposited with the Trustee, from the proceeds of the Series 2009B Bonds, to the credit of the Costs of Issuance Account, such amount as is required by Section 4(c) of this Series Resolution. Money shall be disbursed from the Costs of Issuance Account, upon requisition of the District in substantially the form attached hereto as Appendix A, for the purpose of paying the costs of issuance of the Series 2009B Bonds and pending such disbursement, shall be held solely for the security of the owners of the Series 2009B Bonds.

(c) Application of Proceeds of the Series 2009B Bonds. Simultaneously with the delivery of the Series 2009B Bonds and the deposit of the net proceeds of the Series 2009B Bonds with the Trustee, the Trustee shall deposit such net proceeds of the Series 2009B Bonds as follows:

- (i) An amount set forth in the Series Certificate shall be transferred to the Escrow Agent for the purpose of refunding the outstanding Series 1999 Bonds; and
- (ii) The balance of the proceeds of the Series 2009B Bonds shall be deposited to the credit of the Costs of Issuance Account.

(d) Application of Net Receipts. On or before the dates set forth below, the District shall, subject to the provisions of the Order, deposit or cause to be deposited, from Net Receipts

held in the Revenue Account, with the Trustee the following amounts, and the Trustee shall apply such amounts to the various subaccounts and account specified herein in the following order:

(i) into the Series 2009B Subaccount of the Interest Account, two Business Days prior to the next ensuing Interest Payment Date, an amount equal to the interest payable on the Series 2009B Bonds on such Interest Payment Date;;

(ii) into the Series 2009B Subaccount of the Principal Account, two Business Days prior to July 1 of each year, an amount equal to the principal of all Serial Bonds due on such July 1; and

(iii) into the Series 2009B Subaccount of the Sinking Fund Account, two Business Days prior to July 1 of each year, the amount required to retire the Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such July 1, in accordance with the Sinking Fund Requirements therefor.

In addition, the Trustee shall deposit to the Series 2009B Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by the District from time to time with instructions that such amounts be so deposited.

(e) Application of Money in the Series 2009B Subaccount of the Sinking Fund Account. Money held in the Series 2009B Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

(i) The Trustee shall, at the written request of the District, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2009B Subaccount of the Sinking Fund Account or maturing on the next ensuing July 1 at the most advantageous price obtainable with reasonable diligence. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2009B Subaccount of the Interest Account or from other funds made available by the District and the purchase price from the Series 2009B Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2009B Subaccount of the Sinking Fund Account within the period of forty-five (45) days immediately preceding any July 1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds during such Bond Year shall not exceed the amount deposited in the Series 2009B Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2009B Subaccount of the Sinking Fund Account for the payment of

any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (i) or delivered during such Bond Year to the Trustee by the District exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee shall endeavor to purchase Outstanding Term Bonds with such excess money at the most advantageous price obtainable but in no event greater than par plus accrued interest;

(ii) The Trustee shall call for redemption on July 1 immediately following the then current Bond Year the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired during such Bond Year by purchase pursuant to paragraph (i) of this Section or delivered during such Bond Year to the Trustee by the District. If the amount available in the Series 2009B Subaccount of the Sinking Fund Account on such July 1 is not equal to the Sinking Fund Requirement for the Term Bonds for such Bond Year less the principal amount of any such Term Bonds so delivered or purchased and retired, the Trustee shall apply the amount available in the Series 2009B Subaccount of the Sinking Fund Account to the redemption of Term Bonds then subject to redemption so as to exhaust, to the extent practicable, the amount available. On each redemption date the Trustee shall withdraw from the Series 2009B Subaccount of the Sinking Fund Account the amount required to pay the Redemption Price of the Term Bonds so called for redemption. The amount of interest on the Term Bonds so called for redemption shall be paid from the Series 2009B Subaccount of the Interest Account. If such date is the stated maturity date of any such Term Bonds, the Trustee shall not call such Term Bonds for redemption but, on such maturity, shall withdraw the amount required for paying the principal of such Term Bonds when due and payable.

If on any date there is money in the Series 2009B Subaccount of the Sinking Fund Account and no Term Bonds are then Outstanding or if on any payment date money remains therein after the mandatory redemption of Term Bonds in accordance with the Sinking Fund Requirement therefor, the Trustee shall withdraw such money therefrom and shall apply the same as follows and in the following order: (x) deposit in the Series 2009B Subaccount of the Interest Account and the Series 2009B Subaccount of the Principal Account, the amounts, if any, required to be paid thereto in such month and (y) deposit all remaining amounts to the Revenue Account.

If, in any Bond Year, by the application of money in the Series 2009B Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from the District and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with the District not later than the twentieth (20th) day prior to the next July 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. The District shall thereafter cause an

Officer's Certificate to be filed with the Trustee not later than July 15 of the following Bond Year setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Upon the retirement of any Term Bonds by purchase and redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Term Bonds, and the amount paid as interest thereon. The expenses incurred in connection with the purchase or redemption of any such Term Bonds shall be paid by the District from the Revenue Account or from any other available moneys.

(f) Application of Money in the Series 2009B Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2009B Subaccount of the Redemption Account to the purchase or redemption of Series 2009B Bonds as follows:

(i) Subject to the provisions of clause (iii) of this Section 4(f), at the written request of the District, the Trustee shall endeavor to purchase and cancel Series 2009B Bonds or portions thereof, regardless of whether such Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, provided that the purchase price of each Series 2009B Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2009B Bond under the provisions of the applicable Series 2009B Subaccount of the Redemption Account. The Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement from the Series 2009B Subaccount of the Interest Account or other funds provided by the District and the purchase price from the Series 2009B Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2009B Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2009B Bonds or portions thereof are to be redeemed.

(ii) Subject to the provisions of clause (iii) of this Section 4(f), the Trustee shall call for redemption on a date permitted by this Series Resolution such amount of Series 2009B Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2009B Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2009B Bonds shall be called for redemption at any one time unless the Trustee is so instructed by the District. The Trustee shall pay the accrued interest on the Series 2009B Bonds or portions thereof to be redeemed to the date of redemption from the Series 2009B Subaccount of the Interest Account and the Redemption Price of such Bonds or portions thereof from the Series 2009B Subaccount of the Redemption Account. The Trustee shall withdraw from the

Series 2009B Subaccount of the Redemption Account and set aside the respective amounts required to pay the Redemption Price of the Series 2009B Bonds or portions thereof so called for redemption.

(iii) Money in the Series 2009B Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2009B Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2009B Bonds to be redeemed. In the event no such certificate is filed (x) the Trustee shall apply such money to the purchase of Series 2009B Bonds bearing the highest rate of interest and (y) if Series 2009B Bonds of more than one maturity bear the same interest rate, the Trustee shall redeem such Series 2009B Bonds in the inverse order of maturities.

Upon the retirement of any Series 2009B Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Series 2009B Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2009B Bonds shall be paid by the District from the Revenue Account or from any other available moneys.

(g) Investment of Money. Money held for the credit of the Costs of Issuance Account and subaccounts in the Bond Fund established by this Series Resolution shall be continuously invested and reinvested by the Trustee in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such account or subaccounts will be required for the purposes intended. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2009B Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money in or credited to any account or subaccount established by this Series Resolution shall be deemed at all times to be part of such account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such account or subaccount. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations shall be credited to such account or subaccounts as follows:

Accounts or Subaccounts

Credit to

Costs of Issuance Account

Costs of Issuance Account

All Subaccounts

Respective Subaccounts

Any such interest accruing and any such profit realized shall be transferred upon the receipt thereof by the District or the Trustee, as the case may be, pursuant to the provisions of the Order and this Series Resolution.

An Authorized Officer shall give to the Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section 4(g), and the Trustee shall then invest such money as so directed. The Trustee may request in writing additional direction or authorization from the Authorized Officer with respect to the proposed investment of money. Upon receipt of such directions, the Trustee shall invest, subject to the provisions of this Section 4(g), such money in accordance with such directions. The Trustee shall not be liable to the District for any loss suffered by the District as a result of or in connection with any investment in Investment Obligations made by the Trustee in good faith as instructed by or approved by an Authorized Officer.

The Trustee shall sell at the best price reasonably obtainable or, acting in a commercially reasonable manner, reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such account or subaccount. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a transfer of money between two or more of the accounts or subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Order, provided that the Investment Obligations transferred are those in which money of the receiving account or subaccount could be invested at the date of such transfer.

(h) Payment of Principal, Interest and Premium. The District covenants that it will promptly pay the principal of and the interest on every Series 2009B Bond at the places, on the dates and in the manner provided herein and in the Series 2009B Bonds, and any premium required for the retirement of the Series 2009B Bonds by purchase or redemption, according to the true intent and meaning thereof. The District further covenants that it will faithfully perform at all times all of its covenants, undertakings and agreements contained in this Series Resolution and the Order, or in any Series 2009B Bond or in any proceedings of the District pertaining thereto. The District represents and covenants that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Series 2009B Bonds authorized by this Series Resolution and to pledge the Net Receipts in the manner and to the extent in the Order set forth; that all action on its part for the issuance of the Series 2009B Bonds has been duly and effectively taken; and that such Series 2009B Bonds in the hands of the Owners thereof are and will be valid and binding special obligations of the District payable according to their terms.

(i) Tax Covenant. The District covenants to do and perform all acts and things permitted by law in order to assure that interest paid on the Series 2009B Bonds which was excludable from the gross income of their Owners for federal income taxes on the date of their issuance shall continue to be so excludable.

Section 5. The Trustee

(a) Acceptance of Duties by Trustee. Simultaneously with the taking effect of the Order and this Series Resolution, the Trustee shall, by the execution of an instrument of acceptance, accept and agree to perform the duties and fulfill the trusts imposed upon it by this Series Resolution.

(b) Trustee Not Responsible for Disclosure Documents. The Trustee shall have no duty or responsibility to examine or review, and shall have no liability for, the contents of any documents submitted to or delivered to any Owner in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

Section 6. Supplemental Resolutions

(a) Supplemental Resolutions Without Consent of Owners. The District may, from time to time and at any time, adopt such resolutions supplemental hereto (which supplemental resolutions shall thereafter form a part hereof) as shall be substantially consistent with the terms and provisions of this Series Resolution and, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, shall not materially and adversely affect the interest of the Owners:

(i) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Series Resolution or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Series Resolution;

(ii) to grant or to confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee;

(iii) to add to the covenants and agreements of the District in this Series Resolution other covenants and agreements thereafter to be observed by the District or to surrender any right or power herein reserved to or conferred upon the District;

(iv) to permit the qualification of this Series Resolution under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District so determines, to add to this Series Resolution or any supplemental Order such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law; or

(v) to provide for the issuance of Series 2009B Bonds in bearer form.

(b) Supplemental Resolutions with Consent of Owners. Subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2009B Bonds then Outstanding shall have the right, from time to time, anything contained in this Series Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Board of such resolutions supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Series Resolution or in any supplemental resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Series 2009B Bond without the consent of the Owner of such Series 2009B Bond, (ii) a reduction in the principal amount of any Series 2009B Bond or the redemption premium or the rate of interest thereon without the consent of the Owner of such Series 2009B Bond, (iii) the creation of a pledge of Net Receipts other than the lien and pledge created by the Order without the consent of the Owners of all Series 2009B Bonds, (iv) a preference or priority of any Series 2009B Bond over any other Series 2009B Bond without the consent of the Owners of all Series 2009B Bonds, or (v) a reduction in the aggregate principal amount of Series 2009B Bonds required for consent to such supplemental resolution without the consent of the Owners of all Series 2009B Bonds. Nothing herein contained, however, shall be construed as making necessary the approval by the Owners of the execution and delivery of any supplemental resolution as authorized in Section 6(a) of this Series Resolution.

