

## METROPOLITAN SEWERAGE DISTRICT BOARD

July 15, 1986

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building, 2 p.m., Tuesday, July 15, 1986.

Chairman Robinson and the following members were present: Messrs. Batts, Boggs, Ivey, Smith, and Williams and Mrs. Pope. Also present were Attorney John S. Stevens, Consulting Engineers Bill Morris and Sharon Kane, and Heather Baines from the Land-of-Sky Regional Council.

Mr. Smith moved that the minutes of June 17 be approved as written, and Mr. Williams seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Smith nominated the present chairman and vice-chairman for Fiscal Year 1986-87, and Mr. Boggs seconded the motion. Mr. Smith moved that the nominations be closed, and Mr. Ivey seconded the motion. Voice vote was unanimous in favor of closing the nominations, and roll call vote was unanimous in favor of reelecting Chairman Robinson and Vice-Chairman Williams.

Chairman Robinson reappointed Mr. Dent secretary-treasurer and Mrs. Pope assistant secretary-treasurer for one-year terms to expire June 30, 1987.

Mr. W. H. Mull, Engineer-Manager, reported on the following:

- a. Update on Treatment Plant Expansion: Mr. Mull reported that Powell has completed 71% of Section 1 and that the work will be completed several months ahead of schedule; received as information by the Board.
- b. Update on Hydro Project: Mr. Mull told the Board that the project should be completed and in operation by late August with power being generated by Labor Day; received as information by the Board.
- c. Right-of-Way appropriation of 0.07 acres and a permanent drainage easement of 0.06 acres granted to DOT: This item postponed until the August Board meeting as paperwork has not been received from DOT; however, Mr. Mull told the Board that DOT plans to replace the bridge over the creek on Highway 251 directly above the treatment plant with a culvert.
- d. Ratify action re purchase of new computer: Mr. Williams moved that the Board ratify action previously taken by telephone to purchase a new computer for the MSD office from J. A. Erwin & Associates at the final negotiated proposal of \$8,214.70. The other proposal was submitted by ComputerLand at final negotiated proposal of \$8,390. Mr. Ivey seconded the motion, and roll call vote was unanimous in favor of the motion.
- e. Buncombe County's request for MSD to enter into a contract with E & A Environmental Consultants for a Refuse Derived Fuel Composting Study in conjunction with the County: Mr. Smith moved that the District clarify and amend the previous understanding with the County that calls for a one-third share of a feasibility study. It is understood that such study will cost an amount not to exceed \$100,000 and that MSD will pay one-third of that study provided the following conditions are met: (1) That the study specifically include a plan to dispose of all of the MSD sludge in a corporate disposal arrangement with the County and (2) that results of the study are in the hands of MSD by August 15, 1986. Mrs. Pope seconded the motion, and roll call vote was unanimous in favor of the motion. The Board asked that Mr. Stevens draw up an amendment to the original resolution authorizing partial funding of feasibility study for coincineration of MSD sludge and solid waste in accordance with the above. Of the stipulated amount, \$16,238 has already been spent on the study.
- f. Status of 1986A Revenue Bond Issue: Mr. Mull told the Board that a final document review session, which was the last general document review session, was held in Charlotte July 9. Mailing of the Preliminary Official Statement is scheduled for July 21. Board members were given a copy of that document and were asked to familiarize themselves with it, and a special Board meeting was scheduled for July 21, 4 p.m., for the purpose of making a due diligence review of the bond documents.

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Mr. Mull said there has been a protest from LYCO, Inc., regarding the RBC Procurement. He had been informed that Raphael Santamaria, EPA Construction Grants Program, contacted companies other than Envirex to determine why they had not bid on the RBC units. LYCO, after two-and-a-half months, filed for a protest appeal with EPA. Mr. Mull said that EPA will review LYCO's request for an appeal.

Mr. Mull told the Board that he and Mr. Williams met with Town of Black Mountain officials Monday evening, July 14, in response to the Town's request to increase their current fee of 15¢ per customer for collecting sewer service charges for the District. After discussion with the Town officials, it was agreed to leave the collection fee at 15¢ since the sewer service charge is added to the customer's water billing and does not result in any substantial increased costs to the Town for billing sewer charges.

Mr. Boggs reported on findings of the Sludge Committee in regard to sludge disposal alternatives. Based on these findings, the Committee recommended that the engineer-manager and consulting engineers file an amended 201 Facilities Plan prior to August 1 and advise the State and EPA that there are ongoing studies with Buncombe County to make solid waste processes available which the District may wish to use as a second amended report. After discussion, Mr. Boggs moved that the Board instruct the engineer-manager and the consulting engineers to file an amended 201 Facilities Plan prior to August 1, which will continue the District's intent to develop an environmentally acceptable incineration unit with power generation capacity as MSD's sludge disposal system, and that a second amended report might be implemented based on the ongoing studies with Buncombe County to make solid waste processes available to the District. Mr. Smith seconded the motion, and roll call vote was unanimous in favor of the motion.

