

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2014**New Issue - Full Book-Entry**Ratings: Moody's: "___"
S&P: "___"
(See "Ratings" herein)

In the opinion of each of Co-Bond Counsel, under existing law, assuming compliance by the County with certain requirements of the Internal Revenue Code of 1986, as amended, (a) interest with respect to the 2014A Bonds (1) is excludable from gross income for federal income tax purposes, (2) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) is exempt from State of North Carolina income taxation and (b) interest with respect to the 2014B Bonds (1) is taxable as ordinary income for federal income tax purposes and (2) is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.

**[\$A Amount]*
Limited Obligation Bonds, Series 2014A
evidencing proportionate undivided interests
in rights to receive certain Revenues pursuant to
an Installment Financing Contract between
Buncombe Financing Corporation and the
COUNTY OF BUNCOMBE, NORTH CAROLINA**

**[\$B Amount]*
Taxable Limited Obligation Bonds, Series 2014B
evidencing proportionate undivided interests
in rights to receive certain Revenues pursuant to
an Installment Financing Contract between
Buncombe Financing Corporation and the
COUNTY OF BUNCOMBE, NORTH CAROLINA**

Dated: Date of Initial Execution and Delivery**Due: June 1, 20__**

This Official Statement has been prepared by the County of Buncombe, North Carolina (the "County") to provide information on the \$[A Amount]* Limited Obligation Bonds, Series 2014A (the "2014A Bonds") and the \$[B Amount]* Taxable Limited Obligation Bonds, Series 2014B (the "2014B Bonds" and, collectively with the 2014A Bonds, the "2014 Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in *Appendix B* hereto under "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS."

Security: The 2014 Bonds and all other Bonds outstanding under the Indenture, including the Prior Bonds (defined herein), evidence proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract (defined herein) between the Buncombe Financing Corporation (the "Corporation") and the County. The performance by the County of its obligations under the Contract, including the obligation to make Installment Payments thereunder, is secured by a Deed of Trust from the County to the Deed of Trust Trustee granting a lien of record on the Premises, subject to Permitted Encumbrances. The Corporation has assigned to the Trustee for the benefit of the registered owners of the 2014 Bonds and all other Bonds outstanding under the Indenture substantially all of its rights under the Contract, including the right to receive Installment Payments, and all of its rights as beneficiary of the Deed of Trust.

THE PRINCIPAL, PREPAYMENT PRICE AND INTEREST WITH RESPECT TO THE 2014 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE COUNTY UNDER THE CONTRACT AND, TO THE EXTENT PROVIDED IN THE INDENTURE, THE PROCEEDS OF THE SALE OF THE 2014 BONDS, CONDEMNATION AWARDS OR THE SALE OR LEASE OF THE PREMISES. NEITHER THE CONTRACT, THE 2014 BONDS NOR THE INTEREST WITH RESPECT THERETO CONSTITUTES A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE COUNTY. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION TO MAKE INSTALLMENT PAYMENTS PURSUANT TO THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE THE OWNERS OF THE 2014 BONDS. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS UPON AN EVENT OF DEFAULT RESULTING FROM THE COUNTY'S FAILURE TO MAKE INSTALLMENT PAYMENTS UNDER THE CONTRACT ARE LIMITED IN THE CONTRACT TO THOSE OF A SECURED PARTY UNDER THE LAWS OF NORTH CAROLINA, INCLUDING FORECLOSING UPON THE PREMISES IN ACCORDANCE WITH THE DEED OF TRUST AND ARE ON A PARITY WITH THOSE RIGHTS AND REMEDIES AVAILABLE TO THE OWNERS OF ALL BONDS OUTSTANDING UNDER THE INDENTURE. See "SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS" HEREIN.

Prepayment: The 2014 Bonds are subject to optional prepayment before maturity as described herein.

**Executed and
Delivered
Pursuant to:**

The 2014 Bonds will be executed and delivered pursuant to the Indenture (defined herein).

Purpose:

The proceeds of the 2014 Bonds will be used by the County to finance: (1) the 2014 Projects (defined herein), (2) the refinancing of all or a portion of the County's installment payment obligations under the 2006 Contract (defined herein), (3) the purchase of approximately \$[_____] of the Woodfin Bonds (defined herein) and (4) the costs of execution and delivery of the 2014 Bonds.

Interest Payment

Dates: June 1 and December 1 of each year, beginning June 1, 2014.

Denomination: \$5,000 and any integral multiple thereof.

**Closing/Delivery
Date:**

On or about March [5], 2014.

Registration:

Full book-entry only; The Depository Trust Company.

Trustee:

U.S. Bank National Association.

Co-Bond Counsel:

Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina and Martin L. Nesbitt, Jr., Esq., Asheville, North Carolina.

Senior Staff

Attorney:

Michael C. Frue, Esq., Asheville, North Carolina.

Underwriters'

Counsel:

McGuireWoods LLP, Charlotte, North Carolina.

BAIRD

[Co-Manager]

Date of this Official Statement is February ____, 2014.

MATURITY SCHEDULE*

[\$A Amount] Limited Obligation Bonds, Series 2014A

Due June 1 of the Year Indicated

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
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[\$B Amount] Taxable Limited Obligation Bonds, Series 2014B

Due June 1 of the Year Indicated

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
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* Preliminary, Subject to Change
52897228_3

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2014 Bonds at a level above that which might otherwise prevail in the open market. 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 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 any offer to buy, nor will there be any sale of the 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 Corporation, the County and other sources that are deemed to be reliable.

Neither the 2014 Bonds nor the Indenture have been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the 2014 Bonds and the Indenture in accordance with applicable provisions of securities laws of the states in which the 2014 Bonds and the Indenture have been registered or qualified, and the exemption from registration or qualification in other states, will not be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of 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 2014 Bonds will under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

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

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\$[A Amount]*
**Limited Obligation Bonds, Series 2014A
evidencing proportionate undivided interests
in rights to receive certain Revenues pursuant to
an Installment Financing Contract between
Buncombe Financing Corporation and the
COUNTY OF BUNCOMBE, NORTH CAROLINA**

\$[B Amount]*
**Taxable Limited Obligation Bonds, Series 2014B
evidencing proportionate undivided interests
in rights to receive certain Revenues pursuant to
an Installment Financing Contract between
Buncombe Financing Corporation and the
COUNTY OF BUNCOMBE, NORTH CAROLINA**

INTRODUCTION

The purpose of this Official Statement, which includes the Appendices hereto, is to provide certain information in connection with the execution, sale and delivery of the \$[A Amount]* Limited Obligation Bonds, Series 2014A (the "*2014A Bonds*"), and the \$[B Amount]* Taxable Limited Obligation Bonds, Series 2014B (the "*2014B Bonds*" and, collectively with the 2014A Bonds, the "*2014 Bonds*"), which evidence proportionate undivided interests in rights to receive certain Revenues (as defined herein) pursuant to an Installment Financing Contract dated as of December 1, 2010 (the "*2010 Contract*"), as amended by Amendment Number One to the Installment Financing Contract dated as of July 1, 2012 (the "*First Amendment*") and Amendment Number Two to the Installment Financing Contract dated as of February 15, 2014 (the "*Second Amendment*" and collectively with the 2010 Contract and the First Amendment, the "*Contract*"), each between Buncombe Financing Corporation (the "*Corporation*") and the County of Buncombe, North Carolina (the "*County*"). The 2014 Bonds will be executed and delivered pursuant to an Indenture of Trust dated as of December 1, 2010 (the "*2010 Indenture*"), between the Corporation and U.S. Bank National Association, as trustee (the "*Trustee*"), as supplemented by Supplemental Indenture, Number 1 dated as of July 1, 2012 (the "*First Supplement*") and Supplemental Indenture, Number 2 dated as of February 15, 2014 (the "*Second Supplement*" and collectively with the 2010 Indenture and the First Supplement, the "*Indenture*"). Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in **Appendix B** hereto.

Pursuant to the Indenture, the Corporation has previously executed and delivered (1) \$31,500,000 aggregate principal amount of its Limited Obligation Bonds (County of Buncombe, North Carolina), Series 2010A (the "*2010A Bonds*"), (2) \$20,420,000 aggregate principal amount of its Taxable Limited Obligation Bonds (County of Buncombe, North Carolina Build America Bonds), Series 2010B (the "*2010B Bonds*"), (3) \$3,800,000 aggregate principal amount of its Taxable Limited Obligation Bonds (County of Buncombe, North Carolina Qualified Zone Academy Bonds), Series 2010C (the "*2010C Bonds*" and, collectively with the 2010A Bonds and the 2010B Bonds, the "*2010 Bonds*"), and (4) \$75,365,000 aggregate principal amount of its Limited Obligation Bonds, Series 2012A (the "*2012A Bonds*" and together with the 2010 Bonds, the "*Prior Bonds*"). The Prior Bonds are currently outstanding in the amount of \$123,310,000. The 2014 Bonds will be parity obligations with the Prior Bonds under the Indenture.

This Introduction provides only certain limited information with respect to the contents of this Official Statement and is expressly qualified by the Official Statement as a whole. Prospective investors should review the full Official Statement and each of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The County

The County is a political subdivision of the State of North Carolina (the "*State*"). See the caption "**THE COUNTY**" herein for certain information regarding the County. The County's most recent audited financial statements are contained in **Appendix A** hereto.

Purpose

The 2014A Bonds are being executed and delivered to provide funds to finance: (1) the construction and equipping of a new elementary school to replace the existing Isaac Dickson Elementary School, (2) improvements to the Asheville campus of Asheville-Buncombe Technical Community College ("*A-B Tech*"), including the construction and equipping of an Allied Health Building (the "*Allied Health Building*"), the construction and equipping of a public safety training facility classroom, the construction and equipping of a multi-purpose building, and the construction of a parking deck and (3) improvements to the fourth floor of the County's existing Courts Building to provide office space for the County Sheriff (collectively, the "*2014A Projects*"), (4) the refinancing of all or a portion of the County's installment payment obligations under the 2006 Contract by refunding in advance of their maturities the Certificates of Participation, Series 2006 maturing from June 1, 2014 through June 1, 2022 inclusive in the principal aggregate amount of \$16,035,000 (the "*Refunded 2006 Certificates*"), (5) the purchase of approximately \$[_____] of the Woodfin Bonds (as hereinafter defined) and (6) the costs of execution and delivery of the 2014A Bonds. The 2014B Bonds are being executed and delivered to provide funds to finance (1) the construction of (a) a terminal facility for use by Old Dominion Freight Line, Inc. and (b) an office and light manufacturing facility to be used by GE Aviation pursuant to a long-term lease (collectively, the "*2014B Projects*" and collectively with the 2014A Projects, the "*2014 Projects*") and (2) the costs of execution and delivery of the 2014B Bonds. See the captions "**THE PLAN OF FINANCE**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

Security

The 2014 Bonds, the Prior Bonds and any additional Bonds outstanding under the Indenture (the "*Additional Bonds*") evidence proportionate undivided interests in the right to receive certain Revenues under the Contract. The 2014 Bonds are secured by such moneys as may be on deposit under the Indenture. The 2014 Bonds are payable solely from the Installment Payments and certain other moneys as provided in the Indenture. As security for its obligations under the Contract, the County has executed and delivered to a deed of trust trustee (the "*Deed of Trust Trustee*"), for the benefit of the Corporation or its assignee, a Deed of Trust, Security Agreement and Fixture Filing dated as of December 1, 2010 (the "*2010 Deed of Trust*"), as modified by a Notice of Extension of Deed of Trust to Additional Property dated as of July 1, 2012 (the "*First Notice of Extension*") and which will be further modified by a Notice of Extension of Deed of Trust to Additional Property dated as of February 15, 2014 (the "*Second Notice of Extension*" and collectively with the 2010 Deed of Trust and the First Notice of Extension, the "*Deed of Trust*"), granting a lien of record on certain County facilities and the real property on which those facilities are located, and any additions, modifications, attachments, replacements and parts thereof, as more particularly described in the Deed of Trust (the "*Mortgaged Property*"), subject to certain permitted encumbrances as described in the Contract and the Deed of Trust. Not all of the 2014 Projects are part of the Mortgaged Property; see the caption "**SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS – Deed of Trust**" herein. Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2014 Bonds, the Prior Bonds and any Additional Bonds executed and delivered pursuant to the Indenture (a) all rights, title and interest of the Corporation in the Contract (except for certain reserved rights), including its right to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund). Pursuant to the Contract, the Installment Payments are payable by the County directly to the Trustee. Additional Bonds which would have equal rights in the security available to the Owners of the 2014 Bonds and the Prior Bonds may be executed and delivered in accordance with the provisions of the Indenture. See the captions "**SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS – Additional Bonds**" herein and "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Additional Bonds**" in *Appendix B* hereto.

Under certain conditions, the Deed of Trust Trustee may release portions of the Mortgaged Property from the lien of the Deed of Trust. See the caption "**SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS – Deed of Trust**" herein and "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE DEED OF TRUST**" in *Appendix B* hereto.

If a default occurs under the Contract, the Trustee may attempt to dispose of the Mortgaged Property and apply the proceeds received as a result of any such disposition to the payment of the amounts due to the Owners of the 2014 Bonds, the Prior Bonds and any Additional Bonds. No assurance can be given that any such proceeds will be sufficient to pay the principal and interest with respect to the 2014 Bonds. In addition, no deficiency judgment can be obtained against the County if the proceeds from any such disposition (together with other funds that may be held by the Trustee under the Indenture) are insufficient to pay the 2014 Bonds in full. Neither the 2014 Bonds nor the County's obligation to make payments under the Contract constitute a pledge of the County's faith and credit within the meaning of any constitutional provision. See the caption "**SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS**" herein.