The Trustee shall, at the expense of the District, such expense to be paid from the Revenue Account or from any other available moneys, cause notice of the proposed adoption of such supplemental resolution to be mailed, postage prepaid, to the Local Government Commission and all Owners of the Series 2009B Bonds. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such supplemental resolution when approved and consented to as provided in this Section.

Whenever, at any time within three years after the date of the mailing of such notice, the District shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Series

2009B Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, such supplemental resolution may be adopted by the Board, or, if theretofore adopted by the Board, take effect, in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of the Series 2009B Bonds Outstanding at the date of the adoption or effective date of such supplemental resolution have consented to and approved the adoption thereof as herein provided, to the extent permitted by law, no Owner shall have any right to object to the adoption of such supplemental resolution, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the adoption or taking effect thereof, or enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption or taking effect of any supplemental resolution pursuant to the provisions of this Section 6(b) or Section 6(a), this Series Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Series Resolution of the District, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Series Resolution, as so modified and amended.

(c) Exclusion of Series 2009B Bonds. Series 2009B Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2009B Bonds provided for in this Section 6, and the District as Owner of such Series 2009B Bonds shall not be entitled to consent or take any other action provided for in this Section 6. At the time of any consent or other action taken under this Article, the District shall furnish the Trustee an Officer's Certificate upon which the Trustee may rely, describing all Series 2009B Bonds so to be excluded.

Section 7. Manner of Giving Notice. All notices, demands and requests to be given to or made hereunder by the District, the Local Government Commission, the Trustee or the Bond Registrar shall be given or made in writing and shall be deemed to be properly given or made if sent by United States registered mail, return receipt requested postage prepaid, addressed as follows:

(a) As to the District--

Metropolitan Sewerage District of Buncombe County
Administration Building
2028 Riverside Drive

Asheville, North Carolina 28804
Attention: General Manager

(b) As to the Trustee or Bond Registrar-

The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust Department

(c) As to the Local Government Commission-

North Carolina Local Government Commission
305 N. Salisbury Street
Raleigh, North Carolina 27603-1385
Attention: Secretary

Overnight Courier
4505 Fair Meadow Lane, Suite 102
Raleigh, North Carolina 27607
Attention: Secretary

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

Section 8. Substitute Notice. If, because of the temporary or permanent suspension of postal service, the District, the Local Government Commission, the Trustee or the Bond Registrar shall be unable to mail any notice required to be given by the provisions of this Series Resolution, such party shall give notice in such other manner as in the judgment of such party shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Series Resolution be deemed to be in compliance with the requirement for the mailing thereof.

Section 9. Continuing Disclosure. The District hereby undertakes, for the benefit of the beneficial owners of the Series 2009B Bonds, to provide:

(a) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ended June 30, 2009, to the Electronic Municipal Market Access system (“EMMA”) (<http://emma.msrb.org>), the audited financial statements of the District for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not available by seven months from the end of such Fiscal Year, the unaudited financial statements of the District for such Fiscal Year to be replaced subsequently by the audited financial statements of the District to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ended June 30, 2009, to EMMA, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings “INCOME AVAILABLE FOR DEBT SERVICE AND DEBT SERVICE COVERAGE – Historical Income Available for Debt Service and Debt Service Coverage” in the Official Statement of the District, to be dated on or about September 24, 2009, relating to the Series 2009B Bonds (the “Official Statement”), “Rates, Fees and Charges” in Appendix A to the Official Statement and “Commercial Customers” in Appendix A to the Official Statement, to the extent such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner, to EMMA, notice of any of the following events with respect to the Series 2009B Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009B Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2009B Bonds;

(8) redemption of any of the Series 2009B Bonds other than mandatory sinking fund redemptions;

(9) defeasances;

(10) release, substitution or sale of any property securing repayment of the Series 2009B Bonds; and

(11) rating changes; and

(d) in a timely manner, to EMMA, notice of a failure of the District to provide required annual financial information described in (a) or (b) above on or before the date specified.

If the District fails to comply with the undertaking described above, any beneficial owner of the Series 2009B Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an Event of Default and shall not result in any acceleration of payment of the Series 2009B Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2009B Bonds.

The District reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the District, provided that:

(e) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District;

(f) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) as of the date of the Official Statement with respect to the Series 2009B Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(g) any such modification does not materially impair the interests of the beneficial owners, as determined either by the Trustee or bond counsel, or by approving vote of the registered owners of a majority in principal amount of the Series 2009B Bonds pursuant to the terms of the Order, as it may be amended from time to time, at the time of the amendment.

The District agrees that the annual financial information containing modified operating data or financial information will 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.

The provisions of this Section 9 shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2009B Bonds.

Section 10. District, Trustee, Bond Registrar and Owners Alone Have Rights under Series Resolution. Except as herein otherwise expressly provided, nothing in this Series Resolution, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the District, the Trustee, the Bond Registrar and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Series Resolution or any provision being intended to be and being for the sole and exclusive benefit of the District, the Trustee, the Bond Registrar and the Owners.

Section 11. Effect of Partial Invalidity. In case any one or more of the provisions of this Series Resolution or the Series 2009B Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Series Resolution or the Series 2009B Bonds, but this Series Resolution and the Series 2009B Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in this Series Resolution or the Series 2009B Bonds shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the District to the full extent permitted by law.

Section 12. Effect of Covenants; Governing Law. All covenants, stipulations, obligations and agreements of the District contained in this Series Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent permitted by the Constitution and laws of the State. This Series Resolution is adopted with the intent that the laws of the State shall govern this construction.

Section 13. Headings. Any heading preceding the text of the several articles hereof, any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series Resolution, nor shall they affect its meaning, construction or effect.

Section 14. Payment Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right as provided in this Series Resolution is not a Business Day, such payment may be made or act performed or right exercised on the next Business Day with the same force and effect as if done on the date provided in this Series Resolution.

Section 15. Approval of Official Statement. The form of preliminary official statement (the “Preliminary Official Statement”) relating to the relating to the Series 2009B Bonds on file with the Secretary-Treasurer of the Board of the District is hereby deemed approved. Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in purchasing the Series 2009B Bonds. The General Manager of the District and the Director of Finance of the District, acting singly, is hereby authorized to certify on behalf of the District, that the Preliminary Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12). The Official Statement in substantially said form, with such changes as the Chairperson of the Board of the District or the General Manager of the District may approve (including all information previously permitted to have been omitted by Rule 15c2-12), which approval shall be conclusively evidenced by execution by the Chairperson of the Board of the District or the General Manager of the District of the Official Statement and delivery thereof to the underwriters of the Series 2009B Bonds within 7 business days of the sale of the Series 2009B Bonds, is hereby approved.

Section 16. Local Government Commission Requested to Award the Series 2009B Bonds. The District hereby requests that the Local Government Commission award the Series 2009B Bonds at negotiated sale without advertisement to Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company, as representative of the underwriters of the Series 2009B Bonds, at an underwriters’ discount of not more than one percent (1.00%) of the par amount of the Series 2009B Bonds, subject to the approval thereof by the General Manager of the District.

Section 17. Approval of Bond Purchase Agreement and Escrow Deposit Agreement. The District hereby approves the Bond Purchase Agreement relating to the Series 2009B Bonds (the “Bond Purchase Agreement”), in substantially the form of the draft dated September 3, 2009 and the Escrow Deposit Agreement in substantially the form of the draft dated September 1, 2009, and hereby authorizes the Chairperson of the Board or the General Manager of the District to execute the Bond Purchase Agreement and the Escrow Deposit Agreement in substantially the forms of said drafts, together with such changes, modifications, insertions and deletions, as he, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the District. The District also hereby authorizes the Chairperson of the Board or the General Manager of the District to name a verification agent to verify the sufficiency of the escrow account held under the Escrow Deposit Agreement.

Section 18. Authorization to District Officials and Officers and Agents of Trustee and Bond Registrar. The officers, agents and employees of the District and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2009B Bonds, the Order, the Bond Purchase

Agreement, this Series Resolution, the Series Certificate and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 19. Exclusion From Gross Income Covenant. The District covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2009B Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 20. Notice to Local Government Commission and Rating Agencies. The Local Government Commission and each Rating Agency then rating the Series 2009B Bonds shall receive notice from the Trustee of the following events: any change in the Trustee or the Bond Registrar; any material change in the Order or this Series Resolution; any acceleration of the Series 2009B Bonds; any redemption (other than any mandatory sinking fund redemption) or defeasance of Series 2009B Bonds, and any issuance of Parity Indebtedness.

Section 21. Effective Date. This Series Resolution shall take effect immediately upon its adoption. The General Manager of the District is hereby authorized and directed to deliver this Series Resolution upon the issuance of the Series 2009B Bonds with such changes, insertions and omissions as may be approved by the General Manager of the District, such delivery being conclusive evidence of such approval; and provided, however, such changes, insertions and omissions shall be necessary to effectuate the intent of this Series Resolution.

APPENDIX A

REQUISITION

_____, 2009

The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

RE: Disbursement from Costs of Issuance Account pursuant to the Series Resolution relating to the Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 2009B, adopted on September 16, 2009 (the "Series Resolution"), by the District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina

REQUISITION NO.

You are hereby instructed to pay to the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"), or to _____ at _____, the sum of \$_____, for _____, as a cost of issuance of the Series 2009B Bonds, from the Costs of Issuance Account as provided in the Series Resolution. This cost has been properly incurred, is presently due and payable, is a proper charge against the Costs of Issuance Account that has not been paid and has not been the basis of any previous disbursements from the Costs of Issuance Account.

Attached hereto is a contract payment certificate of the District or an invoice relating to the requested disbursement.

All capitalized terms used herein have the meanings assigned to them in the Series Resolution.