Unfinished business--Mr. Smith's request for a contribution to the French Broad River Foundation: Mr. Smith gave a letter to the Board from Walter Currie to Chairman Robinson setting forth a legal opinion regarding the legality of making a gift to the French Broad River Foundation. Mr. Currie stated that it is his opinion that the General Assembly has not granted MSD the statutory authority to make the requested contribution but that, if the MSD Board wishes to assist the Foundation, it was his opinion that the course to follow would be for MSD to disburse the money to the Land-of-Sky Regional Council to be used for the carrying out of its powers and duties. Mr. Smith then moved that the MSD disburse to the Land-of-Sky Regional Council the sum of \$1,000 a year for three years, this being a substitute motion for the one made at the June 17 Board meeting as set forth in those approved minutes. Mr. Williams seconded the motion, and roll call vote was unanimous in favor of the motion.

Mr. Stevens presented to the Board a copy of his letter to be mailed July 16 to bonding attorneys regarding the Town of Montreat's inquiry relating to the structure of the MSD Board and as to whether Montreat is entitled to an appointee member. Mr. Stevens said there have been a series of telephone conversations and letters between himself and Mr. Carson regarding the subject, of which the Board has been informed, the last of the series being a letter from Mr. Stevens sent February 26 to Philip Carson, attorney for the Town of Montreat. Mr. Stevens received, about ten days ago, a copy of Mr. Carson's formal request to the North Carolina Attorney General for an opinion on the subject. Mr. Stevens drafted a letter for the Board's approval to the Attorney General, in which the opinion is expressed that the Town is not entitled to representation as they are already represented by the County. After consideration, the Board decided that it should not express an opinion or take a position on the matter; therefore, the draft letter will not be sent.

The next regular monthly meeting of the MSD Board was moved up one day from August 19 to August 18 as Mr. Mull and MSD Board officers will be leaving the 19th for Bond Closing in New York.

There being no further business, the meeting was adjourned at 3:35 p.m.

  
Secretary

## METROPOLITAN SEWERAGE DISTRICT BOARD

July 21, 1986

A special meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building, 4 p.m., Monday, July 21, 1986. The purpose of the meeting was to review the Preliminary Official Statement, which was given to Board members at the July 15, 1986, meeting.

Present were Chairman Robinson and members Batts, Boggs, Dent, Edwards, Ivey, and Williams; absent were members Dyson, Pope, and Smith. Also present were attorneys John Stevens and Walter Currie, along with MSD's engineer-manager, W. H. Mull.

Mr. Mull brought to the attention of the Board an error the minutes of January 21, 1986. Motion was made by Mr. Ivey and seconded by Mr. Dent to correct a clerical error in Item i of the January 21, 1986, minutes, which reads:

Resolution authorizing partial funding of feasibility study for co-incineration of MSD sludge and Buncombe County solid waste: Mr. Mull presented to the Board a copy of a resolution that Buncombe County passed regarding partial funding of the feasibility study for Co-incineration of MSD sludge and County solid waste. After discussion, Mr. Boggs moved the adoption of a resolution from MSD, corresponding to Buncombe County's resolution number 18291 authorizing MSD to be a participant in the feasibility study with the District's cost not to exceed \$3,333.33 for Phase I, and that the District agrees to participate in the future phases of the study if Phase I results are positive with the District's share remaining at one-third of the costs of each phase does not exceed \$100,000 (MSD share \$3,333.33). Mr. Dent seconded the motion, roll call vote was unanimous in favor of the motion. A copy of the resolution is attached.

Voice vote was unanimous in favor of correcting the minutes to read as follows:

Resolution authorizing partial funding of feasibility study for co-incineration of MSD sludge and Buncombe County solid waste: Mr. Mull presented to the Board a copy of a resolution that Buncombe County passed regarding partial funding of the feasibility study for Co-incineration of MSD sludge and County solid waste. After discussion, Mr. Boggs moved the adoption of a resolution from MSD, corresponding to Buncombe County's resolution number 18291 authorizing MSD to be a participant in the feasibility study with the District's cost not to exceed \$3,333.33 for Phase I, and that the District agrees to participate in the future phases of the study if Phase I results are positive with the District's share remaining at one-third of the costs of each phase *provided that the total does not exceed \$100,000 (MSD share \$33,333.33)*. Mr. Dent seconded the motion, and roll call vote was unanimous in favor of the motion. A copy of the resolution is attached *to the minutes of January 21, 1986*.