Under the authority of certain State legislation, the County levies a 7% sales tax. A portion of this sales tax includes a 1/4 cent sales tax approved by voter referendum in 2011 (the "*1/4 Cent Sales Tax Increase*"). The County will exclusively use the revenues from the 1/4 Cent Sales Tax Increase for the portion of the 2014A Bonds Installment Payments related to the capital improvement needs of A-B Tech. A portion of the proceeds from the 1/4 Cent Sales Tax Increase will be transferred to and applied by the County (although not legally and contractually pledged) to the making of Installment Payments solely with respect to the 2014A Bonds. Although the County intends to use a portion of the proceeds of the 1/4 Cent Sales Tax Increase as a source from which to make the Installment Payments with respect to the 2014A Bonds, such taxes will not be legally or contractually pledged to the making of Installment Payments with respect to the 2014A Bonds under the Agreement. See "**AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS—1/4 CENT SALES TAX INCREASE REVENUES.**" **The County cannot give any assurances that such revenue will continue, that such projections will be met or that the 1/4 Cent Sales Tax Increase will not be repealed or reduced.**

The 2014 Bonds

The 2014 Bonds will be dated their date of initial execution and delivery. Interest is payable on June 1 and December 1 of each year, beginning June 1, 2014, at the rates set forth on the cover page of this Official Statement. Principal is payable on June 1 in the years and in the amounts set forth on the cover page of this Official Statement.

Book-Entry Only

The 2014 Bonds will be delivered in book-entry form only, without physical delivery of bonds. Payments to beneficial owners of the 2014 Bonds will be made by the Trustee through The Depository Trust Company, New York, New York ("*DTC*") and its participants. See "**BOOK-ENTRY ONLY SYSTEM**" in *Appendix D* hereto.

Tax Status

In the opinion of each of Co-Bond Counsel, under existing law, assuming compliance by the County with certain requirements of the Internal Revenue Code of 1986, as amended, (a) interest with respect to the 2014A Bonds (1) is excludable from gross income for federal income tax purposes, (2) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) is exempt from State of North Carolina income taxation, and (b) interest with

respect to the 2014B Bonds (1) is taxable as ordinary income for federal income tax purposes and (2) is exempt from State of North Carolina income taxation. See "**TAX TREATMENT**" herein.

Professionals

Robert W. Baird & Co. and [Co-Manager] (together, the "*Underwriters*"), are underwriting the 2014 Bonds. U.S. Bank National Association, Charlotte, North Carolina, is serving as Trustee with respect to the 2014 Bonds. Parker Poe Adams & Bernstein LLP and Martin L. Nesbitt, Jr., Esq. are serving as Co-Bond Counsel to the County. Michael C. Frue, Esq. serves as Senior Staff Attorney. Roberts & Stevens, P.A. serves as counsel to the Corporation. McGuireWoods LLP is serving as counsel to the Underwriters. [_____] is serving as verification agent.

Additional Information

Additional information and copies in reasonable quantity of the principal financing documents may be obtained during the offering period from Robert W. Baird & Co., 380 Knollwood Street, Suite 440, Winston-Salem, North Carolina 27103, (336) 631-5800. After the offering period, copies of such documents may be obtained from the Trustee at 214 N. Tryon Street, 27th Floor, Charlotte, North Carolina 28202, (704) 335-4559.

The County will undertake in the Contract to provide continuing disclosure of certain annual financial information and operating data and material events regarding the Contract and the 2014 Bonds. See the caption "**CONTINUING DISCLOSURE OBLIGATION**" herein.

THE 2014 BONDS

Authorization

The 2014 Bonds will be executed and delivered pursuant to the Indenture. The 2014 Bonds evidence proportionate undivided interests in the right to receive certain Revenues pursuant to the Contract. The 2014 Bonds are payable solely from the Installment Payments and certain other moneys as provided in the Indenture.

The County is entering into the Contract under the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Board authorized the County's execution and delivery of the Contract in resolutions adopted on September 21, 2010, May 15, 2012 and January 14, 2014.

In addition, the County's entering into the Contract is expected to receive the required approval of the North Carolina Local Government Commission (the "*LGC*") on February 4, 2014. The LGC is a division of the State Treasurer's office charged with general oversight of local government finance in the State. Its approval is required for substantially all bond issues and other local government financing arrangements in the State. Before approving an installment financing, the LGC must determine, among other things, that (1) the proposed financing is necessary and expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3) the sums to fall due under the proposed financing are not excessive for the local government.

General

Payment Terms. The 2014 Bonds will be dated their date of initial execution and delivery. Interest with respect to the 2014 Bonds is payable on each June 1 and December 1 (the "*Interest Payment Dates*"), beginning June 1, 2014, at the rates set forth on the cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months). Principal with respect to the 2014 Bonds is payable on June 1 in the years and amounts set forth on the cover page of this Official Statement. Payments will be effected through DTC. See "**BOOK-ENTRY ONLY SYSTEM**" in *Appendix D* hereto.

Registration and Exchange. So long as DTC or its nominee is the registered owner of the 2014 Bonds, transfers and exchanges of beneficial ownership interests in the 2014 Bonds will be available only through DTC Participants and DTC Indirect Participants. See "**BOOK-ENTRY ONLY SYSTEM**" in *Appendix D* hereto. The Indenture describes the provisions for transfer and exchange applicable if a book-entry system is no longer in effect. These provisions generally provide that the transfer of the 2014 Bonds is registrable by the Owners thereof, and the 2014 Bonds may be exchanged for an equal aggregate, unprepaid principal amount of 2014 Bonds of denominations of \$5,000 or any integral multiple thereof and of the same maturity and interest rate, only upon presentation and surrender of the 2014 Bonds to the Trustee at the designated corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any tax or other governmental charge required to be paid with respect to such registration or exchange.

Prepayment Provisions

Optional Prepayment. The 2014 Bonds maturing on or before June 1, 20__, are not subject to optional prepayment before maturity. The 2014A Bonds maturing after June 1, 20__, are subject to optional prepayment at the option of the County, from any funds that may be available for such purpose either in whole or in part on any date on or after June 1, 20__, at a prepayment price equal to 100% of the principal amount of such 2014 Bond to be prepaid, together with accrued interest to the date fixed for prepayment.

General Prepayment Provisions. If the 2014A Bonds are prepaid in part, the 2014A Bonds to be prepaid will be prepaid from such series and in such order as the County will select and within the same maturity of a series of the Bonds as selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the 2014A Bonds is discontinued by lot within a maturity in such manner as the Trustee in its discretion may determine.

If the 2014B Bonds are prepaid in part, DTC will select the portion of the 2014B Bonds to be prepaid on a pro rata pass-through distribution of principal basis in accordance with its procedures, provided that, so long as the 2014B Bonds are held in book-entry form, the selection for prepayment of such 2014B Bonds will be made in accordance with the operational arrangements of DTC then in effect. If, at the time of such prepayment, the book-entry system with respect to the 2014B Bonds is discontinued, the Trustee will select the portion of the 2014B Bonds to be prepaid by lot in such manner as the Trustee in its discretion may determine.

Notice of prepayment identifying the 2014 Bonds or portions thereof to be prepaid will be given by the Trustee in writing not less than 30 days nor more than 60 days before the date fixed for prepayment (1) to the North Carolina Local Government Commission by Mail, (2)(A) to DTC or its nominee as permitted or required by DTC's rules and procedures or (B) if DTC or its nominee is no longer the Owner of the 2014 Bonds, by Mail to the then-registered Owners of 2014 Bonds or portions thereof to be prepaid at the last address shown on the registration books kept by the Trustee, and (3) to the Municipal Securities Rulemaking Board (the "*MSRB*") through the MSRB's Electronic Municipal Market Access system or any

other system pursuant to the procedures promulgated by the MSRB. Notwithstanding the foregoing, (i) if notice is properly given, failure to receive an appropriate notice will not affect the validity of the proceedings for such prepayment, (ii) the failure to give any such notice or any defect therein will not affect the validity of the proceedings for prepayment of the 2014 Bonds or portions thereof with respect to which notice was correctly given and (iii) the failure to give any such notice to the parties described in clauses (1) and (3) above, or any defect therein, will not affect the validity of any proceedings for prepayment of the 2014 Bonds.

If at the time of mailing of notice of prepayment, there has not been deposited with the Trustee moneys sufficient to prepay all the 2014 Bonds or portions thereof called for prepayment, which moneys are or will be available for prepayment of such 2014 Bonds, such notice will state that it is conditional on the deposit of the prepayment moneys with the Trustee not later than the opening of business on the prepayment date, and such notice will be of no effect unless such moneys are so deposited.

Before the date fixed for prepayment, funds will be deposited with the Trustee to pay, and the Trustee is authorized and directed to apply such funds to the payment of, the 2014 Bonds or portions thereof called, together with accrued interest with respect thereto to the prepayment date, and any required premium. Upon the giving of notice and the deposit of such funds for prepayment pursuant to the Second Supplement [], interest with respect to the 2014 Bonds or portions thereof so called for prepayment will no longer accrue after the date fixed for prepayment.

The 2014 Bonds or portions thereof called for prepayment will be due and payable on the prepayment date at the prepayment price, together with accrued interest with respect thereto to the prepayment date and any applicable prepayment premium. If the required notice of prepayment has been given and moneys sufficient to pay the prepayment price, together with accrued interest with respect thereto to the prepayment date and any required prepayment premium, have been deposited with the Trustee, the 2014 Bonds or portions thereof so called for prepayment will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2014 Bonds will have no rights with respect to such 2014 Bonds or portions thereof so called for prepayment except to receive payment of the prepayment price and accrued interest to the prepayment date from such funds held by the Trustee. Upon surrender and cancellation of any 2014 Bonds called for prepayment in part only, a new 2014 Bond or 2014 B Bonds of the same maturity and interest rate and of authorized denominations, in an aggregate principal amount equal to the unrepaid portion thereof, will be executed on behalf of the Corporation and authenticated and delivered by the Trustee.

If an Event of Default has occurred and is continuing under the Indenture, there will be no prepayment of less than all of the 2014 Bonds Outstanding.

THE PLAN OF FINANCE

The 2014A Bonds are being executed and delivered to provide funds to finance: (1) the 2014A Projects (as more fully described below), (2) the refinancing of all or a portion of the County's installment payment obligations in connection with the 2006 Contract, (3) the purchase of approximately \$[] of the Woodfin Bonds and (4) the costs of execution and delivery of the 2014A Bonds.

The 2014B Bonds are being executed and delivered to provide funds to finance: (1) the 2014B Projects (as more fully described below) and (2) the costs of execution and delivery of the 2014B Bonds.

The property subject to the Deed of Trust does not include all of the 2014 Projects. The Mortgaged Property includes only the sites and any improvements thereon on which (1) the County's Courthouse is located, (2) the Courts Building is located and (3) the Allied Health Building will be located. See "SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS - Deed of Trust" herein.

The 2014A Projects

The 2014A Projects include:

Public Safety Training Facility Classroom. The 40,000 square foot classroom facility will provide classroom space for students at the Public Safety Training Center at A-B Tech, providing a training platform for continuing education public safety classes administered by A-B Tech.

Improvements to Courts Building. The County will build out the currently unfinished fourth floor of the Courts Building to provide office space for the County Sheriff.

Isaac Dickson Elementary School. The County will demolish the existing Isaac Dickson Elementary School and build a 77,170 square foot school that will include kindergarten through fifth grade and is designed for a capacity of 525 students. The new school will include 16 classrooms, a media center, a cafeteria and kitchen, a multipurpose-gym/auditorium, specialist rooms, administrative offices, 8 outdoor classrooms, a small educational greenhouse, 3 playground areas, a soccer field, a half-court basketball area, a school/community garden, a bio-retention and teaching pond, bicycle racks, parent/student and bus/student drop-off areas, entry canopies and parking lots.

A-B Tech Allied Health Building. This five story, 169,543 square foot structure will house approximately 22 classrooms and 14 labs, as well as multipurpose spaces, student commons and associated offices. The building will house allied health and workforce development programs, including the school's nursing, certified nursing assistant, dental and child development programs.

A-B Tech Multipurpose Building. This will be a 26,000 square foot building that will consist of a large, flat, multipurpose space and a lobby area including a gallery, a catering kitchen and restrooms. The space will seat up to 800 people and can be divided into 3 flex spaces.

A-B Tech Parking Deck. The parking deck will be located next to the A-B Tech multipurpose building described below. The 7-story, 260,000 square foot structure will hold 652 parking spaces and will be available for use by the entire campus.

The Plan of Refunding

The 2014A Bonds are being executed and delivered to provide funds to prepay all or a portion of the County's obligations under an Installment Financing Contract dated as of March 1, 2006 (the "*2006 Contract*") with the Corporation, the proceeds of which were used to finance various County projects including (1) certain improvements to A-B Tech's facilities; (2) certain improvements to the Buncombe County Board of Education's facilities; (3) acquisition of certain facilities for the use of Handmade in America Community Development Corporation; and (4) certain improvements to the Asheville City Board of Education's facilities.

