

ORDINANCE #151

FIRST READING - August 24, 2004
SECOND READING - September 28, 2004

**AN ORDINANCE OF THE COUNTY COMMISSIONERS
OF THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
ENACTED SEPTEMBER 28, 2004 AND NUMBERED 151 .**

**FORMAL ACTION CONSTITUTING A DEBT ORDINANCE
UNDER THE LOCAL GOVERNMENT UNIT DEBT ACT**

AUTHORIZING THE INCURRING OF NONELECTORAL DEBT BY THE ISSUANCE OF GENERAL OBLIGATION BONDS, SERIES A OF 2004 IN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FOUR MILLION THREE HUNDRED THOUSAND DOLLARS (\$4,300,000), GENERAL OBLIGATION BONDS, SERIES B OF 2004 IN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED THIRTY SIX MILLION THREE HUNDRED SIXTY FIVE THOUSAND DOLLARS (\$36,265,000), AND TAXABLE GENERAL OBLIGATION BONDS, SERIES C OF 2004 IN THE AGGREGATE PRINCIPAL AMOUNT OF FOUR MILLION ONE HUNDRED EIGHTY FIVE DOLLARS (\$4,185,000); COVENANTING TO PAY, AND PLEDGING UNLIMITED TAXING POWER FOR THE PAYMENT OF, THE BONDS; ESTABLISHING A SINKING FUND AND APPOINTING A SINKING FUND DEPOSITORY; PROVIDING FOR THE FORM, INTEREST RATE, MATURITY, REDEMPTION AND OTHER PROVISIONS FOR THE PAYMENT THEREOF; ACCEPTING A PROPOSAL FOR THE PURCHASE OF THE BONDS; AUTHORIZING A FILING OF REQUIRED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; RATIFYING AND DIRECTING CERTAIN ACTIONS OF OFFICERS; AND MAKING CERTAIN OTHER COVENANTS AND PROVISIONS IN RESPECT OF THE BONDS.

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regular basis in The Wall Street Journal -- the arithmetic mean of the bid and asked prices for such investments so published on or immediately prior to such time of determination; (b) as to investments the bid and asked prices of which are not so published -- the average bid price established for such investments by any three nationally recognized government securities dealers at the time making a market in such investments or the average bid price published by a nationally recognized pricing service; and (c) as to time deposits, certificates of deposit and bankers' acceptances -- the face amount thereof, plus accrued interest.

"Bonds" means, collectively, the Series 2004 A Bonds, the Series 2004 B Bonds and the Series 2004 C Bonds.

"Capital Project" means: (a) certain capital projects of the County, as described on Exhibit A attached hereto, including capitalized interest thereon for a period of up to one year from the issuance of the Series 2004 C Bonds; and (b) payment of costs associated with the issuance of the Bonds.

"Certificate of Designation" means a Certificate of Designation containing provisions for one or more series of the Bonds executed pursuant to Section 2.05 hereof.

"Co-Bond Counsel" means, collectively, Cozen O'Connor, Philadelphia, Pennsylvania and Paul J. LaBelle, Esq., Dunmore, Pennsylvania.

"Commonwealth" means the Commonwealth of Pennsylvania.

"County" means the County of Lackawanna, political subdivision of the Commonwealth, duly organized and existing under the Constitution and the laws of the Commonwealth, particularly its Home Rule Charter.

"County Commissioners" means the County Commissioners of the County, being that entity authorized by law to fix the rate of, and to levy, taxes within the County.

"Current Refunding Project" means: (a) the refunding of the portion of the outstanding 1994 Bonds which refinanced the 1991 Bonds; and (b) payment of costs associated with such current refunding and with the issuance of the Bonds.

"Dated Date" shall mean, for each series of Bonds, the date set forth in the Certificate of Designation

"Debt Act" means the Local Government Unit Debt Act, as codified by the Act of December 19, 1996 (P.L. 1158 No. 177), as amended.

"Debt Ordinance" means this document, being the formal action taken by the County according to the requirements of Section 8003 of the Debt Act in order to authorize and incur the debt represented by the Bonds. Such term shall apply whether, under the law and current practices of the County, it would normally take formal action by enactment of an ordinance, adoption of a resolution or some other similar means.

"Designated Officer(s)" means and includes, individually or jointly, the Chairman of the Board of County Commissioners, the County Commissioners, the County Treasurer, the Controller and the Administrative Director (and their appropriate successors acting by reason of absence or other incapacity), being those duly elected or appointed and acting officials of the County hereby authorized to undertake and perform the actions herein specified, which are necessary and proper to the issuance of the Bonds and compliance with the Debt Act.

"First Interest Payment Date" means, for each series of the Bonds, the date for the first payment of interest set forth in the Certificate of Designation with respect to the Bonds, and, in the case of Multi-Modal Bonds, as determined pursuant to Appendix I.

"Insurer" means the insurance company, if any, providing the Insurance Policy authorized by Section 3.07 hereof.