Very truly yours,

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: _____
Director of Finance

RECEIPT ACKNOWLEDGED:

THE BANK OF NEW YORK TRUST MELLON COMPANY, N.A.,
Trustee

By: _____
Authorized Signatory

ESCROW DEPOSIT AGREEMENT

by and between

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA**

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Agent**

Dated as of October 1, 2009

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of October 1, 2009 (this “Agreement”), by and between the Metropolitan Sewerage District of Buncombe County, North Carolina, a public body and body politic and corporate of the State of North Carolina (the “District”), and The Bank of New York Mellon Trust Company, N.A., a banking association organized and existing under the laws of the United States of America and having a corporate trust office in Jacksonville, Florida (the “Escrow Agent”),

WITNESSETH:

WHEREAS, the District has heretofore issued its Sewerage System Revenue Bonds, Series 1999, dated May 1, 1999 (the “Series 1999 Bonds”), in the original principal amount of \$31,815,000, of which \$15,840,000 principal amount is outstanding and unpaid; and

WHEREAS, the District, pursuant to an Amended and Restated Bond Order adopted by the District Board of the District (the “Board”) on April 21, 1999 (the “Bond Order”), and a Series Resolution adopted by the Board on September 16, 2009 (the “Series 2009B Series Resolution”) has authorized the issuance and sale of its \$_____ Sewerage System Revenue Refunding Bonds, Series 2009B (the “Series 2009B Bonds”), for the purpose of providing funds, together with other available funds, to (i) refund the Series 1999 Bonds maturing on July 1 in the years 2010 through 2013 and July 1, 2019 (the “Refunded Bonds”), and (ii) pay expenses incurred in connection with the issuance of the Series 2009B Bonds; and

WHEREAS, the District has made arrangements for the Escrow Agent to purchase, from a portion of the proceeds of the Series 2009B Bonds, non-callable Government Obligations (hereinafter defined), the principal of and interest on which, when due, together with other moneys to be deposited with the Escrow Agent, will provide sufficient moneys to enable the Escrow Agent to deposit with itself, as bond registrar (the “Bond Registrar”), sufficient moneys to pay on January 1, 2010, the redemption price of the Refunded Bonds stated to mature on July 1, 2012 (the “2012 Refunded Bonds”) and the interest accruing on such 2012 Refunded Bonds through such date; and

WHEREAS, the Escrow Agent, in reliance on the verification report prepared by Grant Thornton LLP (the “Verification Report”), which Verification Report shows that the Government Obligations (hereinafter defined), together with the interest to accrue thereon, and the Cash Deposit (hereinafter defined) in the Escrow Fund (hereinafter defined) are sufficient to provide for the timely payment of the 2012 Refunded Bonds as described above, has determined that the Escrow Fund is sufficient for such purpose; and

WHEREAS, the District has entered into this Agreement with the Escrow Agent simultaneously with the delivery of the Series 2009B Bonds in order to ensure that the procedure required for the payment and redemption of the 2012 Refunded Bonds will be followed;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. There is hereby created and established with the Escrow Agent a special, segregated and irrevocable escrow fund designated “Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds, Series 1999 Escrow Fund” (the “Escrow Fund”) to be held in the custody of the Escrow Agent as a trust fund for the benefit of the registered owners of the 2012 Refunded Bonds, separate and apart from other funds of the District and the Escrow Agent. The Escrow Agent hereby accepts and acknowledges the receipt and deposit to the credit of the Escrow Fund of the sum of \$_____ in immediately available funds consisting (a) \$_____ of the proceeds received by the District from the sale and delivery of the Series 2009B Bonds, [(b) \$_____ contributed by the District (the “District Contribution”) and (c) \$_____ certain funds on hand with the trustee of the Series 1999 Bonds.]

2. The Escrow Agent represents and acknowledges that, concurrently with the deposit of the amount described in paragraph 1 above, it shall use such amount (a) to purchase, on behalf of and for the account of the District, from the United States Treasury, Bureau of the Public Debt, Division of Special Investments, certain interest bearing United States Treasury Certificates, Notes and Bonds – State and Local Government Series, in the aggregate principal amount of \$_____, described in Appendix A hereto (the “Government Obligations”) for which the Escrow Agent will receive book-entry credit from said Bureau of the Public Debt and will credit the Government Obligations to the Escrow Fund and (b) to make an initial cash deposit in the Escrow Fund of \$_____ (the “Cash Deposit”). The Government Obligations are not subject to redemption and are scheduled to mature on or before the times when they will be required, together with the Cash Deposit, for the payment of the interest on and redemption price of the 2012 Refunded Bonds.

3. In reliance upon the Verification Report, the District has determined that the interest on and the principal amounts successively maturing on the Government Obligations in accordance with their terms are sufficient, together with the Cash Deposit, so that money will be available to the Escrow Agent in amounts sufficient to pay and redeem the 2012 Refunded Bonds as shown in Appendix B hereto. If any deficiency from the Government Obligations on deposit in the Escrow Fund arises, the District shall timely deposit to the credit of the Escrow Fund such additional amounts as may be required to meet fully the amount then due and payable. Notice of any insufficiency shall be given by the Escrow Agent to the District as soon as possible, but the Escrow Agent shall not be responsible for the District’s failure to make deposits.

4. The Escrow Agent shall provide itself, as Bond Registrar, solely from moneys in the Escrow Fund, with amounts sufficient to pay, on the dates when the same become due, the interest on and the redemption price of each Refunded Bond, all as shown in Appendix B hereto.

5. The Escrow Agent shall hold the Government Obligations, any Substitute Obligations (as hereinafter defined) and the Cash Deposit in the Escrow Fund at all times as a special and separate trust fund for the benefit of the registered owners of the 2012 Refunded Bonds, wholly segregated from other funds and securities on deposit with it, shall never commingle the Government Obligations, any Substitute Obligations and the Cash Deposit with other funds or securities owned or held by it, and shall never at any time use, loan or borrow the same in any way other than as provided in this Agreement. Nothing herein contained shall be

construed as requiring the Escrow Agent to keep the identical money, or any part thereof, in the Escrow Fund if it is impractical, but money of an equal amount, except to the extent represented by the Government Obligations or Substitute Obligations, must always be maintained on deposit in the Escrow Fund as a trust fund, held by the Escrow Agent as trustee, and a special account for the Escrow Fund evidencing such facts shall at all times be maintained on the books of the Escrow Agent, together with the Government Obligations and Substitute Obligations so purchased.

6. The Escrow Agent shall from time to time collect and receive the interest accruing and payable on the Government Obligations and any Substitute Obligations and the maturing principal amounts of the Government Obligations and any Substitute Obligations, as the same become due, and credit the same to the Escrow Fund, so that the interest on and maturing principal of the Government Obligations and any Substitute Obligations, as such become due, will be available to meet the payment requirements of the 2012 Refunded Bonds as shown in Appendix B hereto.

7. The Escrow Agent shall apply the Cash Deposit and the principal and interest received from the Government Obligations and any Substitute Obligations to the payment of the interest on and the redemption price of each of the 2012 Refunded Bonds as the same become due and payable, all as described in Appendix B hereto. The Escrow Fund shall continue in effect to and including the date upon which the Escrow Agent makes the final payment to itself, as Bond Registrar, in an amount sufficient to pay the redemption price of and interest coming due on the 2012 Refunded Bonds, whereupon the Escrow Agent shall, upon the written direction of the General Manager of the District, deliver to the District, or sell or redeem any Government Obligations or Substitute Obligations remaining in the Escrow Fund and, if such Government Obligations or Substitute Obligations have been sold or redeemed, shall remit to the District, the proceeds thereof, together with all other money, if any, then remaining in the Escrow Fund.

8. At the written request of the General Manager of the District and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of any of the Government Obligations or Substitute Obligations acquired hereunder and shall either apply the proceeds thereof to the full discharge and satisfaction of the 2012 Refunded Bonds or the acquisition of other non-callable and non-prepayable direct obligations of, or non-callable and non-prepayable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America (the "Substitute Obligations") which shall be substituted for such Government Obligations or Substitute Obligations. The District shall not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which would cause any obligations of the District to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Code"). The transactions may be effected only if (i) a firm of independent certified public accountants or other qualified professionals shall verify in writing to the Escrow Agent that there shall be on deposit after the transactions are completed, together with any cash on deposit in the Escrow Fund, Government Obligations and Substitute Obligations, the maturing principal of and interest (excluding any reinvestment earnings) on which will be sufficient to meet the payment requirements on the 2012 Refunded Bonds as shown in Appendix B hereto and (ii) the Escrow Agent shall receive an unqualified opinion from a nationally

recognized bond counsel or tax counsel acceptable to the District to the effect that the transactions will not cause any obligations of the District to be “arbitrage bonds” within the meaning of the applicable provisions of Section 148 of the Code.

9. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made in the Government Obligations or Substitute Obligations.

10. In the event of the Escrow Agent’s failure to account for any of the Government Obligations, Substitute Obligations or funds received by it for the District’s account under this Agreement, said Government Obligations, Substitute Obligations or funds shall be and remain the property of the Escrow Fund in trust for the registered owners of the 2012 Refunded Bonds, as herein provided, and if for any reason such Government Obligations, Substitute Obligations or funds cannot be identified, the Escrow Agent shall proceed as promptly as possible to make such identification. The registered owners of the 2012 Refunded Bonds shall be entitled to a preferred claim and shall have the first lien upon such funds and securities enjoyed by a trust beneficiary. The funds and securities received by the Escrow Agent in the Escrow Fund under this Agreement shall not be considered as a banking deposit by the District, and the District shall have no right or title with respect thereto. The funds and securities so received by the Escrow Agent as escrowee and trustee under this Agreement shall not be subject to checks or drafts drawn by the District or claims against the District by any creditor of the District other than the registered owners of the 2012 Refunded Bonds.

11. The District hereby specifically and irrevocably elects to redeem the 2012 Refunded Bonds stated to mature on July 1, 2012 on January 1, 2010. The Escrow Agent is hereby irrevocably authorized and directed, and hereby agrees, that, not less than (30) days before each redemption date, it will cause notice of such redemption to be mailed by first class mail, postage prepaid, to (a) all registered owners of the 2012 Refunded Bonds to be redeemed on such redemption date at their respective addresses as they appear on the registration books maintained by the Bond Registrar and (b) to Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director-Surveillance.

The Escrow Agent is hereby further irrevocably authorized and directed, and hereby agrees, that, not less than thirty (30) days before each redemption date, it will cause the notice of redemption of the 2012 Refunded Bonds to be redeemed on such redemption date to be given by (a) registered or certified mail, postage prepaid, (b) telephonically confirmed facsimile transmission, or (c) overnight delivery service at the address and transmission numbers hereinafter set forth to:

The Depository Trust Company
55 Water Street, 50th Floor
New York, New York 10041-0099
Attention: Call Notification Department
Telephone: (212) 855-7207
Facsimile: (212) 855-7232

The Escrow Agent is also hereby irrevocably authorized and directed, and hereby agrees, that, not less than thirty (30) days before each redemption date, it will cause the notice of redemption of the 2012 Refunded Bonds to be redeemed on such redemption date to be given by

(a) registered or certified mail, postage prepaid, or (b) overnight delivery service to at least two of the following services selected by the Bond Registrar:

- (1) Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com
- (2) FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
<http://www.interactivedata.com>
Email: NRMSIR@FTID.com
- (3) Financial Information Inc.
1 Craigwood Rd., 2nd Floor
S. Plainfield, NJ 07080
- (4) Mergent, Inc.
580 Kingsley Park Drive
Fort Mill, SC 29715

Notice of redemption of the 2012 Refunded Bonds stated to mature on July 1, 2012 shall be substantially in the form set forth in Appendix C hereto. The Escrow Agent agrees to inform the District promptly and in writing of such actions.

The Escrow Agent is also hereby irrevocably authorized and directed by the District, and hereby agrees, that, within two (2) business days after the date on which the Government Obligations and the Cash Deposit are deposited in the Escrow Fund, it will cause a notice signed by it to be (a) mailed, postage prepaid, to (i) all registered owners of the 2012 Refunded Bonds and (ii) to Financial Security Assurance Inc., at the address set forth in the first paragraph of this Section 12 and (b) given by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission or (iii) overnight delivery service to the securities depository and information services hereinabove set forth. Such notice shall be in substantially the form set forth in Appendix E hereto. The Escrow Agent agrees to inform the District promptly and in writing of such action.

The cost of mailing, facsimile transmission or delivery of such notices shall be borne by the District.

