

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
APRIL 16, 2014

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, April 16, 2014. Chairman VeHaun presided with the following members present: Ashley, Belcher, Bryson, Kelly, Pelly, Root, Stanley and Watts. Ms. Frost, Ms. Manheimer and Mr. Russell were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, P.E., and MSD staff, Ed Bradford, Scott Powell, Ken Stines, Matthew Walter, Jim Hemphill, and Sondra Honeycutt.

2. Inquiry as to Conflict of Interest:

Mr. VeHaun asked if there were any conflicts with the agenda items. No conflicts were reported.

3. Approval of Minutes of the March 19, 2014 Board Meeting:

Mr. VeHaun asked if there were any changes to the Minutes of the March 19, 2014 Board Meeting. With no changes, Mr. Belcher moved for approval of the minutes as presented. Mr. Stanley seconded the motion. Voice vote was unanimous in favor of the motion.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

None

6. Report of the General Manager:

Mr. Hartye congratulated Chairman VeHaun who was recently awarded the Francine M. Delany Award by UNC-A for his exemplary Service to the Community.

Mr. Hartye reported that he, Scott Powell and Mr. Clarke met with the rating agencies on April 1, 2014. That same day, the N.C. Local Government Commission (LGC) approved MSD's application to issue bonds not to exceed \$30 million. He presented a description of highlighted projects (sewer inceptors and collection lines) as well as the final microscreen replacement project at a cost of \$10 million and electrical improvements at the wastewater treatment plant at a cost of \$2.5 million that MSD will be seeking reimbursement for. In addition, he presented a spreadsheet that includes all of the projects and where they stand. He stated that once the Bonds are sold and MSD reimburses itself for these projects, which are near completion, these funds will be used to finance the Capital Improvement Plan (CIP) going forward. MSD is currently updating its 10-year CIP as part of the budget process.

Mr. Hartye reported that over the next month, the Personnel, CIP and Finance Committees will meet to consider the FY15 Budget recommendations to the Board.

Mr. Hartye reported the Facilities Plan, initiated a couple of months ago, will bring about a lot of recommendations near the end of the year with regard to the treatment plant to meet future regulations and to replace aging components, which will have a large impact on the CIP.

Mr. Hartye reported an e-mail from Marianne Strang was received on March 4, 2014 regarding the work being done at 15 Argyle Lane. She stated "I just wanted to take a minute to thank you and your crew at MSD. I was out there for a while watching the men work and was very impressed by them, their team work, their spirits – considering the bad weather, their efficiency and overall pleasant attitude. Thanks again Mimi." Mr. Hartye expressed his thanks to Roy Lytle, Billy Cantrell, Robert Denny Mitch Metcalf, Johnny Mull and Eric Dawson. Also, a call was received on March 19th from Rena Camp of 152 Richmond Hill Drive to say thank you for a job well done by Mitch Hawes and Wayne Rice, on a service call to her address. She said they were very professional, knowledgeable and helpful. A call from Max Snyder of 59 W. Fox Chase Road was received to express that he was pleased with the service provided by Wayne Rice; especially how well he cleaned up the area after work was done.

Mr. Hartye reported the Personnel Committee will meet April 29th at 9:00a.m. The CIP Committee will meet May 1st at 8:30 a.m. The Finance Committee will meet May 7th at 9:00 a.m. The next regular Board Meeting will be May 21st at 2:00 p.m. The April Right of Way Committee Meeting has been cancelled. The next meeting will be held May 28th at 9:00 a.m.

7. Consolidated Motion Agenda:

a. Consideration of Series Resolution 2014 Authorizing the Issuance of New Money Bonds:

Mr. Powell reported on February 19th, the Board approved filing an application to the Local Government Commission (LGC) to issue revenue refunding bonds, which is in relation to the District's Business Plan as well as the Budget for FY14. He stated that based on market conditions as of March 14th, the new money issue ALL-IN total interest cost is favorable as compared to the 4.5% amount reflected in the Business Plan. Per discussion with the District's underwriter (Wells Fargo NA) the market is still showing that favorable trend. He further reported the Series Resolution authorizes the issuance of revenue bonds in an amount not to exceed \$30 million; approval of the draft Official Statement, and approval of the Bond Purchase Agreement with Wells Fargo NA. Staff recommends approval of the Series Resolution.

b. Cash Commitment/Investment Report – Month Ended February 28, 2014:

Mr. Powell reported that Page 143 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Additionally, the makeup of the District's Investment Portfolio is in accordance to the District's investment policy. Page 144 is the MSD Investment Manager report as of the month of February. The weighted average maturity of the investment portfolio is 227 days. The yield to maturity is 0.55% and exceeds MSD's bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 145 is the MSD Analysis of Cash Receipts for the month of February. Monthly and YTD Domestic and Industrial revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. YTD Facility and Tap fees are higher than budgeted expectations due to unanticipated receipts from five (5) developments as well as staffs' conservative budgeting of impact fees. Page 146 is the MSD Analysis of Expenditures. The District's O&M expenditures are considered reasonable based on historical trends and current year budgeted needs. Debt service expenditures are below budgeted expectations due to lower than expected interest rates on the District's variable rate debt. Due to the 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 considered reasonable. Page 147 is the MSD Variable Debt Service report. The 2008 A Series Revenue Refunding Bonds are performing better than budgeted expectations. As of the end of March

both issues have saved District customers \$3.3 million dollars in debt service since April, 2008.

Mr. Stanley moved the Board approve the Consolidated Motion Agenda as presented. Mr. Watts seconded the motion. With no discussion, Mr. VeHaun called for the question. Roll call vote was as follows: 9 Ayes; 0 Nays.

8. Old Business:

None

9. New Business:

Mr. Clarke reported the hearing on the litigation the District is currently involved in with the City of Asheville and the State is scheduled for May 23rd in Raleigh or Durham, depending on where Judge Manning is at the time. The current Case Management Order allows the Judge 30 days to make a decision, therefore, a decision could come on June 22nd or 23rd.

Mr. Stanley expressed his appreciation to MSD crews who are working below his home on Valle Vista Drive. Mr. Watts expressed his appreciation to Ken Stines for his professionalism and his willingness to come out to Black Mountain on several occasions to deal with residents who are having sewer issues.

10. Adjournment:

With no further business, Mr. Belcher moved for adjournment at 2:16 p.m. Mr. Stanley seconded the motion. Voice vote in favor of the motion was unanimous.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 4/16/14

✓	Agenda Item	Presenter	Time	
	Call to Order and Roll Call	VeHaun	2:00	
	01. Inquiry as to Conflict of Interest	VeHaun	2:05	
	02. Approval of Minutes of the March 19, 2014 Board Meeting.	VeHaun	2:10	
	03. Discussion and Adjustment of Agenda	VeHaun	2:15	
	04. Informal Discussion and Public Comment.	VeHaun	2:20	
	05. Report of General Manager	Hartye	2:30	
	06. Consolidated Motion Agenda		2:45	
	a. Consideration of Series Resolution 2014 Authorizing the Issuance of New Money Bonds.	Powell		
	b. Cash Commitment/Investment Report – Month Ended February 28, 2014.	Powell		
	07. Old Business:	VeHaun	3:00	
	08. New Business	VeHaun	3:05	
	09. Adjournment (Next Meeting (5/21/14))	VeHaun	3:10	
	STATUS REPORTS			

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
MARCH 19, 2014**

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, March 19, 2014. Chairman VeHaun presided with the following members present: Ashley, Belcher, Bryson, Frost, Kelly, Pelly, Root, Russell, Stanley and Watts. Ms. Manheimer was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, P.E., Mary Knosby with HDR Engineering, Joseph Martin with Woodfin Sanitary Water & Sewer District, and MSD staff, Ed Bradford, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Matthew Walter, Jim Hemphill, Hunter Carson, and Sondra Honeycutt.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the February 19, 2014 Board Meeting:

Mr. VeHaun asked if there were any changes to the Minutes of the February 19, 2014 Board Meeting. With no changes, Mr. Stanley moved for approval of the minutes as presented. Mr. Watts seconded the motion. Voice vote was unanimous in favor of the motion.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Vahaun welcomed Ms. Knosby and Mr. Martin. There was no public comment.

6. Report of the General Manager:

Mr. Hartye reported one of the main items on the agenda is the Treatment Plant Facilities Plan for engineering services last done in 2007. The study will consist of performing a condition assessment of the existing plant and will provide recommendations for future improvements necessary to sustain the plant and to meet new future regulations. He stated that many of the short term and mid-term recommendations from the previous study have been completed. The MSD Treatment Plant was first built in 1967 at a capacity of (25MGD) and was later expanded to (40MGD) in 1987. He further stated that Mr. Hunter Carson, Project Engineer, will give a presentation on the Facilities Plan later in the meeting.

Mr. Hartye reported an e-mail was received from John Newton of Dew Waite Road. He stated, "As a retired municipal engineer, I have seen a lot of public works and your crew on this project is excellent; their work is very well planned, coordinated and executed to produce the very minimum of disruption to us residents. Thank you for a job well done." A call was received from Mike Warren of Prairie Path in Haw Creek expressing appreciation for Grady Brooks for being incredibly helpful and polite and returning a number of times to assist. Also, a Kudo goes out to Kathy Meeks who headed up the Wellness Team effort for Healthy Heart month by setting up and coordinating an employee scavenger hunt which was most successful in giving some 28 participants "the run around" up and down 4 flights of stairs.

Mr. Hartye reported the next regular Board Meeting will be April 16th at 2 p.m. The March Right of Way Committee meeting is cancelled and the next meeting will be held at 9 a.m. on April 23rd.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported the Right of Way Committee met on February 26, 2014 to consider Condemnation on the Broadview Avenue GSR Project which is part of the Consolidated Motion Agenda.

8. Consolidated Motion Agenda:

a. Consideration of Condemnation – Broadview Avenue GSR Project:

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

b. Consideration of Bids – Indiana Avenue Sanitary Sewer Rehabilitation Project:

Mr. Hartye reported this project is for the replacement of an aged clay sewer line located in West Asheville, near State Street and is comprised of 2,135 linear feet of 8-inch DIP. The contract was advertised and the following bids were received on March 4, 2014: Huntley Construction Co. with a total bid of \$899,799.78; Buckeye Construction Co., with a total bid of \$473,072.40; Dillard Excavating Co., with a total bid of \$444,115.00, and Don Moorhead Construction Co., with a total bid of \$413,313.20. The apparent low bidder, Don Moorhead Construction Co., has not had previous experience with MSD rehabilitation projects, however all references were positive, with no problems cited with the company's performance. The FY13-14 construction budget for this project is \$403,000.00. There are sufficient funds within the CIP Budget for the overage. Staff recommends award of this contract to Don Moorhead Construction Co. in the amount of \$413,313.20, subject to review and approval by District Counsel.

c. Consideration of Developer Constructed Sewer Systems: Berrington Village Apartments; 2005 City of Asheville Annexation Sewer (Airport Road); 2010 City of Asheville Annexation Sewer (Rockhill Road), and ALDI- Weaverville:

Mr. Hartye reported on the following developer constructed sewer systems:

The Berrington Village Apartments are located inside the District Boundary along Charlotte Highway (US-74A) in Buncombe County. The project included the rehabilitation of 121 linear feet of 8-inch public gravity sewer and installation of approximately 4,400 linear feet of 8-inch public gravity sewer to serve the 308 unit apartment complex.

The 2005 City of Asheville Annexation Sewer is located inside the District Boundary at the intersection of Airport Road and Hendersonville Road in the City of Asheville. The project included the installation of approximately 600 linear feet of 8-inch public gravity sewer to serve four (4) annexed commercial properties.

The 2010 City of Asheville Annexation Sewer is located outside the District Boundary near the intersection of Rockwood Road and Airport Road in the City of Asheville. The project included the installation of approximately 400 linear feet of 8-inch public gravity to serve annexed commercial properties.

The ALDI-Weaverville sewer rehabilitation project is located inside the District boundary on Weaver Boulevard in the Town of Weaverville. The project included relocating approximately 307 linear feet of 8-inch public gravity and abandoning approximately 170 linear feet of 8-inch public gravity sewer to accommodate the commercial development.

Staff recommends acceptance of the aforementioned developer constructed sewer systems. All MSD requirements have been met.

d. Cash Commitment/Investment Report – Month Ended January 31, 2014:

Mr. Powell reported that Page 29 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Additionally, the makeup of the Portfolio is in accordance to the District's Investment Policy. Page 30 is the MSD Investment Manager report as of the month of January. The weighted average maturity of the Investment portfolio is 216 days. The yield to maturity is 0.59% and exceeds MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 31 is the MSD Analysis of Cash Receipts for the month of January. Monthly and YTD domestic and industrial revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. YTD Facility and Tap fees are higher than budgeted expectations due to unanticipated receipts from five (5) developments as well as staff's conservative budgeting of impact fees. Page 32 is the MSD Analysis of Expenditures. Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year. Debt service expenditures are below budgeted expectations due to lower than expected interest rates on the District's variable rate debt. Due to the nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD expenditures are considered reasonable and all budgeted funds are expected to be spent at year end. Page 33 is the MSD Variable Debt Service report. The 2008A Series Bonds are performing better than budgeted expectations, and as of the end of February, this issue has saved District ratepayers approximately \$3.2 million dollars in debt service since April of 2008.

Mr. Watts moved the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. With no discussion, Mr. VeHaun called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

9. Facilities Plan Update – Engineering Services Contract:

Mr. Carson reported the Facilities Plan Update is a continuation of the Plan prepared by CDM Smith which was completed in April, 2007. The Plan was a facility-wide assessment that included equipment operation, performance and infrastructure condition plant-wide. From that assessment, CDM formulated phased recommendations; short-term, medium-term, and long-term, spanning over 7+ years for repairs/replacement and/or upgrades. He stated that several of CDM's recommendations were made into CIP projects. One of the short-term recommendations was to replace air piping and diffusers in the grit basin as well as increasing the grit classifier capacity. He presented slides showing the location and process of the grit and grease removal basin, which was completed in 2008. This project was to provide better separation and dewatering of concentrated grit. Another short-term project completed in 2011 was a recommendation to replace hydraulic-driven intermediate pumps with electric motor-driven units. He presented slides showing the location of the hydraulic pumps, lines and drives. He stated the new electric motors are more efficient; saving the District about \$72 thousand a year. Mr. Carson further reported that a third CIP project was from one of the medium-term recommendations. This was to abandon the secondary microscreen system and replace

with a cloth filtration. This project was completed in 2013 and reduced total suspended solids (TSS) in the WRF effluent.

Mr. Carson reported the Facilities Plan Update will expand the 2007 Plan and will focus on several topics, specifically, the grit and grease removal system. The current system does not effectively remove small grit particles. As a result, grit accumulates in downstream basins and reduces process capacity and damages equipment. He further reported the Plan will evaluate possible modifications to the existing Schreiber system and evaluate new grit removal technologies such as the HeadCell and PISTA Grit removal systems, both of which would remove 95% of grit at all different classifications. The second main topic of the Facilities Plan Update will be the installation of primary clarifiers, which was a long-term recommendation in the 2007 Plan. He explained that the clarifiers remove solids early in the treatment process which reduces loading on intermediate clarifiers and disk filters. Also, clarifiers remove organics (biological oxygen demand) which increases the efficiency of Rotating Biological Contactors (RBC's). The Plan will evaluate size and spacing necessary for primary clarifier units at the plant; recommend gravity vs. high-rate clarification and assess impacts on downstream processes; RBCs, Clarifiers and Filters. The third Facilities Plan Update will be biological treatment, both now and in the future. The RBC's were constructed in 1988 with a manufacturer's projected life of 25 years. Shaft breakage is a problem with 36 of the 152 units out of commission. Because these units are extremely difficult to move, MSD must contract with a crane company to remove them. Also, because they are old, there are some obsolete components. The Plan will assess age, condition, and life cycle of RBC's; evaluate the RBC's ability to provide biological treatment (with and without primary clarifiers); include a phased approach to repairing, replacing, or eliminating RBC's, and evaluate the RBC's ability to comply with future ammonia and/or nutrient limits. The fourth Facilities Plan Update is an ammonia reduction evaluation which is a requirement of MSD's NPDES discharge permit. The permit states "Permittee shall evaluate the feasibility and cost for ammonia reduction." The current effluent ammonia levels equal approximately 15 mg/L. The permit wants MSD to evaluate actions necessary to achieve approximately 7 mg/L in the summer and 17 mg/L in the winter, which must be submitted within 4.5 years of the permit effective date (Oct. 1, 2015). The Plan will include the Ammonia Reduction Evaluation as a stand-alone section and evaluate impacts to current and future treatment processes if nutrient limits are imposed.

Mr. Carson reported that an RFQ was issued in October, 2013 with those topics previously addressed. A tour of the Water Reclamation Facility was conducted November 6 and 7, 2013. MSD received Statements of Qualifications on December 6, 2013 from six (6) firms: HDR Engineering, Black & Veatch, CDM Smith, Arcadis, GHD and Hazen and Sawyer. The Selection Committee decided to short-list and interview three (3) of the aforementioned firms. HDR was selected based on qualifications and experience. He stated that HDR is a global consulting engineering firm with extensive experience in facility planning nationwide with many clients in North Carolina. They have performed facility planning and design for over 10 WWTPs that use RBC's as their main biological treatment and have extensive regulatory experience and permitting expertise. HDR provided a Scope of Services which included a Facility Assessment; Regulatory Assessment; Treatment alternatives (primary and biological); developed conceptual site layouts, hydraulic profiles, and prepare a phased WRF Improvements Plan (15-yr, 10-yr, and 20+yr) and a cost estimate for each improvement. In addition, Mr. Carson stated that this will be a hands-on Facilities Plan Update with approximately 14 workshops/meetings planned throughout the next year. The total CIP Budget for this project for the current fiscal year (FY13/14 & FY14/15) is \$450,000. The proposed fee from HDR is \$450,943. In addition, there is an Optional Task fee of \$21,711 which is for a site specific ammonia criteria evaluation to be initiated only if deemed necessary after a regulatory assessment. Staff recommends award of the Engineering Services Contract to HDR. Mr. Watts asked if there are still plans to improve the incinerator. Mr. Hartye stated the incinerator is a separate project that is underway because of new regulations and is currently in the

design phase with pilot testing planned for new technology, but is not part of this Facility Plan. Mr. Watts asked how ammonia is removed. Ms. Knosby stated there are a number of biological processes that can remove ammonia and this will be part of our evaluation of the RBC's. Mr. Carson stated that BOD has to be removed before ammonia removal so that is why the primary clarifiers will help remove some of the BOD and allow the RBC's to perform better. With no further discussion, Mr. VeHaun called for a motion to approve staff's recommendation and award the Engineering Services Contract to HDR. Mr. Belcher moved and Mr. Stanley seconded the motion. Roll call vote was as follows: 11 Ayes, 0 Nays

10. Old Business:

None

11. New Business:

At 2:32 p.m., Mr. Clarke asked for a motion to go into closed session to discuss a pending legal matter of MSD vs. Fort. Mr. Stanley moved. Ms. Frost seconded the motion. Voice vote in favor of the motion was unanimous. During the closed session, Mr. Clarke reported to the Board on the jury verdict in MSD vs. Fort and distributed some photographs depicting the Fort property. The Board took no action.

At 2:49 p.m., the Board went back into open session.

12. Adjournment:

With no further business, Mr. VeHaun called for adjournment at 2:50 p.m.

Jackie W. Bryson, Secretary/Treasurer



MEMORANDUM

TO: MSD Board

FROM: Thomas E. Hartye, P.E., General Manager

DATE: April 10, 2014

SUBJECT: Report from the General Manager

- 2014 Bond Issue

On the agenda today is the approval of the Series Resolution for the 2014 Bond Issuance. On April 1, 2014 the N.C. Local Government Commission (LGC) approved MSD's application to issue bonds not to exceed \$30 million. Attached is a description of the highlighted projects for this issuance along with a spreadsheet of all the projects that MSD will be seeking reimbursement for. Once the Bonds are sold and MSD reimburses itself for these projects (which are near completion) these funds will be used to finance the Capital Improvement Plan (CIP) going forward. MSD is currently updating its 10-year CIP as a part of the budget process.

- Fiscal Year 2015 Budget

Over the next month the budget season will hit the Committee stage with the Personnel Committee, the CIP Committee, and the Finance Committee meeting to consider FY 15 Budget recommendations to the Board. Please see the dates listed below.

- Kudos

- Email from Marianne Strang (3/4/14) regarding the work being done at 15 Argyle lane – "I just wanted to take a minute to thank you and your crew at MSD. I was out there for awhile watching the men work and was very impressed by them, their team work, their spirits - considering the bad weather....their efficiency and overall pleasant attitude. Thanks again Mimi." Thanks to Roy Lytle, Billy Cantrell, Robert Denny Mitch Metcalf, Johnny Mull, Eric Dawson.
- On 3/19/14, Rena Camp called from 152 Richmond Hill Drive to say thank you for a job well done by Mitch Hawes and Wayne Rice, on a service call to her address. She said they were very professional, knowledgeable and helpful.
- Call from Max Snyder of 59W. Fox Chase Rd. to express that he was pleased with the service provided by Wayne Rice especially how well he cleaned up the area after work was done.

- Board/Committee Meetings/Events

The Personnel Committee will meet April 29th at 9:00am. The CIP Committee will meet May 1st at 8:30 am. The Finance Committee will meet May 7th at 9am. The next Regular Board Meeting will be May 21st at 2 pm. The April Right of Way Committee Meeting has been cancelled. The next Right of Way Committee meeting will be held at 9 am on May 28th.

The 2014 Project

The 2014 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 2014 Project are set forth below.