Mr. Stevens gave the Board a copy of a letter from the Assistant Attorney General to Philip G. Carson, attorney for the Town of Montreat, in which the Assistant Attorney General stated that it is his opinion that the governing body of Montreat, established as a municipality five years after the establishment in 1962 of the Sewerage District, is authorized to appoint one member of the District board.

Mr. Currie presented to the Board a copy of EPA's letter to Lyco's legal counsel advising that the EPA does not consider Lyco's request for a protest appeal in connection with RBC units procurement for the Treatment Plant Expansion to be in compliance with the regulatory requirements of 40 CFR Part 33, Subpart G (Protests) in terms of procedures or timeliness and that EPA plans no action to delay the procurement by the MSD. Mr. Currie also

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gave the Board a copy of a letter to him from EPA advising that no action is being taken to interfere with the procurement process except to ensure that the costs and profit being negotiated comply with 40 CFR 33.250 and 40 CFR Part 33.290. Mr. Currie then presented to the District Board a copy of Lyco's protest at the local level, which Lyco filed with the District in answer to Mr. Currie's letter to EPA regarding Lyco's protest appeal. Based on Mr. Currie's recommendation that the Board dismiss this protest as being too late, Mr. Dent moved that the Board authorize legal counsel to respond with a letter to Lyco's legal counsel under Chairman Robinson's signature. Mr. Edwards seconded the motion, and roll call vote was unanimous in favor of the motion.

Mr. Stevens went over the Preliminary Official Statement dated July 1, 1986, section by section, including Appendix A. During the course of the review, there were a number of comments made and questions asked concerning parts of the Statement. Based on those questions and comments, there were some changes made, most of which were typographical or having to do with correcting the status of Board members. In addition to the Official Statement, counsel for the Board gave the members draft copies of the proposed Purchase Agreement and the Series Resolution. These documents were also reviewed by Mr. Stevens on a section by section basis.

There being no further business, the meeting was adjourned at 5:15 p.m. The next regular meeting of the MSD Board is scheduled for August 19, 1986.

  
Secretary

METROPOLITAN SEWERAGE DISTRICT BOARD

July 31, 1986

The District Board of the Metropolitan Sewerage District of Buncombe County met in special session in the Boardroom of the Administration Building, N.C. Highway 251 North, Woodfin, North Carolina, the regular place of meeting, at 2 p.m., on July 31, 1986.

Present: Chairman Robinson, presiding, and members Boggs, Dent, Dyson, Edwards, Ivey, Pope, and Williams.

Absent: Members Batts and Smith.

Also present were: John S. Stevens (MSD attorney), Gundars Aperans (New York bond attorney), Robert W. Anthony (Interstate Securities, lead underwriter for MSD bonds), Dumont Clarke, IV (attorney for Interstate Securities), and E. M. Chalk (Local Government Commission).

Mr. W. H. Mull, Engineer-Manager, reported on the following:

- a. Proposals received July 30, 1986, for video recorder and accessories: Mr. Mull asked the Board's authorization to purchase equipment for the District's use in video recording of educational films for employee and public information, especially in connection with French Broad River Week and the plant expansion. He said there are two District employees who are experienced with this type equipment and said that outright purchase will save more than \$25,000 in fees to tape the entire plant expansion. Four proposals were received for a Sony 8mm video camera/recorder, two rechargeable battery packs, a Sony video cassette recorder, a Sony video editing controller, and a Sony monitor/receiver, those proposals being: Video Station, \$3,231.35 (included sales tax); Videolife, \$3,369.54 plus tax; Mr. Toad's Stereo/Video, \$3,459 plus tax; and Gibbs Radio, \$3,670 plus tax. Mr. Williams moved that the Board authorize purchase of the video equipment from Video Station for \$3,231.35, and Mr. Ivey seconded the motion. Roll call vote was unanimous in favor of the motion.
- b. Resolution on Special Order by Consent to the District from North Carolina Department of Natural Resources and Community Development, Division of Environmental Management: Mr. Mull told the Board that the District has been operating since 1983 under a Special Order by Consent issued by NCDNR&CD, DEM, and that the original order has been amended twice. The third amendment will allow for 40 MGD, 3½ MGD additional allocable flow. Secretary Wilms has requested that a formal resolution be passed by the District Board asking that NCDNR&CD, DEM, issue to the MSD a Special Order by Consent to operate its waste treatment facility in accordance with certain terms and conditions contained in Mr. Mull's letter dated April 10, 1986. Mr. Stevens read to the Board a resolution he had prepared, after which Mr. Dyson moved that the Board adopt the resolution. Mrs. Pope seconded the motion, and roll call vote was unanimous in favor of the motion. The resolution and Mr. Mull's letter are attached to and thereby made a part of these minutes.