12. The Escrow Agent shall have no responsibility to the District or any other person in connection herewith except those specifically provided herein and shall not be responsible for anything done or omitted to be done by it except for its own negligence, willful misconduct or default in the performance of any obligation imposed on it hereunder. The Escrow Agent, except as herein specifically provided for, is not a party to, nor is it bound by or need it give consideration to the terms or provisions of any other agreement or undertaking between the District and any other person, and the Escrow Agent assents to and is to give consideration only to the terms and provisions of this Agreement. Unless specifically provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the District with respect to arrangements or contracts with others, the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable for its own negligence or willful misconduct. In determining the occurrence of any such event or contingency, the Escrow Agent may request from the District or any other person such reasonable additional evidence as the Escrow Agent in its reasonable discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the District, among others, at any time. The Escrow Agent may consult with legal counsel, and the opinion of such counsel shall be full and complete authority and protection to the Escrow Agent as to any action taken or omitted by it in good faith and in accordance with such opinion, and the reasonable fees and expenses of such counsel shall be paid by the District.

13. This Agreement is between the District and the Escrow Agent only, and in connection therewith the Escrow Agent and the District may rely upon the Verification Report in connection with this Agreement, and the Escrow Agent shall not be liable to any person in any manner for such good faith reliance. The duties of the Escrow Agent hereunder shall only be to the District and the registered owners of the 2012 Refunded Bonds.

14. The Escrow Agent may act upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other instrument or document which the Escrow Agent in good faith believes to be genuine and to be what it purports to be.

15. Any notice, authorization, request, or demand required or permitted to be given to the District or the Escrow Agent hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

to the District, if addressed to

Metropolitan Sewerage District of Buncombe County,
North Carolina
2028 Riverside Drive
Asheville, North Carolina 28804
Attention: General Manager

to the Escrow Agent, if addressed to

The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Either of such addresses may be changed at any time upon written notice of such change being sent by United States registered mail, postage prepaid, to the other party by the party effecting the change.

16. Whenever under the terms of this Agreement the performance date of any act to be done hereunder shall fall on a day which is not a legal banking day in the State of North Carolina and upon which the Escrow Agent is not open for business, the performance thereof on the next succeeding business day of the Escrow Agent shall be deemed to be in full compliance with this Agreement. Whenever time is referred to in this Agreement it shall be the time recognized by the Escrow Agent in the ordinary conduct of its normal business transactions.

17. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

18. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective personal representatives, successors, and assigns.

19. The Escrow Agent acknowledges receipt of good and valuable consideration for all of its costs, charges, services, and expenses as Escrow Agent for the services rendered or to be rendered pursuant to this Agreement. The District agrees, to the extent permitted by law, to indemnify the Escrow Agent and hold it harmless against any liability which it may incur while acting in good faith in its capacity as Escrow Agent under this Agreement, including, but not limited to, any court costs and reasonable attorneys' fees. Such costs, charges and expenses of the Escrow Agent shall be paid, or caused to be paid, by the District from sources other than the Escrow Fund, and in no event shall such costs, charges, expenses, and indemnification give rise to any claim against the Escrow Fund, the moneys in which are solely for the benefit of the holders or registered owners of the 2012 Refunded Bonds until the payment thereof. The Escrow Agent agrees that it will assert no lien against the money and securities in the Escrow Fund in connection with any payment owed to it.

20. The Escrow Agent may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the District and the registered owners of the 2012 Refunded Bonds as their names appear on the registration books of the Bond Registrar as of the

fifteenth (15th) day prior to the date such notice is mailed. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed. However, such resignation shall take effect immediately upon the appointment of a new Escrow Agent hereunder if such new Escrow Agent shall be appointed before the time limited by such notice and shall then accept the trusts thereof. In the event of the resignation of the Escrow Agent prior to the expiration of this Agreement, the Escrow Agent shall rebate to the District a ratable portion of any fee theretofore paid by the District to the Escrow Agent for its services under this Agreement.

Within thirty (30) days after the receipt by the District of such notice, the District shall appoint a successor Escrow Agent to fill such vacancy. Any successor Escrow Agent shall be a bank or trust company within or without the State of North Carolina which (i) is duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, (ii) is of good standing and (iii) has a combined capital and surplus aggregating not less than \$100,000,000 or is approved by the Local Government Commission of North Carolina.

If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section, the retiring Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Agent.

Any company or national banking association into which the Escrow Agent may be merged or converted, or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Agent without the execution or filing of any paper or further act by the successor Escrow Agent.

21. This Agreement shall terminate when the 2012 Refunded Bonds have been paid and discharged in accordance with the provisions of the Bond Order and the resolutions authorizing the issuance of the 2012 Refunded Bonds. All representations, covenants and indemnifications of the District contained herein shall survive the termination of this Agreement.

22. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed shall be determined by a court of competent jurisdiction to be contrary to law, notice of said determination shall be given to Moody's Investors Service, Inc. ("Moody's"), Seven World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: Public Finance Rating Desk/Refunded Bonds, Standard & Poor's Ratings Services ("S&P"), 55 Water Street, New York, New York 10041, Attention: Public Finance Department and Fitch Ratings ("Fitch"), 1 State Street Plaza, New York, NY 10004, Attention: _____, and mailed to the District or the Escrow Agent, as the case may be, by the party receiving such determination. Such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

23. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

24. So long as the rights of the registered owners of the 2012 Refunded Bonds shall not be affected adversely thereby, this Agreement may, without the consent of or notice to any of the registered owners of the 2012 Refunded Bonds, but with prior notice, together with a copy of the proposed changes to this Agreement, to Moody's, S&P and Fitch, at the respective addresses set forth in Section 24 hereof, be amended, from time to time, to cure any ambiguity or formal defect or omission in this Agreement or in any supplement hereto and to grant to or confer upon the Escrow Agent for the benefit of the registered owners of the 2012 Refunded Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Escrow Agent. Any such amendment shall be effective only if contained in a written instrument executed by the District and the Escrow Agent.

25. This Agreement shall be irrevocable unless the consent of all registered owners of the 2012 Refunded Bonds is obtained, in which case notice of revocation shall be given to Moody's and S&P at the respective addresses set forth in Section 24 hereof.

26. The Escrow Agent shall have the right to petition the General Court of Justice of the State of North Carolina, Buncombe County, or the U.S. District Court for the Western District of North Carolina to resolve any dispute arising under this Agreement and, in connection therewith, to be reimbursed by the District for all of its reasonable legal fees and expenses.

27. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By _____
Chairperson of District Board

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Agent

By _____
Vice President

APPENDIX A

SCHEDULE OF GOVERNMENT OBLIGATIONS

Type Maturity Date Principal or Par Amount Interest Rate

APPENDIX B

PAYMENT REQUIREMENTS FOR
THE 2012 REFUNDED BONDS

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>REDEMPTION PREMIUM</u>	<u>TOTAL AMOUNT DUE</u>
1/1/10	\$3,260,000	\$81,500.00	\$32,600	\$3,374,100.00

APPENDIX C

NOTICE OF REDEMPTION

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 1999

\$3,260,000 5.000% Serial Bonds due July 1, 2012, CUSIP 120532 ____

NOTICE IS HEREBY GIVEN by the Metropolitan Sewerage District of Buncombe County, North Carolina that its outstanding Sewerage System Revenue Bonds, Series 1999, dated May 1, 1999 (the "Bonds"), described above, are hereby called for redemption on January 1, 2010. Each of the Bonds so called for redemption shall be redeemed at a redemption price equal to 101% of the principal amount thereof plus accrued interest to the date of redemption. The redemption price of the Bonds shall be payable upon the presentation and surrender thereof at the office of the Trustee, The Bank of New York Mellon Trust Company, N.A., 111 Sanders Creek Parkway, East Syracuse, New York 13057, Attention: Corporate Trust Department. Interest accruing on the Bonds so called for redemption to, but not including, January 1, 2010 will be paid in the manner provided in the Bonds. Interest on the Bonds called for redemption will cease to accrue on January 1, 2010.

Under certain provisions of the Internal Revenue Code of 1986, as amended, a beneficial owner of the above-described bonds may be subject to information reporting and to backup withholding of certain amounts paid to the beneficial owner unless such beneficial owner provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules.

Dated this ____th day of November, 2009.

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA**

By: The Bank of New York Mellon Trust Company, N.A.
as Escrow Agent and Bond Registrar

APPENDIX D

NOTICE OF DEFEASANCE

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 1999

\$3,260,000 5.000% Serial Bonds due July 1, 2012, CUSIP 120532____

NOTICE IS HEREBY GIVEN by the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") to the registered owners of its outstanding Sewerage System Revenue Bonds, Series 1999, dated May 1, 1999, described above (the "Bonds"), that (i) there have been deposited with The Bank of New York Mellon Trust Company, N.A., as Escrow Agent, cash and noncallable direct obligations of the United States of America in an amount which, together with the interest thereon, will provide for the payment in full of the Bonds, together with the accrued interest and redemption premium thereon, to the redemption date thereof, (ii) the registered owners of the Bonds are no longer entitled to any benefit or security under the Amended and Restated Bond Order adopted by the District Board of the District on April 21, 1999 (the "Bond Order") and (iii) the Bonds stated to mature on July 1, 2012 will be redeemed on January 1, 2010.

Notwithstanding the foregoing, the Trustee shall retain such rights, powers and privileges under the Bond Order as may be necessary or convenient for the payment of the principal of and interest on the Bonds and the exchange and registration of transfer thereof.

Dated this __th day of October, 2009.

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA**

By: The Bank of New York Mellon Trust Company, N.A.,
as Escrow Agent

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: September 16, 2009
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, Director of Finance
Subject: Cash Commitment/Investment Report-Month Ended July 31, 2009

Background

Each month staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of July 31, 2009 were \$31,544,023. The detailed listing of accounts is available upon request. The average rate of return for all investments is 2.815%. These investments comply with North Carolina General Statutes, Board written investment policies and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of July 31, 2009 does not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of July 31, 2009 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is (\$16,181,594).

Total Cash & Investments as of 07/31/2009	31,544,023
Less:	
Budgeted Commitments (Required to pay remaining FY10 budgeted expenditures from unrestricted cash)	
Construction Funds	(19,856,527)
Operations & Maintenance Fund	(12,616,984)
	(32,473,511)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(70,113)
Debt Service Reserve	(4,414,197)
Remaining Principal & Interest Due	(7,211,895)
	(11,696,205)
District Reserve Funds	
Fleet Replacement	(963,804)
WWTP Replacement	(891,715)
Maintenance Reserve	(805,496)
	(2,661,015)
Post-Retirement Benefit	(188,691)
Self-Funded Employee Medical	(706,195)
Designated for Capital Outlay	(16,181,594)

Staff Recommendation

None. Information Only.