Short Coxe at Southside. This project is located near downtown Asheville and involves the replacement of portions of a major line which serves businesses, Mission Health System, and residential areas surrounding the McCormick Field Baseball Stadium. The old line was in poor structural condition and in some areas it was located underneath buildings and a major drainage culvert, making it difficult to maintain. The replacement project included 3,950 linear feet (“LF”) of 8-inch through 16-inch ductile iron pipe (“DIP”) and was completed in September 2013. The total cost of this component of the 2014 Project is approximately \$956,000.

Merrimon Avenue at Stratford Road. This project is located in North Asheville near Beaver Lake. The existing line is not only in poor structural condition, but in one area multiple parallel lines exist at different elevations. In another area, the project will relocate the line away from an extremely eroded area just below the Beaver Lake spillway. The replacement project includes 2,460 LF of 8-inch through 30-inch DIP. This project is currently under construction, and completion is currently anticipated in late Spring 2014. The total estimated cost of this component of the 2014 Project is approximately \$893,000.

Givens Estate. This project is located in South Asheville near the Givens Estates retirement community off Sweeten Creek Road. The line serves a large area which includes Givens Estates, Turtle Creek Shopping Center and Apartments, multiple subdivisions and additional businesses. It replaced an aged vitrified clay sewer line which was in poor structural condition. The replacement project included 3,683 LF of 8-inch through 12-inch DIP and was completed in July 2013. The total cost of this component of the 2014 Project is approximately \$944,000.

Final Microscreen Replacement. This project, identified in the District’s Facilities Plan for the wastewater treatment plant, replaced the old and problematic microscreens with new Aquadisk microfiltration. This new but proven technology has significantly increased the plant effluent quality by reducing total suspended solids by approximately 60%. This project was a five-year effort and was completed in Winter 2013. The total cost of this component of the 2014 Project is approximately \$10,123,000.

Old US70 at Grovemont Avenue. This project is located in the eastern area of Buncombe County, along Old U.S. Hwy 70 in Swannanoa. It is the largest collection system project to be constructed during Fiscal Year 2013-2014, and will replace a significant length of problematic vitrified clay line. The old line has experienced multiple sanitary sewer overflows and is undersized for current daily flows. The replacement project includes 4,690 LF of 8-inch and 12-inch DIP. This project is currently under construction, and completion is currently anticipated in late Spring 2014. The total estimated cost of this component of the 2014 Project is approximately \$878,000.

Electrical Improvements at Wastewater Treatment Plant. This project is an upgrade to the District’s electrical system at the wastewater treatment plant. The project adds a second main power source from a private utility substation, which is adjacent to the wastewater treatment plant. Inside the wastewater treatment plant, the project will provide redundant looped internal power feeds for primary processes and an additional two megawatts of standby generation capacity for a total capacity of four megawatts. The entire wastewater treatment plant will be able to operate during any sustained power outage. This project is currently in the final stages of startup and commissioning. Final completion is currently anticipated by mid-Spring 2014. The total estimated cost of this component of the 2014 Project is approximately \$2,505,000.

Metropolitan Sewerage District of Buncombe County
Exhibit A

At 03/04/14 Project		Life to Date		Projected		Projected Total		Projected				(Applied for; Estimated date for receipt)		SOURCE OF PROJECT COST ESTIMATE		WHEN EXPECTED TO BE BID		AND COMPLETION DATE	
Number	Project Name	Dec. 2013	April	2014	at Issuance on May 2014	Expenditures May - June 2014	Total Project Costs	DESCRIPTION	IDENTIFY PERMITS REQUIRED										
2002101	Sewer Rehabilitation -SS Construction Division	\$ 1,482,970	\$ 2,705,280	\$ 4,188,250	\$ 380,750	\$ 4,569,000	20,000 LF		Non-Discharge	All permits acquired	In-house	N/A - In-House	6/14						
2004025	Short Coxe @ Southside	956,498	-	956,498	-	956,498	3,826 LF		NCDOT, EC, NPDES, Non-discharge, COE NW12, 401WQ	All permits acquired	Contract per Bid	Complete	Complete						
2004252	Merrimon Avenue @ Stratford Road	144,862	747,715	892,577	-	892,577	2,460 LF		NCDOT, Non-discharge, COE NW 12, 401WQ, City of Asheville Flood Plains	All permits acquired	Contract per Bid	Complete	10/13-4/14						
2004266	Moore Circle - PRP45001	234,262	-	234,262	-	234,262	1,561 LF		Encroachment	All permits acquired	Contract per Bid	Complete	Complete						
2004267	Brookcliff Drive - PRP59001	183,511	218,582	402,093	-	402,093	1,438 LF		NCDOT, Non-Discharge	All permits acquired	Contract per Bid	Complete	11/13-4/14						
2006013	Forest Ridge Road	-	588,115	588,115	106,000	694,115	2,842 LF		RR Encroachment, Non-Discharge	All permits acquired	Contract per Bid	Complete	3/14-5/14						
2006014	Givens Estate	944,020	-	944,020	-	944,020	3,683 LF		NCDOT, EC, NPDES, Non-Discharge, RR Encroachment, COA Flood	All permits acquired	Contract per Bid	Complete	Complete						
2006016	Macon Avenue @ Sunset Parkway	-	757,688	757,688	150,000	907,688	2,804 LF		Non-Discharge	All permits acquired	Contract per Bid	Complete	3/14-6/14						
2006022	Four Inch Main - N. Griffing Boulevard	155,739	-	155,739	-	155,739	678 LF		Non-Discharge	All permits acquired	Contract per Bid	Complete	Complete						
2007014	Sycamore Terrace - PRP34012	-	460,950	460,950	307,300	768,250	3,186 LF		NCDOT, Non-Discharge, Railroad	All permits acquired	Contract per Bid	Complete	3/14-7/14						
2007016	Four Inch Main - Mountain Terrace	78,356	-	78,356	-	78,356	448 LF		Encroachment	All permits acquired	Contract per Bid	Complete	Complete						
2007017	Indiana Avenue	-	-	-	493,814	493,814	2,135 LF		Non-Discharge	All permits acquired	Contract per Bid	Complete	3/14 - 6/14						
2007021	Patton Avenue @ Parkwood	302,596	-	302,596	-	302,596	805 LF		Non-Discharge, NCDOT Encroachment	All permits acquired	Contract per Bid	Complete	Complete						
2007023	Scenic View Drive - PRP29020	318,375	-	318,375	-	318,375	1,619 LF		Non-Discharge	All permits acquired	Contract per Bid	Complete	Complete						
2007026	Final Microscreen Replacement	10,122,588	-	10,122,588	-	10,122,588	Plant Project		Buncombe County Building Permit, NCDENR ATC	All permits acquired	Contract per Bid	Complete	Complete						
2007319	Bradley Branch Road Phase 2	275,046	108,514	383,560	-	383,560	2,665 LF		Non-Discharge, EC, NPDES	All permits acquired	Contract per Bid	Complete	2/14						
2007322	Old US 70 at Grovemont Avenue	17,441	860,900	878,341	-	878,341	4,690 LF		NCDOT, EC, Flood Permit, 401WQ, Non-Discharge	All permits acquired.	Contract per Bid	Complete	11/13-5/14						
2008085	Meadow Lark Road	77,575	-	77,575	-	77,575	273 LF		Non-Discharge	All permits acquired.	Contract per Bid	Complete	Complete						
2010024	Slide Gate Replacement	329	273,276	273,605	68,319	341,924	Plant Project		None	N/A	Contract per Bid	Complete	10/13-6/14						
2010032	Electrical Improvements	2,368,760	136,190	2,504,950	-	2,504,950	Plant Project		Buncombe County Building Permit, WNC	All permits acquired	Contract per Bid	Complete	7/11 - 4/14						
2010085	Mount Vernon Place Phase 1	78,565	39,582	118,147	-	118,147	458 LF		Air Quality Permit	All permits acquired	Contract per Bid	Complete	Complete						
2010110	Pipe Rate Project Contract #7 Lining	976,772	21,425	998,197	-	998,197	10,000 LF		Non-Discharge	All permits acquired	Contract per Bid	Complete	Complete						
2012030	Influent Pump Replacement	194,183	25,486	219,668	-	219,668	Plant Project		None Required	N/A	Contract per Bid	Complete	1/14						
2012056	Hydro Facility Renovation	473,352	5,000	478,352	-	478,352	Plant Project		None Required	N/A	Contract per Bid	Complete	7/12-4/14						
2012084	Merrimon Avenue @ Colonial Place	154,950	63,118	218,068	-	218,068	457 LF		NCDOT, Non-Discharge	All permits acquired	Contract per Bid	Complete	Complete						
Total Project Costs		\$ 19,540,749	\$ 7,011,821	\$ 26,552,570	\$ 1,506,183	\$ 28,058,753													

Note: Reimbursement Resolution # 1 October 20,2010
Reimbursement Resolution #2 August 15,2012
Reimbursement Resolution #2 August 21, 2013

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: April 16, 2014
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Reviewed By: Billy Clarke, Board Counsel
Subject: Series Resolution authorizing Issuance of Bonds

Background

On February 19th, 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 March 4th, and with the LGC approved the issuance on April 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 ❶ Authorizes issuance of bonds designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds Series 2014" (the "Series 2014 Bonds") in an aggregate principal amount not to exceed \$30,000,000 to pay for the replacement and rehabilitation of sewer lines and treatment plant improvements and to pay the costs of issuance of the bonds; ❷ Authorizes the form of the Series 2014 Bonds; ❸ Appoints the Bank of New York Mellon Trust Company, N. A. as Trustee for the proceeds of the Series 2014 Bonds and establishes certain accounts with the Trustee for the proceeds of the sale of the Series 2014 Bonds; ❹ Authorizes the General Manager to determine the final aggregate amount of the bonds (not to exceed \$30,000,000), to determine the maturities and the sale date and to negotiate the final sale in accordance with certain limitations; ❺ Obligates the District to promptly pay interest and principal on the Series 2014 Bonds when due; ❻ Approves the Official Statement for the Series 2014 Bonds; ❼ Requests the LGC to award the Series 2014 Bonds Wells Fargo, National Association, 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; ❽ Approves the Bond Purchase Agreement with Wells Fargo, National Association and authorizes the Chair and the GM to execute the Bond Purchase Agreement; and ❾ 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 2014 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 is attached to provide the financial impact of the debt refunding 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.

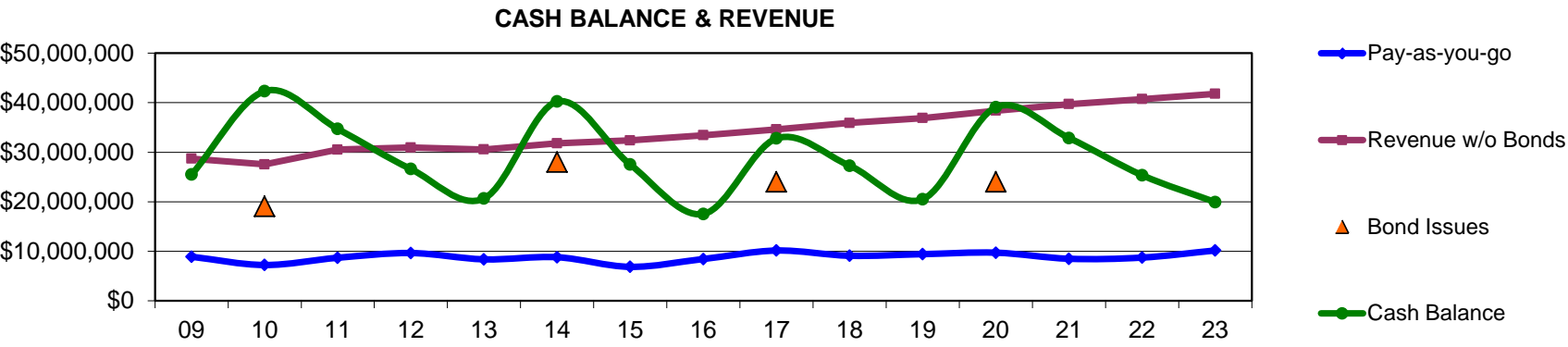
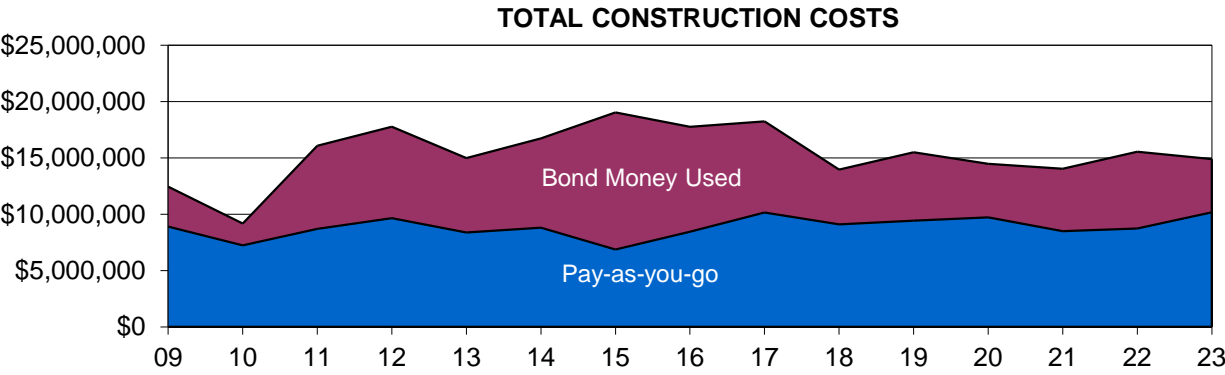
Staff Recommendation

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:

Business Plan FY14	3.0%	3.75%	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	Sewer Rate Increase	
	\$23.99	\$24.84	\$25.72	\$26.45	\$27.14	\$27.81	\$28.51	\$29.22	\$29.95	\$30.70	\$31.46	\$32.25	\$33.06	\$33.88	\$34.73	Average Monthly Bill	
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Assumptions	
July 1- Available for Construction	29,669,151	25,496,310	42,331,200	34,698,658	26,606,688	20,669,346	40,237,135	27,508,101	17,539,686	32,794,315	27,279,681	20,527,664	39,096,893	32,875,737	25,356,006	Minimum of 365 Days Cash on Hands	
REVENUE:																	Consumption and Account Growth
Domestic Users	22,284,340	23,242,077	24,686,228	25,586,768	25,989,919	27,367,458	28,245,115	29,137,277	30,101,029	31,080,667	32,076,476	33,146,859	34,234,872	35,340,831	36,465,057	0.75% Increase	
Industrial Users (No growth)	1,386,132	1,498,529	1,565,402	1,599,819	1,577,916	1,710,390	1,843,922	1,988,652	2,146,507	2,238,079	2,342,718	2,451,611	2,512,901	2,575,723	2,640,116		
Billing and Collections (User Fee)	620,247	629,212	643,264	662,589	701,015	712,932	734,320	756,350	779,040	802,412	826,484	851,278	876,817	903,121	930,215		
Tap Fees	281,830	278,100	211,165	236,850	313,040	188,850	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000		
Facility Fees	2,677,285	1,375,910	2,027,006	2,084,624	2,253,595	1,411,495	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000		
Interest & Non-operating Revenues	817,650	457,815	383,248	212,648	160,909	269,692	302,540	283,579	323,226	528,368	405,701	654,841	809,192	637,431	475,570		
City of Asheville (annex.-Enka)	37,003	37,003	37,000	37,290	37,023	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000		
Rental Income	16,560	16,560	20,507	70,356	70,356	68,597	68,742	69,950	71,399	71,641	71,641	71,641	71,641	71,641	71,641		
Transfer from Reserves (to / from)	449,370	0	0	0	(768,978)	0	0	0	0	0	0	0	0	0	0		
Miscellaneous	113,246	10,651	963,786	449,426	219,456	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000		
Total Revenues	28,683,663	27,545,857	30,537,606	30,940,370	30,554,251	31,816,414	32,386,639	33,427,808	34,613,201	35,913,167	36,915,020	38,368,230	39,697,423	40,720,748	41,774,599	Bond Issues figured at: 4.5% yield FY14 5.0% yield FY17 5.5% yield FY20	
State and Federal (EPA) Grants																	
Revenue Bonds/Stimulus	19,072,980					28,000,000	24,000,000					24,000,000					
Total Funds Available	58,352,814	72,115,147	72,868,806	65,639,028	57,160,939	80,485,761	72,623,774	60,935,909	76,152,887	68,707,482	64,194,701	82,895,894	78,794,317	73,596,485	67,130,606		
EXPENSES:																	3% inflation in O & M, Replacement Funds and Engineering Force Account
Operations & Maintenance	12,408,349	12,454,727	13,272,468	13,632,269	12,888,006	14,508,908	15,032,839	15,695,113	16,327,558	16,979,865	17,668,443	18,386,138	19,144,649	19,943,601	20,489,847		
Replacement Funds (WRF & Fleet)	400,000	300,000	250,000	350,000	500,000	500,000	550,000	650,000	650,000	650,000	675,000	675,000	675,000	700,000	700,000		
Debt Service	7,600,364	7,855,989	8,565,201	7,274,680	8,114,665	8,502,191	10,488,447	9,285,033	8,132,415	9,832,385	9,818,840	10,259,242	12,057,982	12,043,843	11,114,436		
CIP (including Bond Projects)	12,447,791	9,173,231	16,082,479	17,775,391	14,988,922	16,737,527	19,044,387	17,766,077	18,248,599	13,965,551	15,504,755	14,478,621	14,040,949	15,553,035	14,899,496	ENR 10-year Construction Index @ 3.60%	
Total Expenses	32,856,504	29,783,947	38,170,148	39,032,340	36,491,593	40,248,626	45,115,673	43,396,223	43,358,572	41,427,801	43,667,038	43,799,001	45,918,580	48,240,479	47,203,779	General Sewer Rehab to cover 50,000 lineal ft / year	
Pay-as-you-go (Current Revenue only)	8,900,674	7,235,141	8,699,937	9,650,613	8,377,997	8,805,316	6,865,353	8,447,662	10,153,228	9,100,917	9,427,737	9,722,851	8,494,793	8,733,304	10,170,316	Target Debt Coverage 1.5	
Debt Coverage (User Fees only)	1.6	1.7	1.6	2.0	1.9	1.8	1.5	1.8	2.1	1.8	1.8	1.8	1.5	1.6	1.8	No growth in Industries - Rate Parity for Flow in 2020	
Debt Coverage with Total Revenue	2.1	1.9	2.0	2.4	2.2	2.0	1.7	1.9	2.2	1.9	2.0	1.9	1.7	1.7	1.9		
January 14, 2014						10-Year Capital Improvement Program											
Active Plan CIP	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023		
Interceptor/Wet Weather Rehabilitation	3,257,084	1,391,413	3,496,305	2,039,068	15,698	634,790	137,788	26,832	0	2,889,126	2,607,417	1,629,573	1,494,821	2,834,518	0		
General Sewer Rehabilitation	4,885,626	3,433,233	5,109,985	4,026,203	6,777,306	9,380,900	10,253,240	8,906,854	8,671,200	6,471,275	7,606,358	8,258,401	7,812,264	7,881,182	9,924,642		
Pipe Rated Projects	610,703	728,835	806,840	1,030,217	1,170,517	1,464,537	411,292	2,150,241	1,239,029	1,270,041	1,315,762	1,363,130	1,412,202	1,463,041	1,515,711		
Private Sewer Rehabilitation	101,784	12,171	134,473	282,765	17,920	40,700	5,180	551,137	5,560	116,348	120,537	124,876	129,372	134,029	138,854		
Treatment Plant / Pump Stations	1,119,623	993,867	3,496,305	7,737,401	4,567,989	1,579,600	5,538,870	3,370,149	5,462,713	283,383	852,113	98,912	116,563	90,237	93,486		
Engineering Force Account	2,269,403	2,547,454	2,635,451	2,659,737	2,439,492	2,437,000	2,498,017	2,560,864	2,670,097	2,735,378	2,802,568	2,803,729	2,875,727	2,950,028	3,026,803		
Reimbursements	203,568	66,258	403,120	0	0	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000		
Contingency				0	0	1,000,000											
Capital Improvement Program Totals	12,447,791	9,173,231	16,082,479	17,775,391	14,988,922	16,737,527	19,044,387	17,766,077	18,248,599	13,965,551	15,504,755	14,478,621	14,040,949	15,553,035	14,899,496		



METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE
COUNTY, NORTH CAROLINA

SERIES RESOLUTION

Adopted April 16, 2014

Authorizing and Securing Not Exceeding
\$30,000,000
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2014

SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$30,000,000 SEWERAGE SYSTEM REVENUE BONDS, SERIES 2014 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) \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$32,185,000, (b) \$17,205,000 principal amount of its Sewerage System Revenue Bonds, Series 2009A, which are currently outstanding the principal amount of \$15,515,000, (c) \$13,360,000 of its Sewerage System Revenue Refunding Bonds, Series 2009B, which are currently outstanding in the principal amount of \$1,845,000, and (d) \$30,230,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2013, all of which are currently outstanding, 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 "2014 Project") and to pay the cost of the 2014 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 2014" (the "Series 2014 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 2014 Project and reimbursing the District for costs of the 2014 Project paid prior to the date hereof and (b) certain costs and expenses incurred in connection with the issuance of the Series 2014 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 2014 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 2014 Bonds and the sale of the Series 2014 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 2014 Bonds and end on June 30, 2014.

“Interest Payment Date” means January 1, 2015 and each January 1 and July 1 thereafter, to and including July 1, 2039.

“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 Standard & Poor’s financial Services LLC division, its successors and assigns.

“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 2014 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 2014 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 2014 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 2014 Bonds” means the Metropolitan Sewerage District of Buncombe County, Sewerage System Revenue Bonds, Series 2014, issued pursuant to the Order and this Series Resolution.

“Series 2014 Project Account” means the account in the Construction Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2014 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 2014 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 2014 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 2014 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 Series Resolution.