A portion of the proceeds of the 2014A Bonds will be used, together with other available funds, to purchase certain direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (the "*Federal Securities*"). The Federal Securities will be held in trust by U.S. Bank National Association, as escrow agent (the "*Escrow Agent*") pursuant to an Escrow Agreement dated as of February 15, 2014 (the "*Escrow Agreement*") between the County and the Escrow Agent. The Federal Securities will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts, so that sufficient money will be available to pay when due all principal of and interest on the Refunded 2006 Certificates to and including their respective dates of prepayment. The Escrow Agent will apply the maturing principal of and the interest on the Federal Securities to the prepayment of the principal of and interest with respect to the Refunded 2006 Certificates and the Escrow Agent has been irrevocably instructed to prepay the Refunded 2006

Certificates on their respective dates of prepayment. Amounts on deposit under the Escrow Agreement will not secure the 2014A Bonds.

Escrow Verification.

The Verification Agent will verify, from the information provided to it by the Underwriters, the mathematical accuracy, as of the date of execution and delivery of the 2014A Bonds, of (i) the mathematical computations contained in the schedules provided by the Underwriters to determine that the deposit to the Escrow Fund, together with other funds available therefor listed in such schedules to be held by the Escrow Agent, will be sufficient to pay interest payments with respect to the Refunded 2006 Certificates when due, and the principal of and prepayment price of the Refunded 2006 Certificates on their respective date of prepayment and (ii) the mathematical computations of yield of the 2014A Bonds contained in the provided schedules. The Verification Agent will express no opinion on the exemption from taxation of the interest on the 2014A Bonds. Each of Co-Bond Counsel will rely on such verification in rendering its opinion as to the exclusion of interest on the 2014A Bonds from gross income of the recipients thereof for purposes of federal income taxation.

The Plan of Purchase

Pursuant to a General Trust Indenture dated as of August 1, 2008 (the "*2008 Indenture*") as supplemented by the Series Indenture dated as of August 1, 2008 (the "*Series Indenture*" and together with the 2008 Indenture, the "*Woodfin Indenture*") between the Corporation and U.S. Bank National Association, as trustee, the County issued \$12,960,000 Project Development Financing Revenue Bonds (Woodfin Downtown Corridor Development), Series 2008 (the "*Woodfin Bonds*") to finance the roadway, sidewalk, water and sewer infrastructure and other improvements within the Woodfin Downtown Corridor Development Financing District. The Woodfin Bonds are currently outstanding in the amount of \$12,960,000.

To refinance its obligations with respect to the Woodfin Bonds, the County has offered to purchase all of the Woodfin Bonds at a purchase price of 101.5% of the principal amount thereof, plus accrued interest to the purchase date, expected to be the date the 2014A Bonds are executed and delivered. The registered owners of \$[_____] in principal amount of the Woodfin Bonds have agreed to sell them to the County on those terms. Woodfin Bonds so purchased will be turned over to the trustee for the Woodfin Bonds and applied as a credit against future sinking fund obligations under the Woodfin Indenture.

The 2014B Projects

Proceeds of the 2014 B Bonds will be used to construct two buildings: (1) a terminal facility to be located at 2154 Hendersonville Road, Arden, North Carolina and used by Old Dominion Freight Line, Inc. and (2) a 170,000 square foot office and light manufacturing facility to be located within Sweeten Creek Industrial Park at 502 Sweeten Creek Industrial Park Drive, Asheville, North Carolina and be used by GE Aviation pursuant to a long-term lease from the County.

ESTIMATED SOURCES AND USES OF FUNDS

The following table presents information as to the estimated sources and uses of funds:

Sources of Funds:	Amount
Par Amount of 2014A Bonds	
Par Amount of 2014B Bonds	
County Contribution ¹	
TOTAL	
Uses of Funds:	
Deposit to the 2014A Bonds Account of the Acquisition and Construction Fund	
Deposit to the 2014B Bonds Account of the Acquisition and Construction Fund	
Escrow Fund created for Refunded 2006 Certificates	
Transfer to Trustee for purchase of Woodfin Bonds	
Costs of Issuance ²	
TOTAL	

¹The County is paying the interest on the Refunded 2006 Certificates from its own funds.

²Includes legal fees, printing costs, Underwriters' discount, rating agency fees and other miscellaneous transaction costs.

SECURITY AND SOURCES OF PAYMENT OF 2014 BONDS

The 2014 Bonds, the Prior Bonds and any Additional Bonds evidence proportionate undivided interests in the rights to receive certain Revenues pursuant to the Contract. The 2014 Bonds will be proportionately and ratably secured with the Prior Bonds and any Additional Bonds executed and delivered pursuant to the Indenture. Revenues are defined in the Contract to mean (a) all Net Proceeds not applied to the replacement of the Projects, (b) all Installment Payments and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund). Notwithstanding the foregoing, the Owner of each 2014 Bond is not entitled to receive more than the amount of principal and interest represented by such 2014 Bond.

Installment Payments and Additional Payments

Under the Contract, the County is required to make the Installment Payments directly to the Trustee in amounts sufficient to provide for the payment of the principal (whether at maturity, by prepayment or otherwise) and interest with respect to the 2014 Bonds, the Prior Bonds and any Additional Bonds hereafter executed and delivered under the Indenture as the same become due and payable.

The County is also obligated under the Contract to pay as Additional Payments to such persons as are entitled thereto, the reasonable and customary expenses and fees of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the County or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon in the event that the County fails to pay the same).

Budget and Appropriation

Pursuant to the Contract, the County will (a) cause its budget officer (as statutorily defined) to include the Installment Payments and the reasonably estimated Additional Payments coming due in each Fiscal Year in the corresponding annual budget request, (b) require that the deletion of such funds from the County's final budget or any amended budget be made only pursuant to an express resolution of the Board which explains the reason for such action and (c) deliver notice to the Trustee, S&P, Moody's and the LGC within five days after the adoption by the Board of the resolution described in clause (b) above. Nothing contained in the Contract, however, obligates the County to appropriate moneys contained in the proposed budget for the payment of the Installment Payments or the reasonably estimated Additional Payments coming due under the Contract.

In connection with the Installment Payments and the Additional Payments, the appropriation of funds therefor is within the sole discretion of the Board.

Deed of Trust

General. In connection with the execution and delivery of the 2010 Bonds, the County executed the 2010 Deed of Trust as security for its obligations under the 2010 Contract granting a lien of record on the County's Courthouse. In connection with the execution and delivery of the 2012A Bonds, the County executed the First Notice of Extension as additional security for its obligations under the Contract. The First Notice of Extension expanded the definition of Premises to include the site on which the Courts Building is located. In connection with the execution and delivery of the 2014 Bonds, the County will execute a Second Notice of Extension of Deed of Trust to Additional Property to extend the lien under the Deed of Trust to the site on which the Allied Health Building will be located.

ONLY THE COURTHOUSE, THE COURTS BUILDING AND THE SITE ON WHICH THE ALLIED HEALTH BUILDING WILL BE LOCATED WILL BE INCLUDED IN THE DEFINITION OF "MORTGAGED PROPERTY" AND, CONSEQUENTLY, SUCH REAL PROPERTY AND ANY IMPROVEMENTS THEREON WILL BE SUBJECT TO THE LIEN CREATED BY THE DEED OF TRUST.

The Deed of Trust authorizes future obligations evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed \$150,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

The Deed of Trust will be recorded in the office of the Register of Deeds of Buncombe County, North Carolina, and the liens created thereby will be insured by a title insurance policy.

Release of Security. So long as there is no event of default under the Deed of Trust, the Trustee, with the Corporation's consent, must release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

(1) in connection with any release of the Mortgaged Property, or any part thereof, there is filed with the Corporation a certified copy of the resolution of the Board of Commissioners of the County stating the purpose for which the County desires such release, giving an adequate legal description of the part of the Mortgaged Property to be released, requesting such release and providing for payment by the County of all expenses in connection with such release;

(2) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, either (1) the replacement value of the Mortgaged Property remaining after the proposed release (as such replacement value is evidenced by or derived from an appraisal of the remaining Mortgaged Property prepared by a certified MAI-

approved appraiser) is not less than 50% of the aggregate principal component of the Installment Payments then Outstanding under the Indenture or (2) the County (i) provides for the substitution of other real property therefor and the replacement value of the Mortgaged Property (as evidenced by or derived from an appraisal prepared by a certified MAI-approved appraiser) remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Trustee and the Corporation an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of the Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Mortgaged Property. Any appraisal ordered pursuant to the Deed of Trust may be prepared by an employee of the County, so long as such employee is a certified MAI-approved appraiser;

(3) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, such release will not prohibit the County's ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released; and

(4) in connection with the release of the entire Mortgaged Property, there is paid to the Corporation an amount sufficient to provide for the payment in full all of the Bonds then Outstanding under the Indenture.

Indenture

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2014 Bonds, the Prior Bonds and any Additional Bonds executed and delivered under the Indenture (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, certain notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund).

Enforceability

NEITHER THE CONTRACT NOR THE 2014 BONDS CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE THE OWNERS OF THE 2014 BONDS PURSUANT TO THE CONTRACT.

The remedies afforded to the Trustee and the Owners of the 2014 Bonds upon a default by the County under the Contract are limited to those specified in the Contract and the Indenture, including exercising the rights of the beneficiary under the Deed of Trust and the rights of the Trustee in the funds held under the Indenture.

The 2014 Bonds will not constitute a debt or general obligation of the Corporation and will not give the Owners of the 2014 Bonds any recourse to the assets of the Corporation, but will be payable solely from amounts payable by the County under the Contract, from amounts realized on the foreclosure on the Mortgaged Property pursuant to the Deed of Trust and from funds held in certain funds and accounts under the Indenture for such purpose.

The enforceability of the Indenture, the Contract and the Deed of Trust is subject to bankruptcy, insolvency, fraudulent conveyance and other related laws affecting the enforcement of creditors' rights generally and, to the extent that certain remedies under such instruments require, or may require, enforcement by a court, to such principles of equity as the court having jurisdiction may impose.

See "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE CONTRACT – Remedies on Default**" in *Appendix B* for a more complete description of the rights and powers of the Trustee upon the occurrence of an event of default under the Contract.

Additional Bonds

Under the conditions described in the Indenture and so long as no Event of Default has occurred and is continuing under the Indenture, the Corporation may execute and deliver Additional Bonds under the Indenture without the consent of the Owners of the 2014 Bonds, the Prior Bonds or any Additional Bonds then Outstanding under the Indenture to provide funds to pay (a) the cost of expanding the Projects or acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by the County for public purposes; (b) the cost of refunding of all or any portion of the Prior Bonds or 2014 Bonds or any other installment financing obligations of the County, provided that such a refunding does not result in a reduction in the rating assigned to the Outstanding Bonds by Moody's or S&P; and (c) the Cost of Issuance relating to the execution, delivery and sale of such Additional Bonds.

The 2014 Bonds are payable on a parity with the Prior Bonds and any Additional Bonds hereafter executed and delivered pursuant to the Indenture. The Installment Payments and any Installment Payments with respect to Additional Bonds issued under the Indenture will be deposited as received by the Trustee in the Bond Fund held by the Trustee. Moneys in the Bond Fund will be withdrawn and used to pay the principal and interest with respect to the 2014 Bonds, the Prior Bonds and any Additional Bonds executed and delivered under the Indenture as the same become due and payable. If on any date the moneys on deposit in the Bond Fund are insufficient to pay all of the principal and interest with respect to the 2014 Bonds, the Prior Bonds or any Additional Bonds executed and delivered under the Indenture which are due and payable on such date, such moneys will be used to pay such principal and interest with respect to the 2014 Bonds, the Prior Bonds and any such Additional Bonds entitled to receive principal or interest on such date in the manner provided in the Indenture. See "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Application of Moneys**" in *Appendix B*.

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

General

The County may pay its Installment Payments from any source of funds available to it in each year and appropriated therefor during the term of the Contract.

General Fund Revenues

The County's general fund revenues for the Fiscal Year ended June 30, 2013 were \$252,768,647. The County's general fund revenues for the Fiscal Year ending June 30, 2014 are budgeted at \$264,608,920. General fund revenues are derived from various sources including property taxes, which generate approximately 58% of the general fund revenue, sales taxes, intergovernmental revenues, and fines and forfeitures. For the Fiscal Years ended June 30, 2013 and ending June 30, 2014, the County imposed a property tax of \$[0.525] per \$100 of assessed value. A rate of \$.01 per \$100 of assessed value in the Fiscal Year ended June 30, 2013, generated approximately \$2,982,263 and in the Fiscal Year ending June 30, 2014, is expected to generate approximately \$2,714,897. The General Statutes of North Carolina permit counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain

purposes without the requirement of a voter referendum. See *Appendix A* hereto for a description of the uses of the County's general fund revenues for the Fiscal Year ended June 30, 2013.

1/4 Cent Sales Tax Increase Revenues

The County currently levies a seven cent total State sales tax. The County receives 2¼ cents of this amount and shares proceed from the first two cents with its six municipalities on a per capita basis. In November 2011, County voters approved a 1/4 cent sales tax increase (the "*1/4 Cent Sales Tax Increase*"). The County implemented the 1/4 Cent Sales Tax Increase effective April 2012. The County will exclusively use the revenues from the 1/4 Cent Sales Tax Increase for the portion of the Installment Payments with regard to the 2014A Bonds related to the capital improvement needs of A-B Tech. Although the County intends to use a portion of the proceeds of the 1/4 Cent Sales Tax Increase as a source from which to make the Installment Payments with respect to the 2014A Bonds, such taxes will not be legally or contractually pledged to the making of Installment Payments with respect to the 2014A Bonds under the Agreement.