Chairman Robinson introduced a Purchase Contract which was reviewed in detail with the Board by Mr. Stevens and Mr. Anthony, who told the Board that the 1986A Revenue Bonds received an A rating from both Standard & Poor's and Moody's. After Board discussion, Mr. Chalk of the North Carolina Local Government Commission accepted the Purchase Contract at the price of \$20,180,553 for the Series 1986A Revenue Bonds, subject to approval of the Board. Mr. Stevens then explained to the Board in detail a proposed resolution concerning the Purchase Contract, the Series Resolution, and the Bonds.

Thereupon, Chairman Robinson introduced the following resolution which was read by its title and explained:

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METROPOLITAN SEWERAGE  
DISTRICT OF BUNCOMBE  
COUNTY, NORTH CAROLINA

=====

SERIES RESOLUTION  
Adopted July 31, 1986

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SERIES RESOLUTION OF THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA AUTHORIZING THE ISSUANCE OF \$20,700,000 SEWERAGE SYSTEM REVENUE BONDS, SERIES 1986A OF SAID DISTRICT PURSUANT TO THE PROVISIONS OF SECTION 210 OF THE BOND ORDER ADOPTED BY SAID DISTRICT BOARD ON MAY 23, 1985, AS AMENDED, AND APPROVING THE AWARD OF SAID BONDS.

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 North Carolina Metropolitan Sewerage Districts, Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively the "Enabling 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 and to issue revenue bonds of the District to pay the cost of a sewerage system; and

WHEREAS, the District has heretofore issued \$14,420,000 principal amount of its Sewerage System Revenue Bonds, Series 1985A pursuant to the Enabling Act and a bond order adopted by the District Board of the District on May 23, 1985, as amended on June 4, 1985 (the "Order"); and

WHEREAS, Section 210 of the Order authorizes the issuance of additional revenue bonds of the District in one or more series from time to time for the purpose of providing funds for (a) paying all or any part of the cost of acquiring and constructing any Additional Improvements, as defined in the Order, (b) making the deposit to the credit of the Debt Service Reserve Fund established by the Order required for each such series of additional bonds and (c) establishing other reserves and paying other expenses incidental and necessary or convenient thereto; and

WHEREAS, the District has determined to proceed with the construction of phases 2 and 3 of the expansion of the District's sewage treatment plant and the design and construction of phase 4 of the expansion of such plant as described in a report entitled, "Engineering Feasibility Report on the District's Sewerage System," prepared by Hendon Engineering Associates Incorporated and dated July 1, 1986, such additions and improvements to the Sewerage System, as defined in the Order, constituting Additional Improvements, and to pay the cost of such Additional Improvements by issuing an additional series of revenue bonds and using any other available funds; and

WHEREAS, the District Board has received information to the effect that the District will be able to satisfy the requirements

of Section 210 of the Order with respect to such additional series of revenue bonds;

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

Section 1. Capitalized words and terms used in this Series Resolution (this "Resolution") and not otherwise defined herein shall have the same meanings in this Resolution as such words and terms are given in the Order.

Section 2. Pursuant to the Enabling Act and Section 210 of the Order, the District Board hereby authorizes the issuance of \$20,700,000 principal amount of additional revenue bonds of the District, such bonds to be designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds, Series 1986A" (the "Series 1986A Bonds"), to be dated as of July 1, 1986, and to consist of Serial Bonds in the aggregate principal amount of \$3,110,000, maturing on July 1 in each of the years and in the amounts and bearing interest at the rates per annum shown below:

<u>Year of Maturity</u>	<u>Principal Amount Due</u>	<u>Interest Rate</u>
1988	\$235,000	5 %
1989	250,000	5-1/2
1990	260,000	6
1991	275,000	6-1/4
1992	295,000	6-1/2
1993	315,000	6-3/4
1994	335,000	6.90
1995	355,000	7.10
1996	380,000	7.20
1997	410,000	7.30

and of Term Bonds in the principal amount of \$5,410,000, maturing on July 1, 2006 and bearing interest at the rate of 7-7/8% per annum and Term Bonds in the principal amount of \$12,180,000, maturing on July 1, 2016 and bearing interest at the rate of 7-7/8% per annum.

The Series 1986A Bonds shall be numbered from R86A-1 upward and shall be issuable as fully registered bonds in the denomination of \$5,000 or any multiple thereof. Interest on the Series 1986A Bonds shall be payable on January 1, 1987 and thereafter semi-annually on each January 1 and July 1 until the Series 1986A Bonds are paid in full.