“Sinking Fund Requirement” means, with respect to the Term Bonds, if any, 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, if any, 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 2014 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 2014 Subaccount of the Sinking Fund Account on account of such Series 2014 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, provided, however, that such recomputation is to be based solely and exclusively on an Officer's Certificate filed with the Trustee. 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 2014 Subaccount of the Redemption Account or otherwise, 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(e) of this Series Resolution.

"Term Bonds" means the Series 2014 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 2014 Bonds.

(a) Authorization of the Series 2014 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 2014" (the "Series 2014 Bonds") in an aggregate principal amount not exceeding \$30,000,000 for the purpose of providing funds, together with other available funds, to pay (1) the Cost of the 2014 Project, and (2) certain expenses incurred in connection with the issuance of the Series 2014 Bonds. The Series 2014 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 2014 Bonds.

(b) Form of Series 2014 Bonds. The Series 2014 Bonds are issuable in fully registered form in denominations of \$5,000 or any whole multiple thereof, shall be lettered "R2014-" and shall be numbered from 1 consecutively upward. The Series 2014 Bonds and the Certificate of the Local Government Commission and the Certificate of Authentication to be

endorsed on all the Series 2014 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 2014 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. R2014-_____

\$_____

United States of America
State of North Carolina
County of Buncombe

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY
SEWERAGE SYSTEM REVENUE BOND, SERIES 2014

<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, 2015, in which event it shall bear

interest from the Original Issuance Date set forth above, payable on January 1, 2015, 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 bonds of the District, designated "Sewerage System Revenue Bonds, Series 2014" (the "Series 2014 Bonds"), issued for the purpose of providing funds, with any other available funds, for paying (i) certain costs of the 2014 Project (as defined in the Series Resolution) or reimbursing the District for costs of the 2014 Project paid prior to the Original Issuance Date set forth above, and (ii) certain expenses incurred in connection with the issuance of the Series 2014 Bonds.

The Series 2014 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 2014 Bond certificate with respect to each date on which the Series 2014 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 2014 Bonds by the Securities Depository's participants, beneficial ownership of the Series 2014 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 2014 Bond, as the owner of this Series 2014 Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2014 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 2014 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 2014 Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2014 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 2014 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 "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 April 16, 2014 (the "Series Resolution"). The District has heretofore issued and secured under the Order \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A (the "Series 2008A Bonds"), \$17,205,000 original principal amount of its Sewerage System Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), \$13,360,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2009B (the "Series 2009B Bonds") and \$30,230,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2013 for the purpose of paying, directly or indirectly, the cost of acquiring and constructing Additional Projects (as defined in the Order) of the System and refunding bonds issued under the Order. 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 Series 2008A Bonds, the remaining Series 2009A Bonds, , the remaining Series 2009B Bonds, the remaining Series 2013 Bonds and the Series 2014 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 2014 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 2014 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 2014 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 2014 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 2014 Bonds (the “Subaccounts”), which Subaccounts are pledged to and charged with the payment for the principal of and interest on the Series 2014 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 2014 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 2014 Bonds may be exchanged for an equal aggregate principal amount of Series 2014 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 2014 Bond or Series 2014 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 2014 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 2014 Bonds. Neither the District nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2014 Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2014 Bonds or any portion thereof or of any Series 2014 Bond after such Series 2014 Bond or any portion thereof has been selected for redemption.

The Series 2014 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 2014 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 2014 Bonds at the time outstanding that are stated to mature on July 1, 20__ are required to be redeemed from moneys in the Series 2014 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 2014 Bonds to be redeemed, plus accrued interest to the redemption date:

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

* Maturity Date

The Series 2014 Bonds at the time outstanding that are stated to mature on July 1, 20__ are required to be redeemed from moneys in the Series 2014 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 2014 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 2014 Bonds are called for redemption, the Series 2014 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 2014 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2014 Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one 2014 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2014 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 2014 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 2014 Bonds or portions of Series 2014 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 2014 Bonds or portions of Series 2014 Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2014 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 2014 Bonds or portions thereof shall cease to accrue, such Series 2014 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 2014 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 2014 Bond or Series 2014 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 2014 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 2014 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 2014 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 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 _____, 2014.

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 Officer

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 2014 Bonds. The Series 2014 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, 2015 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 2014 Bonds shall not be later than July 1, 2039 and the true interest cost thereof shall not exceed 5.0% per annum. The Series 2014 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 2014 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 2014 Bonds are stated to mature, in the aggregate principal amount of the Series 2014 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 2014 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 2014 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 2014 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 2014 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 2014 Bonds or (ii) the District determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2014 Bonds would adversely affect the interests of the beneficial owners of the Series 2014 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 2014 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 2014 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 2014 Bonds:

(i) Principal Amount. To determine the aggregate principal amount of the Series 2014 Bonds and the principal amounts of each maturity of the Series 2014 Bonds, such principal amount, not to exceed \$30,000,000, 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 2014 Bonds and the final maturity date thereof, such final stated maturity not to extend beyond July 1, 2039;

(iii) Serial Bonds and Term Bonds. To determine the Series 2014 Bonds to be designated as and comprising Serial Bonds and the Series 2014 Bonds, if any, to be designated as and comprising Term Bonds, if any;

(iv) Optional Redemption Requirements. To determine the optional redemption provisions and redemption prices, if any, relating to the Series 2014 Bonds;

(v) Sinking Fund Requirements. To determine the Sinking Fund Requirements for any Series 2014 Bonds designated as and comprising Term Bonds;

(vi) Date of Sale. To determine the date of the sale of the Series 2014 Bonds;

(vii) Negotiated Sale. To approve the sale of the Series 2014 Bonds in a negotiated sale in accordance with the provisions of Section 16 of this Series Resolution; provided, however, that the true interest cost for the Series 2014 Bonds shall not exceed five percent (5%) per annum and, provided further, that the underwriters' discount for the Series 2014 Bonds shall not exceed one percent (1.00%) of the par amount of the Series 2014 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 2014 Bonds; Application of Certain Proceeds and Certain Other Moneys. The Series 2014 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 2014 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 2014 Bonds shall have been executed and authenticated as

required by this Series Resolution, the Series 2014 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 2014 Bonds.

Section 3. Redemption of Series 2014 Bonds.

(a) Redemption of Series 2014 Bonds.

(i) The Series 2014 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 2014 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 2014 Bonds for Redemption. The Series 2014 Bonds shall be redeemed only in whole multiples of \$5,000. If less than all the Series 2014 Bonds are called for redemption, the Series 2014 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 2014 Bonds of any one maturity are to be called for redemption, the Bond Registrar shall select the Series 2014 Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2014 Bond for this purpose; provided, however, that so long as the only Owner of the Series 2014 Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository. If less than all of any one maturity of Series 2014 Bonds that are Term Bonds are called for redemption at the option of the District, the principal amount of Series 2014 Bonds so redeemed shall be applied in satisfaction, in whole or in part, of the Sinking Fund Requirement with respect to such Term Bond payable in such year or years as the District shall determine in its discretion. 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 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.

(c) Redemption Notice. At least thirty (30) days but not more than forty-five (45) days prior to the redemption date of any Series 2014 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 2014 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 2014 Bonds of any other Owner to whom such notice has been properly given. The Bond Registrar shall also give such notice of redemption to the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access (EMMA) system, or any other entity designated or authorized by the MSRB or the Securities and Exchange Commission in accordance with then current guidelines, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2014 Bonds.

Each such notice shall set forth the designation and date of the Series 2014 Bonds, the CUSIP numbers of the Series 2014 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 2014 Bonds to be redeemed and, if less than all of the Series 2014 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2014 Bonds to be redeemed and, in the case of Series 2014 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2014 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 2014 Bond, a new Series 2014 Bond in principal amount equal to the unredeemed portion of such Series 2014 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 2014 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 2014 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 2014 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 2014 Project Account, Subaccounts in Other Accounts, Application of Net Receipts and Investment of Funds

(a) Establishment of Series 2014 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 2014 Project Account”, which account constitutes an Additional Project Account within the meaning of the Order.

The following subaccounts are hereto established:

- (i) Series 2014 Subaccount of the Interest Account of the Bond Fund;
 - (ii) Series 2014 Subaccount of the Principal Account of the Bond Fund;
 - (iii) Series 2014 Subaccount of the Sinking Fund Account of the Bond Fund;
- and
- (iv) Series 2014 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 2014 Project Account. On the delivery date of the Series 2014 Bonds, the District shall cause to be deposited with the Trustee, from the proceeds of the Series 2014 Bonds, to the credit of the Series 2014 Project Account in the Construction Fund, such amount as is required by Section 4(c) of this Series Resolution. The Series 2014 Project Account shall be governed by the provisions of Article IV of the Order, and the moneys in the Series 2014 Project Account shall be applied to pay the Cost of the 2014 Project and the costs of issuance of the Series 2014 Bonds.

(c) Application of Proceeds of the Series 2014 Bonds. Simultaneously with the delivery of the Series 2014 Bonds and the deposit of the net proceeds of the Series 2014 Bonds with the Trustee, the Trustee shall deposit such net proceeds of the Series 2014 Bonds to the credit of the Series 2014 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 2014 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 2014 Bonds on such Interest Payment Date;

- (ii) into the Series 2014 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 2014 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 2014 Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by the District from time to time with written instructions that such amounts be so deposited.

(e) Application of Money in the Series 2014 Subaccount of the Sinking Fund Account. Money held in the Series 2014 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 2014 Subaccount of the Sinking Fund Account or maturing on the next ensuing July 1. 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 2014 Subaccount of the Interest Account or from other funds made available by the District and the purchase price from the Series 2014 Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2014 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 2014 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 2014 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, at the written request of the District, shall endeavor to purchase Outstanding Term Bonds with such excess money at a price no 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 Subaccount of the Interest Account and the Series 2014 Subaccount of the Principal Account, the amounts, if any, required to be paid thereto in such month and (y) deliver to the District all remaining amounts for deposit to the Revenue Account.

If, in any Bond Year, by the application of money in the Series 2014 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 2014 Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2014 Subaccount of the Redemption Account to the purchase or redemption of Series 2014 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 2014 Bonds or portions thereof, regardless of whether such Bonds or portions thereof are then subject to redemption, provided that the purchase price of each Series 2014 Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2014 Bond under the provisions of the applicable Series 2014 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 2014 Subaccount

of the Interest Account or other funds provided by the District and the purchase price from the Series 2014 Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2014 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2014 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 2014 Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2014 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 2014 Bonds shall be called for redemption at any one time unless the Trustee is so instructed in writing by the District. The Trustee shall pay the accrued interest on the Series 2014 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2014 Subaccount of the Interest Account and the Redemption Price of such Bonds or portions thereof from the Series 2014 Subaccount of the Redemption Account. The Trustee shall withdraw from the Series 2014 Subaccount of the Redemption Account and set aside the respective amounts required to pay the Redemption Price of the Series 2014 Bonds or portions thereof so called for redemption.

(iii) Money in the Series 2014 Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2014 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2014 Bonds to be redeemed.

Upon the retirement of any Series 2014 Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Series 2014 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 2014 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 2014 Project Account and subaccounts in the Bond Fund established by this Series Resolution shall be continuously invested and reinvested by the Trustee at the written direction of the District in Investment Obligations to the extent practicable. Absent written instructions from the District, the Trustee shall not invest any money held for the credit of the Series 2014 Project Account and the subaccounts in the Bond Fund established by this Series Resolution. 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 2014 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
Series 2014 Project Account

Credit to
Series 2014 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 or 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.

Ratings of Investment Obligations shall be determined at the time of purchase of such Investment Obligations and without regard to ratings subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Although the District recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the District hereby agrees that confirmations of Investment Obligations are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The

Trustee may conclusively rely upon the Authorized Officer's written instructions as to both the suitability and legality of the directed investments.

(h) Payment of Principal, Interest and Premium. The District covenants that it will promptly pay the principal of and the interest on every Series 2014 Bond at the places, on the dates and in the manner provided herein and in the Series 2014 Bonds, and any premium required for the retirement of the Series 2014 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 2014 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 2014 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 2014 Bonds has been duly and effectively taken; and that such Series 2014 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 2014 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 2014 Bonds in bearer form.

(b) Supplemental Resolutions with Consent of Owners and the Local Government Commission. 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 2014 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 2014 Bond without the consent of the Owner of such Series 2014 Bond, (ii) a reduction in the principal amount of any Series 2014 Bond or the redemption premium or the rate of interest thereon without the consent of the Owner of such Series 2014 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 2014 Bonds, (iv) a preference or priority of any Series 2014 Bond over any other Series

2014 Bond without the consent of the Owners of all Series 2014 Bonds, or (v) a reduction in the aggregate principal amount of Series 2014 Bonds required for consent to such supplemental resolution without the consent of the Owners of all Series 2014 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 2014 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 2014 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; provided, however, that no supplemental resolution shall take effect pursuant to this Section 6(b) prior to the date that the District shall have delivered to the Trustee an instrument evidencing consent to such supplemental resolution by the Local Government Commission.

If the Owners of not less than a majority in aggregate principal amount of the Series 2014 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 2014 Bonds. Series 2014 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 2014 Bonds provided for in this Section 6, and the District as Owner of such Series 2014 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 2014 Bonds so to be excluded.

(d) Rights of the Trustee; Opinion. This Series Resolution may not be amended to alter the rights, duties or obligations of the Trustee or the Bond Registrar without the prior written consent of the Trustee or the Bond Registrar, respectively. No supplement or amendment to this Series Resolution shall be effective prior to the receipt by the Trustee of an opinion of Bond Counsel that such amendment has been duly authorized and is permitted pursuant to the provisions of this Series Resolution.

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.

The Trustee has the right to accept and act upon instructions or directions using Electronic Means; provided, however that the District shall provide to the Trustee an incumbency certificate listing such designated persons with the authority to provide such directions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by a designated person listed on the incumbency certificate provided to the Trustee have been sent by such designated person. The District shall be responsible for ensuring that only designated persons listed on the incumbency certificate provided by the District to the Trustee transmit such directions to the Trustee and that all such designated persons treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances. "Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

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 2014 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 ending June 30, 2014, 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 ending June 30, 2014, 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 May 8, 2014, relating to the Series 2014 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 not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Series 2014 Bonds:

- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form

5701-TEB), other material notices or determinations with respect to the tax status of the Series 2014 Bonds;

(7) modification to the rights of the beneficial owners of the Series 2014 Bonds;

(8) call of any of the Series 2014 Bonds for redemption, if material and tender offers;

(9) defeasances;

(10) release, substitution or sale of any property securing repayment of the Series 2014 Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the District, which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision over substantially all of the assets or business of the District;

(13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and

(14) appointment of a successor Trustee or additional Trustee or the change of name of a Trustee, if material; and

(d) in a timely manner, 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, the Trustee or any beneficial owner of the Series 2014 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 2014 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 2014 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 2014 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 bond counsel, or by approving vote of the registered owners of a majority in principal amount of the Series 2014 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 2014 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 2014 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 2014 Bonds, but this Series Resolution and the Series 2014 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 2014 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 2014 Bonds on file with the Secretary-Treasurer of the Board of the District is hereby deemed approved. Wells Fargo Bank, National Association is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in purchasing the Series 2014 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 2014 Bonds within 7 business days of the sale of the Series 2014 Bonds, is hereby approved.

Section 16. Local Government Commission Requested to Award the Series 2014 Bonds. The District hereby requests that the Local Government Commission award the Series 2014 Bonds at negotiated sale without advertisement to Wells Fargo Bank, National Association, as representative of the underwriters of the Series 2014 Bonds, at an underwriters' discount of not more than one percent (1.00%) of the par amount of the Series 2014 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 2014 Bonds (the "Bond Purchase Agreement"), in substantially the form of the draft dated February 14, 2014, and hereby authorizes the Chairperson of the Board or the General Manager of the District to execute the Bond Purchase

Agreement in substantially the forms 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 2014 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 2014 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 2014 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 2014 Bonds; any redemption (other than any mandatory sinking fund redemption) or defeasance of Series 2014 Bonds, and, to the extent the Trustee has actual knowledge thereof, 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 2014 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 (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 2014 Project are set forth below:

- the replacement of portions of a major line which serves businesses, Mission Health System, and residential areas surrounding the McCormick Field Baseball Stadium, including 3,950 linear feet (“LF”) of 8-inch through 16-inch ductile iron pipe (“DIP”).

- Merrimon Avenue at Stratford Road, line replacement and rehabilitation, including, relocating the line away from an extremely eroded area just below the Beaver Lake spillway. The replacement project includes 2,460 LF of 8-inch through 30-inch DIP.

- Givens Estate. Replacement of lines located in South Asheville near the Givens Estates retirement community off Sweeten Creek Road. The line serves a large area which includes Givens Estates, Turtle Creek Shopping Center and Apartments, multiple subdivisions and additional businesses. It replaced an aged vitrified clay sewer line. The replacement project included 3,683 LF of 8-inch through 12-inch DIP.

- Final Microscreen Replacement; including replacement of microscreens in the District’s wastewater treatment plant with new Aquadisk microfiltration.

- Replacement of Vitrified Clay line at Old US70 at Grovemont Avenue. This project is located in the eastern area of Buncombe County, along Old U.S. Hwy 70 in Swannanoa. The replacement project includes 4,690 LF of 8-inch and 12-inch DIP.

- Electrical Improvements at Wastewater Treatment Plant. This project is an upgrade to the District’s electrical system at the wastewater treatment plant. The project adds a second main power source from a private utility substation, which is adjacent to the wastewater treatment plant. Inside the wastewater treatment plant, the project will provide redundant looped internal power feeds for primary processes and an additional two megawatts of standby generation capacity for a total capacity of four megawatts.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2014

**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 the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2014 Bonds will not be includable in the gross income of the owners of the Series 2014 Bonds for federal income tax purposes, and interest on the Series 2014 Bonds will not be includable in the taxable income of individuals or the net income of C corporations for purposes of the income tax imposed by the State of North Carolina on individuals and corporations. See "TAX TREATMENT" herein for further information regarding certain provisions of the Code that may affect the tax treatment of the Series 2014 Bonds for certain owners of the Series 2014 Bonds.

**[METROPOLITAN
SEWERAGE
DISTRICT SEAL]**

**\$(Amount)*
METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA
Sewerage System Revenue Bonds, Series 2014**

Dated: Date of Issuance

Due: July 1, as shown below

The Series 2014 Bonds are being issued by the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"). The principal of and interest on the Series 2014 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 2014 BONDS. THE SERIES 2014 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 2014 Bonds are subject to redemption prior to their maturity, as more fully described herein.

The Series 2014 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 2014 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 2014 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 2014 Bonds will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2014 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 2014 Bonds. Interest on the Series 2014 Bonds is payable on July 1 and January 1, beginning January 1, 2015 at the rates set forth below. Principal is payable, subject to redemption of the Series 2014 Bonds as hereinafter described, on July 1 in the years and amounts set forth below.

Maturity Schedule*

\$_____ Serial Bonds

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.**</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.**</u>
-------------	---------------	-------------	--------------	--------------------	-------------	---------------	-------------	--------------	--------------------

\$_____ % Term Bonds due July 1, 20__ - Yield __% CUSIP No.** _____

The Series 2014 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 2014 Bonds will be available through the facilities of DTC for delivery in New York, New York, on or about May 21, 2014.

Wells Fargo Securities

BAIRD

Dated: May __, 2014

* Preliminary, subject to change.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association, and are included solely for the convenience of bondholders.

IN CONNECTION WITH THIS OFFERING, WELLS FARGO BANK, NATIONAL ASSOCIATION AND ROBERT W. BAIRD & CO. (COLLECTIVELY, THE “*UNDERWRITERS*”) MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 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 2014 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 2014 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 2014 BONDS AND THE BOND ORDER IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2014 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 2014 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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final Official Statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

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OFFICIAL STATEMENT

Relating to

[\$Amount]*

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA Sewerage System Revenue Bonds, Series 2014

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the offering of [\$Amount]* Sewerage System Revenue Bonds, Series 2014 (the “Series 2014 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 Resolution (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 2014 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 adopted by the District Board of the District on April 16, 2014 (the “Series Resolution”). 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 the Series 2014 Bonds.

Security. The Series 2014 Bonds will be special obligations of the District, secured by a pledge of and payable from Net Receipts and certain other moneys. The Series 2014 Bonds will be additionally secured by certain funds, accounts and subaccounts held by the Trustee under the Bond Order and the Series Resolution. The Series 2014 Bonds will be secured under the Bond Order on a parity with the District’s (1) \$33,635,000 Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$32,185,000 (the “Series 2008A Bonds”); (2) \$17,205,000 Sewerage System Revenue Bonds, Series 2009A, which are currently outstanding in the principal amount of 15,515,000 (the “Series 2009A Bonds”); (3) \$13,360,000 Sewerage System Revenue Refunding Bonds, Series 2009B, which are currently outstanding in the principal amount of \$1,845,000 (the “Series 2009B Bonds”); (4) \$30,230,000 Sewerage System Revenue Refunding Bonds, Series 2013,

* Preliminary, subject to change.

all of which are currently outstanding (the “Series 2013 Bonds”); (5) 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 \$651,000 (the “Enka Bond”), the payment of which has been assumed by the District, and which constitutes Parity Debt; and (6) any additional bonds hereafter issued by the District pursuant to the Bond Order. The Series 2008A Bonds, the Series 2009A Bonds, the Series 2009B Bonds, the Series 2013 Bonds, the Series 2014 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. 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 2014 BONDS. THE SERIES 2014 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 2014 Bonds for the purpose of providing funds, together with other available funds, to (1) pay certain costs of the 2014 Project, as hereinafter described, and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2014 Bonds. See “THE PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Series 2014 Bonds. The Series 2014 Bonds will be dated as of their date of issuance, and will bear interest from their date payable on January 1, 2015, and semiannually thereafter on each January 1 and July 1, at the rates shown on the cover. Principal of the Series 2014 Bonds will be payable, subject to redemption of the Series 2014 Bonds as described herein, on July 1 in the years and amounts shown on the cover. The Series 2014 Bonds are offered in denominations of \$5,000 and integral multiples thereof. The Series 2014 Bonds will be subject to optional redemption and mandatory sinking fund redemption, as described below. See “THE SERIES 2014 BONDS” herein.