Action Taken

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:			Deadline:

Board Meeting

September 16, 2009

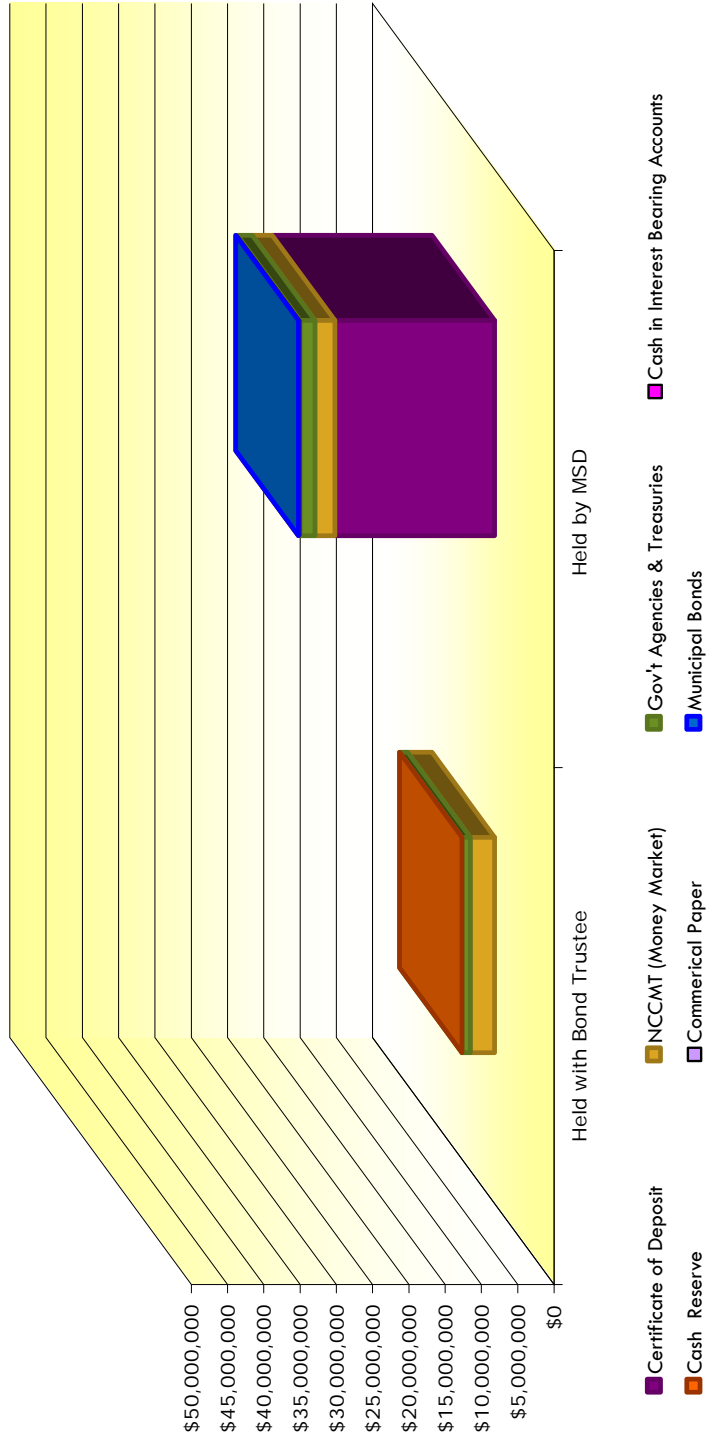
Subject: Cash Commitment/Investment Report-Month Ended July 31, 2009

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**Metropolitan Sewerage District of Buncombe County
Investment Portfolio**

	Cash in Interest Bearing Accounts	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ 3,367,594					\$ 1,116,717	\$ 4,484,311
Held by MSD	\$ 246,951	\$ 2,750,705	\$ 22,015,796				\$ 2,046,260	\$ 27,059,712
	\$ 246,951	\$ 6,118,299	\$ 22,015,796	\$ -	\$ -	\$ -	\$ 3,162,977	\$ 31,544,023

**MSD of Buncombe County
Investment Portfolio by Location
As of July 31, 2009**



Board Meeting

September 16, 2009

Subject: Cash Commitment/Investment Report-Month Ended July 31, 2009

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MSD Investment Managers' Report at July 31, 2009

Summary of Asset Transactions

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 26,113,187	\$ 26,165,067	\$ 255,704
Capital Contributed (Withdrawn)	(934,837)	(934,837)	0
Realized Income	803	803	0
Unrealized/Accrued Income	-	(5,620)	54,794
Ending Balance	<u>\$ 25,179,153</u>	<u>\$ 25,225,413</u>	<u>\$ 310,498</u>

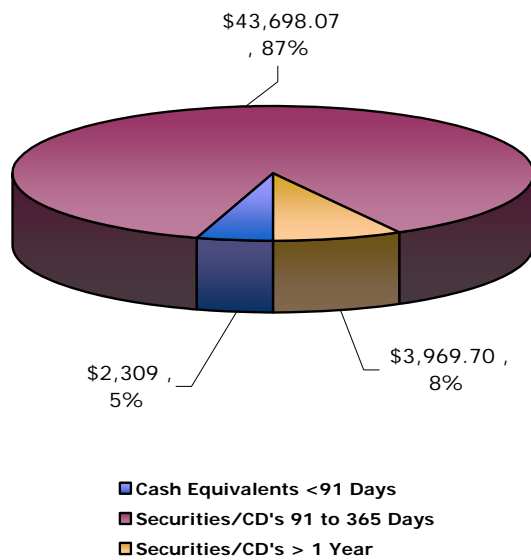
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	\$ 1,163,357	\$ 2,309
Securities/CD's 91 to 365 Days	22,015,796	\$ 43,698.07
Securities/CD's > 1 Year	2,000,000	\$ 3,969.70
	<u>\$ 25,179,153</u>	<u>\$ 49,977</u>

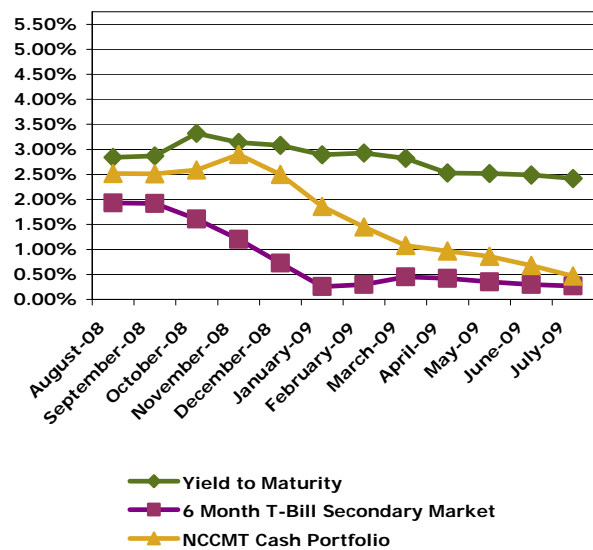
Month End Portfolio Information

Weighted Average Maturity	121.58
Yield to Maturity	2.42%
6 Month T-Bill Secondary Market	0.27%
NCCMT Cash Portfolio	0.47%

Metropolitan Sewerage District of Buncombe Co.
Investment Portfolio Income by Maturity
July 31, 2009



Metropolitan Sewerage District of Buncombe County
Yield Comparison
July 31, 2009



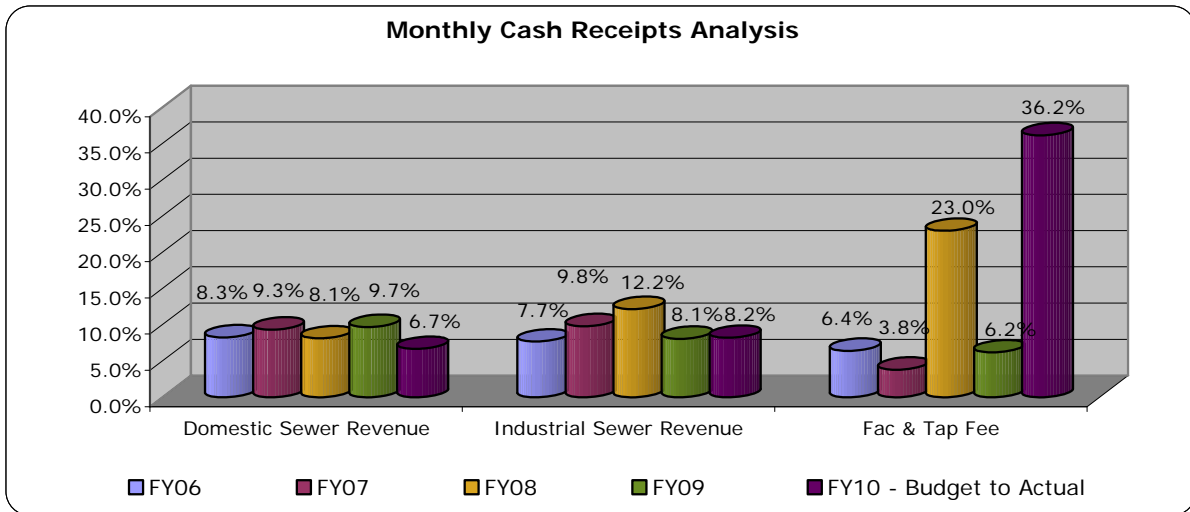
Board Meeting

September 16, 2009

Subject: Cash Commitment/Investment Report-Month Ended July 31, 2009

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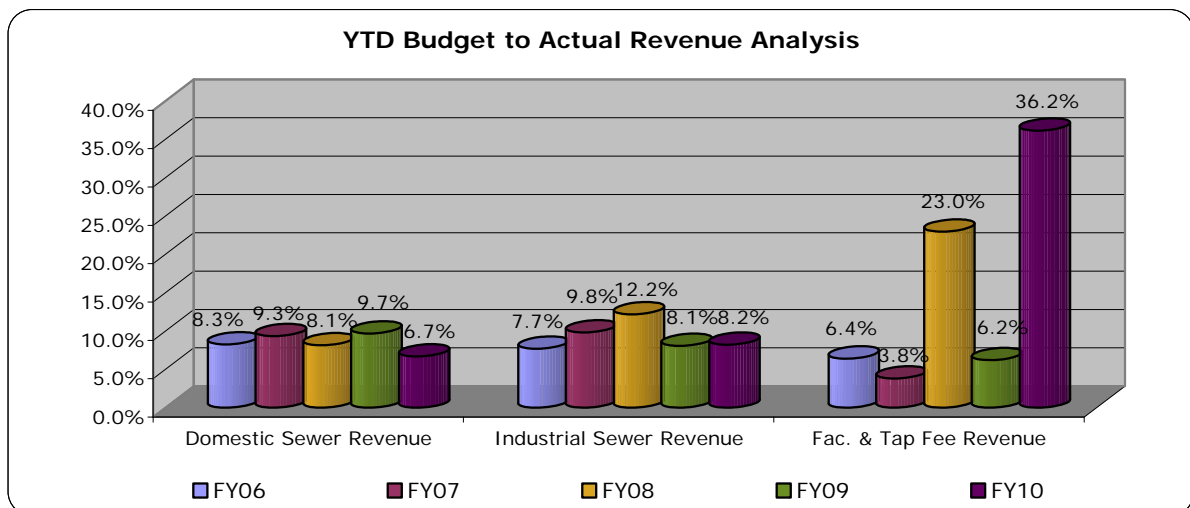
**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF 07/31/2009**



Monthly Cash Receipts Analysis:

Domestic Sewer Revenue is lower due to timing of one cash receipt as well as continuing recessionary pressures.

Due to the unpredictable nature of facility and tap fee revenue, staff budgets this revenue stream conservatively. Based on that facility and tap fee revenue is considered reasonable.



YTD Budget to Actual Revenue Analysis:

Domestic Sewer Revenue is lower due to timing of one cash receipt as well as continuing recessionary pressures.

Due to the unpredictable nature of facility and tap fee revenue, staff budgets this revenue stream conservatively. Based on that facility and tap fee revenue is considered reasonable.