INSTALLMENT PAYMENT SCHEDULE

The following schedule sets forth for each Fiscal Year of the County ending June 30 the amount of principal (whether at maturity or pursuant to mandatory prepayment) and interest required to be paid under the Contract with respect to the Prior Bonds and the 2014 Bonds. Totals may not foot due to rounding.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Prior</u> <u>Bond Total</u>	<u>2014A Bonds</u>		<u>2014B Bonds</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	

Total

CERTAIN RISKS OF 2014 BOND OWNERS

Limited Obligation of the County

If the Installment Payments to be made by the County are insufficient to pay the principal and interest with respect to the 2014 Bonds, the Prior Bonds and any Additional Bonds, as the same become due or, if any other event of default occurs under the Contract, the Trustee may accelerate the 2014 Bonds and all unpaid principal amounts due by the County under the Contract and foreclose on the County's interest in the Mortgaged Property under the Deed of Trust. The Mortgaged Property includes only the sites and any improvements thereon on which (1) the County's Courthouse is located, (2) the Courts Building is located and (3) the Allied Health Building will be located.

No deficiency judgment may be rendered against the County in any action for any breach of the Contract. The taxing power of the County is not and may not be pledged directly or indirectly or contingently to secure any moneys due under the Contract. The remedies afforded to the Trustee and the Owners of the 2014 Bonds, the Prior Bonds and any Additional Bonds upon a default by the County under the Contract are limited to those of a secured party under the laws of the State, including foreclosing on the County's interest in the Mortgaged Property covered by the Deed of Trust. There can be no assurance that the moneys available in the funds and accounts held by the Trustee and the proceeds of any such foreclosure will be sufficient to provide for the payment of the principal and interest with respect to the 2014 Bonds, the Prior Bonds and any Additional Bonds outstanding under the Indenture.

Risk of Nonappropriation

The appropriation of moneys to make the Installment Payments is within the sole discretion of the Board of the County. If the Board fails to appropriate such moneys, the only sources of payment for the 2014 Bonds will be the moneys, if any, available in the respective funds and accounts held by the Trustee under the Indenture and the proceeds of any attempted foreclosure on the County's interest in the Mortgaged Property under the Deed of Trust.

Environmental Risks

The County has not obtained a Phase I environmental assessment for the Mortgaged Property. The County has owned the land on which the County Courthouse is located since 1901 and the three tracks of land on which the Courts Building is located since 1975, 1980 and 1994. The County purchased the tract of land on which the Allied Health Building will be located in 1987 and has subsequently transferred it to A-B Tech. The County is not aware of any recognized environmental concerns with respect to the Mortgaged Property.

Environmental contamination of the Mortgaged Property and undiscovered or future environmental contamination, could have a material adverse affect on the value of the Mortgaged Property; however, the County is required under the Deed of Trust to undertake whatever environmental remediation may be required by law.

Value of Collateral

No special appraisal of the Mortgaged Property has been obtained and the amount of proceeds received through foreclosure of the County's interest in the Mortgaged Property will be affected by a number of factors, including (1) the costs and expenses in enforcing the lien and security, (2) the condition of the Mortgaged Property, (3) the occurrence of any damage, destruction, loss or theft of the Mortgaged Property which is not repaired or replaced and for which there are not received or appropriated moneys from insurance policies or any risk management program, (4) problems relating to the paucity of

alternative uses of the facilities arising from their design, zoning restrictions, use restrictions, easements and encumbrances on the Mortgaged Property and (5) environmental problems and risks with respect to the Mortgaged Property.

No representation is made as to the value of the County's interest in the Mortgaged Property in foreclosure.

Uninsured or Underinsured Casualty

If (a) all or any part of the Projects is partially or totally damaged or destroyed by any fire or other casualty or is wholly or partially taken pursuant to eminent domain proceedings, (b) a material defect in construction of any portion of the Projects becomes apparent; or (c) title to or the use of any portion of the Projects is lost by reason of a defect in title thereto, the County may elect not to repair, restore, improve or replace the affected portion of the Mortgaged Property if (1) the Net Proceeds are less than \$500,000 and (2) a County Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Mortgaged Property to its intended use. In such event, the County will direct the Trustee to deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds. The Contract requires the County to maintain certain insurance with respect to the Mortgaged Property, but such insurance may not cover all perils to which the Mortgaged Property is subject or provide sufficient Net Proceeds to fully repair or replace the Mortgaged Property.

Legislation Affecting the 1/4 Cent Sales Tax Increase

As described above in the caption "**AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS – 1/4 CENT SALES TAX INCREASE REVENUES,**" the General Assembly of the State is not precluded by any existing statutory or constitutional provision from enacting legislation which may repeal, reduce or otherwise adversely affect the County's authority to impose the 1/4 Cent Sales Tax Increase, and the County can give no assurance that State legislation will not be enacted which may have the effect of repealing or reducing the 1/4 Cent Sales Tax Increase. The proceeds of the 1/4 Cent Sales Tax Increase have not been pledged by the County, directly or indirectly, as security for the 2014A Bonds and the Owners have no lien on or claim against such proceeds, whether or not an Event of Default occurs under the Agreement.

Outstanding General Obligation Debt of the County

The County has general obligation bonds outstanding and may issue additional general obligation bonds and notes in the future. The County has pledged and will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes issued or to be issued. See the caption "**THE COUNTY – Debt Information**" for a description of the County's outstanding and authorized but unissued general obligation bonds and notes. **FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE CONTRACT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.**

Other Indebtedness

There is no limitation on the County entering into additional contracts which provide for obligations the payment on which is subject to appropriation. See "**THE COUNTY – Debt Information – Other Long-Term Commitments**" herein.

Bankruptcy

Under North Carolina law, a local governmental unit such as the County may not file for bankruptcy protection without (1) the consent of the LGC and (2) the satisfaction of the requirements of § 109(c) of the United States Bankruptcy Code. If the County were to initiate bankruptcy proceedings with the consent of the LGC and satisfy the requirements of 11 U.S.C. § 109(c), the bankruptcy proceedings could have material and adverse effects on holders of the 2014 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the 2014 Bonds. The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the holders of the 2014 Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy.

THE CORPORATION

The Buncombe Financing Corporation is a nonprofit corporation incorporated under the Nonprofit Corporation Act of the State of North Carolina on May 8, 1992. The Corporation's purpose, as stated in its Articles of Incorporation, is to promote the general welfare of the citizens of the County by assisting the County in carrying out its municipal and governmental functions through the acquisition, construction and operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public. The Corporation has engaged in numerous financing transactions for the County and may participate in other financing transactions for the County in the future.

The Corporation's Board of Directors consists of three individuals. Directors are elected by the Board of Directors at the annual meeting of the Corporation's directors. Directors may hold office for one year terms or until their death, resignation, removal or disqualification or until their successors are duly elected and qualified.

The current members of the Corporation's Board of Directors are Vinson A. Parsons, James Holland and Jerome Jones.

The Corporation's officers are elected by the Board of Directors at the annual meeting of the Corporation's directors. The current officers of the Corporation are:

President and Chair of the Board:	Jerome Jones
Vice President, Secretary and Treasurer:	James Holland
Vice President:	Vinson A. Parsons
Assistant Secretary:	Vincent D. Childress, Jr.

The Corporation's officers and directors serve without compensation, except for reimbursement of expenses and except that Vincent D. Childress, Jr., the Corporation's Assistant Secretary, is compensated for his services as counsel to the Corporation. The Corporation has no employees and does not expect to have any employees.

The Corporation's role in the financing described in this Official Statement will be limited. The Corporation's officers, directors and counsel will have the opportunity to review this Official Statement and the principal financing documents and to assist in their preparation. The Corporation's counsel will deliver certain legal opinions in connection with the transaction. The Corporation and the County expect, however, that the Corporation will have no continuing responsibilities or involvement with respect to the Mortgaged Property, its operations or the financing, or with respect to monitoring or providing for compliance with the terms of any of the financing documents.

THE COUNTY

General Description and Demographic Characteristics

The County was established in 1791, at which time it extended from the Blue Ridge Mountains to the Tennessee border. The subsequent creation of additional western North Carolina counties eventually reduced the County to its present 646 square mile area.

The City of Asheville is the County seat and lies at the geographic center of the County. The City of Asheville is approximately 240 miles west of the City of Raleigh, North Carolina; 204 miles north of the City of Atlanta, Georgia; and 100 miles east of the City of Knoxville, Tennessee.

The County has experienced steady growth over the past several decades. The North Carolina Office of State Budget and Management, has recorded the population of the County over the past several years to be as follows:

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
230,421	239,179	243,708	245,228

Business and Economic Profile

The County is the most populous county in the western part of the State and serves as a regional economic center for western North Carolina. The County has a diverse commercial and industrial base which includes travel and tourism, retail and wholesale trade, healthcare, technology, governmental services and manufacturing.

New Businesses. The Asheville-Buncombe County Economic Development Coalition continues to pursue new investments. The Asheville Area Chamber of Commerce and the Economic Development Coalition for Asheville-Buncombe County have undertaken a five-year economic development initiative to raise \$3 million to create 5,000 new jobs in the County. The following companies have recently announced new or expanded business in the County:

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 the 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.

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

In January, 2012 Cakuun Website Management Services, a website management and creative marketing services firm, selected Asheville for its new offices.

Over the next three years, Nypro, a precision plastic products manufacturer, will add 75,000 square feet of space to its 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 markets, is pledging to hire 260 employees by the end of 2013 and invest \$75 million. It has also announced plans to expand the operation to 650 jobs and boost the total capital investment to \$200 million.

The largest employers in the County are set forth below. The following table lists the 10 largest non-manufacturing employers in the 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 Omni 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.

The following table lists the 10 largest manufacturing employers in the 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.

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

Fiscal Year Ended June 30	Total Retail Sales	Increase (Decrease) Over Previous Year
2007	\$3,336,213,094	12.5%
2008	3,283,358,807	(1.6)
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.

Construction activity in the County is indicated by the following table which summarizes the number and value of building permits for new construction issued in the County:

Calendar Year	Residential¹		Non-residential²		Total Value
	Number	Value	Number	Value	
2009	1,617	\$184,251,011	1,674	\$176,684,210	\$360,935,221
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.

The County and the City of Asheville are home to accounting and financial firms, technology and communication companies and an educated workforce provided by five four-year colleges and universities, as well as the Asheville-Buncombe Technical Community College Business Incubator. The County is served by a number of banking institutions: PNC Bank, Wells Fargo Bank, National Association; Bank of America, N.A.; First Citizens Bank & Trust Company; Branch Banking and Trust Company; Hometrust Bank; Capital Bank; TD Bank National Association; Fifth Third Bank; Forest Commercial Bank; Woodforest National Bank; Mountain First Bank & Trust; Pisgah Community Bank; Southern Community Bank & Trust; and SunTrust Bank. Two savings banks, Black Mountain Savings Bank and Asheville Savings Bank, also serve the County. The County is also the home of a Dixon Hughes Goodman LLC accounting office.

Healthcare.

The healthcare and social assistance industry is another significant portion of the County's economy. The strength of this portion of the 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. See the caption "**THE COUNTY – Human Services**" herein.

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 the County with nearly 7,000 employees including over 1,800 registered nurses. Mission is licensed for more than 800 beds on its two adjoining campuses in the City of Asheville. The medical staff has more than 750 physicians representing most specialties and subspecialties. Mission is the busiest surgical hospital 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 the County, (2) home health nursing and therapy, and private duty services in the 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 the 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 1,500 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. The County does not contribute directly to the financial support of MAHEC.

The County neither owns nor operates any of these facilities. The County has supported indigent patient care costs historically by annual appropriations distributed to the hospitals on the basis of indigent patient encounters. More recently, such funds have been appropriated to support a volunteer physician provider network through the Buncombe County Medical Society that also provides prescription drug and durable medical equipment support. This support assists in reducing inappropriate use of the Emergency Department and helps reduce inpatient hospitalizations by linking indigent patients to primary care, specialty providers, and diagnostic services that otherwise might not be available. The County also supports a broad range of initiatives to link patients to a medical home and to enroll eligible individuals into Medicaid and/or Health Choice.

In addition to the healthcare providers described above and the healthcare services discussed in the caption "**THE COUNTY – Human Services**," the 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 Asheville 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.

The County and the City of Asheville have begun to draw technology entrepreneurs from around the nation. The County is the home of "Meet the Geeks," an organization intended to foster creativity, innovation, professional development and intra-company collaboration among the County's diverse technology companies. Several companies in the science and technology sector are based in the 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, which announced plans in December 2010 to invest \$1.8 million in capital improvements at its facility located in the County and the creation of over 400 net new jobs. The County is also the site of several manufacturing facilities that fabricate innovative and technologically advanced products, including BorgWarner Inc., Eaton Corporation, Kearfott Corporation and Thermo Fisher Scientific. In addition to these commercial ventures, the County is home to the National Climatic 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.

Manufacturing is a strong segment of the 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.

Recently, 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.

Tourism.

Activities and businesses supporting tourism constitute one of the largest sectors of the 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 the 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 the County.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
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 attracts nearly 15 million people each year, is headquartered in the 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.

A portion of the half million acre Pisgah National Forest is located in the 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 the 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 and has been designated a Top Five Spa Resorts by *Travel+Leisure Magazine* for the country. 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 the 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.

City of Asheville. The City of Asheville is the largest city in western North Carolina and is the County seat. Since 2007 when Topretirements.com published its first list of the best places to retire, the City of Asheville has been named #1. The City of Asheville was listed as one of the top ten places to retire by *MarketWatch* in February 2010. *US News & World Report* included the City of Asheville as one of the ten best places to retire in October 2009.