Section 3. The Sinking Fund Requirements for the Series 1986A Term Bonds maturing on July 1, 2006 shall begin in the Fiscal Year ending June 30, 1998 and shall be as follows:

Fiscal Year Ending June 30	Sinking Fund Requirements	Fiscal Year Ending June 30	Sinking Fund Requirements
1998	\$440,000	2003	\$635,000
1999	475,000	2004	685,000
2000	510,000	2005	735,000
2001	550,000	2006	790,000
2002	590,000		

The Sinking Fund Requirements for the Series 1986A Term Bonds maturing on July 1, 2016 shall begin in the Fiscal Year ending June 30, 2007 and shall be as follows:

Fiscal Year Ending June 30	Sinking Fund Requirements	Fiscal Year Ending June 30	Sinking Fund Requirements
2007	\$ 850,000	2012	\$1,235,000
2008	915,000	2013	1,330,000
2009	990,000	2014	1,435,000
2010	1,065,000	2015	1,545,000
2011	1,150,000	2016	1,665,000

Section 4. The Series 1986A Term Bonds maturing on or after July 1, 1997 shall be subject to redemption prior to maturity, at the option of the District Board, on or after July 1, 1996, in whole on any date or in part on any interest payment date, in inverse order of maturity and by lot within a single maturity, from any moneys that may be made available for such purpose, upon notice as provided in Article III of the Order and, when redeemed in any period shown in the following table, at the respective Redemption Price (expressed as a percentage of the principal amount of the Series 1986A Bonds to be redeemed) set opposite each such period in such table, plus accrued interest to the date fixed for redemption:

Period (Both Dates Inclusive)	Redemption Prices (Expressed as a Percentage of Principal Amount)
July 1, 1996 to June 30, 1997	102 %
July 1, 1997 to June 30, 1998	101-1/2
July 1, 1998 to June 30, 1999	101
July 1, 1999 to June 30, 2000	100-1/2
July 1, 2000 and thereafter	100

In addition, the Series 1986A Term Bonds due on July 1, 2006 are subject to redemption in part by lot on July 1, 1998 and each July 1 thereafter to and including July 1, 2005 and the Series 1986A Term Bonds due on July 1, 2016 are subject to redemption in part by lot on July 1, 2007 and each July 1 thereafter to and including July 1, 2015 in amounts equal to the respective Sinking Fund Requirements therefor in the immediately preceding Fiscal Years set out in Section 3 of this Resolution, upon notice as provided in Article III of the Order, at the principal amount of each Series 1986A Bond to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Section 5. The proceeds of the Series 1986A Bonds, together with any other available funds, will be used to (i) pay the Cost of the 1986 Improvements, as defined below, (ii) pay the interest accruing on the Series 1986A Bonds from July 1, 1986 to July 1, 1987, (iii) deposit to the credit of the Debt Service Reserve Fund an amount which, together with other funds available therefor, will be equal to the increase in the Debt Service Reserve Requirement in connection with the issuance of the Series 1986A Bonds and (iv) pay expenses incurred by the District in connection with the issuance of the Series 1986A Bonds. The "1986 Improvements" means the Additional Improvements as described in the preamble of this Resolution or as modified by the District with the approval of an Appropriate Consultant, as defined in the Order.

Section 6. Wachovia Bank and Trust Company, N.A., Winston-Salem, North Carolina, is hereby designated as Bond Registrar for the Series 1986A Bonds.

Section 7. The Series 1986A Bonds issuable hereunder and the Certificate of the Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 1986A Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order:

[FORM OF BOND]  
[Front Side of Bond]

No. R86A-\_\_\_\_\_ \$ .....

United States of America  
State of North Carolina  
County of Buncombe

METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY

Sewerage System Revenue Bond  
Series 1986A

Maturity Date	Interest Rate	Cusip
.....	.....	.....

The Metropolitan Sewerage District of Buncombe County (herein sometimes called the "District"), a public body and body politic and corporate in the County of Buncombe, State of North Carolina, exercising public and essential governmental functions, is justly indebted and for value received hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to .....

..... or registered assigns or legal representative, on the maturity date specified above (or earlier as stated hereinafter), upon the presentation and surrender hereof at the principal corporate trust office of the Wachovia Bank and Trust Company, N.A., in the City of Winston-Salem, North Carolina, or any successor bond registrar (the "Bond Registrar") the principal sum of

..... DOLLARS in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said special fund, to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Order hereinafter mentioned), is registered at the close of business on the regular record date for such interest, which shall be the 15th day of the calendar month next preceding an interest payment date (the "Regular Record Date"), by check mailed to such person at his address as it appears on the bond registration books of the District, interest on said principal sum from the date of this bond or from the January 1 or July 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a January 1 or July 1 to which interest shall have been paid, in which case



from such date, on January 1 and July 1 in each year, commencing January 1, 1987, in like coin or currency, at the rate per annum specified above until payment of said principal sum. Any such interest not so punctually paid 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 (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date, as defined in the Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not more than fifteen (15) days and 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.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HERE.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Order until this bond 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 facsimile signatures of the Chairman and the Secretary-Treasurer of the District Board of the District and a facsimile of the corporate seal of the District to be imprinted hereon, all as of the 1st day of July, 1986.