Book-Entry Form. The Series 2014 Bonds will be issued in book-entry only form, without physical delivery of Series 2014 Bonds to beneficial owners of the Series 2014 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 2014 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, 2013. 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, 2013, including the notes thereto.

Copies of Documents. Brief descriptions and summaries of the Series 2014 Bonds, the Bond Order and the Series Resolution 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 Resolution 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 Resolution in reasonable quantities. The Director of Finance's address is 2028 Riverside Drive, Asheville, North Carolina 28804.

THE SERIES 2014 BONDS

Authorization

The Series 2014 Bonds will be issued under the Enabling Act, the Bond Order and the Series Resolution. The sale of the Series 2014 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 2014 Bonds will be dated as of their date of issuance, and will bear interest from their date payable on January 1, 2015, 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 2014 Bonds will be payable, subject to redemption of the Series 2014 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 2014 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 2014 Bonds, registration of transfers and exchanges of beneficial ownership interests in the Series 2014 Bonds will be available only through DTC participants, as hereinafter described. See APPENDIX G hereto.

Redemption Provisions

Optional Redemption of Series 2014 Bonds. The Series 2014 Bonds maturing on or after July 1, 202_ are subject to redemption prior to maturity, at the District's option, on or after July 1, 202_, 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 2014 Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption of Series 2014 Bonds. The Series 2014 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 2014 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 2014 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 2014 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 Series Resolution also requires the Bond Registrar to send such notice of redemption to the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access (EMMA) system, or any other entity designated or authorized by the MSRB or the Securities and Exchange Commission in accordance with then current guidelines, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2014 Bonds.

Any notice of redemption, except a notice of redemption with respect to a mandatory sinking fund redemption of the Series 2014 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 2014 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 2014 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 2014 Bonds for Redemption. If less than all of the Series 2014 Bonds are called for redemption, the District will select the maturity or maturities of the Series 2014 Bonds to be redeemed. If less than all Series 2014 Bonds of any maturity are to be redeemed, the Series 2014 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; provided that if less than all of any one maturity of Series 2014 Bonds that are Term Bonds are called for redemption at the option of the District, the principal amount of Series 2014 Bonds so redeemed shall be applied in satisfaction, in whole or in part, of the Sinking Fund Requirement with respect to such Term Bond payable in such year or years as the District shall determine in its discretion. If the Series 2014 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 2014 Bond for such purpose. If a portion of a Series 2014 Bond is called for redemption, a new Series 2014 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 2014 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 2014 Bonds to be redeemed on such redemption date.

If notice is properly given, the Series 2014 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 2014 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 2014 Bonds to be redeemed, (1) interest on such Series 2014 Bonds or portions thereof shall cease to accrue from and after such date, (2) such Series 2014 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 2014 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 2014 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 2014 BONDS. THE SERIES 2014 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 will not sell or dispose of the System or any part thereof except 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 2014 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 Depositary that will secure only the Parity Indebtedness authorized by such Parity Resolution. The Series 2014 Bonds will not be secured by a Special Reserve Account.

Insurance and Condemnation Award Fund. The Insurance and Condemnation Award Account 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 Account. 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 "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER—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 2014 BONDS SHOULD NOT ANTICIPATE THAT MONEYS WILL BE AVAILABLE IN THE CAPITAL RESERVE FUND TO PAY PRINCIPAL OF OR INTEREST ON THE SERIES 2014 BONDS.

Series 2014 Project Account. On the delivery date of the Series 2014 Bonds, the District will cause to be deposited with the Trustee, from the proceeds of the Series 2014 Bonds, to the credit of the Series 2014 Project Account in the Construction Fund, such amount as is required by the Series Resolution. The Series 2014 Project Account will be governed by the provisions of the Bond Order, and the moneys in the Series 2014 Project Account will be applied to pay the cost of the 2014 Project and the costs of issuance of the Series 2014 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.

The Series Resolution provides that, with respect to the Series 2014 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 Series 2014 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 2014 Bonds on such Interest Payment Date;

(b) into the Series 2014 Subaccount of the Principal Account, two Business Days prior to July 1 of each year, an amount equal to the principal of all Series 2014 Bonds that are Serial Bonds due on such July 1; and

(c) into the Series 2014 Subaccount of the Sinking Fund Account, two Business Days prior to July 1 of each year, the amount required to retire the Series 2014 Bonds that are Term Bonds 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 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 Resolution 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 2014 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 2014 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER—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 2014 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 “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER—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

The District is issuing the Series 2014 Bonds for the purpose of providing funds, together with other available funds, to (1) pay certain costs of the 2014 Project and (2) pay certain costs and expenses incurred in connection with the issuance of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2014 Project

The 2014 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 2014 Project are set forth below.

Short Coxe at Southside. This project is located near downtown Asheville and involves the replacement of portions of a major line which serves businesses, Mission Health System, and residential areas surrounding the McCormick Field Baseball Stadium. The old line was in poor structural condition and in some areas it was located underneath buildings and a major drainage culvert, making it difficult to maintain. The replacement project included 3,950 linear feet ("LF") of 8-inch through 16-inch ductile iron pipe ("DIP") and was completed in September 2013. The total cost of this component of the 2014 Project is approximately \$956,000.

Merrimon Avenue at Stratford Road. This project is located in North Asheville near Beaver Lake. The existing line is not only in poor structural condition, but in one area multiple parallel lines exist at different elevations. In another area, the project will relocate the line away from an extremely eroded area just below the Beaver Lake spillway. The replacement project includes 2,460 LF of 8-inch through 30-inch DIP. This project is currently under construction, and completion is currently anticipated in late Spring 2014. The total estimated cost of this component of the 2014 Project is approximately \$893,000.

Givens Estate. This project is located in South Asheville near the Givens Estates retirement community off Sweeten Creek Road. The line serves a large area which includes Givens Estates, Turtle Creek Shopping Center and Apartments, multiple subdivisions and additional businesses. It replaced an aged vitrified clay sewer line which was in poor structural condition. The replacement project included 3,683 LF of 8-inch through 12-inch DIP and was completed in July 2013. The total cost of this component of the 2014 Project is approximately \$944,000.

Final Microscreen Replacement. This project, identified in the District's Facilities Plan for the wastewater treatment plant, replaced the old and problematic microscreens with new Aquadisk microfiltration. This new but proven technology has significantly increased the plant effluent quality by reducing total suspended solids by approximately 60%. This project was a five-year effort and was completed in Winter 2013. The total cost of this component of the 2014 Project is approximately \$10,123,000.

Old US70 at Grovemont Avenue. This project is located in the eastern area of Buncombe County, along Old U.S. Hwy 70 in Swannanoa. It is the largest collection system project to be constructed during Fiscal Year 2013-2014, and will replace a significant length of problematic vitrified clay line. The old line has experienced multiple sanitary sewer overflows and is undersized for current daily flows. The replacement project includes 4,690 LF of 8-inch and 12-inch DIP. This project is currently under construction, and completion is currently anticipated in late Spring 2014. The total estimated cost of this component of the 2014 Project is approximately \$878,000.

Electrical Improvements at Wastewater Treatment Plant. This project is an upgrade to the District's electrical system at the wastewater treatment plant. The project adds a second main power source from a private utility substation, which is adjacent to the wastewater treatment plant. Inside the wastewater treatment plant, the project will provide redundant looped internal power feeds for primary processes and an additional two megawatts of standby generation capacity for a total capacity of four megawatts. The entire wastewater treatment plant will be able to operate during any sustained power outage. This project is currently in the final stages of startup and commissioning. Final completion is currently anticipated by mid-Spring 2014. The total estimated cost of this component of the 2014 Project is approximately \$2,505,000.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated funds available from the proceeds of the Series 2014 Bonds, together with other available funds, and the estimated uses of such funds are as follows:

Sources of Funds:

Principal Amount of Series 2014 Bonds	\$
Net Original Issue [Premium] [Discount]	
	<hr/>
Total Sources of Funds	\$

Uses of Funds:

2014 Project Costs	\$
Costs of Issuance ¹	
	<hr/>
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	Series 2014 Bonds		Total Debt Service Requirements
		Principal	Interest	
2014				
2015	\$8,412,622			
2016	\$8,459,113			
2017	\$7,265,323			
2018	\$6,136,662			
2019	\$6,123,101			
2020	\$6,111,059			
2021	\$6,513,202			
2022	\$6,506,410			
2023	\$6,494,465			
2024	\$5,534,543			
2025	\$5,496,204			
2026	\$5,486,136			
2027	\$5,483,950			
2028	\$5,475,685			
2029	\$5,464,288			
2030	\$5,457,706			
2031	\$2,469,773			
2032	\$2,467,609			
2033	\$1,178,250			
2034	\$1,179,875			
2035	\$1,178,750			
Total	\$108,894,726	\$	\$	\$

¹ Includes interest with respect to the Series 2008A Bonds at the fixed swap rate of 3.4175% per annum.

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, 2013, 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, 2009 to 2013 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, 2009 to 2013 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				
	2009	2010	2011	2012	2013
Revenues					
Operating	\$27,759,073	\$27,794,217	\$29,745,786	\$31,078,637	\$31,498,488
Nonoperating	1,069,737	645,401	1,198,472	397,972	522,054
Less:					
(Gain) loss on sale of capital assets	\$ (22,150)	\$ (67,099)	\$ (42,232)	\$ (86,165)	\$ (14,410)
Gifts, grants, donations	-	(336,490)	(663,238)	(110,439)	-
Pump Station Acceptance and Other Fees	(16,919)	-	(82,105)	(312,045)	(39,045)
Investment income—restricted accounts	(456,469)	(113,944)	(263,744)	(135,913)	(324,959)
Tap and facility fees	(2,959,115)	(1,654,010)	(2,238,171)	(2,321,474)	(2,566,635)
Total Revenues	<u>\$25,374,157</u>	<u>\$26,268,075</u>	<u>\$27,654,768</u>	<u>\$28,510,573</u>	<u>\$29,075,493</u>
Current Expenses					
Operating	\$21,370,311	\$21,311,092	\$21,043,212	\$21,663,609	\$21,640,353
Nonoperating	3,277,292	3,080,807	2,775,151	2,679,597	2,525,825
Less:					
Depreciation	\$(8,561,962)	\$(8,556,365)	\$(7,520,744)	\$(7,681,340)	\$(7,965,835)
Amortization	(73,887)	(145,827)	(156,120)	(144,651)	-
Bond Issuance Cost	-	-	-	-	(393,694)
Interest	(3,203,405)	(2,934,980)	(2,619,031)	(2,534,946)	(2,132,131)
Total Current Expenses	<u>\$12,808,349</u>	<u>\$12,754,727</u>	<u>\$13,522,468</u>	<u>\$13,982,269</u>	<u>\$13,674,518</u>
Income Available for Debt Service	<u>\$12,565,808</u>	<u>\$13,513,348</u>	<u>\$14,132,300</u>	<u>\$14,528,304</u>	<u>\$15,400,975</u>
Long-Term Debt Service Requirement	\$7,600,385	\$7,855,989	\$8,565,201	\$7,274,680	\$8,114,665
Ratio of Income Available for Debt Service to Long-Term Debt Service Requirement	1.65x	1.72x	1.65x	2.00x	1.90x

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 2014 Bonds, the Bond Order or the Series Resolution, or which contests the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2014 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 Resolution or the Series 2014 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. Legislation has been adopted in the North Carolina General Assembly that would transfer the ownership and operations of certain public water and sewer systems to the District. The District is a party to certain litigation involving such legislation. See "Update on Water and Sewer Consolidation" in APPENDIX A hereto.

Opinions of Counsel

The authorization and issuance of the Series 2014 Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel. The proposed form of opinion of Bond Counsel is 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 2014 Bonds for purposes of federal income taxation. In the opinion of Sidley Austin LLP, Bond Counsel, under current law and assuming continuing compliance by the District with such covenants and requirements of the Code regarding, among other matters, the use, expenditure and investment of Series 2014 Bond proceeds and the timely payment of certain investment earnings to the United States Treasury, interest on the Series 2014 Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the District to comply with such covenants and requirements may cause interest on the Series 2014 Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2014 Bonds. Bond Counsel will render no opinion as to the effect on the exclusion from gross income of the interest on the Series 2014 Bonds of any action taken or not taken after the date of delivery of the Bonds in reliance upon the advice or opinion of counsel other than such firm.

Interest on the Series 2014 Bonds will not be treated as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations under the Code. Interest on the Series 2014 Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. 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 2014 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 current law, interest on the Series 2014 Bonds will not be included in the taxable income of individuals or the net income of C corporations for purposes of the income tax imposed by the State of North Carolina on individuals and corporations.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Series 2014 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 2014 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 2014 Bonds. In general, the issue price of a maturity of the Series 2014 Bonds is the first price at which a substantial amount of Series 2014 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.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation’s federal alternative minimum tax liability. In addition, 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 herein. Consequently, an owner of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences 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 subject to redemption prior to maturity or a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Series 2014 Bonds is sold to the public may be determined according to rules that differ from those described above. Prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable 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 2014 Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2014 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 2014 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 2014 Bonds are required to decrease their adjusted basis in such Series 2014 Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2014 Bonds are held. The amortizable bond premium on such Series 2014 Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium on such Series 2014 Bonds is treated as an offset to qualified stated interest received on such

Series 2014 Bonds. Prospective purchasers of such Series 2014 Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon the sale or other disposition of such Series 2014 Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2014 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 2014 Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2014 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 2014 Bonds or the inclusion in certain computations of interest on the Series 2014 Bonds that is excluded from gross income for purposes of federal income taxation.

PROSPECTIVE PURCHASERS OF THE SERIES 2014 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 2014 Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Future Tax Developments [Bond Counsel is reviewing]

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation to state or local income taxation or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. 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 2014 Bonds. Prospective purchasers of the Series 2014 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.

For example, various proposals have been made in Congress and by the President (the “Proposed Legislation”), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2014 Bonds, to a tax payable by certain bondholders with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Series 2014 Bonds to a tax or cause interest on the Series 2014 Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted in its current form or as it may be amended, or such other legislation on their individual situations.

The proposed form of opinion of Bond Counsel is attached hereto as APPENDIX E.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina provides that the Series 2014 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 2014 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 Resolution, the District will undertake, for the benefit of the beneficial owners of the Series 2014 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 ending June 30, 2014, 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 ending June 30, 2014, 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 not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Series 2014 Bonds:

- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the Series 2014 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2014 Bonds;
- (8) call of any of the Series 2014 Bonds for redemption, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Series 2014 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District, which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision over substantially all of the assets or business of the District;
- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and
- (14) appointment of a successor Trustee or additional Trustee or the change of name of a Trustee, if material; 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 Resolution will provide that the undertaking described above is enforceable by any beneficial owner of the Series 2014 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 2014 Bonds. All actions must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2014 Bonds.

Pursuant to the Series Resolution, 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 this Official Statement with respect to the Series 2014 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 2014 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 2014 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 all of the Series 2014 Bonds, if any of the Series 2014 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, less an underwriters’ discount of \$_____ and plus net original issue [premium] [discount] of \$_____. The obligation of the Underwriters to pay for the Series 2014 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the Series 2014 Bonds to certain dealers (including dealers depositing the Series 2014 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.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA, one of the underwriters of the Series 2014 Bonds, has entered into an agreement (the “*Distribution Agreement*”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2014 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2014 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Series 2014 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATINGS

The Series 2014 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 Series 2014 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 Series 2014 Bonds. Neither the District nor the Underwriters have undertaken any responsibility after the execution and delivery of the Series 2014 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, 2013 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, 2013, including the notes thereto.

MISCELLANEOUS

The references herein to the Bond Order and the Series Resolution 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 2014.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2014 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, 2013 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, 2013, including the notes thereto.

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

**PROPOSED FORM OF
OPINION OF BOND COUNSEL**

**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 2014 Bonds. The Series 2014 Bonds will be issued as fully registered securities 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 2014 Bonds in the aggregate principal amount of the Series 2014 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 2014 BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE SERIES 2014 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS.

The following description of DTC, of procedures and record keeping of beneficial ownership interests in the Series 2014 Bonds, payment of interest and other payments on the Series 2014 Bonds to DTC Participants or to Beneficial Owners (as such terms are defined herein), confirmation and transfer of beneficial ownership interests in the Series 2014 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 rating of "AA+". 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.dtcc.com.

Beneficial Owners. Purchases of the Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2014 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 2014 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

Transfers and Exchanges. To facilitate subsequent transfers, all Series 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2014 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 2014 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, defaults and proposed amendments to the Series Resolution and other basic documents.

Redemption notices will be sent to DTC. If less than all the Series 2014 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 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's 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 2014 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 2014 Bonds. Principal, redemption premium (if any) and interest payments with respect to the Series 2014 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 2014 Bonds at any time by giving reasonable notice to the District and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The District may also decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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 2014 Bonds (a) payments of principal of or interest on the Series 2014 Bonds, (b) confirmations of their ownership interests in the Series 2014 Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Series 2014 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 2014 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 BOND ORDER AND THE SERIES RESOLUTION; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2014 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 District’s 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

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.

Legislation has been adopted in the North Carolina General Assembly that would transfer the ownership and operations of certain public water and sewer systems to the District and that would result

in the District being operated as a Metropolitan Water and Sewerage District. (See “Update on Water and Sewer Consolidation” herein.)

The 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 1,000 miles of sewer line and serves over 52,000 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 District’s 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 977,000 feet of existing sewer line have been replaced since Sewer Consolidation, representing over 24% 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 Plant”). The wastewater treatment process includes grit and grease removal, organics removal by rotating biological contactors, gravity settling for removal of solids, microfiltration with Aquadisk filters and chlorine disinfection prior to discharge. For 2013 the average daily flow through the plant was 24.9 MGD and the maximum peak flow was 74.6 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, 2013, the net value to the District of the power generated by such facility was \$594,000 (after deducting the expenses of the District related to the operation and maintenance of such facility).

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 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. In March 2009, legislation was enacted by the North Carolina General Assembly that temporarily extended the current permit cycle to September 30, 2015. 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 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 289 SSO’s in the Fiscal Year ended June 30, 2000 to 37 SSO’s in the Fiscal Year ended June 30, 2013.

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 System 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 Wastewater 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 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,					
2009	2010	2011	2012	2013	TOTAL
\$12,513,005	\$9,245,794	\$16,101,946	\$17,813,110	\$15,023,028	\$70,696,883

The District's projected capital improvement expenditures for the five Fiscal Years ending June 30, 2014 to 2018 aggregate approximately \$68.1 million. The District anticipates paying the cost of the CIP during such period with approximately \$24 million of bonds currently expected to be issued in the Fiscal Year ending June 30, 2017, and approximately \$44.1 million of internally generated funds. Estimated capital costs include construction contingency allowances and inflationary increases during the five-year period.

Organizational Awards

2012	NCAWWA-WEA Collection System of the Year Award (Large System)
2009	National Association of Clean Water Agencies Excellence in Management Award (2008-2011)
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
2001 to present	National Association of Clean Water Agencies ("NACWA") Peak Performance Award for Excellence in Wastewater 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 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 148 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>
Matt Ashley, Jr	-	1/2016	Town of Montreat
Jackie W. Bryson	28	1/2015	Woodfin Sanitary Water & Sewer
Joe Belcher	—	1/2016	County of Buncombe
Ellen Frost	—	1/2016	County of Buncombe
E. Glenn Kelly	19	1/2016	Town of Biltmore Forest
Esther Manheimer	2	1/2017	City of Asheville
Chris Pelly	1	1/2016	City of Asheville
Al P. Root	3	1/2016	Town of Weaverville
William A. Russell	5	1/2015	City of Asheville
Bill Stanley	4	1/2015	County of Buncombe
M. Jerry VeHaun	9	1/2017	Town of Woodfin
Robert C. Watts	3	1/2016	Town of Black Mountain

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

M. Jerry VeHaun, Chairman. 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 40 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, North Carolina. Mr. VeHaun was appointed to the District Board in 2004 and serves as Chairman of the Personnel Committee and a member of the Planning, CIP and Right-of-Way Committees.

E. Glenn Kelly, Vice-Chairman. Mr. Kelly is a partner with the law firm of Kelly & Rowe, P.A. in Asheville, North Carolina. He served as Mayor of the Town of Biltmore Forest from 1987 to 1999 and as a member of 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 and Buncombe County Bar Association. Mr. Kelly was appointed to the District Board in 1993 and is Chairman of the Finance and Right-of-Way Committees.

Matt Ashley, Jr. Mr. Ashley has lived in Buncombe County since 1969. His service to the Town of Montreat includes work with Planning and Zoning, and chairman of the 2008 Comprehensive Plan Steering Committee. In Black Mountain, he served 14 years as a volunteer firefighter and emergency medical technician. After a career as a carpenter and builder, he joined Greybeard Realty in January of 2013 as a real estate broker. Mr. Ashley is active in his church where he has served as both Deacon and Elder. He was appointed to the District Board in August 2013.

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 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.

Joe Belcher. In 2012, Mr. Belcher was elected to his first four-year term as a Commissioner for the County of Buncombe. He is a retired Vice President of Retail for Clayton Homes, a Berkshire Hathaway Company, where he was employed for 28 years. Mr. Belcher has resided with his family in Buncombe County for 33 years. Mr. Belcher serves as a Deacon and a Sunday school teacher at the Maple Ridge Baptist Church in Candler, North Carolina. He currently serves on the board of the Buncombe County Tourism Development Authority and is a former member of the board of the North Carolina Manufactured and Modular Home Builders Association. Mr. Belcher received a Marketing and

Management degree from Concord University in Athens, West Virginia. Mr. Belcher was appointed to the District Board in March 2013.