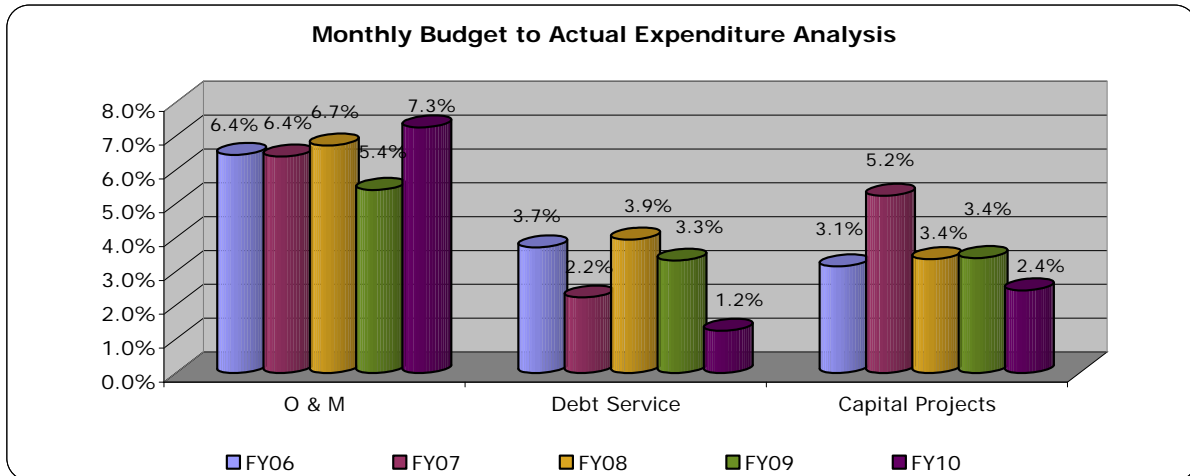
Board Meeting

September 16, 2009

Subject: Cash Commitment/Investment Report-Month Ended July 31, 2009

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**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF 07/31/2009**

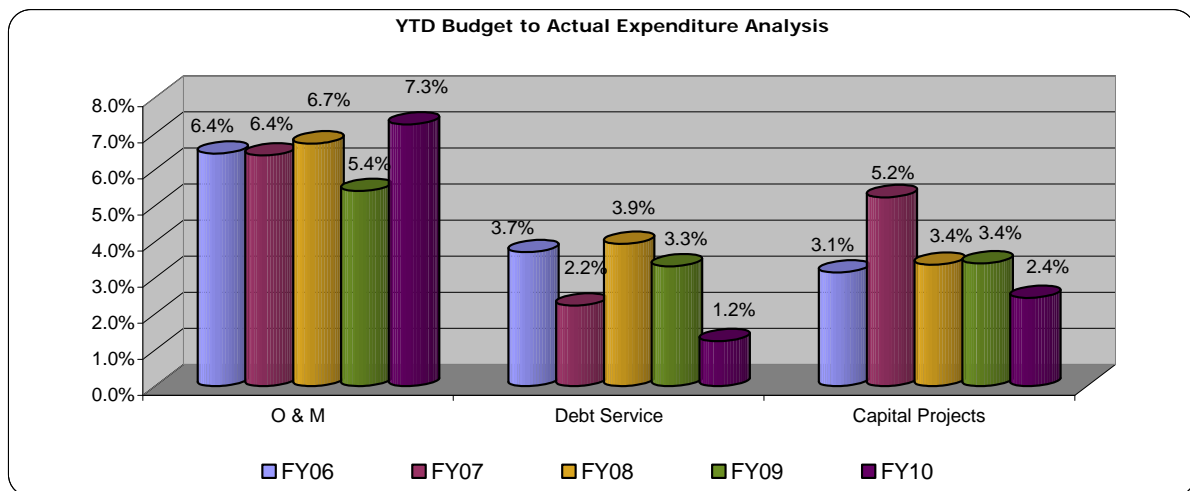


Monthly Budget to Actual Expenditure Analysis:

Monthly Operational & Maintenance Expenditures are slightly higher due to three payperiods occurring in July of FY10.

Due to the the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates monthly debt service expenditures are consider reasonable.

Due to nature and timing of capital projects, monthly expenditures can vary from year to year. Based on the current outstanding capital projects, monthly capital project expenditures are consider reasonable.



YTD Budget to Actual Expenditure Analysis:

YTD Operational & Maintenance Expenditures are slightly higher due to three payperiods occurring in July of FY10.

Due to the the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates monthly debt service expenditures are consider reasonable.

Due to nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are consider reasonable.

Board Meeting

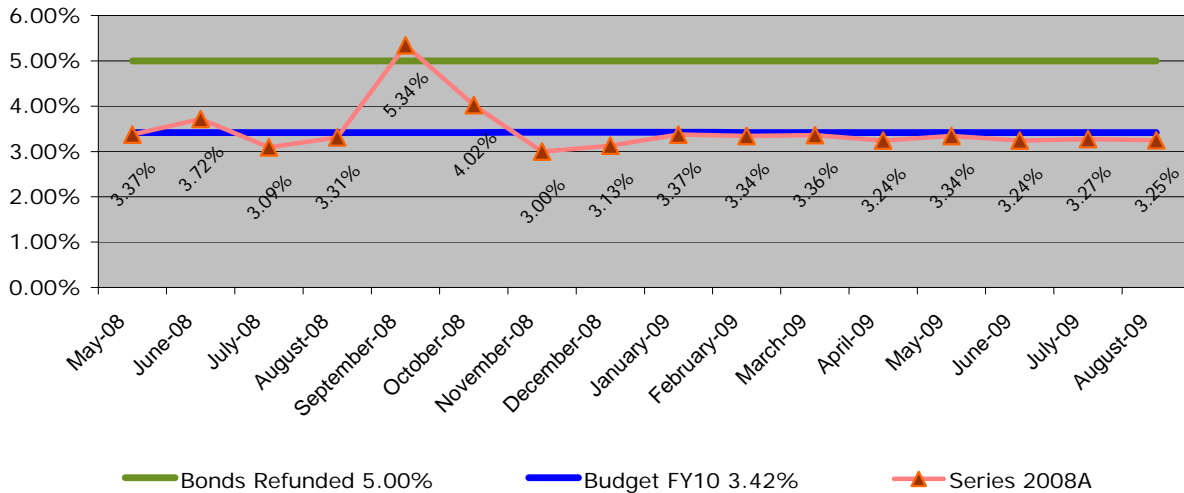
September 16, 2009

Subject: Cash Commitment/Investment Report-Month Ended July 31, 2009

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**MSD Variable Debt Service Report
As of August 31, 2009**

Series 2008A Synthetic Fixed Rate Bonds Performance History



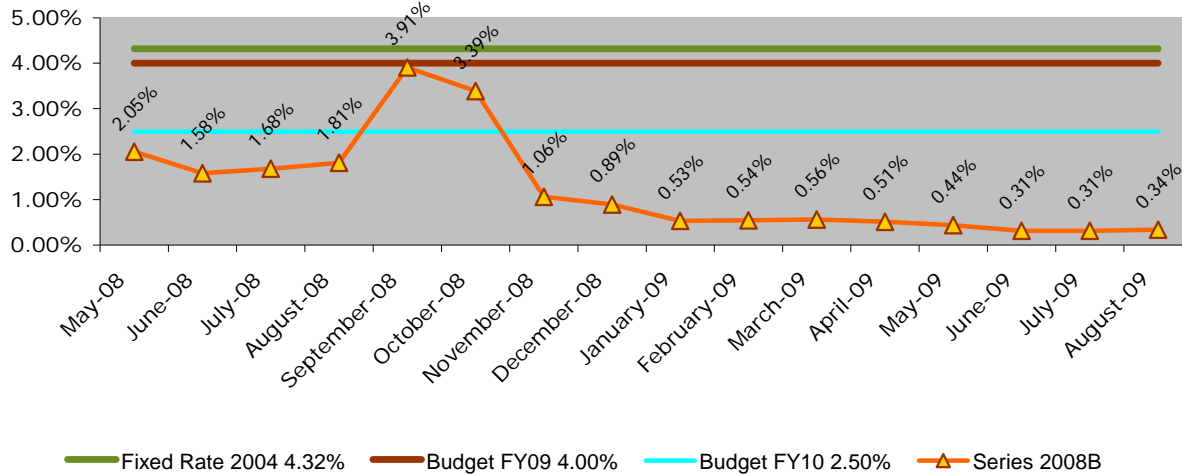
Series 2008A:

Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$654,411 as compared to 4/1 fixed rate of 4.83%.

Assuming that the rate on the Series 2008A Bonds continue at the current all-in rate of 4.1675%. MSD will achieve cash savings of \$4,730,000 over the life of the bonds.

MSD would pay \$3,147,000 to terminate the existing Bank of America Swap Agreement.

2008B Variable Rate Bond Performance History



Series 2008B:

Saving to date on the 2008B Variable Rate Bonds is \$888,879 as compared to 5/1 fixed rate of 4.32%

Since May 1, 2008, the Series 2008B Bonds average variable rate has been 1.28% .

MSD will achieve \$7,000,000 in cash savings over the life of the bonds at the current average variable rate.

HOUSE BILL 1452
ETHICS, CONDUCT AND ATTENDANCE POLICY
FOR THE MSD BOARD

Metropolitan Sewerage District of Buncombe County
BOARD ACTION ITEM

Meeting Date: September 16, 2008

Submitted By: William Clarke, General Counsel
Thomas E. Hartye – General Manager

Subject: House Bill 1452
Ethics, Conduct and Attendance Policy for the MSD Board

Background: Attached is a letter from Billy Clarke issuing his opinion on the applicability of House Bill 1452 to the MSD Board of Directors.

Also attached is some recommended changes to the current “Ethics, Conduct and Attendance Policy for the MSD Board of Directors” which Billy believes would make it compliant with House Bill 1452.

If the board desires to meet the training requirement as well we will explore options for providing such.

Fiscal Impact: None.

**ROBERTS
&
STEVENS**

ATTORNEYS AT LAW

JOHN S. STEVENS
JAMES W. WILLIAMS
JOHN W. MASON
MARC RUDOW
SHERYL H. WILLIAMS
WILLIAM CLARKE
VINCENT D. CHILDRESS, JR.
MARJORIE ROWE MANN*
GREGORY D. HUTCHINS
JACKSON D. HAMILTON
WYATT S. STEVENS
MARK C. KURDYS*
JACQUELINE D. GRANT

*DRC CERTIFIED MEDIATOR

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PATSY BRISON*
DAVID L. ENGLISH
CYNTHIA S. GRADY
F. LACHICOTTE 'LACH' ZEMP, JR.
KENNETH R. HUNT
DENNIS L. MARTIN, JR.
KEVIN P. KOPP
M. FRANCES DURDEN
REBECCA JOHNSTON REINHARDT
ANN-PATTON HORNTAL

LONDON ROBERTS
(1921-2007)

August 26, 2009

Tom Hartye
MSD
2028 Riverside Drive
Asheville, NC 28804

Re: *House Bill 1452*

Dear Tom:

At the request of the MSD Board, I have reviewed House Bill 1452 and the current MSD Board Policy on Ethics, Conduct and Attendance. After reviewing the House Bill again, it is my opinion that the bill applies only to Cities, Counties, Local Boards of Education, Unified Governments, Sanitary Districts, and Consolidated City-Counties. The Bill does not specifically mention Metropolitan Sewerage Districts, and it does not make any amendment to the MSD statute. The bill specifically amends the statutes governing cities, counties, school boards and sanitary districts.