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY

[facsimile of corporate seal]

By [facsimile signature] Chairman

[facsimile signature] Secretary-Treasurer

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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.

[facsimile signature] 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.

WACHOVIA BANK AND TRUST COMPANY, N.A. as Bond Registrar

By \_\_\_\_\_ Authorized Signatory

Date of authentication: \_\_\_\_\_

[Reverse Side of Bond]

Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bond, Series 1986A

This bond is one of a duly authorized series of revenue bonds of the District, designated "Sewerage System Revenue Bonds, Series 1986A" (the "Series 1986A Bonds"), consisting of bonds maturing in annual installments on July 1 in the years 1988 to 1997, inclusive (the "Serial Bonds"), and of bonds maturing on July 1, 2006 and July 1, 2016 (collectively the "Term Bonds"), and issued for the purpose of providing funds, with any other available funds, for (i) paying the cost of acquiring and constructing certain additions and improvements (the "1986 Improvements") described in the Series Resolution (herein defined) to the sewerage system of the District (the Existing Facilities and the Improvements, both as defined in the Order, the 1986 Improvements and any other Additional Improvements, as defined in the Order, being herein called the "Sewerage System"), (ii) providing certain reserves for the Series 1986A Bonds and (iii) paying expenses incidental thereto.

All of the Series 1986A Bonds are issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Metropolitan Sewerage Districts Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively the "Enabling Act"), a bond order duly adopted by the District Board on May 23, 1985, as amended on June 4, 1985 (such bond order, together with all orders supplemental and amendatory thereto as therein permitted, being herein called the "Order"), and a resolution duly adopted by the District Board on July 31, 1986 (the "Series Resolution"). The District has heretofore issued under the Order \$14,420,000 aggregate principal amount of its Sewerage System Revenue Bonds, Series 1985A, dated May 1, 1985 (the "Series 1985A Bonds"). 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 Additional Improvements in addition to the 1986 Improvements, to provide funds for completing payment of the cost of acquiring and constructing the Improvements, the 1986 Improvements and any other Additional Improvements, to pay any Indebtedness, as defined in the Order, incurred or assumed by the District for any purpose for which bonds may be issued and to refund any bonds issued under the Order or other Indebtedness (such additional bonds, the Series 1985A Bonds and the Series 1986A Bonds being herein collectively called the "Bonds"). The Order also provides for the assumption by the District of the payment of debt service on general obligation indebtedness or other indebtedness of units of local government or privately-owned utilities ("Additional Indebtedness") in conjunction with the acquisition of Additional Improvements and for the incurrence or assumption by the District of additional indebtedness payable from Revenues, as defined in the Order, on a parity with all Bonds and Additional Indebtedness (such indebtedness and the Bonds and Additional Indebtedness being herein collectively called "Parity Indebtedness") and of indebtedness payable from Revenues subordinate to Parity Indebtedness ("Subordinate Indebtedness") under the conditions, limitations and restrictions therein set forth. Reference is hereby made to the Order for provisions, among others, with respect to the custody and application of the proceeds of Bonds, the collection and disposition of Revenues, the special fund charged with and made available for the payment of the interest and the redemption premium, if any, on and the principal of the Bonds, any Additional Indebtedness and any other Parity Indebtedness, the nature and extent of the security for the Bonds and any Additional Indebtedness, other Parity Indebtedness and Subordinate Indebtedness thereby created, the terms and conditions on which the Bonds of each series are or may be issued or the payment of debt service on Additional Indebtedness may be assumed or other Parity Indebtedness or Subordinate Indebtedness may be incurred or assumed, the rights, duties and obligations of the District, the Bond Registrar and the Trustee and the rights of the registered owners of the Bonds. A certified copy of the Order is on file at the principal



corporate trust office of the Wachovia Bank and Trust Company, N.A., in the City of Winston-Salem, North Carolina (the "Trustee"). By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order.