Ellen Frost. Ms. Frost is a small business owner. She is serving her first four-year term as a Commissioner for the County of Buncombe. She is also a volunteer with Crimestoppers and Smartstart, is the Vice Chair of Land of the Sky Regional Council of Governments and is the Chair of the Mimi Paige Foundation. Ms. Frost was appointed to the District Board in March 2013.

Esther Manheimer. Ms. Manheimer is a partner with the Van Winkle Law Firm in Asheville, North Carolina. Ms. Manheimer received her Doctor of Jurisprudence and Masters in Public Administration from the University of North Carolina at Chapel Hill and currently serves as a member of the Asheville City Council and Vice-Mayor of the City of Asheville. Ms. Manheimer was appointed to the District Board in 2011 and serves as a member of the Planning, Finance and Right-of-Way Committees.

Chris Pelly. Mr. Pelly has been a member of the Asheville City Council since 2011 and has been a licensed real estate broker since 1997. He served 12 years as president of the Haw Creek Community Association and is the former president of the Coalition of Asheville Neighborhoods. A veteran of the U.S. Army, he and his family have lived in Asheville for 23 years. Mr. Pelly was appointed to the District Board in 2012 and serves as a member of the Planning, CIP and Right-of-Way Committees.

Al P. Root. Mr. Root has been a resident of Buncombe County since 1984. Mr. Root served 10 years on the Weaverville Town Council and as Mayor of Weaverville, North Carolina from 2009 to 2013. Mr. Root graduated from Dartmouth College in 1977 and received his law degree from the University of Virginia in 1980. A former Assistant District Attorney in Brooklyn, New York, Mr. Root has practiced law for many years with his wife in Weaverville. Mr. Root was appointed to the District Board in 2010 and serves as Chairman of the Planning Committee as well as a member of the Personnel Committee.

William A. Russell. Mr. Russell resides in Asheville and is the owner of a State Farm Insurance Agency since 1999. Beginning in auto claims with State Farm Insurance in 1994, he 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.

Bill Stanley. Mr. Stanley is a retired high school coach and principal. He served six terms 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.

Robert C. Watts. Mr. Watts grew up in Henderson County, North Carolina and has lived in Black Mountain, North Carolina since 1972. He received a Bachelor of Science degree from Western Carolina University and a Master of Arts degree from Appalachian State University. Following graduation from Appalachian State University, Mr. Watts worked in the furniture industry, taught in high school, and spent 25 years in the surveying/engineering business. He served ten years with the Town of Black Mountain as the Public Works Director and retired in 2010. Mr. Watts was appointed to the

District Board in 2010 and serves as a member of the Planning, Personnel, 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. Prior to his employment at the District, he served as the Utilities Director for Hillsborough, North Carolina, as the Engineering Director of the Florida Keys Aqueduct Authority, as a Project Manager for Chattahoochee Geotechnical Consultants of Atlanta, Georgia, and as an engineer for Jamaica Water Supply Company, New York. Mr. Hartye is a member of the American Water Works Association and Water Environment Federation.

W. Scott Powell, CLGFO, 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 five years as Accounting Manager/Deputy Finance Director of the District. He is a Certified Local Governmental Financial Officer of North Carolina.

Peter Weed, Director of Wastewater Treatment. Mr. Weed graduated from the Midland Park High School in Midland Park, New Jersey. He has served in the water and wastewater industry since 1990, both in the private and public sectors. In 1993 he was in charge of operations for the North Carolina and South Carolina Region of HydroLogic, Inc., where the focus of his duties was managing personnel in over 250 drinking water and package plant wastewater treatment facilities. Since 1996, he has served the District in numerous roles, including Operations, Industrial Pretreatment, Administration of Environment, Health and Safety, Motor Fleet, and IT and Database Management Systems. He is a member of the Water Environment Federation and North Carolina Water Environment Association, where he serves on various committees and was chairman for Water for People. Mr. Weed holds a Grade IV Wastewater Collection System Operator and B-Well Drinking Water Certification from the State of North Carolina.

C. Kenneth Stines, Director of System Services Maintenance. Mr. Stines received an A.A.S. degree in Civil Engineering and A.A.S. Degree in Land Surveying Technologies from Asheville-Buncombe Technical Community College. Prior to joining the District, he worked for four years with the North Carolina Department of Transportation as Construction Project Manager. Mr. Stines joined the District in 1996 as CIP Inspector and, after holding other positions with the District, was promoted to his current position. Mr. Stines serves as the District's Collection System's Operator in Responsible Charge. Mr. Stines is a member of the American Water Works Association and the Water Environment Federation, and he holds an appointment to the North Carolina Waste Water Board of Education. Mr. Stines holds a Grade IV Wastewater Collection System Operator Certification from the State of North Carolina.

Michael W. Stamey, P.E., Director of System Services Construction. Mr. Stamey received a B.S. in Civil Engineering Technology from the University of North Carolina at Charlotte in 1994. He is a registered Professional Engineer in the State of North Carolina and also holds a Grade IV Wastewater Collection System Operator Certification in North Carolina. Mr. Stamey began his employment with the

District in November 1994 as the Wastewater Allocation Coordinator. In 1995, he was promoted to the position of Private Development Project Manager and in 2004 he was promoted to a Project Manager in the District's CIP program. In 2011, Mr. Stamey was promoted to his current position as Director of System Services Construction. Mr. Stamey is a member of the Water Environment Federation, volunteers as a teacher for the American Water Works Association and Water Environment Association Wastewater Collection Schools and is currently the chairperson for the Buncombe County Utilities Coordinating Committee.

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 the front part of 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"	\$ 6.28
3/4"	\$ 9.15
1"	\$ 16.22
1 1/2"	\$ 37.15
2"	\$ 65.71
3"	\$ 145.73
4"	\$ 260.04
6"	\$ 585.79
8"	\$ 1,040.15
10"	\$ 1,628.80

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 \$3.195 per cubic hundred feet ("CCF") and those located outside the District are currently charged \$3.205 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"): \$0.341 per pound for all BOD in excess of 210 mg/l
Total Suspended Solids ("TSS"): \$0.267 per pound for all TSS in excess of 210 mg/l

The treatment charge for domestic users of \$4.08 per CCF of water purchased within the District or \$4.09 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 \$2.25 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 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	\$2,500
Mobile Homes.....	\$1,740
Affordable Housing	\$670

Non-residential

5/8" Meter	\$2,500
3/4" Meter	\$2,830
1" Meter	\$5,560
1 1/2" Meter	\$11,350
2" Meter	\$20,000
3" Meter	\$45,000
4" Meter	\$87,500
6" Meter	\$225,400
8" Meter	\$237,500

Additions up to 1,400	
Gallons Per Day ("GPD").....	\$870
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 meet 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 \$650 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 while maintaining an average debt service coverage ratio of 1.75 and investing approximately \$124.4 million in its CIP.

Recent historical and current domestic sewer rates are shown below:

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>
Rate Increase %	3.0%	4.5%	4.0%	3.0%	3.75%	3.5%	3.0%	2.5%	2.5%
Meter, Maintenance & Billing	\$5.75	\$6.01	\$6.23	\$6.43	\$6.64	\$6.87	\$7.05	\$8.34	\$8.53
Flow Rate	\$3.14	\$3.28	\$3.41	\$3.51	\$3.64	\$3.77	\$3.88	\$3.98	\$4.08
Avg. Monthly Bill (5ccf)	\$21.45	\$22.41	\$23.28	\$23.99	\$24.84	\$25.72	\$26.45	\$27.14	\$27.81

The District’s average monthly bill of \$25.72 in 2011 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 2011. The 2011 NACWA survey is the most current such survey available. For EPA Region IV (Southeast) the average residential bill was \$34.89 per month, while the average bill throughout the nation was \$28.34 per month.

Future Rate Increases. The District has developed a 10-year financial plan to fund its operations, debt service requirements, and CIP. Consistent with the historical pattern of setting rates, the financial plan contemplates rate increases in such amounts as will be 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, 2013, no single customer of the District accounted for more than 1.72% of the District’s total operating revenues. Information regarding the District’s ten largest commercial customers is shown below.

Name of Customer	Total User Charge for Fiscal Year Ended June 30, 2008	% of Total Sewer User Charges
Milkco, Inc.	\$486,928	1.72%
Mission-St. Joseph's Health System	257,420	0.91
Ridgecrest Baptist Conference Center	173,986	0.62
Givens Estates	139,403	0.49
Cooperative Laundry Service	110,296	0.39
Jacob Holms Industries	108,275	0.38
Continental Automotive Systems	107,558	0.38
VA Medical Center	107,367	0.38
Colbond, Inc.	104,016	0.37
The Biltmore Company	74,364	0.26
Total	\$1,669,613	5.90%

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

Fiscal Year Ended June 30,

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
48,900	49,454	50,564	52,490	52,382

Source: The District's Annual Financial Reports 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 77% 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 420 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, 2013, approximately 0.55% of customer receivables from customers billed by the District through the City of Asheville, representing approximately 77% of all District billings, were written off, which compares favorably with the NACWA average of 0.86%. Approximately 0.4% 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, 2013 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, 2013, 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 \$26 million each year since Sewer Consolidation in 1990.

The annual growth in the Operation and Maintenance Fund for the past five years has averaged 2.6%, 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 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 148 in 2013 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, 2013, the replacement fund balance was in excess of \$0.9 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, 2013, the capital reserve fund balance was in excess of \$0.9 million.
- The District has several insurance funds to address medical, post-employment, worker's compensation and general liability needs. These reserve funds are used as part of the District's sewer rate stabilization strategy. As of June 30, 2013, the insurance fund balance was in excess of \$3.1 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.
- Utility expense has been reduced by implementation of several energy audit recommendations at the Wastewater Treatment Plant.
- 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

[Check before posting to see if March 30, 2014 #s are available.] As of December 31, 2013 the District had collected approximately \$14.4 million or 49.7% of its budgeted sewer revenues for fiscal year 2013-2014. During the first six months of the fiscal year, the District has seen a 0.3% consumption increase in its residential and light commercial customer base. Based on current sewer revenue trends, the District should meet its budgeted sewer revenue expectations of \$29.1 million.

The District has historically been conservative in budgeting for tap and facility fee revenue. As of December 31, 2013 the District has collected approximately \$1.6 million or 118.5% of budgeted tap and facility fees. Based on current tap and facility fee revenue trends, the District should far exceed budgeted tap and facility fee revenue projections of \$1.4 million.

Over the last six years, the District had achieved an approximately 96% budget-to-actual ratio for operation and maintenance expenditures. As of December 31, 2013 the District has realized a 50% budget-to-actual ratio for the first six months of the fiscal year. The District should not exceed its FY 2014 budgeted expenditures of \$14.8 million.

Finally, the District had incurred \$7.9 million or 46.9% of its capital projects budget as of December 31, 2013. Amounts budgeted for capital projects are rarely expended proportionately throughout the fiscal year and are expected to be fully spent by June 30, 2014.

Update on Water and Sewer Consolidation

On May 13, 2013, House Bill 488, Session Law 2013-50 (“HB488”) became law in North Carolina, having been adopted by both houses of the North Carolina General Assembly, duly ratified and not vetoed by the Governor of the State of North Carolina.

Section 1 of HB488 provides for the transfer by operation of law to the District of all assets and outstanding debts of (1) the Cane Creek Water and Sewer District in Henderson County, North Carolina and (2) the water system (the “Asheville Water System”) operated by the City of Asheville, North Carolina (“Asheville”). In addition, Section 1 of HB488 provides that all of the assets and outstanding debt of the District are by operation of law transferred to, and will be operated as, a new Metropolitan Water and Sewerage District, which also is established by operation of law pursuant to Section 1 of HB488. The effective date of HB488 was May 15, 2013.

On May 14, 2013, Asheville brought an action in the Superior Court Division of the General Court of Justice, Wake County, North Carolina (the “Court”) challenging the constitutionality of Section 1 of HB488 under the Constitution of the State of North Carolina and the Constitution of the United States, seeking the entry of a temporary restraining order and requesting a hearing on a motion for a preliminary injunction. The State of North Carolina and the District were named as defendants in this action. On May 14, 2013, after a hearing, the Court issued a temporary restraining order, until further order of the Court or the expiration of 10 days, which temporary restraining order (1) restrains and enjoins the State of North Carolina from taking any action to implement or enforce Section 1 of HB488, (2) prohibits the District from assuming any authority or control over the Asheville Water System and (3) permits Asheville to continue to own, manage and operate the Asheville Water System pending further order of the Court. The District did not oppose the entry of the temporary restraining order. A hearing on Asheville’s motion for a preliminary injunction was scheduled by the Court for May 20, 2013.

The parties agreed, on May 21, 2013, to extend the temporary restraining order through October 4, 2013, to allow the parties sufficient time to file responsive pleadings, prepare briefs and participate in oral argument in the Court on September 6, 2013. Oral argument was held on September 6, 2013, and the Court considered a motion to dismiss filed by the State of North Carolina and Asheville’s motion for preliminary injunction pending the outcome of the litigation. The Court made no decision following the hearing.

At the request of the Court, the parties entered into a Stipulated Case Management Order on October 4, 2013 (the “Case Management Order”). The Case Management Order (1) continues the temporary restraining order in effect; (2) allows the parties 120 days from September 30, 2013 to conduct any necessary discovery; (3) provides for the filing of dispositive motions within thirty days after the close of discovery (or sooner by agreement of the parties) and (4) establishes the process for scheduling a single hearing date for all dispositive motions. The temporary restraining order is continued in effect for thirty days beyond any scheduled hearing date.

Based on the timeline in the Case Management Order, the Superior Court may issue a decision in the case as early as the second quarter of 2014. It is anticipated that the decision of the Superior Court will be appealed to the North Carolina Court of Appeals, and that the effect of House Bill 488 will be stayed pending any appeal.

The ultimate outcome of the litigation on HB488 is not currently predictable. Moreover, even if HB488 is adjudicated to be an enforceable law, the legal, operational and contractual issues raised by such legislation, and the consequent transfer to the District of the assets and outstanding debt of the Cane Creek Water and Sewer District and the water system operated by Asheville, would be complex. Through a contractual arrangement for the use of its sewerage system, the District currently serves customers in the Cane Creek Water and Sewer District. Henderson County currently has approximately \$_____ million in limited obligation bonds outstanding for the Cane Creek Water and Sewer District. Asheville currently has approximately \$62,685,000 million in revenue bonds outstanding for its water system.

In addition, the Bond Order contains terms and provisions that govern the operation of a sewerage system and the issuance of Parity Debt and Bonds, including the Series 2014 Bonds, secured by a pledge of the Net Receipts in respect of such sewerage system. See “SECURITY FOR THE BONDS” in the front part of this Official Statement and “DEFINITIONS OF CERTAIN TERMS” in APPENDIX D hereto. Substantial amendments to the Bond Order would be required in order to (1) extend its provisions to the operation of a water system, (2) provide for the assumption of outstanding debt secured by a pledge of the revenues in respect of a water system or the future issuance of revenue bonds secured by a pledge of the revenues in respect of a combined water and sewerage system or (3) allow for the creation of a lien upon or a pledge of the Net Receipts in respect of the sewerage system to secure any indebtedness other than Parity Debt or Bonds. Instruments of consent would need to be obtained from the Holders of not less than a majority in aggregate principal amount of Parity Debt and Bonds, including the Series 2014 Bonds, then outstanding or from the Holders of all Parity Debt and Bonds, including the Series 2014 Bonds, then outstanding, as the applicable amendatory provisions of the Bond Order require, to effect such amendments to the Bond Order. The District cannot determine at this time the precise nature or content of any such amendments or the timeline for obtaining the requisite consents to any such amendments. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER – Supplemental Orders” in APPENDIX D hereto for a summary of the amendatory provisions in the Bond Order. A date for the final resolution of any such legal, operational and contractual issues cannot be determined at this time.

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 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 the City of 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 Buncombe 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 Allegiant Air, Delta Air Lines, United Airlines and US Airways. The Greater Asheville Regional Airport Authority reported a seven percent increase in passenger traffic for the 2013 calendar year; the Airport provided service to over 670,000 passengers in 2013. The U.S. Postal Service-Express provides express package service through flights at the Airport. According to a study by the Massachusetts Institute of Technology Center for Transportation, the Asheville Regional Airport was named the best connected non-hub airport in the United States.

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:

<u>Year</u>	<u>Buncombe County</u>	<u>Henderson County</u>
1990	174,436	69,378
2000	206,330	89,173
2010	238,870	105,221
2012	245,228	108,448
2013		108,340

Source: Asheville Area 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 85,339) 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 #29 "Best Places For Business and Careers,"

Forbes.com, August 2013

Asheville named one of "5 of the Healthiest & Greenest Cities in America,"

Greener Ideal, March 2013

One of the Top 100 Best Places to Live,

Livability.com, October 2013

UNC Asheville named seventh best public liberal arts college in the nation,

U.S. News & World Report, 2014 Best Colleges Guide

Voted one of eight best beer towns in America,

CNN.com

Named #1 on 2013 List of "Best Places to Retire,"

TopRetirements.com, February 2013

The impact of this in-migration trend is reflected in the number and value of residential and non-residential building permits for new construction issued in Buncombe County:

Calendar Year	Residential¹		Non-residential²		Total Value
	Number	Value	Number	Value	
2009	1,617	\$184,251,011	1,674	\$176,684,210	\$306,935,221
2010	1,693	199,823,820	1,622	176,474,855	376,298,675
2011	1,651	145,687,855	2,009	174,107,985	319,795,840
2012	708	153,564,979	1,826	183,679,814	337,244,793
2013	737	193,343,735	2,139	171,722,572	365,066,307

Source: North Carolina Department of Labor and Buncombe County Planning Department.

¹ Residential permits (a) include all single and multi-family units but no additions and alterations and (b) exclude mobile homes.

² Nonresidential permits include all new construction, additions and alterations.

Income

Median household income has increased by 16.6% in Buncombe County from 2000 to 2012.

Median Household Income			
	<u>2000</u>	<u>2012</u>	<u>% Change</u>
City of Asheville	\$33,109	\$38,999	17.8%
Buncombe County	\$36,795	\$42,900	16.6
North Carolina	\$39,257	\$45,546	16.0
United States	\$42,257	\$52,822	25.0

Source: Asheville Area Chamber of Commerce.

Employment and Major Industries

Buncombe County is the most populous county in the western part of the State and serves as a regional economic center for western North Carolina. Buncombe County has a diverse commercial and industrial base which includes healthcare, technology, manufacturing and tourism. 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. The makeup of the labor force for Asheville MSA as of December 2013 was as follows:

Asheville Metropolitan Statistical Area

New Jobs - 2000/2013 Employment Comparison

<u>Industry</u>	<u>2000</u>	<u>2013</u>
Private Educational and Health Services	21,600	33,900
Government	24,100	26,800
Leisure and Hospitality	18,500	25,700
Retail	21,900	25,400
Manufacturing	27,700	18,400
Professional and Business Services	12,200	16,900
Construction	10,700	6,600
Financial Activities	5,200	5,800
Transportation/Utilities	5,600	5,100
Wholesale Trade	4,900	4,600
Information	2,200	2,000
Total	160,600	171,200

Source: Asheville Area Chamber of Commerce.

The following table lists the 10 largest non-manufacturing employers in Buncombe County including governmental entities at June 30, 2013:

Company or Institution	Description	Approximate Number of Employees
Mission Health and Hospitals	Hospitals	6,994
Buncombe County Public Schools	Educational Services	4,000
The Biltmore Company	Museums, Historical Sites & Similar Institutions	1,770
VA Medical Center-Asheville	Hospitals	1,593
Buncombe County Government	Executive, Legislative & Other General Government Support	1,380
Ingles Markets, Inc.	Food & Beverage Stores	1,137
The Grove Park Inn Resort & Spa	Accommodations	1,100
Asheville-Buncombe Technical Community College	Educational Services	1,019
City of Asheville	Executive, Legislative & Other General Government Support	1,000
CarePartners	Nursing & Residential Care Facilities	950

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

Labor Force and Unemployment

The North Carolina Department of Commerce Division of Employment Security ("*DES*") has estimated the percentage of unemployment for the civilian labor force in the County to be as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
January	9.6%	9.0%	8.2%	8.1%	July	8.3%	8.0%	7.9%	6.7%
February	9.7	8.8	8.3	7.5	August	7.9	8.4	7.6	6.2
March	9.3	8.2	7.7	7.0	September	7.5	7.9	7.1	5.7
April	8.7	7.8	7.2	6.4	October	7.4	7.5	7.0	5.5
May	8.5	8.1	7.5	6.8	November	7.8	7.3	6.9	5.1
June	8.5	8.5	7.9	7.1	December	7.4	7.6	7.2	4.8

The DES has estimated the percentage of unemployment (not seasonally adjusted) in the County, the State and the United States to be as follows:

	<u>County</u>	<u>State</u>	<u>United States</u>
December 2010	7.8%	10.4%	9.1%
December 2011	7.6	9.8	8.3
December 2012	7.2	9.4	7.6
December 2013	4.8	6.6	6.5

Healthcare.

The healthcare and social assistance industry is another significant portion of Buncombe County's economy. The strength of this portion of Buncombe County's economy is anticipated to continue because of the aging population in the area, a high concentration of healthcare facilities and a healthcare spending rate higher than the national average.

Mission Health System, based in Asheville, is the state's sixth largest health system and the primary referral center for western North Carolina and the adjoining region. The main hospital in the system, Mission Hospital ("Mission"), is the largest employer in Buncombe County with nearly 6,000 full-time equivalent employees including over 1,800 registered nurses. Mission is licensed for 735 beds on its two adjoining campuses in the City of Asheville. The medical staff has more than 800 physicians representing most specialties and subspecialties. Mission is one of the busiest surgical hospitals in North Carolina and includes the following medical centers: heart, stroke care and neurosciences, pediatrics and the region's dedicated Level II Trauma Center.