The City of Asheville has a rich diversity of arts and culture available for its residents' enjoyment, including approximately 30 art galleries in its downtown area. The City of Asheville did not experience the urban renewal process of the 60s and 70s. As a result, it has left a rich architectural legacy with a mix

of Art Deco, Beaux Arts and Neoclassical style. Pack Place Education, Arts and Science Center, located in the center of downtown Asheville, is a \$15 million cultural complex which opened in 1992. It contains a performing arts theater, the Cogburn Mineral Museum, the Asheville Art Museum, meeting rooms and food and concession areas.

Pack Square Park, located in the center of downtown Asheville, reopened in 2009 following an extensive \$20.5 million renovation. The park features a performing arts stage, water features, green space, and war veterans' memorial. Renovations to the park were completed in 2012 and include a 1,200 square foot pavilion that houses public restrooms and a visitor center staffed by Asheville Area Chamber of Commerce.

The River Arts District, located near downtown Asheville along the French Broad River, is home to approximately 150 artists, various studios, galleries and restaurants in approximately 20 buildings, many of which are converted warehouse. With New Belgium Brewing Company's announcement its brewery in this area, development is expected to continue. See "*New Businesses*" below.

U.S. Cellular Center Asheville (formerly Asheville Civic Center, herein the "*Center*") has been providing facilities for entertainment, convention, commercial, cultural and sports activities for the City of Asheville and the County since 1974. The Center includes a 7,200-seat arena, a banquet hall, a performing arts auditorium with seating capacity of 2,431 and an exhibition hall. The Center hosts over 200 events annually and attracts well over 200,000 people annually. The Southern Conference league's men's and women's basketball tournament was held in the City of Asheville in 2012 and will be held in the City of Asheville again in 2013 and 2014.

In September 2009, Biltmore Farms, a local land development company founded in the City of Asheville in 1897 by George W. Vanderbilt, and Crosland, a commercial and residential real estate asset management organization, opened Biltmore Park Town Square. The comprehensive mixed-use development is located on 42 acres within the City of Asheville's corporate limits and includes 282,051 square feet of office space, a 165-room LEED certified Hilton hotel, 120 Class A apartments located over retail, 73 condominiums, a 60,000 square-foot YMCA complex and 1,888 parking spaces in four structured decks.

The City of Asheville also contains the (1) Grove Arcade, a historic building, has been converted into a modern shopping arcade and features local crafts, boutiques, fresh food and an array of restaurants representing the area's distinct mountain heritage, (2) The Basilica of St. Lawrence, completed in 1909 and designed by Rafael Gustavino and Richard Sharpe Smith, architects of the Biltmore House, which has the largest freestanding elliptical dome in the country, (3) the Thomas Wolfe Memorial State Historic Site, the novelist's boyhood home and setting for his 1929 novel "Look Homeward, Angel," (4) The Asheville Art Museum, which features a permanent collection of 20th and 21st century art, (5) the Colburn Earth Science Museum, intended to foster an appreciation for the earth and its resources and environments through exhibits, educational programming and the care of its collection, (6) the YMI Cultural Center, which celebrates African and African American culture and features numerous exhibits dealing with the history of African Americans in western North Carolina, (7) The Folk Art Center, home to the Southern Highland Craft Guild, a membership guild of craftspeople some of who share their knowledge of crafts and Appalachian culture with the public through a series of free educational events that take place year-round at the Folk Art Center and (8) The Botanical Gardens of Asheville, located on a ten-acre site next to the UNC Asheville campus, and home to more than 700 plant species that are native to the southern Appalachian Mountains. Other tourist attractions in or near the City of Asheville include the Thomas Wolfe Memorial, the Zeb Vance birthplace, Oconaluftee Indian Village and "Unto These Hills," an outdoor drama.

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	N/A
June	8.5	8.5	7.9	7.1	December	7.4	7.6	7.2	N/A

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>
October 2010	7.4%	10.0%	9.0%
October 2011	7.5	9.9	8.5
October 2012	7.0	9.1	7.5
October 2013	5.5	7.5	7.0

Government and Major Services

Government Structure. The County has a commissioner/county manager form of government with seven commissioners (the "*Board of Commissioners*"), one of whom is elected as Chairman. Two commissioners are elected from each of the three House of Representative Districts in the County to serve staggered four-year terms. Each commissioner is required to reside in and represent one of the districts, and only the qualified voters of that district are eligible to vote for that district seat.

The Board of Commissioners is the legally constituted, law making and policy making body of the County. The major duties of the Board of Commissioners include adoption of an annual budget, establishing the annual property tax rate, enactment of policies concerning the operation of the County, enacting local ordinances and appointment of the County Manager. The Board of Commissioners also has authority to issue bonds and enter into contracts.

The County Manager is the chief administrator of the County, appointed by the Board of Commissioners to serve at its discretion for an indefinite term. Major duties of the County Manager include supervising and coordinating the activities of the various County departments, attending Board of Commissioners meetings and making recommendations on applicable matters of business, ascertaining that all orders and policies of the Board of Commissioners are implemented and recommending the annual budget.

Education. The County has two public school systems: (1) the Asheville City Administrative Unit which serves approximately 14% of the students in the County and (2) the Buncombe County Administrative Unit which serves the remaining students in the County. The Asheville City Administrative Unit is operated and administered by a Board of Education whose members are appointed by the Asheville City Council. The Buncombe County Administrative Unit is operated and administered by an elected Board of Education. Each board appoints a school superintendent. State law provides a basic minimum educational program for each school administrative unit or district which in turn is supplemented by the County and federal governments. The minimum program provides funds for operational costs only. The building of public school facilities has also been a joint State and County

effort. Local financial support is provided by the County for capital and operating expenses not provided by the State. Each board of education submits its approved budget to the Board of Commissioners. Based on these budgets, the Board of Commissioners determines the amount of County revenue to be appropriated to each school administrative unit for the year.

The Asheville City Board of Education is authorized to request the Board of Commissioners to levy a supplemental tax not to exceed \$.25 per \$100 valuation for supplemental operating expenses. At the request of the Asheville City Board of Education, the Board of Commissioners has levied an ad valorem tax which is currently \$0.15 per \$100 valuation on all property within the Asheville City School District.

The following table illustrates the number of schools and average daily membership for each administrative unit for the past five years:

BUNCOMBE COUNTY ADMINISTRATIVE UNIT

School Year	Elementary Grades K-5		Elementary Grades 5-6		Intermediate Grades 6-8		Secondary Grades 9-12		Early College		Total
	Number	ADM	Number	ADM	Number	ADM	Number	ADM	Number	ADM	
2008-09	24	11,906	n/a	n/a	8	5,848	9	7,885	n/a	n/a	25,639
2009-10	24	11,821	n/a	n/a	8	5,843	9	7,971	n/a	n/a	25,635
2010-11	23	11,310	1	639	7	5,520	9	7,978	1	34	25,481
2011-12	23	10,555	3	2,195	7	4,863	8	7,444	1	235	25,292
2012-13	23	10,537	3	2,259	7	4,980	8	7,283	1	37	25,096

ASHEVILLE CITY ADMINISTRATIVE UNIT

School Year	Grades K-5		Grades 6-8		Grades 9-12		Special Grades 6-12		Total
	Number	ADM	Number	ADM	Number	ADM	Number	ADM	
2008-09	5	1,881	1	660	2	1,070	1	75	3,686
2009-10	5	1,885	1	658	2	1,080	1	70	3,693
2010-11	5	1,974	1	715	2	1,111	1	55	3,855
2011-12	5	2,015	1	762	2	1,215	0	0	3,992
2012-13	5	2,040	1	771	2	1,232	0	0	4,043

Note: ADM or average daily membership (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all school administrative units in the State. The average daily membership computations are used as a basis for teacher allotments and for distribution of local funds if there is more than one school administrative unit within a county.

Source: Superintendent's Office of each administrative unit.

Asheville Buncombe Technical Community College ("*A-B Tech*") has served as the community's premier technical educator for over 50 years. A-B Tech's main campus is in Asheville. It also has sites in Enka and Madison County. In addition to offering 57 career and college transfer programs, A-B Tech provides hundreds of workforce development/continuing education courses as well as small business incubation.

The responsibility for financial support of A-B Tech is shared by the State, County and federal governments. The appropriation from the County for the Fiscal Year ending June 30, 2014 is budgeted at \$6,063,999 for A-B Tech operating expenses.

In 2011 and in accordance with North Carolina General Statute § 105-537, Buncombe County voters approved a referendum for a 1/4 cent sales and use tax increase that would exclusively fund the capital improvement needs of A-B Tech. The revenue from this sales and use tax is projected to generate over \$130 million by the time it sunsets in 2029.

With nearly 26,000 students, A-B Tech has the largest enrollment of any institution of higher education in western North Carolina. Approximately 75% of its students are from the County. The student population includes residents from 80 other North Carolina counties, 40 other states and 30 foreign countries. A-B Tech enrolls approximately 20% of each County high school graduating class.

The University of North Carolina at Asheville ("*UNC Asheville*") is a primarily undergraduate, State supported, liberal arts university which has approximately 3,700 students. It is located about one mile from the center of the City of Asheville on a 260-acre campus. UNC Asheville is a constituent institution of the University of North Carolina system. UNC Asheville offers a wide range of degrees in both the liberal arts and sciences and is known both for its emphasis on original undergraduate research and its innovative humanities core curriculum. Through its Asheville Graduate Center, graduate education programs are developed to meet the needs of area residents through cooperative programs with Appalachian State University, North Carolina State University, and The University of North Carolina at Chapel Hill. In addition to its educational facilities, UNC Asheville also contributes to the cultural life of the community through extensive partnerships and centers including the Osher Lifelong Learning Institute, the N.C. Center for Health and Wellness, the National Environmental Modeling and Analysis Center, the Family Business Forum and many others.

Warren Wilson College, located in the eastern part of the County, is a four-year, private, coeducational college accredited by the Southern Association of Colleges and Schools. Its enrollment for the 2013-2014 school year is approximately 775 students, including day students and low residency graduate program. Students came from 30 states and 14 foreign countries. Approximately 20% of students are from the State. Warren Wilson College's strong environmental and international emphases enhance a learning triad of academics, work and service.

Montreat College, located in the eastern part of the County, is a four-year, private, liberal arts college with approximately 755 students from 30 states and 14 foreign countries in the [2011-2012] school year. Students attend Montreat College at campuses within the County and at satellite campuses located outside of the County. It offers Associate, Bachelor and Master degrees.

Transportation. The County's air transportation needs are served by the Asheville Regional Airport (the "*Airport*"). The Airport is operated by the Greater Asheville Regional Airport Authority (the "*Airport Authority*"), established in 2012 pursuant to State statute. The board members of the Airport Authority are appointed as follows: two appointments by the Asheville City Council, two appointments by the Buncombe County Commission, two appointments by the Henderson County Commission and one regional at-large appointment by the other six board members. The Airport is leased by the City of Asheville to the Airport Authority. The County is responsible for financing any operating deficits of the Airport. In the past, the County has also issued bonds for Airport improvements.

The Airport had an increase in net assets of \$197,690 in the Fiscal Year ended June 30, 2013, and unrestricted net assets of \$14,866,543 as of June 30, 2013.

No County funds are appropriated for the Airport.

Airlines serving the Airport include Allegiant Air, Delta Air Lines, US Airways and United Airlines. The following chart sets forth the number of commercial flights at the Airport for the last four years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Flights (Operations)/day	47	51	48	43
Jets	43	48	47	35
% Jets	91%	94%	94%	81%
Passengers	291,950	369,576	362,295	317,674

The U.S. Postal Service – Express provides express letter service through flights at the Airport.

Major expansion, maintenance, and improvements to primary and secondary highways within the County are primarily the responsibility of the State. Each municipality within the County bears the primary responsibility for local street systems. The County participates in the Transportation Advisory Committee, a local advisory group, which submits recommendations to the State for funding priorities within the Asheville Urban Transportation Area. By State law, the County has no financial obligation with respect to the construction and maintenance of roads.

Roads in the County include Interstate highways 240, 40 and 26; U.S. highways 25, 25A, 19-23, 70 and 74; and NC highways 9, 63, 80, 112, 151, 197, 191, 81, 280, 694, 251 and 146. Construction has been completed on former US 19-23 North from the County to the Tennessee border to bring it to interstate standards, and it is now part of Interstate Highway 26 and has improved access to the County from the intersection of that Interstate and Interstate Highway 81 in Tennessee.

The County is served by three bus lines: Greyhound/Trailways, Young Transportation, and Emma Bus Lines, Inc. The Asheville Transit Authority provides local service along 16 routes in the City of Asheville. No bus system operating in the County is subsidized by the County. Mountain Mobility provides local transportation as well.

The County is served by Norfolk Southern Railway System and Union Pacific Railroad, which provide freight service only, and approximately 40 motor freight carriers which have terminals in the County.

Human Services

Public Health Programs. The County Health Department provides Women's Health, Communicable Disease, Environmental Health, Nutrition, School Nurses, Nurse Family Partnership, Community Health Improvement, Lab, Pharmacy and Vital Records services. The Department assures access to other services through contracts with local providers for Adult and Child Primary Care, Dental Health services, Prenatal Care and case management for eligible pregnant and postpartum women and at-risk children aged 0 to 5 years.