"Insurance Policy" means a standard municipal bond insurance policy of the Insurer, to be issued under and according to all the terms and conditions of its commitment, insuring timely payment of the principal of and interest on the Bonds to the owners thereof, upon satisfaction of all preconditions set forth in said policy.

"Interest Payment Date(s)" means the dates for the payment of interest for each Series set forth in the applicable Certificate of Designation, and for Multi-Modal Bonds, the dates determined pursuant to Appendix I.

"Mandatory Redemption Date(s)" means the dates, if any, set forth for mandatory redemption of a series of the Bonds in the applicable Certificate of Designation.

"Maturity Date(s)" shall mean, for each series of Bonds, the dates set forth in the Certificate of Designation.

"Montage Project" means the project for the acquisition of the public ski area and summer recreation place known as "Montage," which was financed by the 1991 Bonds.

"Multi-Modal Bonds" means any Bonds designated by the County to bear interest pursuant to a Multi-Modal Rate.

"Multi-Modal Rate" shall mean a rate of interest determined pursuant to the procedures set forth in Appendix I.

(b) Series 2004 B Bonds. The Series 2004 B Bonds are hereby authorized to be issued hereunder in an aggregate principal amount not to exceed \$36,265,000 to fund a portion of a portion of the Current Refunding Project and a portion of the Capital Project, bearing interest at a Multi-Modal Rate. The maximum interest rate for the Series 2004 B Bonds shall not exceed 15% (or 25% for Purchased Bonds). The final maturity date of the Series 2004 B Bonds shall be no later than December 31, 2029. The Series 2004 B Bonds shall be subject to mandatory and optional redemption as provided in a Certificate of Designation and to optional and mandatory tender as set forth in Appendix I. The maximum principal amount of the Series 2004 B Bonds maturing or subject to mandatory redemption in any year shall not exceed the amount shown for such year on Schedule I-B1; provided, that if any Series 2004 B Bonds are Purchased Bonds, the maximum principal amount thereof maturing or subject to mandatory redemption in any year following purchase of such Series 2004 B Bonds shall not exceed the amount shown for such year on Schedule I-B2.

(d) Series 2004 C Bonds. The Series 2004 C Bonds are hereby authorized to be issued hereunder in an aggregate principal amount not to exceed \$4,185,000 to fund the Pension Project, bearing interest at a fixed rate. The interest rate for the Series 2004 C Bonds shall not exceed 8.0%. The Series 2004 C Bonds shall be subject to mandatory redemption as provided in a Certificate of Designation. The final maturity date of the Series 2004 C Bonds shall be no later than December 31, 2011. The maximum principal amount of the Series 2004 C Bonds maturing or subject to mandatory redemption in any year shall not exceed the amount shown for such year on Schedule I-C.

Section 2.02. Preparation of Debt Statement; Exclusion of Indebtedness. The Designated Officers are hereby authorized and directed to prepare and verify under oath or affirmation, according to the requirements of Sections 8002 and 8110 of the Debt Act, the Debt Statement of the County, including therewith a certification of the Borrowing Base, and, if desired, any statements required under Chapter 81, Subchapter B of the Debt Act necessary to qualify all or any portion of this, or any prior outstanding, debt for exclusion from the appropriate debt limit as self-liquidating or subsidized debt; all previous actions of Designated Officers in this regard are hereby ratified and confirmed.

Section 2.03. Proceedings Before the Department. The Designated Officers are hereby further authorized and directed to prepare and file all proceedings of the County relative to this incurrence of debt with the Department of Community and Economic Development (the "Department") and to respond to all inquiries or requests and to perform all other actions necessary to enable the Department to certify its approval to issue, sell and deliver the Bonds.

Section 2.04. Stated Maturity Dates; Optional Redemption.

(a) Series 2004 A Bonds. Attached as Schedule I-A is the maximum principal payable on the Series 2004 A Bonds in each year (either by maturity or mandatory redemption) and the maximum interest payable thereon. The County hereby finds and determines that: (1) the portion of Series 2004 A Bonds financing the Current Refunding are to be issued with a final stated maturity date which does not exceed the sooner to occur of forty years from the initial issuance of the 1991 Bonds or the remaining useful life of the Montage Project; and (2) the portion of the Series 2004 A Bonds financing the Capital Project are to be issued with a final stated maturity date which does not exceed the sooner to occur of forty years from the initial issuance of the Series 2004 A Bonds or the useful life of the Capital Project (as set forth on Exhibit A).

(b) Series 2004 B Bonds. Attached as Schedule I-B1 is the maximum principal payable on the Series 2004 B Bonds in each year (either by maturity or mandatory redemption) and the maximum interest payable thereon; provided, that if any Series 2004 B Bonds are Purchased Bonds, the maximum principal payable on the Series 2004 B Bonds in any year (either by maturity or mandatory redemption) and the maximum interest payable thereon following purchase of such Series 2004 B Bonds shall not exceed the amount shown for such year on Schedule I-B2. The County hereby finds and determines that: (1) the portion of Series 2004 B Bonds financing the Current Refunding are to be issued with a final stated maturity date which does not exceed the sooner to occur of forty years from the initial issuance of the 1991 Bonds or the remaining useful life of the Montage Project; and (2) the portion of the Series 2004 B Bonds financing the Capital Project are to be issued with a final stated maturity date which does not exceed the sooner to occur of forty years from the initial issuance of the Series 2004 B Bonds or the useful life of the Capital Project (as set forth on Exhibit A).