CarePartners Health Services ("CarePartners") is a private, nonprofit healthcare organization located in the City of Asheville that offers a full continuum of post-acute care. CarePartners includes CarePartners Rehabilitation Hospital, an 80-bed regional referral center with intensive inpatient rehabilitation programs. CarePartners also offers (1) outpatient rehabilitation services at five separate locations throughout Buncombe County, (2) home health nursing and therapy, and private duty services in Buncombe County and in surrounding counties, (3) hospice and palliative care (comfort care) services in the home, in long-term care facilities and in the John F. Keever, Jr. Solace Center, a 27-bed, home-like facility in the City of Asheville for end of life care, (4) adult day services, (5) private duty nursing, homemaker and personal care services and (6) orthotics and prosthetics services, providing bracing and artificial limbs at clinics in the cities of Asheville and Hendersonville, with care also available in the home and in medical facilities in Buncombe County and surrounding counties.

Charles George Veterans Administration Medical Center (the "VA"), located in the City of Asheville, serves the health care needs of more than 36,000 veterans living in a 20-county area of western North Carolina. The VA is a tertiary care, 119-bed acute care facility. The VA also operates a separate 120-bed community living center where services include extended care rehabilitation, psychogeriatric care and general nursing home care. The VA provides primary care, extended care and rehabilitation, hospice and palliative care, mental health, pharmacy and specialty care services on an in-patient and outpatient basis at the facility in the City of Asheville and two rural clinics. The VA has more than 1,000 employees and over 130 physicians.

The Mountain Area Health Education Center ("MAHEC") was formed as part of a statewide network of health education programs to provide health care training and continuing education for practicing health care personnel in western North Carolina. MAHEC is a non-profit foundation formed by representatives from the Buncombe County Medical Society and Mission Hospitals in 1974. Activities of the MAHEC program include a family practice residency, continuing medical education for practicing physicians and other health care professionals, a family nurse practitioner program, pharmacy education, and public health education. In addition, there are programs for continuing education in all health fields. MAHEC is funded by State and federal revenues, local support and generated fees. Buncombe County does not contribute directly to the financial support of MAHEC.

Buncombe County's healthcare industry includes various healthcare support industries including (1) Emdeon, which provides pharmacy support services from its Asheville location and (2) G3 Medical, a medical device manufacturer and provider of packaging and sterilization services. In addition, the federal government maintains the Veterans Administration Medical Center, the Department of Veterans Affairs

located its Mid-Atlantic Consolidated Patient Account Center in the City of Asheville and UNC Asheville opened a campus of the UNC Eshelman School of Pharmacy.

Technology and Science.

Buncombe County and the City of Asheville have begun to draw technology entrepreneurs from around the nation. Buncombe County is the home of “Meet the Geeks,” an organization intended to foster creativity, innovation, professional development and intra-company collaboration among Buncombe County’s diverse technology companies. Several companies in the science and technology sector are based in Buncombe County, including (1) Builderadius, a leading provider of software and data services to organizations involved with building safety and building code enforcement, (2) AvL Technologies, a company that produces mobile satellite communication antenna systems and positioners, (3) Genesys Systems, a designer and producer of high-intensity discharge lighting and (4) Arvato Digital Services, a division of Arvato AG, a global media and communication firm. Buncombe County is also the site of several manufacturing facilities that fabricate innovative and technologically advanced products, including BorgWarner Inc., Eaton Corporation, Avarto Digital Services, Kearfott Corporation and Thermo Fisher Scientific. In addition to these commercial ventures, Buncombe County is home to the National Climactic Data Center, which is the world’s largest archive of weather data and has approximately 400 full-time federal employees engaged in climate studies and the newest application of climate change data.

Manufacturing and Distributing.

Manufacturing is a strong segment of Buncombe County’s economy. The diverse products manufactured include food, textiles, apparel, wood products, printing and publishing, rubber and plastics products, fabricated metal products, industrial machinery and equipment, electrical equipment and transportation equipment.

Wholesalers account for a significant portion of the wholesale sales volume in the 16-county western North Carolina area. Sales include those to retail markets of groceries, motor vehicles, and a wide variety of non-durable goods, including machinery, lumber, electrical goods, and construction materials to manufacturers and construction companies.

Retail grocer Ingles Markets, Incorporated completed the expansion of its distribution center in the County with the construction of an approximately 800,000 square-foot cold storage distribution center at the Ingles corporate office. The new distribution plant is the largest of its kind on the East Coast. Ingles Markets, Incorporated anticipates creating an additional 160 full-time positions over the next three years.

General Electric (“GE”) has begun construction on a new 170,000 square-foot facility that will be the first in the world to mass produce engine components made of advanced ceramic matrix composite materials. GE expects to employ approximately 340 people at full capacity.

New Belgium Brewing Company announced that the City of Asheville would be the location for its first expansion brewery and announced plans to invest approximately \$175 million in Buncombe County over the next seven years. The brewery currently anticipates creating approximately 150 jobs by 2020 and expects to launch production in the first quarter of 2015.

Sierra Nevada Brewing Company has announced its plan to locate its east coast brewing, bottling and distribution operations in Henderson County. The company plans to create 95 full time jobs, 80 part-time positions and invest \$107.5 million during the next five years in Henderson County.

American Recycling of Western North Carolina, LLC announced plans to begin operations in Buncombe County and expects to invest approximately \$1.5 million in its Enka plant and create approximately 20-30 jobs.

Over the next three years, Nypro, a precision plastic products manufacturer, will add 75,000 square-feet of space to its Buncombe County plant in the Vista Industrial Center and add nearly 200 new production and engineering positions to its current workforce of 212 people.

Linamar Corporation, a supplier for vehicle and mobile industrial equipment market, has begun an expansion to its Buncombe County facility. It has announced plans to expand its current operation to 650 jobs and boost the total capital investment to \$200 million.

The following table lists the 10 largest manufacturing employers in Buncombe County at June 30, 2013:

Company	Description	Approximate Number of Employees
Eaton Corporation - Electrical Division	Electrical Equip., Appliance & Component Mfg.	750
Arvato Digital Services	Computer & Electronic Product Mfg.	650
BorgWarner Turbo & Emissions Systems	Transportation Equip. Mfg.	600
Thermo Fisher Scientific, Inc.	Machinery Mfg.	550
Kearfott Guidance & Navigation Corp.	Computer & Electronic Product Mfg.	420
Flint Group (Day International, Inc.)	Printing Equipment Mfg.	325
GE Aviation	Jet Engine & Aircraft Mfg.	325
Nypro Asheville	Plastics Mfg.	310
Milkco, Inc.	Dairy Products Mfg.	300
Biltmore Estate Winery	Winery	235

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

Tourism.

Activities and businesses supporting tourism constitute one of the largest sectors of Buncombe County's economy. 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 the citizens of the area. The changes of hotel/motel room availability in Buncombe County for the past five years were accompanied by corresponding changes in restaurants and related tourism activities. Hotel/motel sales experienced a 9.7% increase from 2012 to 2013. The table below shows the activity in lodging sales in the travel and tourism industry in Buncombe County.

	FY 2010	FY 2011	FY 2012	FY 2013
Lodging Sales	\$156,144,173	\$170,986,572	\$186,273,880	\$204,480,891
Rooms Available	7,061	7,031	7,060	7,182

Source: Asheville Area Chamber of Commerce.

The Blue Ridge Parkway, a National Parks System scenic parkway which attracted 14.5 million people in 2010, is headquartered in Buncombe County. It has been named an “All American Roadway” and includes overlooks, hiking trails and the headquarters of the Southern Highland Craft Guild help account for the parkway’s attraction. The Parkway spans 469 miles and connects the Shenandoah Mountains in Virginia to the Great Smoky Mountains National Park, which attracted almost 9.5 million visitors in 2010.

A portion of the half million acre Pisgah National Forest is located in Buncombe County. Pisgah National Forest provides access to hiking, important wildflower habitats and national park visitor centers.

The Biltmore House and Estate is a private attraction located in Buncombe County, which drew over 1.2 million visitors in 2013. The 250-room Biltmore House, the largest private residence in the country, was built in the late 1800’s and has the most visitors of all historic buildings in the State. In addition to the Biltmore House, the estate contains a winery, several fine dining options and a number of outdoor activities.

The Omni Grove Park Inn (the “*Grove Park*”), a historic inn originally built in 1913 and located near downtown Asheville, is listed on the National Register of Historic Places. In 2008, the Grove Park underwent a significant expansion and renovation to add a 43,000 square-foot spa. In the 2013 Condé Nast Traveler’s Reader’s Choice Awards Poll, the Grove Park’s spa was rated a top 20 US resort spa. In 2013, the Grove Park underwent an additional \$25 million restoration and renovation. The Grove Park hosts banquets, conventions and other meetings in 42 meeting rooms and suites, including the 18,000 square-foot Grand Ballroom and 8,800 square-foot Heritage Ballroom.

Other tourist attractions in or near Buncombe County include the Blue Ridge Parkway Folk Art Center, Chimney Rock Park, Grandfather Mountain, Navitat Canopy Adventures zip line canopy tour, Vance Birthplace pioneer farmstead, Flat Rock Playhouse, Carl Sandburg Home National Historic Site, Oconaluftee Indian Village and “Unto These Hills” outdoor drama of the Cherokee story.

Retail Trade in Buncombe County

Total taxable retail sales in Buncombe County are shown in the following table:

Fiscal Year Ended June 30	Total Retail Sales	Increase (Decrease) Over Previous Year
2009	\$2,995,665,910	(8.8)%
2010	2,909,115,924	(2.9)
2011	3,125,296,879	7.4
2012	3,308,421,583	5.5
2013	3,632,106,651	9.9

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

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 [1,300] people, approximately [1]% of the total labor force in Buncombe County, was involved in governmental work (including federal, state and local) in 2013.

Education

Buncombe County has two public school systems: (1) the Asheville City Administrative Unit which serves approximately 14% of the students in Buncombe County and (2) the Buncombe County Administrative Unit which serves the remaining students in Buncombe County. Asheville-Buncombe Technical Community College (“A-B Tech”), 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. A-B Tech enrolls more than 27,000 students a year in a variety of business, technical, and health care curricula frequently adjusted to reflect the economic development needs of Buncombe County. Warren Wilson College, located in the eastern part of Buncombe County, is a four-year, private, coeducational college accredited by the Southern Association of Colleges and Schools. Its enrollment for the 2012-2013 school year was approximately 1,000 students, including day students and low residency graduate program. Montreat College, located in the eastern part of Buncombe County, is a four-year, private, liberal arts college with approximately 810 students in the 2012-2013 school year. The University of North Carolina at Asheville (“UNCA”) is an undergraduate, state-supported liberal arts college with an enrollment of approximately 3,600 students. UNCA also provides graduate education programs in collaboration with other universities in the North Carolina system.

BOND PURCHASE AGREEMENT

Relating to

[\$Amount]

Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2014

May 8, 2014

Local Government Commission
Raleigh, North Carolina

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

Ladies and Gentlemen:

The undersigned, Wells Fargo Bank, National Association, on its own behalf and on behalf of Robert W. Baird & Co. (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 11:00 a.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 to purchase the \$[Amount] aggregate principal amount of Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds, Series 2014 (the "Series 2014 Bonds") for an aggregate purchase price equal to \$_____ (representing the aggregate principal amount of the Series 2014 Bonds, plus net original issue premium 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 2014 Bonds are to be used to provide funds, together with other available funds, to (1) pay for the cost of certain improvements to the District's sewerage system (collectively, the "Additional Improvements"), (2) pay a portion of the interest on the

Series 2014 Bonds and (3) pay certain costs and expenses incurred in connection with the issuance of the Series 2014 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 2014 Bonds (the “2014 Series Resolution”) adopted by the District Board of the District on April 16, 2014. 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 2014 Series Resolution. The Series 2014 Bonds will be dated the date of their issuance and delivery, and will mature, bear interest and be subject to the right of prior redemption as set forth on Schedule I attached hereto.

The primary role of the Underwriters is to purchase the Series 2014 Bonds in an arm’s-length commercial transaction between the Underwriters and the District. The Underwriters have financial and other interests that differ from those of the District.

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 April [29], 2014 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 Official Statement shall be provided for distribution, at the expense of the District, in such quantities as may be requested by the Underwriters, no later than the earlier of (i) seven business days after the date of this Agreement or (ii) one business day prior to the Closing Date (as defined herein), in order to permit the Underwriters to comply with Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”), with respect to

distribution of the Official Statement. The District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32.

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 all of the Series 2014 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 Series 2014 Bonds and to offer and sell the Series 2014 Bonds to certain dealers (including dealers depositing the Series 2014 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 Series 2014 Bonds, excluding underwriters, bond houses, brokers and other intermediaries acting in the capacity of underwriters or wholesalers.

The Underwriters represent and warrant that the Underwriters will offer the Series 2014 Bonds only pursuant to the Official Statement and only in states where the offer and sale of the Series 2014 Bonds are legal, either as exempt securities, as exempt transactions or as a result of due registration of the Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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. Wells Fargo Bank, National Association, 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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 2014 Bonds for the purpose of financing the costs of the Additional Improvements and (ii) secure the Series 2014 Bonds in the manner provided in the Bond Order and 2014 Series Resolution.

(b) The District (i) has full legal right, power and authority to execute and deliver this Agreement, to adopt the Bond Order and the 2014 Series Resolution, to issue and deliver the Series 2014 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 Series 2014 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 2014 Series Resolution 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 2014 Series Resolution 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 Series 2014 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 2014 Bonds will be in substantially the form set forth in the 2014 Series Resolution.

(h) The execution and delivery of this Agreement, the adoption of the Bond Order and the 2014 Series Resolution, the issuance and delivery of the Series 2014 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 Series 2014 Bonds, the Bond Order and the 2014 Series Resolution.

(i) All consents, approvals, authorizations and orders of any governmental or regulatory authority which is required for the issuance and delivery of the Series 2014 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 2014 Series Resolution, the District will apply the proceeds derived from the sale of the Series 2014 Bonds to the purposes specified in the 2014 Series Resolution.

(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 2014 Series Resolution, or the issuance of the Series 2014 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 Series 2014 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 Series 2014 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 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 Series 2014 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 Series 2014 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) the Closing or (ii) the time the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Series 2014 Bonds for sale to the public; provided, however, that unless otherwise notified in writing by the Underwriters on or prior to the Closing, the District may assume that “the end of the underwriting period” is the Closing.

(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 Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 Bonds, or in any way contesting or affecting the validity of the Series 2014 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 2014 Series Resolution or the Series 2014 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 exclusion of the interest on the Series 2014 Bonds from income 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 Series 2014 Bonds.

Section 7. Payment and Delivery. At 10:00 a.m., Raleigh, North Carolina time, on May 21, 2014, 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 Series 2014 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 Series 2014 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 Series 2014 Bonds in accordance with the terms of this Agreement. Upon such delivery of

the Series 2014 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 2014 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 Series 2014 Bonds so registered will be credited to such accounts with DTC as the Underwriters shall designate. The Series 2014 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 Series 2014 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 2014 Series Resolution 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 Series 2014 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 Series 2014 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

Series 2014 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 Series 2014 Bonds, or the market price generally of obligations of the general character of the Series 2014 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 Series 2014 Bonds, or the market price generally of obligations of the general character of the Series 2014 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 Series 2014 Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2014 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 charge 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 Series 2014 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 2014 Series Resolution 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 opinion of Bond Counsel, dated as of the date of Closing, relating to the Series 2014 Bonds substantially in the form 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 opinion;

(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 Series 2014 Bonds, or in any way contesting or affecting the validity of the Series 2014 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 Board 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 2014 Series Resolution or the Series 2014 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 exclusion of the interest on the Series 2014 Bonds from income 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 Series 2014 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 Series 2014 Bonds and to execute and deliver this Agreement and deliver the Official Statement;

(8) a specimen copy of the Series 2014 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 Series 2014 Bonds, the adoption of the Bond Order and the 2014 Series Resolution, 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 Series 2014 Bonds;

(10) evidence, satisfactory in form and substance to the Underwriters, of receipt of a “___” rating assigned to the Series 2014 Bonds by Moody’s Investors Service, Inc., a “___” rating assigned to the Series 2014 Bonds by Standard & Poor’s Ratings Services, and a “___” rating assigned to the Series 2014 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 Series 2014 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) 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 Series 2014 Bonds by the Underwriters.

Section 9. Payment of Expenses. The District shall pay from the proceeds of the Series 2014 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 Series 2014 Bonds to the Underwriters, including, but not limited to, the cost of printing and distributing the Series 2014 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 Series 2014 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 Series 2014 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 and lodging 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 Series 2014 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 Series 2014 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 Series 2014 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

Wells Fargo Bank, National Association
301 South College Street
D1053-043
Charlotte, North Carolina 28202
Attention: Vice President

Section 15. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

Section 16. No Advisory or Fiduciary Role. The District acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm's length, commercial transactions between the District and the Underwriters in which the Underwriters are acting solely as a principal or agent, as applicable and are not acting as a municipal advisor, financial advisor or fiduciary to the District; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the District with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters or any of their respective affiliates have provided other services or are currently providing other services to the District on other matters); (iii) the only obligations the Underwriters have to the District with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the District has consulted its own financial and/or

municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

Section 17. *E-Verify*. Each Underwriter understands that “E-Verify” is a federal program operated by the United States Department of Homeland Security and other federal agencies, or any successor or equivalent program used to verify the work authorization of newly hired employees pursuant to federal law in accordance with Section 64-25(5) of the General Statutes of North Carolina, as amended. Each Underwriter uses E-Verify to verify the work authorization of its employees in accordance with Section 64-26(a) of the General Statutes of North Carolina, as amended. Each Underwriter will require that any subcontractor that it uses in connection with the transactions contemplated by this Purchase Contract certify to such subcontractor's compliance with E-Verify.

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,

WELLS FARGO BANK, NATIONAL
ASSOCIATION, on behalf of itself and as
representative of Robert W. Baird & Co.

By: _____
Vice President

(signatures continued)

Bond Purchase Agreement
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2014

Accepted:

LOCAL GOVERNMENT COMMISSION

By: _____
Secretary

(signatures continued)

Bond Purchase Agreement
Metropolitan Sewerage District of Buncombe County, North Carolina
Sewerage System Revenue Bonds, Series 2014

Approved:

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: _____
General Manager

Maturity Schedule

Serial Bonds

<u>Year</u> <u>(July 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u> <u>(July 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
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Redemption Provisions

Optional Redemption of Series 2014 Bonds. The Series 2014 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 2014 Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption of Series 2014 Bonds. The Series 2014 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 2014 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>
	\$		\$

Notice of Redemption. The Bond Registrar is required to send notice of redemption of any Series 2014 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 2014 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 Series Resolution also requires the Bond Registrar to send such notice of redemption to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access (EMMA) system, or any other entity designated or authorized by the MSRB or the Securities and Exchange Commission in accordance with then current guidelines, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings from the redemption of any Series 2014 Bonds.

Any notice of redemption 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 2014 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 2014 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 2014 Bonds for Redemption. If less than all of the Series 2014 Bonds are called for redemption, the District will select the maturity or maturities of the Series 2014 Bonds to be redeemed. If less than all Series 2014 Bonds of any maturity are to be redeemed, the Series 2014 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 2014 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 2014 Bond for such purpose. If a portion of a Series 2014 Bond is called for redemption, a new Series 2014 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 2014 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 2014 Bonds to be redeemed on such redemption date.

If notice is properly given, the Series 2014 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 2014 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 2014 Bonds to be redeemed, (1) interest on such Series 2014 Bonds or portions thereof shall cease to accrue from and after such date, (2) such Series 2014 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 2014 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.

[SUPPLEMENTAL OPINION OF BOND COUNSEL]

[Closing Date]

Wells Fargo Bank, National Association
Charlotte, North Carolina

Robert W. Baird & Co.
Winston-Salem, North Carolina

Re: \$[Amount] Metropolitan Sewerage District of Buncombe County, North Carolina
 Sewerage System Revenue Bonds, Series 2014

Ladies and Gentlemen:

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 “Series 2014 Bonds”). The Series 2014 Bonds are being delivered on the date hereof to Wells Fargo Bank, National Association and Robert W. Baird & Co. (the “Underwriters”), pursuant to a Bond Purchase Agreement, dated May 8, 2014 (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 respective meanings given such terms in the Bond Purchase Agreement.

We have examined (i) the Constitution and laws of the State of North Carolina, including the North Carolina Metropolitan Sewerage Districts Act, being Article 5 of Chapter 162A of the General Statutes of North Carolina, as amended, and 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”), (ii) certified copies of the proceedings of the District Board of the District showing the adoption (a) on April 21, 1999, of an amended and restated bond order (the “Bond Order”), and (b) on April 16, 2014, of a series resolution (the “2014 Series Resolution”) authorizing the issuance of the District’s above-mentioned Sewerage System Revenue Bonds, Series 2014 (the “Series 2014 Bonds”), (iii) a fully executed copy of the Bond Purchase Agreement, and (iv) other proofs submitted relative to the authorization, sale and issuance of the Series 2014 Bonds.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents we reviewed.

Based upon the foregoing and such other 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 Series 2014 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 Series 2014 Bonds and the execution and delivery of the Bond Purchase Agreement (the "LGC Resolution"), the approval of the issuance and sale of the Series 2014 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 Series 2014 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 Series 2014 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 Series 2014 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 and delivered the Official Statement and have consented to the distribution of the Official Statement in connection with the offering and sale of the Series 2014 Bonds.