Women's Health services include family planning and limited gynecologic care, breast and cervical cancer screening, and chronic disease risk-factor screening (WiseWoman). Communicable Disease services include community-wide prevention, investigation and treatment of communicable diseases; immunizations; tuberculosis testing, treatment and follow-up; diagnosis, treatment, education and follow up for sexually transmitted diseases; and HIV testing. Environmental Health services include inspection and approval of private sewage treatment and disposal systems, inspection and approval of wells, inspection and grading of all commercial food and lodging establishments and day care centers, and inspection of water supplies and public swimming pools. Nutrition services include: Women, Infants, and Children ("WIC") Nutrition Program services; breastfeeding peer counseling services; and nutrition

counseling to WIC and Health Department patients. School Nursing provides school nurses to the City of Asheville and Buncombe County schools for management of acute care needs, oversight of children with complex medical conditions, such as diabetes and asthma as well as providing education for students and faculty. Nurse Family Partnership is an evidence-based nurse home visiting program for first time, low income mothers. The Community Health Improvement Plan (CHIP) Team facilitates community workgroups around each community health priority, assuring surveillance, monitoring, and community engagement to meet health outcomes. The Department's lab serves as the provider of basic and limited complex lab services for women's health, communicable disease and environmental health. A pharmacist stocks pharmaceuticals and monitors the dispensing of those pharmaceuticals by nurses in clinics and oversees vaccine ordering and inventory. The Vital Records division processes and registers all birth and death notices in the County and transmits birth and death certificates to the Buncombe County Register of Deeds.

The Health Department also provides leadership and oversight for a number of county and regional grant funded initiatives including: Innovative Approaches (improving community-wide systems of care, family satisfaction and outcomes for children and youth with special health care needs); Community Transformation Grant (CTG – an 11-county regional initiative that supports public health efforts to reduce chronic disease, promote healthier lifestyles, reduce health disparities and control health care spending); Eliminating Health Disparities (to close the gap in health disparities); and Positive Parenting Program (Triple P – providing education and support for parents and caregivers of children and adolescents).

As part of its Public Health assurance role, Health and Human Services contracts with local providers for additional services. In Fiscal Year 2009, the County entered a contract with the Western North Carolina Community Health Services (WNCCHS), the local Federally Qualified Community Health Center (FQHC) for provisions of adult and child dental care. In Fiscal Year 2010, the County added adult and child primary care services to the WNCCHS contract. Then, in Fiscal Year 2011, prenatal care services were also added to the contract. This partnership increased access to these services for County residents and leveraged valuable county resources in order to assure primary care for thousands of additional County residents. In Fiscal Year 2012, the Health Department contracted with Community Care of Western North Carolina for provision of pregnancy care management and child care management, and with Eblen Charities for provision of community dental screening and sealant program.

Of the \$13,688,840 budgeted for public health services for the Fiscal Year ending June 30, 2014, \$8,401,350 will be provided by the County and the remainder will be provided by fees collected by the Health Department and by State and federal sources.

Social Work Programs. The Adult Services Division provides adult protective services, guardianship assessments, placement services and adult care home regulatory services. In addition, partnerships are utilized to ensure ongoing guardianship case management, payee services, in-home aide services, adult day care and special assistance in-home services. The Child and Family Services Division provides child protective services (including investigation and assessment), family in-home services and foster care and adoption services. The goal of Child and Family Services is the safety, permanence, and wellbeing of children involved within the child welfare system. Child Welfare also partners with many contracting agencies to serve families and children and connect them to services that will support them and assist in achieving positive outcomes. Veteran Services is available within Health and Human Services to assist veterans and their families in gaining access to benefits, as well as other services that are needed.

Economic Services Programs. The Economic Services Division provides a variety of public assistance services that support economic self-sufficiency, workforce development, and the general well-being of families. These programs include Income Maintenance, TANF/Work First Services, Child Support Enforcement, Child Care Subsidy, Energy/Emergency Assistance, and Program Integrity. The

Income Maintenance unit determines eligibility and issues benefits for the following public assistance programs: Medicaid (including Medicaid Transportation authorization and coordination), SCHIP (NC Health Choice for Children), Supplemental Nutrition Assistance Program (formerly Food Assistance), and Special Assistance services (Rest Home/Family Care Home) for elderly/disabled adults. Income Maintenance is in the process of implementing NC FAST, a new statewide case management software system and has been operating with a County managed paperless document management system for two years. TANF/Work First Services works with families in order to build a foundation for a family to move from cash assistance to stable employment resulting in lasting self-sufficiency in coordination with all services provided through the Department and in partnership with community support services. Child support services are provided through a contractual relationship with a nationally-recognized provider, Maximus Inc. Child Care Subsidy services are provided through a contractual relationship with Southwestern Child Development Commission, Inc. ("SWCDC"). SWCDC is recognized throughout the state as a leader in the child day care subsidy program. Energy/Emergency Assistance programs (including Low Income Energy Assistance, Crisis Intervention, TANF Emergency Assistance, Energy Neighbor, and Helping Each Member Cope) are administered through partnerships with three local charities—Asheville-Buncombe Community Christian Ministry, Eblen Charities, and Swannanoa Valley Christian Ministry, Program Integrity investigates allegations of fraud and abuse of public assistance programs.

Administration of these programs assures strategic management and support, seeks to maximize Federal, State and miscellaneous revenues, fosters integration with internal departments and seeks collaboration with other human services agencies. Decisions are made with the goal of maximizing the department's effectiveness and efficiency in order to ensure the best use of resources. Of the \$63,960,959 budgeted for social services programs for the Fiscal Year ending June 30, 2014, \$29,095,064 will be provided by the County.

Mental Health Programs. The Smoky Mountain Center Managed Care Organization (the "MCO") was established in 2013 and serves a 23 county area. The County population comprises 23% of the 23-county population. The range of services managed by the MCO (through private providers) is comprehensive and includes emergency services, crisis intervention, inpatient services, residential crisis stabilization, alcohol and drug abuse treatment, adult, children's and geriatric services, intellectual development disability services, forensic services, and information services. The County contributes \$600,000 annually to the operation of the MCO, specifically for services designated by the County.

Public Service Enterprises

Water Service. The major water supply for the area is the City of Asheville's watershed, consisting of two impoundment reservoirs, together storing 6.1 billion gallons of water. There are two water treatment plants with a combined capacity of 36.5 million gallons per day ("MGD") with an additional water source in northern Henderson County which has average daily water flows sufficient to satisfy the area's projected water demands for the next 25 years. A 7.5 MGD (Mills River WTP) water treatment plant in Henderson County began operation in 1999. The existing water system currently serves approximately 125,000 people, or approximately 60% of the population of the County. The watershed, treatment plants, 1,650 miles of transmission and service lines, pumping stations and reservoir storage system combine to make the system one of the largest in the State.

The County towns of Weaverville, Black Mountain, Biltmore Forest, Montreat, and Woodfin have their own reservoirs and water lines which are maintained by those respective municipalities. These water systems are linked to the water system and at times purchase some or all of their water from the Asheville system. The County does not contribute to their support.

In 2013, the North Carolina General Assembly enacted legislation to transfer control of the City of Asheville's water system to a Metropolitan Water and Sewerage District; however, the effects of the legislation have been stayed.

Sanitary Sewer Service. Sanitary sewer service is provided to the County by the Metropolitan Sewerage District of Buncombe County (the "*District*"). The District is a public body and body politic and corporate of the State of North Carolina, organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, Article 5, Chapter 162A, of the General Statutes of North Carolina, to exercise public and essential governmental functions. The District was established in 1962 by the North Carolina State Stream Sanitation Committee for the purpose of constructing and operating facilities for the treatment and disposal of the sewage generated by the political subdivisions comprising the District.

On July 2, 1990, the District entered into agreements with the County, five municipalities in the County, and 11 sanitary sewer districts in the County transferring ownership of the sewerage systems of such entities to form a consolidated sewerage system under the control of the District. These agreements provided for some sharing of the costs of sewerage system extensions between the District and the transferring entities. However, the County has had no financial obligation to the District since the date of the agreement.

The District Board consists of 12 members: three from the County; three from the City of Asheville; and one each from Woodfin Sanitary District, the Town of Biltmore Forest, the Town of Black Mountain, the Town of Montreat, the Town of Woodfin and the Town of Weaverville.

The District owns, operates, and maintains a 40 MGD wastewater treatment plant to treat raw sewage and industrial wastewaters collected in an extensive network (approximately 1,000 miles) of collector sewers currently owned, operated, and maintained by the District pursuant to the consolidation agreements signed on July 2, 1990. Average plant flow currently is 21.9 MGD.

Solid Waste Disposal Service. Solid waste collection is provided by the individual municipalities within their respective corporate limits and by independent private franchised haulers in the unincorporated portions of the County. The landfill consists of 10 separate disposal cells that will be constructed sequentially over the estimated 30-year life of the facility. The facility includes a Subtitle D lined municipal solid waste landfill disposal area, and a landfill gas-to-energy facility that supplies electricity to 1,100 homes per year, a Construction and Demolition landfill, a yard waste mulching facility, a convenience center for residential waste disposal and recycling, a household hazardous waste recycling facility for electronics, televisions, fluorescent light bulbs, paint and pesticides, and a drop-off recycling area for white goods and tires.

Other Services. Fire protection is provided for the City of Asheville through a municipally-operated department, with the exception of the Asheville Regional Airport which is protected by the Airport Authority Public Safety Department through contract with the City of Asheville. For the smaller municipalities of Black Mountain, and Weaverville, fire protection is provided by a combination of paid and volunteer staff for each municipality. The Town of Woodfin contracts for service with Woodfin Volunteer Fire Department. The Town of Montreat, lying within the Black Mountain fire district, is served by the Town of Black Mountain. The Towns of Weaverville and Black Mountain have their own Fire Departments.

The remainder of the County is divided into 21 fire protection districts which are served by 18 volunteer fire departments, two of which are municipal fire departments. Biltmore Forest contracts with the City of Asheville for fire protection.

In July 2013, the County's Parks Greenways and Recreations Services merged with the County Libraries to become the Library, Recreation and Culture Department, a transitional step for the departments prior to the launch of the Library, Culture and Recreation Authority.

The County manages and operates 11 parks and six pools. Inventory includes a competition-grade soccer facility, seven river parks along the French Broad River, a lake park, various neighborhood ball fields, five outdoor pools and one indoor pool. Lake Julian Park rents picnic shelters and offers a variety of outdoor recreation activities including fishing, canoeing, sailing, rowing, sand volleyball and a playground. The Buncombe County Sports Park has seven competition grade fields, a multipurpose field, walking trails, a sand volleyball court, picnic areas, competitive grade bocce courts, a playground and restrooms. Owen Park is a designated NC Birding Trail and offers a one-mile long walking trail, fishing, picnic shelters, basketball courts, baseball/softball fields, a concession stand and restrooms.

The County budget includes \$1,046,627 to support these facilities for the Fiscal Year ending June 30, 2014. In addition to the County's efforts, recreational facilities are provided by the City of Asheville, the towns of Black Mountain, Woodfin and other municipalities.

The County's Greenways and Trails Commission is partnering with the municipalities within the County, the Blue Ridge Parkway and the Metropolitan Planning Organization to conduct a County-wide Greenway and Trails Master Plan. Along with the Master Plan, an Education and Outreach campaign called Connect Buncombe was launched.

Electrical power is provided by Duke Energy, Progress and French Broad Electric. Natural gas is provided by the Public Service Company of North Carolina, Incorporated and telephone service is provided by AT&T, Verizon and Charter.

Debt Information

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County estimates it has the statutory capacity to incur additional net debt of \$2,117,021,478 as of June 30, 2013.

Outstanding General Obligation Debt.

General Obligation Bonds	June 30, <u>2010</u>	June 30, <u>2011</u>	June 30, <u>2012</u>	June 30, <u>2013</u>
Refunding Bonds	\$40,683,689	\$35,834,512	\$30,214,005	\$37,150,000
School Bonds	19,422,127	18,365,031	17,156,474	4,667,000
Airport Bonds	200,000	100,000	-	-
Community College Bonds	720,198	683,297	630,297	196,493
Other Bonds	<u>4,008,986</u>	<u>3,547,160</u>	<u>3,085,334</u>	<u>2,623,507</u>
Total G.O. Bonds ¹	\$65,035,000	\$58,530,000	51,086,000	\$44,673,000

¹ Excludes unamortized premiums.

General Obligation Debt Ratios.

At July 1	Total Outstanding GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation	Population¹	Total GO Debt Per Capita
2009	\$67,860,000	\$28,086,251,629	.24%	230,421	\$294.50
2010	65,035,000	28,841,166,965	.23	239,179	271.91
2011	58,530,000	29,086,915,048	.20	238,846	244.71
2012	51,086,000	29,314,987,619	.17	245,228	208.32
2013	44,637,000	29,679,980,997	.15	245,228 ²	182.02

¹ Estimate of the North Carolina Office of State Budget and Management.

² Prior year's estimate used.

General Obligation Debt Service Requirements and Maturity Schedule.

Existing Debt

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013-14	\$ 6,249,000	\$802,700
2014-15	6,259,000	644,055
2015-16	3,264,000	518,885
2016-17	3,264,000	462,065
2017-18	3,264,000	405,245
2018-19	3,259,000	347,450
2019-20	3,258,000	288,883
2020-21	2,873,000	230,317
2021-22	2,873,000	187,153
2022-23	2,874,000	143,985
2023-24	2,400,000	102,000
2024-25	2,400,000	61,200
2025-26	<u>2,400,000</u>	<u>20,400</u>
	\$44,637,000	\$4,214,338

General Obligation Bonds Authorized and Unissued.

As of June 30, 2013, the County had bonds authorized but unissued in the amount of \$915,000.

General Obligation Debt Information for Underlying Units as of June 30, 2013.