The Order provides for the creation of a special fund designated the "Metropolitan Sewerage District of Buncombe County, North Carolina Bond Service Fund" (the "Bond Service Fund"), which special fund is made available for and charged with the payment of the principal of and the interest on all Bonds and any other Parity Indebtedness, and also provides for the deposit to the credit of said special fund of the Revenues after provision has been made for the payment of Current Expenses, as defined in the Order, to the extent and in the manner provided in the Order. The Order further provides for transfers to the credit of the Bond Service Fund from other special funds created by the Order and made available thereunder to make up any deficiencies in said Fund with respect to all Bonds, all 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 in order to produce at all times sufficient Revenues, together with any other available funds, to pay the Current Expenses and 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 Revenues, after provision has been made for the payment of Current Expenses, are pledged by the Order to the payment of the principal of and the interest and any redemption premium on the Bonds and other Parity Indebtedness and then Subordinate Indebtedness as provided in the Order. The District is not obligated to pay the Bonds or other Indebtedness except from the Revenues, after provision has been made for the payment of Current Expenses, or assets made available therefor under the Order. Neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof is pledged to the payment of the principal of and the interest and any redemption premium on this bond.

The Bonds are issuable as registered bonds without coupons, in such denominations as the District 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, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series and 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 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 Bond or 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 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 Bonds. Neither the District nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Bonds of a series during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Bonds of such series or any portion thereof or of any Bond after such Bond or any portion thereof has been selected for redemption.

Term Bonds at the time outstanding may be redeemed prior to their respective maturities at the option of the District Board on or after July 1, 1997 in whole on any date or in part on any interest payment date, in inverse order of maturity and by lot within a single maturity, from any moneys that may be available for such purpose at the principal amount of the Series 1986A Bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 2% of such principal amount, if redeemed on or prior to June 30, 1997, 1-1/2% if redeemed thereafter and on or prior to June 30, 1998, 1% if redeemed thereafter and on or prior to June 30, 1999, 1/2% if redeemed thereafter and on or prior to June 30, 2000 and without premium if redeemed thereafter. Term Bonds are required to be redeemed from moneys in the Sinking Fund Account, as defined in the Order, in a total principal amount equal to the Sinking Fund Requirements (less the principal amount of Series 1986A Bonds retired by purchase), as defined in the Order, in annual installments on July 1 in each of the years 1998 to 2005, inclusive, and 2007 to 2015, inclusive, at the principal amount of the Series 1986A Bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, without premium. The portion of any Series 1986A Bond to be redeemed shall be in the principal amount equal to the lowest denomination of the Series 1986A Bonds or some integral multiple thereof, and in selecting Series 1986A Bonds for redemption, the Bond Registrar shall treat each Series 1986A Bond as representing that number of Series 1986A Bonds which is obtained by dividing the principal amount of

such Series 1986A Bond by the amount of the lowest denomination of the Series 1986A Bonds.

The moneys in the Bond Service Fund and the Redemption Fund, as defined in the Order, available for the purchase or redemption of Bonds shall be allocated to all series of Bonds outstanding under the Order in the manner provided in the Order.

Not more than ninety (90) days and at least thirty (30) days before the redemption date of any 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 published in the City of Asheville, North Carolina, and to be mailed, postage prepaid, to all registered owners of Bonds or portions of Bonds to be redeemed at their addresses as they appear on the registration books of the District kept by the Bond Registrar, as provided in the Order, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. On the date designated for redemption, notice shall not affect the validity of the proceedings for such redemption. On the date designated for redemption, notice having been given as aforesaid, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Bonds or portions thereof on such date, and, if the 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 Bonds or portions thereof shall cease to accrue, such 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 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 Bond or Bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

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 the Bonds then outstanding under the Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

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

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

#### ASSIGNMENT

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

\_\_\_\_\_ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

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.

Section 8. The proposal submitted by Interstate Securities Corporation, Carolina Securities Corporation, First Charlotte Corporation and The Robinson-Humphrey Company, Inc., the underwriters (collectively the "Underwriters"), in the form of the Purchase Contract dated July 31, 1986 presented at this meeting offering to purchase the Series 1986A Bonds, bearing interest at the rates set forth in Section 2 above and at an aggregate purchase price of \$20,180,553 plus accrued interest from July 1, 1986 to the date of delivery of the Series 1986A Bonds, having been accepted by the Local Government Commission of North Carolina on behalf of the District and the Series 1986A Bonds having been

awarded to the Underwriters by said Commission at said price and upon the terms and conditions set forth in said Purchase Contract, subject to the approval of the District, the District Board hereby approves, and approves said Commission's acceptance of, such proposal and award of the Series 1986A Bonds at said price and upon such terms and conditions. The Vice-Chairman and the Secretary-Treasurer of the District Board are hereby authorized and directed in the name and on behalf of the District Board to execute said Purchase Contract evidencing the approval thereof by the District.