7. The statements contained in the Official Statement under the headings "THE SERIES 2014 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 2014 Series Resolution, fairly and accurately summarize such provisions. The statements in the Official Statement under the heading "TAX TREATMENT" are true and correct.

8. The Series 2014 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 Series 2014 Bonds contained in the Bond Purchase Agreement, the Bond Order and the 2014 Series Resolution have been fulfilled.

10. The Series 2014 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Order and 2014 Series Resolution are exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

[TO BE SIGNED BY SIDLEY AUSTIN LLP]

[OPINION OF COUNSEL TO THE DISTRICT]

[Closing Date]

Wells Fargo Bank, National Association
Charlotte, North Carolina

Robert W. Baird & Co.
Winston-Salem, North Carolina

Re: \$[Amount] Metropolitan Sewerage District of Buncombe County, North Carolina
 Sewerage System Revenue Bonds, Series 2014

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 a series resolution, adopted by the District on April 16, 2014 (the “2014 Series Resolution”). The Bonds are being purchased on the date hereof by Wells Fargo Bank, National Association and Robert W. Baird & Co. (the “Underwriters”) pursuant to the terms of a Bond Purchase Agreement, dated May 8, 2014 (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 2014 Series Resolution 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 2014 Series Resolution 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 2014 Series Resolution, 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 2014 Series Resolution, 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 2014 Series Resolution, 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," "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]

Wells Fargo Bank, National Association
Charlotte, North Carolina

Robert W. Baird & Co.
Winston-Salem, North Carolina

Re: \$[Amount] Metropolitan Sewerage District of Buncombe County, North Carolina
 Sewerage System Revenue Bonds, Series 2014

We have acted as counsel to you, the underwriters (the "Underwriters") named in the Bond Purchase Agreement, dated May 8, 2014 (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 2014 Series Resolution 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 INFORMATIONAL ITEM

Meeting Date: April 16, 2014

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

Prepared By: W. Scott Powell, CLGFO, Director of Finance
Cheryl Rice, Accounting Manager

Subject: Cash Commitment/Investment Report-Month Ended February 28, 2014

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 February 28, 2014 were \$26,997,884. The detailed listing of accounts is available upon request. The average rate of return for all investments is 0.572. 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 February 28, 2014 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of February 28, 2014 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$(1,144,636).

Total Cash & Investments as of 02/28/2014		26,997,884
Less:		
Budgeted Commitments (Required to pay remaining FY14 budgeted expenditures from unrestricted cash)		
Construction Funds	(10,268,785)	
Operations & Maintenance Fund	<u>(5,819,323)</u>	
		(16,088,108)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(3,966)	
Remaining Principal & Interest Due	<u>(6,737,966)</u>	
		(6,741,932)
District Reserve Funds		
Fleet Replacement	(623,494)	
WWTP Replacement	(515,092)	
Maintenance Reserve	<u>(913,136)</u>	
		(2,051,722)
District Insurance Funds		
General Liability	(310,271)	
Worker's Compensation	(326,522)	
Post-Retirement Benefit	(1,204,706)	
Self-Funded Employee Medical	<u>(1,419,259)</u>	
		<u>(3,260,758)</u>
Designated for Capital Outlay		<u><u>(1,144,636)</u></u>

Staff Recommendation

None. Information Only.

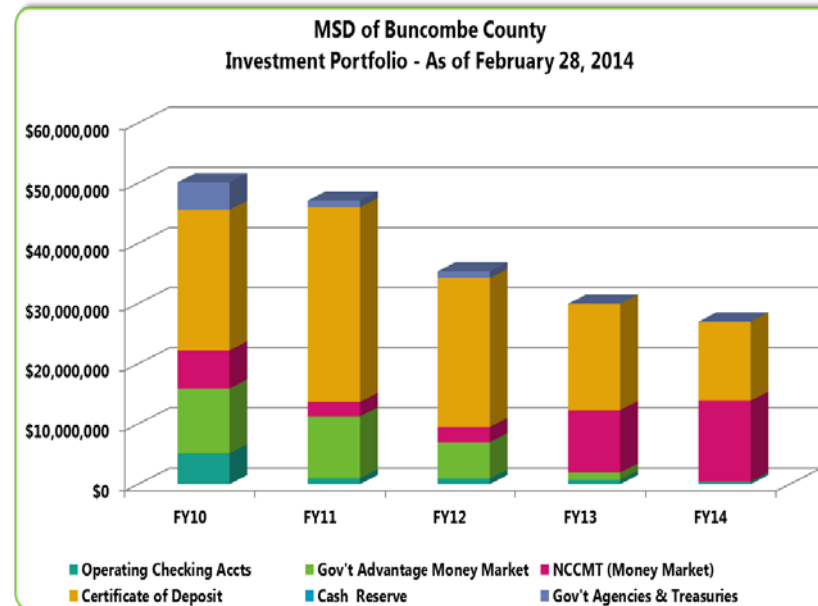
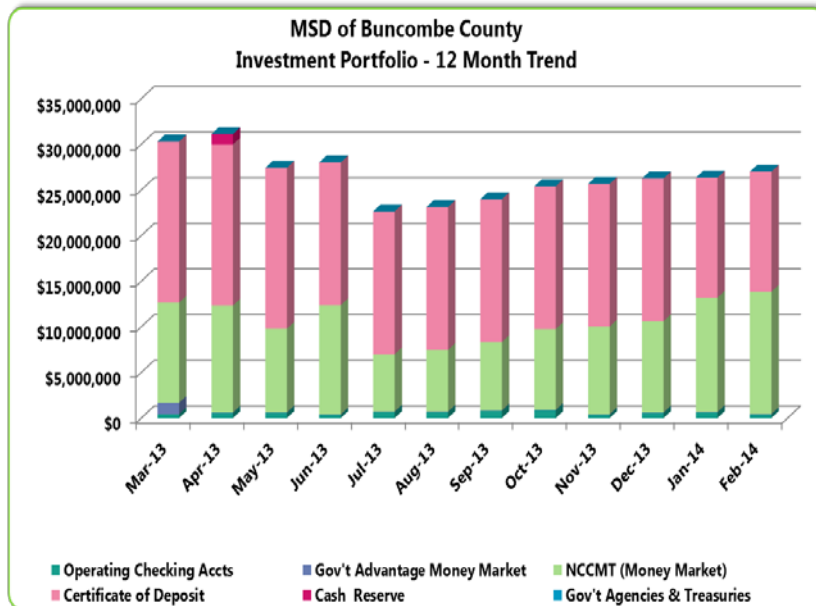
Action Taken

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

Metropolitan Sewerage District of Buncombe County Investment Portfolio

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 3,966	\$ -	\$ -	\$ -	\$ 3,966
Held by MSD	401,956	46,658	13,388,213	13,157,091	-	-	26,993,918
	\$ 401,956	\$ 46,658	\$ 13,392,179	\$ 13,157,091	\$ -	\$ -	\$ 26,997,884

Investment Policy Asset Allocation	Maximum Percent	Actual Percent	
U.S. Government Treasuries,			
Agencies and Instrumentalities	100%	0.00%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	48.73%	The District 's YTM of .55% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
North Carolina Capital Management Trust	100%	49.60%	
Checking Accounts:	100%		All funds invested in CD's, operating checking accounts, Gov't Advantage money market are fully collateralized with the State Treasurer.
Operating Checking Accounts		1.49%	
Gov't Advantage Money Market		0.17%	



**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
At February 28, 2014**

Summary of Asset Transactions

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 24,027,424	\$ 24,027,424	\$ 369,083
Capital Contributed (Withdrawn)	958,832	958,832	
Realized Income	7,061	7,061	(6,507)
Unrealized/Accrued Income		-	10,713
Ending Balance	<u>\$ 24,993,317</u>	<u>\$ 24,993,317</u>	<u>\$ 373,289</u>

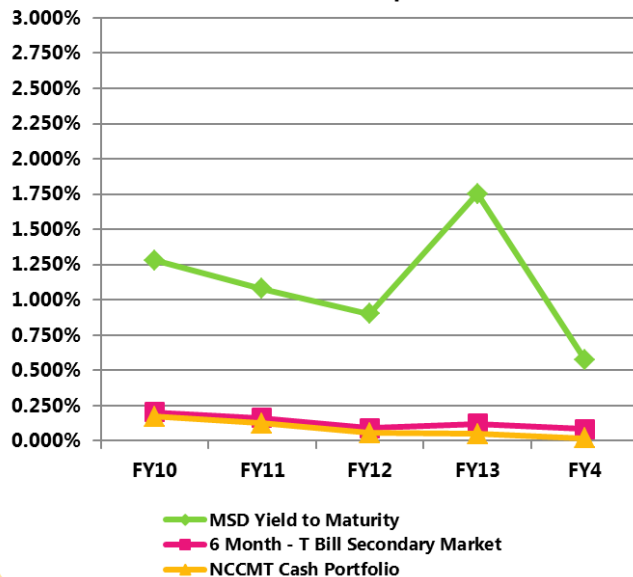
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	\$ 11,836,226	\$ 5,336
Securities/CD's 91 to 365 Days	13,157,091	\$ 5,931
Securities/CD's > 1 Year	-	\$ -
	<u>\$ 24,993,317</u>	<u>\$ 11,267</u>

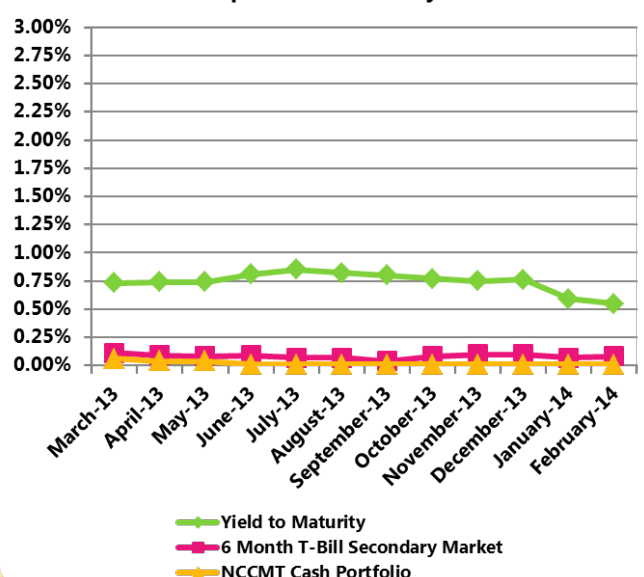
Month End Portfolio Information

Weighted Average Maturity	227
Yield to Maturity	0.55%
6 Month T-Bill Secondary Market	0.08%
NCCMT Cash Portfolio	0.01%

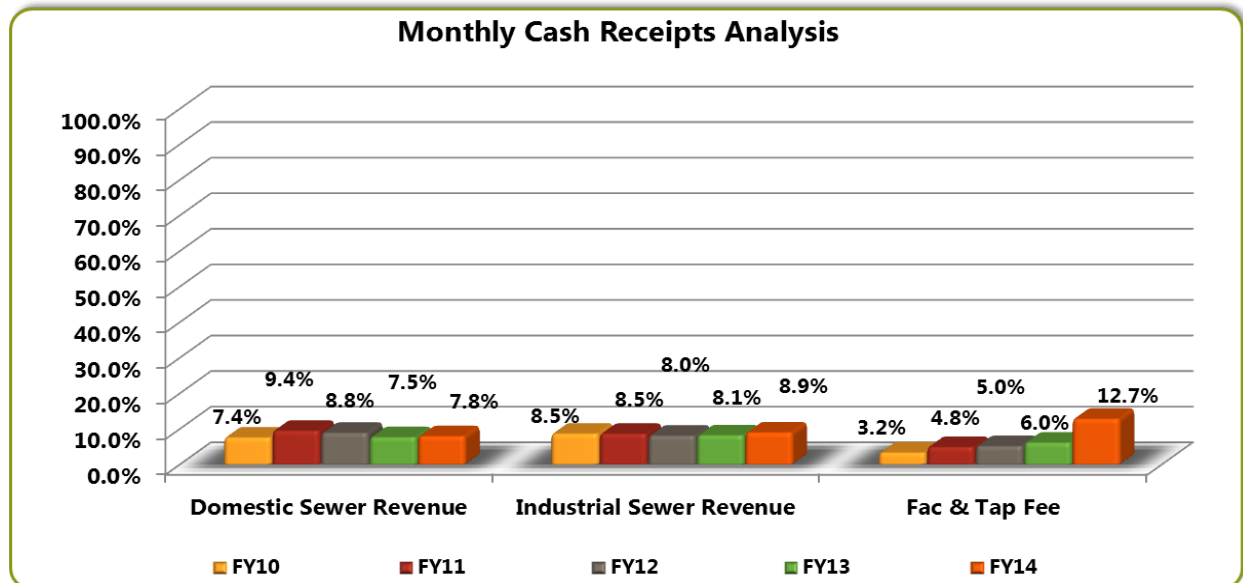
**Metropolitan Sewerage District
Annual Yield Comparison**



**Metropolitan Sewerage District
Yield Comparison - February 28, 2014**

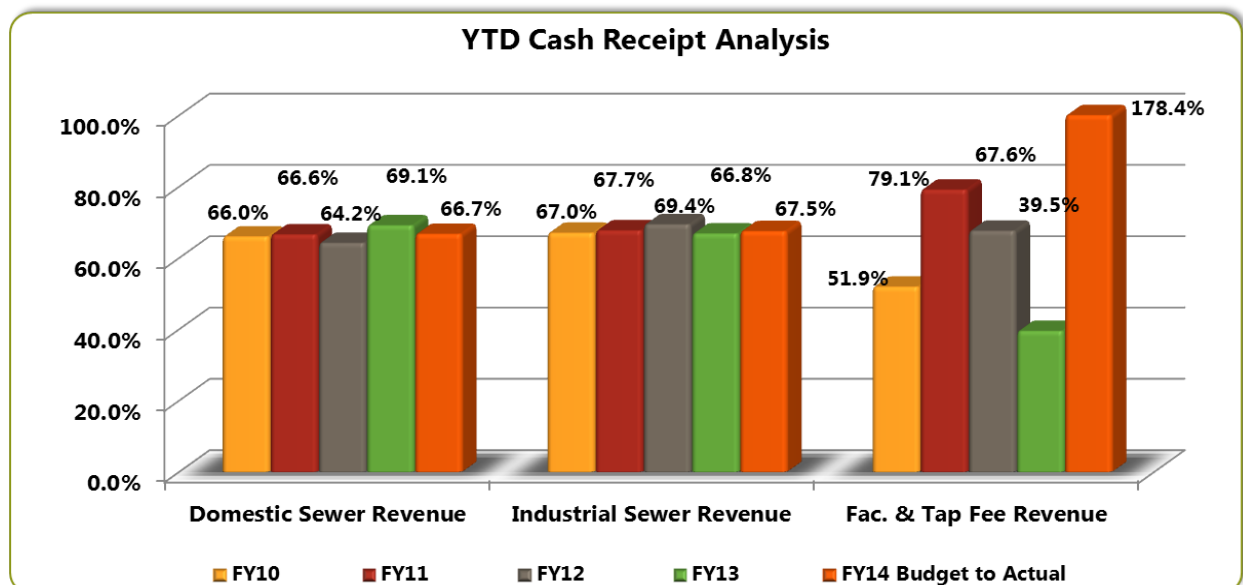


**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
As of February 28, 2014**



Monthly Cash Receipts Analysis:

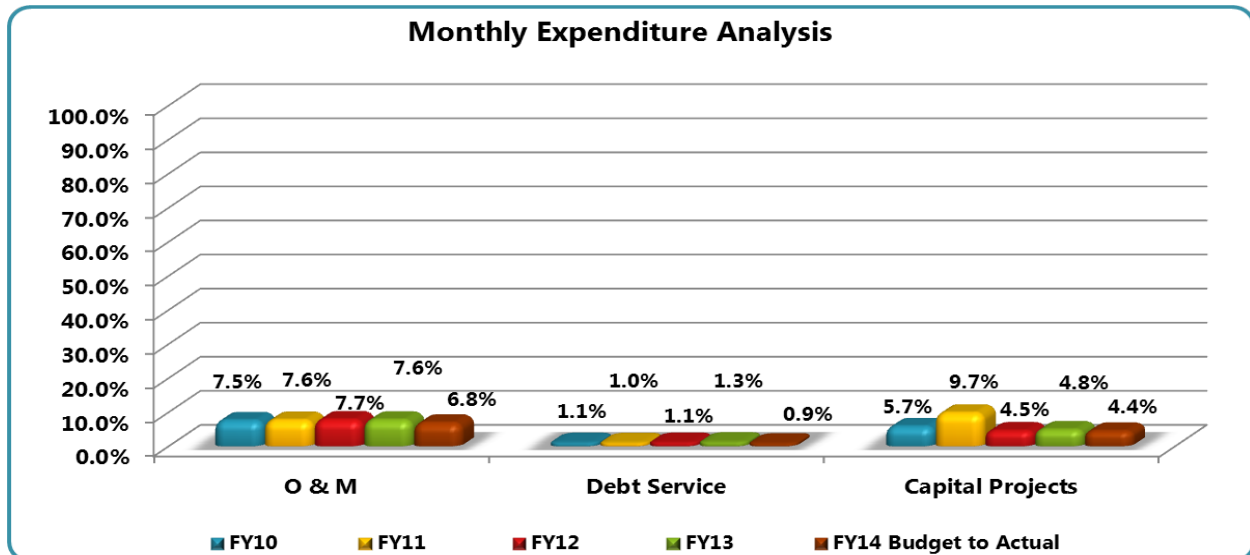
- Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods.
- Monthly industrial sewer revenue is trending below budgeted expectations.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.



YTD Actual Revenue Analysis:

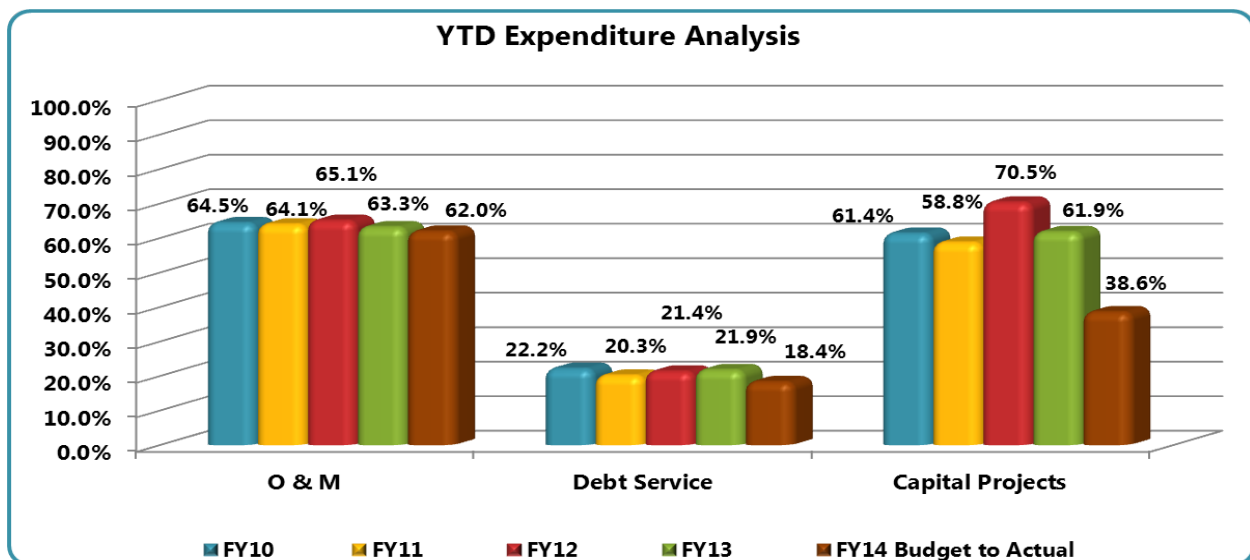
- YTD domestic sewer revenue is considered reasonable based on historical trends.
- YTD industrial sewer revenue is trending below budgeted expectations.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
As of February 28, 2014**



Monthly Expenditure Analysis:

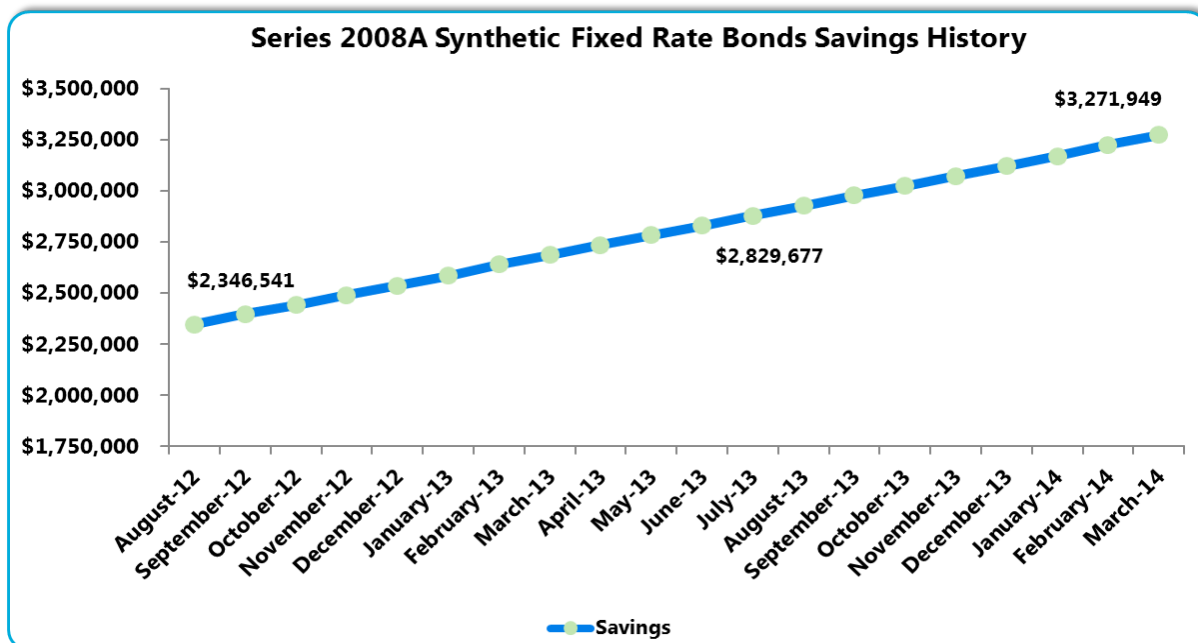
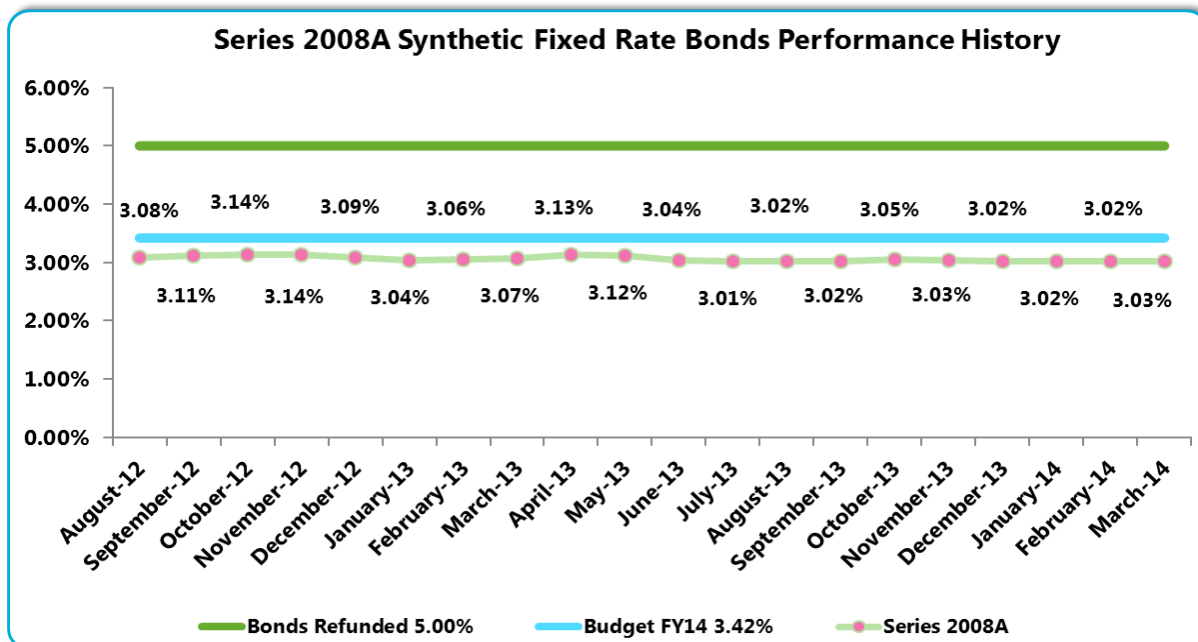
- ✦ Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- ✦ Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures are considered 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 considered reasonable.