Assuming the Board may want to proceed as if it is covered by the law, I reviewed the current policy to see if it would comply with the requirements of the new law. Although complying with all applicable laws, including the open meetings law, and upholding the independence and integrity of the office are implicit in the current policy, they are not mentioned specifically. My suggestion would be that the board consider amending the current policy by inserting the following sentence before the last sentence in the first paragraph.

To that end, MSD Board members hereby commit to the following:

- 1) to obey all applicable laws regarding official actions taken as a member of the board of MSD;
- 2) to uphold the integrity and independence of the office of MSD Board Member;
- 3) to avoid impropriety in the exercise of official duties for MSD;
- 4) to faithfully perform the duties of MSD board member; and

5) to conduct the affairs of MSD in an open and public manner and in compliance with applicable laws governing open meetings and public records.

Those are the specific requirements of the statute. A draft revision of the policy is enclosed.

The 2 hours of ethics training is not required, but if the board wants to do it, the ethics education may be provided by the League of Municipalities, the Association of County Commissioners, the School Boards Association, the School of Government or other qualified source at the choice of the governing board. At the meeting, I offered the services of our firm to conduct such training. However, in order to avoid even the appearance of impropriety, I think it would be best for board members to get their ethics education from an impartial source. Given the widespread need for the training, there is bound to be a program or two in this area in the next year or so.

Sincerely,

ROBERTS & STEVENS, PA



William Clarke

WC/sh

cc: Mr. Steve Aceto (via e-mail: steve@acetolaw.com)

ETHICS, CONDUCT AND ATTENDANCE POLICY
FOR METROPOLITAN SEWERAGE DISTRICT BOARD OF
DIRECTORS

The Metropolitan Sewerage District ("MSD") is a public body and body politic and corporate charged with preservation and promotion of the public health and welfare with respect to the collection and treatment of wastewater in its service area. MSD Board Members are public officials appointed by their respective governing bodies to preserve and promote the public health and welfare and serve the best interests of MSD and the users of the District Sewerage System. The ~~Members of the Board of MSD~~ ~~Members of the Board of MSD~~ hereby commit ~~e~~ to the following:

- 1) to obey all applicable laws regarding official actions taken as a member fo the board of MSD;
- 2) to uphold the integrity and independence of the office of MSD Board member;
- 3) to avoid impropriety in the exercise of official duties for MSD;
- 4) to faithfully perform the duties of MSD board member; and
- 5) to conduct the affairs of MSD in an open and public manner and in compliance with applicable laws governing open meetings and public records.~~eby eo~~

The foregoing policy is intended to assist and guide Board members in ~~t and guide Board Members in~~ fulfilling the duties of office.

I. Conflicts of Interest

Every Board member shall make due and diligent effort to avoid conflict(s) of interest and even the appearance of a conflict of interest. An appearance of conflict exists when a reasonable person would conclude from the circumstances that the Board member is unable to perform impartially his or her official duties with MSD due to the likelihood of or tendency toward compromising his or her judgment due to personal gain. Personal gain for a Board member's spouse or other member of the Board member's immediate family shall be considered gain for the Board member as well. An appearance of conflict may exist in the absence of an actual conflict of interest.

No Board member shall accept employment, engage in other interests or render service that impairs the independent judgment or performance of his or her official duties with the MSD without first disclosing the same pursuant to this policy. A Board member shall report immediately, to the chair of the board, any activities or duties, related to his or her employment, rendering of service or other interest, which may render the board member unable to perform impartially his or her official duties with MSD. The chair shall decide whether or not the matter being disclosed should be recorded in the minutes of the Board.

II. Contracts and Transactions

Neither a Board member, spouse nor immediate family member of a Board member shall have any personal or pecuniary interest, direct or indirect, in any contract or proposed contract or purchase order for materials, services, equipment, personal property or the purchase, sale, mortgage, lease, condemnation or acquisition of real property of any kind to be furnished to or used by MSD. If any Board member, spouse, or immediate family member owns or controls an interest direct or indirect in any such materials, services, equipment, or property included or proposed to be furnished to or acquired by MSD, he or she shall immediately disclose the same in writing to the chair of the Board, and the chair shall determine whether or not the disclosure shall be entered in the minutes.

III. **No Use of Non Public Information**

No Board Member shall use non- public information acquired by virtue of the Board Member's position on the MSD Board for pecuniary gain or to assist another in obtaining pecuniary gain. The Board shall strive to comply with all requirements of applicable laws governing public records.

IV. **Gifts and Favors**

With respect to gifts and favors, Board members shall conduct themselves in accordance with the requirements of North Carolina General Statutes 133-32.

V. **Equal Treatment and Impartiality**

No Board member acting in connection with his or her Board membership shall grant any special advantage, consideration, or treatment to any citizen or business beyond that which is available to every other citizen or business.

VI. **Attendance at Board and Committee Meetings**

Board Members are encouraged and expected to attend and participate in Board meetings and meetings of Committees on which Board Members serve. If a Board Member is unable to attend a Board or Committee Meeting, he or she shall notify MSD. The Board Chair shall provide a written report, within thirty days of the end of each calendar year, informing the appointing governing body of each member of the Board as to the number of Board meetings attended by the member in the calendar year.

VII. **Conduct at Board and Committee Meetings**

All Board and Committee meetings shall be noticed and conducted in accordance with the requirements of the North Carolina Open Meetings Law. Board Members shall conduct themselves in a civil manner during debate, discussion and deliberation at Board and Committee meetings. Board Members shall refrain from abusive conduct, personal charges or verbal attacks upon other Board Members, members of other boards, councils or committees, MSD staff or the public.

VIII. **Disclosure Required**

The following disclosures shall be required:

- A. At the commencement of each meeting of the Board of Directors, or a committee of the Board, the Chair shall inquire: "Does any member know of any conflict of

interest or appearance of conflict with respect to matters before the MSD Board? If any member knows of a conflict of interest or appearance of conflict, please state so at this time.” If a member knows of an apparent or actual conflict, he or she shall then so state.

- B. A Board member, who potentially has an actual or apparent conflict of interest in any matter before the Board or before any committee of the Board, shall disclose the extent and the nature of the conflict of interest in accordance with paragraph 4.09 of the MSD Bylaws.
- C. Board members may meet with the General Counsel to review potential conflicts in regard to their individual circumstances upon assuming membership on the Board, prior to a Board or Committee meeting on a particular matter and may seek advisory opinions from Counsel for assistance in determining the existence of actual or apparent conflicts.

IX. Employment of MSD Employees by Board Members Prohibited

No member of the MSD Board, spouse or immediate family member shall hire an MSD employee to perform work or services outside of MSD employment.

X. Purchase of Surplus Property Prohibited

No member of the MSD Board, spouse or immediate family member shall purchase surplus property from MSD.

Reviewed by General Counsel:

Date

General Counsel

Adopted by the Board:

Date

Chairman of the Board

STATUS REPORTS

Condemnation Statistics
July 1, 1991 - June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Anvil Knitwear	3				
Azalea Avenue PSR	3				
Bankstown Road MSP	10				
Biltmore Forest Rehabilitation	7				
Biltmore Forest/Ram Branch	20	1		1	
Black Mountain 4"	1				
Black Mountain Chevrolet	2				
Black Mountain Rehabilitation	30				
Broadway Avenue	6				
Broadway Avenue @ 5 Points	12	4	4		
Brucemont Circle	3				
Brucemont Place Phase 2	32				
Campground Road AMP	2				
Carson Creek	4				
Charland Forest GSR	9				
Clingman Avenue Rehabilitation	11				
Craven Street Access	2				
Crockett Road PRP	3	1			1
Delano Road 4" Main	2				
Delaware Avenue	9				

Condemnation Statistics
July 1, 1991 to June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Depot Street @ Nasty Branch	2				
Depot Street Emergency Rehab.	2	1	1		
Dingle Creek @ Crowfields	3				
Dingle Creek Interceptor, Ph. 2	10	1			1
Druid Drive	4				
Dula MSR	2				
Dunwell Avenue	13				
Earl Capps Hollow	21				
East Euclid Parkway	3				
East Kenilworth Lake	11	5	5		
Eastwood Avenue @ US 70	10				
Elk Mountain Road PSR	3				
Emma Industrial Park	6				
Evergreen Avenue	4	1			1
Fair Oaks Road PRP	7	1	1		
Fairfax Avenue	11	3	3		
Fairway Drive	2				
Forest Hill Drive #2 PRP	7	2			2
Gladstone Road 4" Main	5				
Glen Bridge Road PRP	14				
Glen Bridge Road Rehabilitation	11	2	2		

Condemnation Statistics
July 1, 1991 to June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Glenview Road Rehabilitation	9				
Grassy Branch Rehabilitation	37	9	9		
Greeley Street PSR	3				
Grindstaff Road	2				
Grove Park Inn Rehabilitation	1				
Harmony Lane Rehabilitation	3				
Harnett Street	2				
Heywood Road Rehabilitation	7	2	2		
Heywood Road Interceptor II	1				
Hi Alta Avenue	14	2	2		
Hilliard/Coxe Avenue	4				
Holiday Inn/Kinko	2				
Honey Drive	9				
Inglewood Road	9	1			1
Johnston Boulevard	17				
Juvenile Evaluation Center	3				
Kitazuma Road	1				
Lake Julian Interceptor	7	1	1		
Lake Julian Pump Station	3				
Lake Louise Interceptor	34				
Lakey Gap Rehabilitation	2				

Condemnation Statistics
July 1, 1991 to June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Lennox Street	8				
London Rd. Pilot Basin, 2b	43				
London Road AMP	12	2	2		
Long Shoals Road	2				
Long Shoals Road PRP	16	3			3
Lookout Road Rehabilitation	16	3	3		
Lower Ross Creek Interceptor	29	8	8		
Lower Smith Mill Creek Int.	39	10	5		5
Mardell Circle	3				
Merchant Street PRP	5				
Merrimon Avenue @ Ottari	4	1	1		
Merrimon Ave. @ Beaverdam Crk.	7				
Merrimon Ave. @ Reed Creek	41	5	5		
Merrimon Ave. @ Stratford	10	1			1
Merrimon Avenue Rehabilitation	4				
Merrimon Ave./I-240 Ramp	1				
Middle Beaverdam Creek Ph. 1	13				
Middle Beaverdam Creek Ph. 2	3				
Middlebrook AMP	8				
Midland Drive AMP	3				
Monroe Place GSR	2				

Condemnation Statistics
July 1, 1991 to June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Montford Ave. @ US 19/23	4				
Morningside Drive	4				
Nasty Branch Interceptor	4				
NCDOT @ Lowes	1				
Nesbitt Drive Rehabilitation	9				
North Fork @ KOA Emergency	2				
North Griffing Blvd. PSR	9				
North Swannanoa Phase I	62	2	1	1	
North Swannanoa Phase II, 1	50	11	11		
North Swannanoa Phase II, 2	71	6	5	1	
North Swannanoa Phase II, 3	89	12	12		
Northwood Road Rehabilitation	7				
Oaken Hill Place Rehabilitation	5				
Oakland Avenue Rehabilitation	3				
Old Heywood Road MSR	27	2	2		
Old Home @ Weaverville Hwy.	16	1			1
Old Home Road PSR	1				
Patton Mountain PSR	14				
Penley Avenue PSR	4				
Pinehurst Road Rehabilitation	6				
Pisgah View Rehabilitation	20	1	1		