Unit	2012 Population ¹	Assessed Valuation	Tax Rate Per \$100	General Obligation Debt ²		Total GO Debt Per Capita
				Utility	Other	
Asheville (County Seat)	86,205	\$11,126,542,135	\$.420	\$ 0	\$770,000	\$ 8.93
Montreat	690	244,665,405	.370	227,000	-	255.06
Weaverville	3,715	699,649,067	.375	2,795,382	-	752.46

¹ Estimate of the North Carolina Office of State Budget and Management.

² Does not include certificates of participation and revenue bonds as these are not general obligations of the City of Asheville. Also does not include bonds for the payment of which funds have been escrowed from the proceeds of an advance refunding issue.

In addition, the District has issued several series of sewerage system revenue bonds, which are outstanding in the amount of \$84,711,000. These bonds constitute special obligations of the District payable solely from the revenues of the District's sewerage system, as well as certain reserves and other moneys of the District, but not from any taxes levied by the District.

The District also has other revenue bonds, for the payment of which funds have been escrowed from the proceeds of four advance refunding revenue bond issues.

Other Long-Term Commitments. The majority of the County's debt consists of installment financing contracts and related certificates of participation. At June 30, 2013, the County had \$214,575,000 in principal amount of long term installment financings outstanding payable from the General Fund. The annual principal and interest payment requirements of these obligations for the Fiscal Year ending June 30, 2014 total \$24,770,018. See the table "**Combined Debt Service Requirements**" on the following page.

The County has approximately \$12,960,000 principal amount of outstanding project development financing debt instruments which are special obligations of the County payable solely from the incremental tax revenues and other funds pledged thereto and not from the County's General Fund. Interest only in the amount of \$917,150 is due in Fiscal Year 2014. Principal payment requirements will begin starting in Fiscal Year 2019.

The County has also issued Solid Waste System Special Obligation Bonds, Series 2005, which refunded Solid Waste System Special Obligation Bonds, Series 1996 and 2000. The amount outstanding at June 30, 2013 is \$2,860,000. These bonds are secured by certain revenues of the County, including net solid waste system revenues, ambulance fees, jail fees and undesignated Registrar of Deeds fees, and are not general obligations of the County. The debt service requirements of such bonds for the current Fiscal Year total \$1,515,126.

Combined Debt Service Requirements as of July 1, 2013¹.

Fiscal Year	Existing Other Long-Term Obligations ²	Special Obligations and Other Enterprise Debt	Project Development Financing ³	Aggregate Total Debt Service
	Principal & Interest	Principal & Interest	Principal & Interest	
2013-14	\$ 24,845,018	1,515,126	\$ 917,150	\$ 27,277,294
2014-15	26,113,463	1,517,126	917,150	28,547,739
2015-16	24,357,168	-	917,150	25,274,318
2016-17	23,728,333	-	917,150	24,645,483
2017-18	22,319,583	-	917,150	23,236,733
2018-19	21,718,713	-	1,013,475	22,732,188
2019-20	21,023,273	-	1,055,038	22,078,311
2020-21	20,386,439	-	1,093,225	21,479,664
2021-22	18,988,664	-	1,128,038	20,116,702
2022-23	16,129,512	-	1,160,974	17,290,486
2023-24	15,562,083	-	1,189,038	16,751,121
2024-25	14,317,517	-	1,212,225	15,529,739
2025-26	12,561,240	-	1,233,538	13,794,778
2026-27	11,610,664	-	1,251,475	12,862,139
2027-28	10,940,037	-	1,266,037	12,206,074
2028-29	10,461,475	-	1,277,225	11,738,700
2029-30	9,496,013	-	1,333,350	10,829,363
2030-31	4,516,688	-	1,380,725	5,897,413
2031-32	4,286,912	-	1,419,100	5,706,012
2032-33	-	-	1,454,088	1,454,088
2033-34	-	-	1,566,850	1,566,850
2034-35	-	-	1,624,413	1,624,413
2035-36	-	-	1,671,100	1,671,100
2036-37	-	-	1,743,587	1,743,587
Total ⁴	\$313,362,792	\$3,032,252	\$29,659,251	\$346,054,295

¹ Excludes General Obligation debt and unamortized premiums.

² Includes obligations expected to be paid from the County's General Fund.

³ These debt obligations are special obligations of the County, payable solely from the incremental tax revenues and other funds pledged thereto, and not from the County's General Fund.

⁴ Totals may not foot due to rounding.

Debt Outlook. The County prepares an annual Capital Improvements Plan which projects capital needs for five years into the future and budgets funds either for direct purchase or debt service accordingly.

The County currently anticipates that the Corporation will execute and deliver approximately \$40.5 million of Limited Obligation Bonds in calendar year 2014 for the construction of Asheville Middle School.

Tax Information

General Information.

Fiscal Year Ended June 30,	2010	2011	2012	2013
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$26,193,401,633	\$26,598,810,829	\$25,621,513,466	\$25,859,911,453
Personal Property	3,256,328,208	3,122,958,576	3,167,830,335	3,290,801,275
Public Service Companies ²	<u>517,280,636</u>	<u>513,573,883</u>	<u>525,643,818</u>	<u>529,268,249</u>
Total Assessed Valuation	\$29,967,010,477	\$30,235,343,288	\$29,314,987,619	\$29,679,980,977
Tax Rate per \$100 Levy ^{4,5}	.525 ³	.525 ³	.525 ³	.525 ³
	\$ 151,680,787	\$ 153,044,468	\$154,045,721	\$156,147,789

Source: County Tax Assessor.

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ Property values are typically reassessed every four years. The most recent revaluation was effective Fiscal Year 2013.

⁴ Levy includes discoveries, releases and abatements.

⁵ In addition to the County wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the Fiscal Years ended June 30.

Fiscal Year Ended June 30,	2010	2011	2012	2013
School Districts	\$ 7,848,595	\$ 7,999,648	\$ 8,055,719	\$ 8,099,257
Fire Protection Districts	<u>14,523,274</u>	<u>14,585,148</u>	<u>14,644,695</u>	<u>14,847,613</u>
Total	\$22,371,869	\$22,584,796	\$22,700,414	\$22,946,870

Note: Revaluation of real property became effective with the Fiscal Year ending June 30, 2013 tax levy.

Tax Collections.

Fiscal Year	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	% of Levy
2010	\$151,681,000	\$149,601,000	98.63%	\$1,954,833	\$151,556,006	99.91%
2011	153,044,000	151,006,915	98.77	1,792,726	152,799,641	99.84
2012	154,045,721	152,262,387	98.84	1,225,807	153,448,194	99.64
2013	156,147,789	154,651,831	99.04	N/A	154,651,831	99.04
2014 (through 12/31/13)	162,865,714	49,625,183 ¹	69.53 ¹			

¹Comparable numbers through December 13, 2012 are \$48,655,651 and 68.84%

Ten Largest Taxpayers for the Fiscal Year Ended June 30, 2013.

Name	Type of Enterprise	Taxable Assessed Value	Tax Levy	Percentage of Total Assessed Value
Progress Energy Carolinas	Electric Power Utility	\$314,129,123	\$1,649,178	1.06%
Ingles Markets, Inc.	Supermarkets	213,226,216	1,119,438	0.72
The Cliffs at Walnut Cove	Real Estate	136,498,700	716,618	0.46
Jack Tar Hotels (Grove Park)	Hotels/Convention Services	132,625,290	696,283	0.45
Town Square West LLC	Multi-Use Commercial	114,808,690	602,746	0.39
Biltmore Company Asheville LLC	Tourism Retail Shopping Mall	98,392,382	516,560	0.33
Asheville LLC	Retail Shopping Mall	78,531,000	412,288	0.26
Bellsouth Telephone Co.	Communications Service	70,451,946	369,873	0.24
Southeastern Container	Manufacture of Plastic Containers	64,746,250	339,918	0.22
Borgwarner Turbo Systems	Manufacture of Automotive Parts	64,317,250	337,666	0.22
Totals		\$1,287,726,847	\$6,760,568	4.34%

2013-2014 Budget Commentary

The Fiscal Year 2014 budget of \$265,037,396 represents a decrease of 0.5% from the Fiscal Year 2013 level of funding. General fund revenues are derived primarily from 3 sources: property tax, sales tax, and intergovernmental transfers (primarily for human services).

The expenditures for the County's core businesses of education, human services and public safety total \$224,388,768, or 85% of the Fiscal Year 2014 budget. County programs are funded by property taxes, fees, intergovernmental revenues, sales tax, and fund balance which in combination total 90% of revenues.

The tax rate for Fiscal Year 2014 is set at 56.9 cents per \$100 of property value. This tax rate reflects the results of the property reappraisal conducted by the County Tax Department. In this reappraisal, County-wide values decreased by \$2.8 billion [resulting in a revenue-neutral tax rate of 57.83 cents for the County. ??] The Fiscal Year 2014 budget includes a fund balance appropriation of \$7.0 million, but with sound financial and budget management, the County expects to save enough to meet its policy of maintaining a fund balance equal to at least 15% of General Fund expenditures.

Pension Plans

The County participates in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina.

North Carolina Local Governmental Employees' Retirement System. The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative

costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24 year period. The normal contribution rate, uniform for all employers, is currently 7.07% of eligible payroll for general employees and 7.28% of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of creditable service; at age 60, with at least 20 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the System are determined on an actuarial basis.

For information concerning the County's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the County's Audited Financial Statements in *Appendix A* hereto.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("CAFR") for the State. Please refer to the State's CAFR for additional information.

Law Enforcement Officers' Special Separation Allowance. The County administers a public employee retirement system (the "*Separation Allowance*"), a single-employer defined benefit pension plan that provides retirement benefits to all full-time County law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

As of December 31, 2012, the most recent actuarial valuation date, the County's Separation Allowance was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability ("*UAAL*") was \$3,704,642. The covered payroll (annual payroll of active employees covered by the plan) was \$10,752,113, and the ratio of the UAAL to the covered payroll was 34.46%.

Supplemental Retirement Income Plan for Law Enforcement Officers. The County contributes to the Supplemental Retirement Income Plan (the "*Plan*"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County.

State statute requires the County contribute each month an amount equal to 5% of each officer's salary. The County has opted to fund at an amount equal to 8%. All amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$1,088,360, which consisted of \$857,003 from the County and \$231,357 from the law enforcement officers.

Supplemental Retirement Income Plan for Non-Law Enforcement Officers 401(k) Plan. The County contributes to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Board of Commissioners has directed that the County contribute each month an amount equal to 8% of each qualified non-law enforcement employee's salary which is vested immediately. In addition, the employees may elect to make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$5,312,920 which consisted of \$4,223,188 from the County and \$1,089,732 from the employees.

Other Post-Employment Benefits

The County provides certain post-employment health care benefits ("*OPEB*") as part of the total compensation offered to attract and retain the services of qualified employees. The benefit is available to retirees who participate in the North Carolina Local Government Employees Retirement System and who, at the time of their retirement, had at least 20 years of creditable service with the County. Under a County resolution, prior to March 4, 2004, employees were required to be on the County's health plan at least three years prior to retirement and be eligible for retirement. The County pays the full cost of coverage for these benefits. Retirees can also purchase coverage for their dependents at the County's group rates. The OPEB is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. The Board of Commissioners may amend the benefit provisions.

It is the intent of the Board of Commissioners to fully or partially fund the annual required contribution of the employer ("*ARC*") when possible with determinations made on an annual basis. The current ARC rate is 9.22% of annual covered payroll. For the current year, the County contributed \$5,488,001 or 8.06% of annual covered payroll. The County obtains healthcare coverage through a self-insured health insurance plan. There were no contributions made by employees, except for dependent coverage in the amount of \$217,466. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

As of December 31, 2012, the most recent actuarial valuation date, the County's plan was 13.10% funded. The actuarial accrued liability for benefits was \$60,127,792, and the actuarial value of assets was \$7,853,861, resulting in a UAAL of \$52,273,931. The covered payroll (annual payroll of active employees covered by the plan) was \$68,114,542, and the ratio of UAAL to the covered payroll was 76.70%.

Further information is provided in Note 2 and the Required Supplemental Financial Data in the County's Audited Financial Statements attached hereto as ***Appendix A***.

LEGAL MATTERS

Litigation

No litigation is now pending or, to the best of the County's knowledge, threatened, against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2014 Bonds or which contests the County'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 County's authorization, execution and delivery of the Contract, or the County's authority to carry out its obligations thereunder or which would have a material adverse impact on the County's condition, financial or otherwise. In addition, no litigation is now pending or, to the best of the Corporation's knowledge, threatened, against or affecting the Corporation which seeks to restrain or enjoin the authorization, execution or delivery of the 2014 Bonds or Contract or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2014 Bonds or the Corporation'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 Corporation's authorization, execution or delivery of the 2014 Bonds, the Indenture or the Contract, or the Corporation's authority to carry out its obligations thereunder.

Contingent Liabilities

The County is not aware of any contingent liabilities which, in the opinion of the County Attorney, would materially adversely affect the County's ability to meet its financial obligations.

Opinions of Counsel

Legal matters related to the execution, sale and delivery of the 2014 Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP and Martin L. Nesbitt, Jr., Esq., Co-Bond Counsel. The opinions of Parker Poe Adams & Bernstein LLP and Martin L. Nesbitt, Jr., Esq., as Co-Bond Counsel, substantially in the form set forth in *Appendix C* hereto, will be delivered at the time of the delivery of the 2014 Bonds. Certain legal matters will be passed on for the County by Michael C. Frue, Esq., Senior Staff Attorney; for the Corporation by Roberts & Stevens, P.A.; and for the Underwriters by their counsel, McGuireWoods LLP.