Section 9. The form and content of the Official Statement relating to the Series 1986A Bonds is hereby approved in all respects, and the Chairman and Engineer-Manager are hereby authorized and directed to execute said Official Statement in substantially the form presented at this meeting together with such changes, modifications, and deletions as they, with the advice of counsel, may deem necessary and appropriate; and such execution shall be conclusive evidence of the approval thereof by the District Board and the District. The District Board hereby ratifies the use and distribution of the Preliminary Official Statement, dated July 22, 1986, relating to the Series 1986A Bonds in connection with the public offering of the Series 1986A Bonds and approves and authorizes the distribution and use of copies of the Official Statement by the Underwriters in connection with such public offering.

Section 10. A special construction account is hereby created in the Construction Fund and designated "Metropolitan Sewerage District of Buncombe County Series 1986A Bonds Construction Account" (the "Series 1986A Bonds Construction Account"), to the credit of which such deposits will be made as are required by the provisions of Section 210 of the Order. The moneys in the Series 1986A Bonds Construction Account shall be applied to pay the Cost of the 1986 Improvements in accordance with the provisions of the Order.

Section 11. Simultaneously with the delivery of the Series 1986A Bonds, the Trustee shall apply the proceeds of the Series 1986A Bonds, including any amount received as accrued interest, as follows:

(a) an amount which, together with other funds available therefor as determined by the Engineer-Manager, will be equal to the increase in the Debt Service Reserve Requirement in connection with the issuance of the Series 1986A Bonds shall be deposited to the credit of the Debt Service Reserve Fund;

(b) the amount received as accrued interest on the Series 1986A Bonds shall be deposited to the credit of the Interest Account;

(c) an amount equal to the interest accruing on the Series 1986A Bonds from July 1, 1986 to July 1, 1987, less the amount of accrued interest in paragraph (a) above, shall be deposited to the credit of the Interest Account; and

(d) the balance of such proceeds shall be deposited to the credit of the Series 1986A Bonds Construction Account.

Section 12. 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 1986A Bonds, the Order, said Purchase Contract and this Resolution for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 13. This Resolution shall take effect immediately upon its passage.

Minutes  
Page Seven  
July 31, 1986

Upon motion by member Ivey, seconded by member Dent, the foregoing resolution entitled:

SERIES RESOLUTION OF THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA, AUTHORIZING THE ISSUANCE OF \$20,700,000 SEWERAGE SYSTEM REVENUE BONDS, SERIES 1986A OF SAID DISTRICT PURSUANT TO THE PROVISIONS OF SECTION 210 OF THE BOND ORDER ADOPTED BY SAID DISTRICT BOARD ON MAY 23, 1985, AS AMENDED, AND APPROVING THE AWARD OF SAID BONDS

was adopted by the following vote:

Ayes: 7  
Noes: 0

The next meeting of the MSD Board will be held Tuesday, August 19, 1986, 2 p.m.

There being no further business, the meeting was adjourned at 4:15 p.m.



Secretary

METROPOLITAN SEWERAGE DISTRICT

OF

BUNCOMBE COUNTY, NORTH CAROLINA

RESOLUTION

WHEREAS, the Metropolitan Sewerage District of Buncombe County, (MSD) received from the North Carolina Department of Natural Resources & Community Development, Division of Environmental Management (NRCD,DEM), a Special Order by Consent dated August 10, 1984, pursuant to which the MSD has operated and continues to operate its waste treatment facility; and

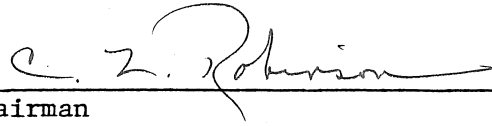
WHEREAS, the Engineer-Manager of the MSD, William H. Mull, P.E., sent a letter to NRCD,DEM on April 10, 1986, in which he defined the need and made a specific request for a revised Special Order by Consent, a copy of which letter is attached hereto and incorporated herein by reference; and

WHEREAS, the District Board of the MSD has been fully informed concerning the need and appropriateness for the revised Special Order by Consent as requested in Mr. Mull's letter and now desires to formally request from NRCD,DEM that the revised Special Order by Consent be issued to the MSD.

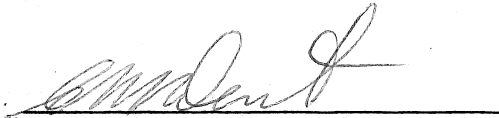
NOW THEREFORE, be it Resolved as follows:

The MSD hereby respectfully petitions and requests the NRCD,DEM that it issue to the MSD a Special Order by Consent to operate its waste treatment facility in accordance with the terms and conditions contained in the letter from William H. Mull, P.E., Engineer-Manager of the MSD, dated August 10, 1986, and attached to this Resolution.

Duly adopted and effective this 31st day of July, 1986.



Chairman

  
Secretary