Condemnation Statistics
July 1, 1991 to June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Pressley Branch Rehabilitation	5				
Reems Creek @ Balcrank	12				
Reems Creek Interceptor	19	1	1		
Reems Creek Master Plan	10				
Riceville Road Rehabilitation	5				
Riverside Cemetary	1				
Riverside/Westover Rehabilitation	1	1	1		
Riverside/Westover Drive	2	2			2
Roberts Street Rehabilitation	3				
Rockdale Avenue PRP	9				
Roebing Circle Rehabilitation	1				
Roger's Place Rehabilitation	2				
Rollingwood Road PSR	6				
Russell Avenue Rehabilitation	3				
Shelburne Road Rehabilitation	20				
Shiloh Road MSR	14				
Smith Mill Creek AMP	19				
State Street MSR	2				
Sulphur Springs Creek Rehabilitation	24	3	2	1	
Swannanoa River Road	19				
Sweeten Creek @ Rock Hill Road	29				
Sweeten Creek MSR	5				

Condemnation Statistics
July 1, 1991 to June 30, 2009

Project	Easements	Actions	Settled Prior to Trial	Trial	Pending
Sweeten Creek/Wilson Creek	63	1		1	
Swindale Street PSR	5	1	1		
Sycamore Terrace PRP	1				
Tomahawk Basin Phase III	31				
Tomahawk Branch	16	1	1		
Trinity Chapel Road	4				
Trotter Place to Middlemont AMP	9	1	1		
Upper Ross Creek Rehabilitation	20				
US 70 @ Neil Price Ave. GSR	9				
US 70 @ Parkway GSR	2				
US 74	20	5	5		
VA Hospital	1				
View Street Rehabilitation	3				
Volvo Construction Equipment	1				
Waters Road Rehabilitation	10	1	1		
Weaverville Hwy. @ Hillcrest	4	1	1		
Weaverville Main Street Rehabilitatio	8				
Webster Street PSR	1				
Wilmington Street MSR	9				
Winding Road PSR	3				
Woodland Road MSR	4				
Total	1604	123	100	5	18

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

Current as of September 9, 2009

PROJECT	AWARD DATE	NOTICE TO PROCEED	*COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
BALLANTREE ROAD (NCDOT)	9/3/2009	9/8/2009	10/7/2009	\$12,280.00	0%	Informal Bids were opened on September 1, 2009. Disaster Recovery Group is the low bidder. A preconstruction meeting was held on 9/8/09.
BILTMORE AVENUE BRIDGE REPLACEMENT (NCDOT) / THOMPSON STREET SEWER	9/8/2009	TBA	TBA	TBA	0%	Informal Bids were opened on September 1, 2009. Tarheel Paving Company is the low bidder.
EASTWOOD AVENUE @ OLD U.S. 70	TBA	TBA	TBA	TBA	0%	Informal Bids were opened on September 3, 2009. T & K Utilities is the apparent low bidder. Will be presented at September Board for award.
GLEN BRIDGE ROAD (PRP 47006)	6/10/2009	7/6/2009	2/1/2010	\$227,967.50	85%	Formal - ARRA project Bores are complete. Project going very well and pipe work should be complete in the next 10 days to two weeks.
LONG SHOALS ROAD (PRP 48002)	6/10/2009	7/6/2009	2/1/2010	\$365,024.50	80%	Formal - ARRA project Mainline is nearing completion. Allan Street is all that is left for pipe construction.
MIDDLE BEAVERDAM CREEK INTERCEPTOR	7/15/2009	8/31/2009	2/27/2010	\$736,476.00	5%	Formal Contractor has begun clearing construction area and stocking items.
REEMS CREEK INTERCEPTOR	9/17/2008	10/9/2008	6/30/2010	\$3,549,320.00	98%	Formal Contractor is working on punch list.
REEMS CREEK INTERCEPTOR SEWER EXTENSION PHASE 1	6/10/2009	6/22/2009	8/20/2009	\$52,803.00	100%	Informal Project is complete and in close out.
TOWN BRANCH INTERCEPTOR	8/19/2009	TBA	TBA	\$726,875.00	0%	Formal Project was awarded to B C & D Associates. No work has begun yet.
WEAVERVILLE HIGHWAY @ HILLCREST ROAD	3/26/2009	5/4/2009	8/1/2009	\$40,973.00	100%	Informal Project is complete and in close out.
WRF - INTERMEDIATE PUMPING REPLACEMENT	7/15/2009	8/19/2009	8/19/2010	\$1,690,788.00	5%	Formal Shop submittal review is in progress. Contractor has mobilized, and exploring electrical work.

*Updated to reflect approved Change Orders and Time Extensions

Planning and Development Projects
Status Report September 16, 2009

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Gene Bradley Subdivision	2004022	Fletcher	9	420	3/3/2005	Complete-Waiting on final documents
	Davidson Road Sewer Extension	2004154	Asheville	3	109	12/15/2004	Complete-Waiting on final documents
	Reynolds Mountain Phase IV	1995126	Asheville	37	2,036	7/6/2005	Complete-Waiting on final documents
	Riverbend Urban Village	2004206	Asheville	260	1250	8/29/2006	Complete-Waiting on final documents
	N. Bear Creek Road Subdivision	2005137	Asheville	20	127	7/11/2006	Complete - Waiting on final documents
	Woodfin Manor	2003154	Woodfin	60	575	10/11/2006	Complete - Waiting on final documents
	Willowcreek Village Ph.3	2003110	Asheville	26	597	4/21/2006	Complete - Waiting on final documents
	Westmore Subdivision	2003003	West Asheville	92	1163	8/29/2006	Complete - Waiting on final documents
	Rock Hill Road Subdivision	2005153	Asheville	2	277	8/7/2006	Complete - Waiting on final documents
	Ken Higgins	1999153	Asheville	-	240	6/15/2007	Complete - Waiting on final documents
	Jim Beck	2003003	West Asheville	future	75	12/12/2000	Complete - Waiting on final documents
	Holiday Inn	2001068	Asheville	1	474	8/11/2003	Complete - Waiting on final documents
	Bitmore Park Town Square II-4	2007079	Arden	-	481	6/21/2007	Complete - Waiting on final documents
	Byrd Street Condos	2007085	Asheville	14	300	7/31/2007	Complete - Waiting on final documents
	MWB Sewer Extension	2008046	Asheville	Comm.	285	5/12/2008	Complete - Waiting on final documents
	The Cottages on Liberty Green	2007297	Asheville	7	124	5/30/2008	Complete - Waiting on final documents
	Haw Creek Tract	2006267	Asheville	49	1,817	10/16/2007	Complete - Waiting on final documents
	Haywood Village	2007172	Asheville	55	749	7/15/2008	Complete - Waiting on final documents
	Oak Crest Place	2004056	West Asheville	27	791	12/3/2004	Ready for final inspection
	Buncombe County Animal Shelter	2007216	Asheville	Comm.	78	5/1/2008	Complete - Waiting on final documents
	Oak Crest Drive	2008138	Asheville	5	290	1/14/2009	Complete - Waiting on final documents
	Lodging at Farm (Gottfried)	2008169	Candler	20	45	6/2/2009	Complete - Waiting on final documents
	Camp Dorothy Walls - Ph. 1	2007294	Black Mtn.	Comm.	593	6/16/2009	Complete - Waiting on final documents
	Leicester Village Townhomes	2007291	Weaverville	56	427	4/15/2008	Complete - Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents
			Subtotal	761	14,081		

Planning and Development Projects
Status Report September 16, 2009

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
Under Construction	Buchanan Road	2009005	Asheville	3	392	5/19/2009	Ready for final inspection
	Crayton Creek Green	2006282	Asheville	10	482	3/15/2007	New developer & Engineer, ready for final
	Grove Park Cove Subdivision	2004101	Asheville	14	1122	6/28/2006	Pre-con held ready for construction
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Asheville Ford	2008083	Asheville	Comm.	243	2/16/2009	Ready for final inspection
	McGinnis Sewer Extension	2004225	Asheville	9	48	5/19/2005	In redesign.
	Falcon Ridge	2004240	Asheville	38	3,279	10/11/2006	Ready for final inspection
	Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing
	Artisan Park	1998125	West Asheville	133	4,529	4/26/2001	Changed Engineer - work to restart soon
	Brookside Road Relocation	2008189	Black Mtn	n/A	346	1/14/2009	Pre-con held, ready for construction
	Scenic View	2006194	Asheville	48	534	11/15/2006	Ready for final inspection
	Ingles	2007214	Black Mtn.	Comm.	594	3/4/2008	Ready for final inspection
	Bartram's Walk	2007065	Asheville	100	10,077	7/28/2008	testing
	Morgan Property	2008007	Candler	10	1,721	8/11/2008	Pre-con held, ready for construction
	Village at Bradley Branch - Ph. III	2008076	Asheville	44	783	8/8/2008	Ready for final inspection
	Versant Phase I	2007008	Woodfin	64	12,837	2/14/2007	Ready for final inspection
	Canoe Landing	2007137	Woodfin	4	303	5/12/2008	Ready for construction
	Central Valley	2006166	Black Mtn	12	472	8/8/2007	Punchlist pending
	Hominy Valley Center	2005010	Candler	5	433	8/9/2005	Punchlist pending
	Kenilworth Cottages	2008031	Asheville	11	177	5/12/2008	Ready for construction
	CVS-Acton Circle	2005163	Asheville	4	557	5/3/2006	Ready for final inspection
	Hamburg Mountain Phase 3	2004086	Weaverville	13	844	11/10/2005	Ready for final inspection
	UNCA New Science Building	2005039	Asheville	5	538	10/28/2005	Ready for final inspection
	Bostic Place Sewer Relocation	2005102	Asheville	3	88	8/25/2005	Ready for final inspection
	Kyfields	2003100	Weaverville	35	1,118	5/10/2004	Ready for final inspection
	Brotherton Co-Housing	1999162	West Asheville	32	152	1/24/2003	Ready for final inspection
	Teems Road Subdivision	2007143	Asheville	40	1,308	5/27/2008	Ready for construction
	Thom's Estate	2006309	Asheville	40	3,422	1/24/2008	testing
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	6/10/2008	testing
	Rockwood Apartments	2008109	Asheville	256	4072	1/27/2009	Pre-con held, ready for construction
	Skyland Apartments	2007117	Arden	63	96	4/23/2008	Ready for construction
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Installing
	Momentum Health Adventure	2008097	Asheville	Comm.	184	8/19/2009	Pre-con held, ready for construction
	North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	Ready for final inspection
The Villages at Crest Mountain	2009049	Asheville	63	1,364	9/9/2009	Pre-con held, ready for construction	
CVS- Weaverville Hwy	2006301	Woodfin	Comm.	59	8/18/2009	Pre-con held, ready for construction	
Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction	
Forest Manor Complex	2088050	Asheville	Comm.	96	12/4/2008	Ready for final inspection	
Subtotal				2507	87,280		
Total Units:				3,268			
Total LF:					101,361		