Parker Poe Adams & Bernstein LLP is serving as Co-Bond Counsel for the County, and, from time to time, it and McGuireWoods LLP, counsel to the Underwriters, have represented the Underwriters as counsel in other financing transactions. Neither the County nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the County or for the Underwriters on the successful execution and delivery of the 2014 Bonds.

TAX TREATMENT

The 2014A Bonds

General. On the date of execution and delivery of the 2014A Bonds, Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and Martin L. Nesbitt, Esq., Asheville, North Carolina ("*Co-Bond Counsel*") will each render an opinion that, under existing law and assuming compliance by the County with certain provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"), the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The interest on the 2014A Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes) and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2014A Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the 2014A Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the County subsequent to execution and delivery of the 2014A Bonds to maintain the excludability of the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds from gross income for federal income tax purposes. Co-Bond Counsel's opinions are given

in reliance on certifications by representatives of the County as to certain facts material to the opinion and the requirements of the Code.

The County has covenanted in the Contract to comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2014A Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinions of Co-Bond Counsel assume compliance by the County with such covenants, and Co-Bond Counsel have not been retained to monitor compliance by the County with such covenants subsequent to the date of execution and delivery of the 2014A Bonds. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2014A Bonds. No other opinion is expressed by Co-Bond Counsel regarding the federal tax consequences of the ownership of or the receipt or accrual of the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds.

If the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the County to comply with any requirements described above, the County is not required to prepay the 2014A Bonds or to pay any additional interest or penalty. The Internal Revenue Service ("IRS") has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Co-Bond Counsel cannot predict whether the IRS will commence an audit of the 2014A Bonds. Prospective purchasers and owners of the 2014A Bonds are advised that, if the IRS does audit the 2014A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the County as the taxpayer, and the owners of the 2014A Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2014A Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2014A Bonds should be aware that ownership of the 2014A Bonds and the accrual or receipt of the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2014A Bonds. Co-Bond Counsel do not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2014A Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the 2014A Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds to be subject directly or indirectly to federal or State of North Carolina income taxation, adversely affect the market price or marketability of the 2014A Bonds or otherwise prevent the owners of the 2014A Bonds from realizing the full current benefit of the status of the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds.

Co-Bond Counsel are further of the opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2014A Bonds is exempt from State of North Carolina income taxation. Co-Bond Counsel's opinions are based on existing law, which is

subject to change. Such opinion is further based on factual representations made to Co-Bond Counsel as of the date thereof.

Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinion represents Co-Bond Counsel's professional judgment based on Co-Bond Counsel's review of existing law, and in reliance on the representations and covenants that Co-Bond Counsel deem relevant to such opinion. Co-Bond Counsel's opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering their opinions, Co-Bond Counsel do not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the County, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Original Issue Discount. As indicated on the inside cover page, the 2014A Bonds maturing on June 1, 20__ (collectively, the "*OID Bonds*"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the *OID Bonds* is sold and (b) the principal amount payable at maturity of such *OID Bonds*, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such *OID Bonds* for federal income tax purposes.

In the case of an owner of the *OID Bond*, the amount of original issue discount on such *OID Bond* is treated as having accrued daily over the term of such *OID Bond* on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such *OID Bond* in determining, for federal income tax purposes, the gain or loss upon the sale, prepayment or other disposition of such *OID Bond* (including its sale, prepayment or payment at maturity). Amounts received upon the sale, prepayment or other disposition of an *OID Bond* which are attributable to accrued original issue discount on such *OID Bonds* will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. However, it should be noted that with respect to certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues to such corporate owners of an *OID Bond* in each year will be taken into account in determining the adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations and may result in other collateral federal income tax consequences for certain taxpayers in the year of accrual. Consequently, corporate owners of an *OID Bond* should be aware that the accrual of original issue discount on any *OID Bond* in each year may result in a federal alternative minimum tax liability or other collateral federal income tax consequences, even though such corporate owners may not have received any cash payments allocable to such original issue discount in such year.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such *OID Bond*) at a rate determined by reference to the yield to maturity of each individual *OID Bond*. The amount treated as original issue discount on an *OID Bond* for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such *OID Bond* (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such *OID Bond* at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such *OID Bond* during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such *OID Bond* the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an *OID Bond* is sold between semiannual compounding dates, original issue discount

which would have accrued for that semiannual compounding period for federal income tax purposes is to be allocated in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price difference from the initial offering price during the initial offering of the 2014A Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, prepayment or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

Original Issue Premium. As indicated on the inside cover page, the 2014A Bonds maturing on June 1, 20__ (collectively, the "*Premium Bonds*"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

The 2014B Bonds

General. On the date of initial execution and delivery of the 2014B Bonds, Co-Bond Counsel will each render an opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2014B Bonds will be taxable as ordinary income for federal income tax purposes. Co-Bond Counsel express no opinion regarding any other federal income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the 2014B Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the 2014B Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of 2014B Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold 2014B Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "*Code*"). In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser. Accordingly, prospective purchasers of the 2014B Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the 2014B Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, as amended, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Internal Revenue Service ("*IRS*"), and no assurance can be given that the IRS will not take contrary positions and will not prevail with such positions.

Prospective purchasers of the 2014B Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest with respect to, the 2014B Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers of the 2014B Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding 2014B Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest with respect to, the 2014B Bonds. Co-Bond Counsel express no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the 2014B Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the 2014B Bonds is expected to be satisfied. Subject to certain exceptions, the portion of the Installment Payments designated and paid as interest to the owners of 2014B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the 2014B Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the 2014B Bonds for federal income tax reporting purposes.

Tax Classification of 2014B Bonds. Co-Bond Counsel are of the opinion that, under existing law, the 2014B Bonds will be treated for federal income tax purposes as indebtedness, and the portion of the Installment Payments designated and paid as interest with respect to the 2014B Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Market Discount. The resale of any 2014B Bond by any owner of such 2014B Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any 2014B Bond will generally be equal to the amount, if any, by which the stated prepayment price at maturity of such 2014B Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such 2014B Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a 2014B Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, prepayment or other disposition of, such 2014B Bond as ordinary income to the extent of any "accrued market discount" on such 2014B Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on 2014B Bond will be treated as accruing on a straight-line basis over the term of such 2014B Bond, or, at the election of the owner of such 2014B Bond, under a constant yield method. Prospective purchasers of 2014B Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest with respect to, 2014B Bonds acquired at a market discount.

Premium. If a 2014B Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the 2014B Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of 2014B Bonds. If a 2014B Bond is sold or prepaid, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or prepayment and the seller's adjusted basis in the 2014B Bond. Such adjusted basis generally will equal the cost of the 2014B Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any

payments on the 2014B Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a 2014B Bond will generally give rise to capital gain or loss if the 2014B Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the 2014B Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers are especially encouraged to consult with their own tax advisers on this subject.

Foreign Investors. Generally, payments of the portion of the Installment Payments designated and paid as interest with respect to the 2014B Bonds to an owner of 2014B Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisers regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the 2014B Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisers with respect to the application of such reporting requirements and withholding taxes.

Backup Withholding. Payments made to an owner with respect to the 2014B Bonds and proceeds from the sale of the 2014B Bonds will ordinarily not be subject to withholding of federal income tax if such owner is a United States person. However, even a United States person will be subject to withholding of such tax at a rate of 28% under certain circumstances. Except in the case of certain "exempt payees" as defined in the Code, such backup withholding will generally be applicable if an owner (1) fails to furnish to the Trustee such owner's social security number or other taxpayer identification number (collectively, "TIN"), (2) furnishes the Trustee an incorrect TIN, (3) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (4) under certain circumstances, fails to provide the Trustee with a certified statement, signed under penalty of perjury, that the TIN provided to the Trustee is correct and that such owner is not subject to backup withholding.

State Taxation of 2014B Bonds. Co-Bond Counsel are further of the opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2014B Bonds is exempt from State of North Carolina income taxation.

Circular 230. UNDER 31 C.F.R. PART 10, THE REGULATIONS GOVERNING PRACTICE BEFORE THE IRS (CIRCULAR 230), CO-BOND COUNSEL ARE REQUIRED TO INFORM YOU THAT THIS DISCUSSION OF TAX TREATMENT OF THE 2014B BONDS

(1) IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PROSPECTIVE PURCHASER OF THE 2014B BONDS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE, AND

(2) IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE 2014B BONDS AND THE TRANSACTIONS DESCRIBED HEREIN.

EACH PROSPECTIVE PURCHASER OF THE 2014B BONDS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES WITH RESPECT TO THE 2014B BONDS.

CONTINUING DISCLOSURE OBLIGATION

The County agrees, in accordance with Rule 15c2-12 (the "*Rule*") promulgated by the Securities and Exchange Commission (the "*SEC*"), to provide to the MSRB:

(1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2014, the audited financial statements of the County for the preceding 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 then available, unaudited financial statements of the County for such Fiscal Year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2014, (a) 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 captions "**THE COUNTY – Debt Information**" and "**– Tax Information**" (including subheadings thereunder) in this Official Statement (excluding, in each case, any information on overlapping or underlying units);

(3) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the following events with respect to the 2014 Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (e) substitution of any credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2014 Bonds or other material events affecting the tax status of the 2014 Bonds;
- (g) modifications of the rights of the Beneficial Owners of the 2014 Bonds, if material;
- (h) call of any of the 2014 Bonds, if material, and tender offers;
- (i) defeasance of any of the 2014 Bonds;
- (j) release, substitution, or sale of any property securing repayment of the 2014 Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the County;

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

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

(4) in a timely manner, notice of a failure of the County to provide required annual financial information described in (1) or (2) above on or before the date specified.

The County agrees in the Contract that its undertaking described above is intended to be for the benefit of the Owners and the beneficial owners of the 2014 Bonds and is enforceable by the Trustee or by any of them, including an action for specific performance of the County's obligations described above, but a failure to comply will not be an Event of Default under the Contract and will not result in acceleration of the principal component of Installment Payments. An action must be instituted, had and maintained in the manner provided in the Contract for the benefit of all of the Owners and beneficial owners of the 2014 Bonds.

The County may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, but:

(1) 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 County;

(2) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances;

(3) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2014 Bonds pursuant to the Indenture as may be amended from time to time.

Any 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.

All documents provided to the MSRB as described above are to be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The County may discharge its undertaking described above by transmitting those documents or notices in a manner subsequently required by the SEC in lieu of the manner described above.

The provisions of this undertaking terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest with respect to the 2014 Bonds.

During the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with the Rule.

UNDERWRITING

The Underwriters have agreed to purchase the 2014 Bonds at a purchase price that reflects an Underwriters' discount of \$_____. The Underwriters are committed to take and pay for all of the 2014 Bonds if any are taken. The Underwriters may offer and sell the 2014 Bonds to certain dealers (including dealers depositing the 2014 Bonds into investment trusts) and others at prices different from the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

[Co-Manager – specific disclosure language?]

RATINGS

Moody's Investors Service, Inc. ("*Moody's*") and Standard & Poor's Ratings Service, a Division of The McGraw-Hill Companies, Inc. ("*S&P*") have assigned independent underlying ratings of "___" and "___," respectively, to the 2014 Bonds. Such ratings reflect only the view of Moody's and S&P at the time the ratings were given, and neither the County nor the Underwriters make any representations as to the appropriateness of such ratings.

The ratings are not a recommendation to buy, sell or hold the 2014 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Any such action may have an adverse effect on the market price of the 2014 Bonds. Neither the County nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2014 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

MISCELLANEOUS

All quotations from and summaries and explanations of the Contract, the Deed of Trust and the Indenture contained herein or in *Appendix B* hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement.

The information contained in this Official Statement has been compiled or prepared from information obtained from the County and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

APPENDIX A

**FINANCIAL INFORMATION CONCERNING
COUNTY OF BUNCOMBE, NORTH CAROLINA**

APPENDIX B
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

PROPOSED FORM OF OPINION OF EACH OF CO-BOND COUNSEL

APPENDIX D
BOOK-ENTRY ONLY SYSTEM

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

Beneficial ownership interests in the 2014 Bonds will be available only in a book-entry system. The actual purchasers of the 2014 Bonds (the "*Beneficial Owners*") will not receive physical bonds representing their interests in the 2014 Bonds purchased. So long as The Depository Trust Company ("*DTC*"), New York, New York, or its nominee is the registered owner of the 2014 Bonds, references in this Official Statement to the Owners of the 2014 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2014 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE 2014 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2014 BONDS AND/OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

1. The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the 2014 Bonds. The 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 bond will be issued for the 2014 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2014 BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2014 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2014 BONDS.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of the 2014 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2014 Bonds ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2014 Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

4. To facilitate subsequent transfers, all 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 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2014 Bonds may wish to ascertain that the nominee holding the 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2014 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE TRUST AGREEMENT, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE COMMISSION, TO THE COUNTY, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR

BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2014 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

8. Redemption proceeds, distributions, and dividend payments on the 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 County or the Commission, on the 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 Trustee, the County or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Commission, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE COMMISSION AND THE COUNTY CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

9. A Beneficial Owner shall give notice to elect to have its 2014 Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such 2014 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2014 Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2014 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2014 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2014 Bonds to the Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the 2014 Bonds at any time by giving reasonable notice to the Commission, the County and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2014 Bond certificates are required to be printed and delivered.

11. The Commission or the County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2014 Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the County believe to be reliable, but the Commission and the County take no responsibility for the accuracy thereof.

THE COMMISSION, THE COUNTY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2014 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TRUST AGREEMENT TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE 2014 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2014 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the County believe to be reliable, but the Commission and the County take no responsibility for the accuracy thereof.