YTD Expenditure Analysis:

- ✦ YTD O&M expenditures are considered reasonable based on historical trends.
- ✦ Due to the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates, YTD debt service expenditures are considered 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 considered reasonable.

**METROPOLITAN SEWERAGE DISTRICT
VARIABLE DEBT SERVICE REPORT
As of March 31, 2014**



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$3,271,949 as compared to 4/1 fixed rate of 4.85%.
- Assuming that the rate on the Series 2008A Bonds continues at the current all-in rate of 4.0475%, MSD will achieve cash savings of \$4,730,000 over the life of the bonds.
- MSD would pay \$4,135,997 to terminate the existing Bank of America Swap Agreement.

STATUS REPORTS

MSD System Services In-House Construction FY 13-14 Projects							
PROJECT NAME	ESTIMATED FOOTAGE	ESTIMATED PROJECT DATES	WO#	CREW	COMPLETION DATE	ACTUAL FOOTAGE	Notes
Craven Street Improvements (P/N 2013071)	300	7/1/13-8/30/13	434914	667	8/14/2013	306	complete
90 Asheland Ave - Pipe Ream/Burst	118	8/29/2013	456371	631	8/29/2013	118	complete
Melody Lane	220	8/15/13 - 9/13/13	433549	667	8/30/2013	560	complete
Melody Lane Addition	25	9/10/2013	450458	667	9/10/2013	28	complete
41 Walnut Lane (Woodfin)	1260	5/27/13 - 8/30/13	441589	631	9/27/2013	1189	complete
View Street at Montreat Road (P/N 2013051)	461	10/8/13-10/31/13	400926	667	10/7/2013	463	complete
Elk Mtn Scenic Hwy @ Edgedale*(P/N 2010101)	785	10/7/13-11/7/13	456298/450460	667	10/23/2013	638	complete
Roberts Street at Haywood Rd* (P/N 20100980)	200	10/16/13 - 11/16/13	470501	631	10/22/2013	210	complete
Gay Street (P/N 2013077)	327	10/7/13 - 11/4/13	433544	631	11/6/2013	335	complete
Memorial Park Drive	963	10/24/13 - 12/1/13	433530	667	11/22/2013	1004	complete
Daniel Road Phase II (14)	568	11/4/13 - 12/1/13	456760	631	12/3/2013	574	complete
Memorial Park Drive Phase 2	480	11/25/13 - 12/5/13	456768	667	12/20/2013	453	complete
Central Avenue SanitarySewer Replacement*	675	12/3/13 - 1/1/14	448995	631	1/2/2014	692	complete
Sweeten Creek Industrial Park Replacement	45	1/14/14 - 1/15/14	470611/457019	632	1/15/2014	50	complete
Buckner Road	600	12/23/13 - 2/3/14	400919	667	1/31/2013	990	complete
Livinston - AB Tech	529	1/2/14 - 2/3/14	456309	631	1/28/2014	561	complete
Dew Waite Dr	500	2/4/14 - 2/28/14	470610	667	2/28/2014	620	complete
Rash Road* (P/N 2010095)	550	2/4/14 - 2/28/14	456302	631	3/19/2014	566	complete
1245 Tunnel Road	75	3/21/14 - 3/25/14	212631	632	3/25/2014	70	complete
Broadview Drive	265	3/17/14 - 3/25/14	456312	631	3/26/2014	276	complete
101 E. Skyview Circle	260	3/27/2014 - 3/31/14	456310	631	3/31/2014	268	complete
Ridgeway Dr. (MSD P/N 2012136)	595	3/10/14 - 4/8/14	456296	667	3/31/2014	645	complete
382 Lakeshore Drive	240	4/1/2014 - 4/2/14	456311	631	4/3/2014	248	complete
Lower Grovestone Quarry	1700	4/3/14 - 5/3/14	213445	631			Construction In Progress
Valle Vista Drive	1700	4/9/14 - 6/9/14	470605	667			Construction In Progress
Middle Grovestone Quarry (842 Old US 70 Hwy)	348	5/4/14 - 5/8/14	456316	631			ready for construction
Shiloh Road	350	5/9/14 - 6/30/14	456294	667			ready for construction
East Grovestone Quarry	780	TBA	457386	TBA			ready for construction
Springside Drive	522	TBA	205995	TBA			ready for construction
N. Anne St.	550	TBA	400920	TBA			ready for construction
18 Crestland Road	270	TBA	448974	TBA			ready for construction
Emory Road* (P/N 2009137)	300	TBA	456301	TBA			ready for construction
995 West Chapel Rd	100	TBA	211782	TBA			ready for construction
165 Old County Home Road	1,100	TBA	433522	TBA			ready for construction
Sareva Place	932	TBA	410095	TBA			ready for construction
Carjen Avenue	825	TBA	410096	TBA			ready for construction
Hunt Hill Place	786	TBA	400922	TBA			ready for construction
350 Old Haw Creek Road	1333	TBA	400923	TBA			ready for construction



CONSTRUCTION TOTALS BY DATE COMPLETED - Monthly

From 7/1/2013 to 2/28/2014

	Dig Ups	Emergency Dig Ups	Dig Up ML Ftg	Dig Up SL Ftg	Manhole Repairs	Taps Installed	ROW Ftg	IRS Rehab Ftg *	Const Rehab Ftg *	D-R Rehab Ftg *	Manhole Installs	Bursting Rehab Ftg *	Total Rehab Ftg *
July 2013	36	16	108	628	40	23	2,264	0	0	0	0	0	0
August 2013	49	7	207	659	38	24	0	0	259	882	10	118	1259
September 2013	32	16	356	468	22	8	7,426	197	116	1217	11	0	1530
October 2013	28	22	406	921	42	35	17,950	288	375	1053	10	258	1974
November 2013	32	7	84	569	26	4	0	0	0	1192	12	147	1339
December 2013	40	5	131	676	32	17	500	0	0	1035	8	0	1035
January 2014	33	6	81	512	19	15	750	0	150	1801	18	492	2443
February 2014	42	10	86	783	41	7	1,161	0	92	620	5	0	712
Grand Totals	292	89	1,458	5,215	260	133	30,051	485	992	7800	74	1,015	10292

* Used to calculate Total Rehab Footage



PIPELINE MAINTENANCE TOTALS BY DATE COMPLETED - Monthly

July 01, 2013 to February 28, 2014

	Main Line Wash Footage	Service Line Wash Footage	Rod Line Footage	Cleaned Footage	CCTV Footage	Smoke Footage	SL-RAT Footage
2013							
July	81,515	2,058	5,143	86,658	33,272	2,080	12,186
August	60,003	1,509	5,763	65,741	37,017	35,663	12,680
September	56,833	1,230	6,596	63,354	32,358	18,324	20,686
October	58,691	3,187	4,418	63,104	33,888	22,886	26,287
November	28,280	1,891	6,184	34,464	26,252	500	6,992
December	45,483	3,133	4,389	49,837	30,203	4,286	10,919
2014							
January	53,575	2,602	4,387	57,892	23,412	250	2,885
February	46,572	3,445	5,587	52,109	22,670	650	6,255
Grand Total:	430,952	19,055	42,467	473,159	239,071	84,639	98,890
Avg Per Month:	53,869	2,382	5,308	59,145	29,884	10,580	12,361



CUSTOMER SERVICE REQUESTS

Monthly - All Crews

CREW	MONTH	JOBS	AVERAGE RESPONSE TIME	AVERAGE TIME SPENT
DAY 1ST RESPONDER				
	July, 2013	154	39	40
	August, 2013	109	30	36
	September, 2013	79	28	37
	October, 2013	111	29	40
	November, 2013	72	27	40
	December, 2013	86	29	50
	January, 2014	108	30	38
	February, 2014	101	31	45
		820	31	40
NIGHT 1ST RESPONDER				
	July, 2013	46	38	33
	August, 2013	34	35	31
	September, 2013	18	26	24
	October, 2013	33	26	33
	November, 2013	31	27	34
	December, 2013	20	31	30
	January, 2014	36	26	20
	February, 2014	19	23	35
		237	30	30
ON-CALL CREW *				
	July, 2013	79	52	35
	August, 2013	40	65	46
	September, 2013	30	49	43
	October, 2013	35	48	53
	November, 2013	35	36	47
	December, 2013	70	46	46
	January, 2014	67	62	41
	February, 2014	65	54	44
		421	52	43
Grand Totals:		1,478	37	40

* On-Call Crew Hours: 10:30pm-7:30am Monday-Friday, Weekends, and Holidays

CAPITAL IMPROVEMENT PROGRAM**STATUS REPORT SUMMARY****April 9, 2014**

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
BRADLEY BRANCH ROAD PHASE II	Terry Brothers	8/21/2013	10/28/2013	4/1/2014	\$314,860.00	95%	Some final punch list items and paving yet to do.
BROOKCLIFF DRIVE (PRP 59001)	Buckeye Construction	10/16/2013	11/4/2013	4/30/2014	\$360,132.50	80%	Project awaiting paving and some restoration in low lying areas.
FOREST RIDGE ROAD	Dillard Excavating Company	2/19/2014	3/10/2014	6/8/2014	\$588,115.00	5%	Project has begun.
INDIANA AVENUE	Moorhead Construction	3/19/2014	4/1/2014	7/30/2014	\$413,313.20	0%	Contractor has mobilized to site and has begun clearing.
MACON AVENUE @ SUNSET PARKWAY	Terry Brothers	1/15/2014	3/1/2014	6/29/2014	\$757,688.00	0%	No work has started yet.
MERRIMON AVENUE @ STRATFORD ROAD	Terry Brothers	9/18/2013	12/16/2013	6/15/2014	\$885,849.00	20%	Contractor is working on 12-inch line near Beaver Lake and near completion on that segment. Rock bore at Elkwood is progressing slowly because of extremely hard rock formations.
OLD US 70 @ GROVEMONT AVENUE	Buckeye Construction	10/16/2013	11/18/2013	5/17/2014	\$729,740.90	40%	The 12 inch line has progressed slowly due to rock and proximity of existing utilities. Contractor is working upstream from MH # 6.
SOUTH FRENCH BROAD INTERCEPTOR - BILTMORE ACCESS STRUCTURES	James E. Harris Construction	1/28/2014	2/3/2014	4/1/2014	\$228,880.00	90%	All work complete and in process of demobilizing.
SYCAMORE TERRACE (PRP 34012)	Terry Brothers	1/15/2014	2/20/2014	6/20/2014	\$638,350.00	45%	Contractor working between MH's 6 and 17. MSD has obtained permission from Norfolk RR to open dig (with pipe encasement) under the RR bridge.
WRF - ELECTRICAL IMPROVEMENTS	Haynes Electric	8/15/2012	9/10/2012	3/28/2014	\$1,061,900.00	99%	Final commissioning underway. Completion expected by end of April
WRF - SLIDE GATE REPLACEMENT	NHM Constructors	9/18/2013	10/7/2013	6/4/2014	\$288,924.00	15%	Contractor replacing gates in Westernmost train of Basins 1 and 2.

***Updated to reflect approved Change Orders and Time Extensions**

Planning & Development Project Status Report

March 19, 2014

Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
N. Bear Creek Road Subdivision	2005137	Asheville	20	127	7/11/2006	Complete - Waiting on final documents
Willowcreek Village Ph.3	2003110	Asheville	26	597	4/21/2006	Complete - Waiting on final documents
Rock Hill Road Subdivision	2005153	Asheville	2	277	8/7/2006	Complete - Waiting on final documents
Black Mtn Annex: Avena Rd.	1999026	Black Mtn.	24	4,300	8/19/2010	Complete - Waiting on final documents
Black Mtn Annex: McCoy Cove	1992174	Black Mtn.	24	2,067	8/19/2010	Complete - Waiting on final documents
Black Mtn Annex: Blue Ridge Rd.	1992171	Black Mtn.	24	2,560	8/19/2010	Complete-Waiting on final documents
Haywood Village	2007172	Asheville	55	749	7/15/2008	New owner developer - will resume soon
Camp Dorothy Walls - Ph. 1	2007294	Black Mtn.	Comm.	593	6/16/2009	Complete - Waiting on final documents
Momentum Health Adventure	2008097	Asheville	Comm.	184	8/19/2009	New ownership - project currently inactive
North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	Complete - Waiting on final documents
AVL Technologies	2010018	Woodfin	Comm.	133	5/21/2010	Complete-Waiting on final documents
UNC-A New Residence Hall	2011047	Asheville	304	404	8/29/2011	Complete-Waiting on final documents
Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Complete-Waiting on final documents
Goldmont St	2012087	Black Mtn.	6	91	1/11/2013	Complete-Waiting on final documents
Bradley Street - Phase II	2013031	Asheville	12	194	2/14/2013	Waiting on revised as-built drawings
Onteora Oaks Subdivison	2012026	Asheville	28	1,222	1/4/2013	Complete-Waiting on final documents
Ramble at Parkway	2013100	Biltmore Forest	TBD	335	7/26/2013	Complete-Waiting on final documents
Eargle Sewer Extension	2011077	Asheville	2	45	9/4/2013	Complete-Waiting on final documents
Carolina Truck and Body (Cooper)	2012075	Asheville	Comm.	298	10/30/2012	Awaiting COA approval for work in ROW
Biltmore Lake Block "J"	2013013	Enka	32	3,918	4/16/2013	Complete-Waiting on final documents
Sardis Road (COA) Annexation	2009037	Asheville	N/A	6,981	4/2/2012	Complete-Waiting on revised ROW items
Ardmion Park	2011107	Asheville	5	208	4/16/2013	Complete-Waiting on final documents
Central Ave	2012065	Asheville	6	305	9/26/2013	Complete - Waiting on final documents
Waynesville Ave (Pittman)	2013046	Asheville	15	332	5/23/2013	Complete-Waiting on final documents
Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents

Planning & Development Project Status Report

March 19, 2014

Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing / in foreclosure
Brookside Road Relocation	2008189	Black Mtn	N/A	346	1/14/2009	Project will not be built per consultant
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	Punchlist pending - in bankruptcy
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	New developer, ready for testing
Canoe Landing	2007137	Woodfin	4	303	5/12/2008	Ready for construction
Central Valley	2006166	Black Mtn	12	472	8/8/2007	Punchlist pending
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
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
Reems Creek Cottages	2013066	Weaverville	17	483	11/15/2013	Under Construction
Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
Burk Street Cottages	2012115	Asheville	27	631	10/24/2013	Under Construction
Thoms Estate 3B & 4	2013052	Asheville	35	4,690	7/26/2013	Installing/Testing (75% Complete)
Carmel Ridge Apartments	2013018	Leicester	80	1,162	10/11/2013	Under Construction
Palisades Apartments	2013024	Asheville	224	1,423	9/4/2013	Ready for testing
Crest Mountain Phase 3B	2013041	Woodfin	69	1,329	10/15/2013	Under Construction
Asheville Market (Relocation)	2012139	Asheville	Comm.	280	9/18/2013	Ready for testing
The Aventine	2011015	Biltmore Forest	300	3,238	10/14/2013	Under constr./some air testing complete
Westover Relocation	2013132	Asheville	1	87	11/20/2013	Under Construction
Eagle's Landing	2010015	Asheville	25	472	10/22/2013	Under Construction
Hunt Hill Apartments	2013111	Asheville	180	1,729	3/5/2014	Pre-con held, ready for construction
Hyde Park	2013058	Arden	65	3,062	12/3/2013	Pre-con held, ready for construction
Ramble Block "D"	2013074	Biltmore Forest	36	4,783	12/11/2013	Under Construction
Pinebrook Farms Relocation	2013148	Weaverville	N/A	178	12/19/2013	Under Construction
Upper Kentucky Improvements	2013085	Montreat	N/A	284	12/3/2013	Under Construction
Isaac Dickson School Relocation	2013033	Asheville	School	504	1/13/2014	Pre-con held, ready for construction
Biltmore Lake Block "J2"	2013128	Biltmore Forest	14	1,541	2/4/2014	Pre-con held, ready for construction
Gorilla Carwash - Weaverville	2013109	Weaverville	Comm.	236	11/15/2013	Ready for final inspection
TOTAL			2,044	76,133		

Right of Way Section 3rd Quarter Summary Open Projects

<i>Project</i>	<i>Total ROW Budget</i>	<i>Total Expends to Date</i>	<i>Comment</i>
Allied Health @ AB Tech Sewer Rehabilitation		\$0	Project 100% complete. No compensation paid as both owners are governmental entities. Project constructed by SSD in advance of site development.
Broadview Avenue GSR	\$33,814	\$12,907	Access 94% complete with 38% of Total Budget expended to date. One condemnation expected.
Campus Drive @ UNCA GSR		\$0	Project 100% complete. No compensation paid as this is a government entity.
Dingle Creek Interceptor (formerly Ph II)	\$64,657	\$48,004	Access 100% complete with 74% of Total Budget expended to date. One condemnation filed with judgment pending. Construction moved out from 7/09, to 7/14, to 7/18 to 7/20.
Lower Smith Mill Creek Rehabilitation	\$350,324	\$315,620	Access 100% complete with 90% of Total Amended Budget expended to date. Ten condemnations filed; two dismissed and seven settled prior to trial. One case pending judgment.
Merrimon Avenue @ Stratford Road GSR	\$55,854	\$44,030	Access 100% complete with 79% of Total Budget expended to date. One condemnation filed with judgment pending. Construction underway; mediation to follow construction completion.
Shadowlawn Drive GSR	\$50,935	\$25,663	Project 100% complete with 50% of Total Budget expended and no condemnations.
Shiloh Road Rehabilitation	\$13,242	\$3,786	Project 100% complete with 29% of Total Budget expended and no condemnations.
Short Coxe @ Southside	\$165,652	\$163,632	Access 100% complete with 98% of Total Budget expended to date. Five condemnations/declaratory judgments filed. Four cases settled prior to trial; one judgement is pending.
Wendover Road GSR	\$17,656		Project re-designed; meetings on new plans underway.

<i>Project</i>	<i>Total ROW Budget</i>	<i>Total Expends to Date</i>	<i>Comment</i>
West French Broad Interceptor Extension	\$179,993	\$179,993	Access 100% complete with 100% of Total Amended Budget expended to date. One condemnation filed and judgement pending. This is a developer driven, interceptor extension project; i.e. new encumbrances to the land where no sewer existed previously. An independent appraiser determined market values in the \$40,000 to \$65,000 per acre range could be reasonably expected, depending on any number of factors unique to a given parcel. We began negotiations using a mid-range of \$55,000 per acre. We acquired easements from the developer for \$0; and from three other parcels for \$33,000, \$67,500 and \$67,500 per acre. The fifth parcel, owned by the Asheville Firefighters Association, was appraised at \$54,000 per acre; however, the AFA would not agree to grant an easement. A condemnation has been filed and judgment is pending completion of construction.