(d) Series 2004 C Bonds. Attached as Schedule I-C is the maximum principal payable on the Series 2004 C Bonds in each year (either by maturity or mandatory redemption) and the maximum interest payable thereon. The County hereby finds and determines that the Series 2004 C Bonds are to be issued with a final stated maturity date which does not exceed forty years.

(e) Current Refunding Project. The County finds and determines that: (1) the Current Refunding Project will result reduce annual debt service in certain years by extending the life of the issue as authorized by Section 8241(b)(2) of the Debt Act; and (2) as required by Section 8243(b) of the Debt Act, the stated maturities, or principal installments subject to mandatory redemption, of the portions of the Series A Bonds and the Series B Bonds financing the Current Refunding will not increase the amount of principal payable in any year or years after the latest stated maturity date of the 1994 Bonds, over the amount of the principal which would have been payable on the 1991 Bonds if the 1991 Bonds had been structured on a 6% level annual debt service plan to the last stated maturity date of the proposed refunding bonds, computed to the nearest whole multiple of \$5,000. Compliance with clause (2) above has been computed for the County by CaseCon Capital Inc, which is qualified to perform such computation, and such compliance is shown on Schedule II attached hereto.

Bonds then outstanding; and (b) the principal of the Bonds then maturing or subject to redemption on each such Interest Payment Date as set forth in Section 3.01.

Section 3.04. Investment of Sinking Fund. All moneys in the Sinking Fund not required for prompt expenditure may, in accordance with written or telephonic (if subsequently confirmed in writing according to the reasonable practices and requests of the Sinking Fund Depository) instructions of the Designated Officer, be invested in Authorized Investments.

Authorized Investments must mature or must be subject to redemption, withdrawal or collection in their full amount at the option of the Sinking Fund Depository not later than the date upon which moneys are required to be paid to owners of the Bonds. All moneys in the Sinking Fund shall be applied exclusively to the payment of the Bonds as the same from time to time becomes due and payable. All moneys deposited into the Sinking Fund and all investments and proceeds thereof shall be subject to a perfected security interest for the benefit of the owners of the Bonds. Income received from any deposit or investment within the Sinking Fund shall remain within and be a part of the Sinking Fund and all such amounts may be applied in reduction or completion of any amount covenanted under Section 3.01 hereof to be deposited therein; provided, however, that the obligation of the County to pay the Bonds is, and shall remain, absolute, and may not be satisfied or reduced merely by the deposit of moneys into the Sinking Fund or from the expectation of earnings thereon.

Section 3.06. Sinking Fund Depository. The Designated Officers are hereby authorized and directed to contract with the Sinking Fund Depository for its services in such capacity, together with its services as Paying Agent and Registrar for the Bonds. The Sinking Fund Depository shall assume, undertake and perform the duties of the Sinking Fund Depository specified by this Debt Ordinance or contained in the Debt Act, and shall further act as Paying Agent and Registrar in respect of the Bonds, according to the provisions of this Debt Ordinance and the Debt Act and in compliance at all times with then-current industry standards and practices.

Section 3.05. Debt Service Reserve Fund. Designated Officers are hereby authorized and directed to establish a Debt Service Reserve Fund, held by the Sinking Fund Depository, to secure the Bonds, funded at closing from proceeds of the Bonds, if required in connection with the sale of the Bonds. The debt service reserve requirement shall be no greater than the maximum amount permitted under applicable federal tax law. Any withdrawal from the Debt Service Reserve Fund shall be replenished monthly from the next available tax revenues after meeting the requirements for deposits to the Sinking Fund Depository.

Section 3.06. Additional Funds. The County hereby authorizes and directs the Sinking Fund Depository to establish such other accounts as may be required by the provisions of Appendix I, as may be required by Co-Bond Counsel in the Tax Compliance Certificate or as may be authorized by Sections 11.03 and 11.06.

Section 3.07. Insurance Policy. The Designated Officers are hereby authorized to obtain an Insurance Policy from Financial Security Assurance and to purchase the Insurance Policy with the proceeds of the Bonds. In addition, the Designated Officers are hereby authorized to execute and deliver, with the advice of Co-Bond Counsel and the Solicitor, an agreement with the Insurer reflecting any agreements required by the Insurer as a condition to issuing the Bond Insurance Policy.

Section 3.08. Liquidity; Letter of Credit. The Designated Officers are hereby authorized to obtain a liquidity facility or standby bond purchase agreement with Dexia for any series of the Bonds and, with the advice of Bond Counsel and Special Counsel, to enter into an appropriate liquidity facility or standby bond purchase agreement with Dexia.

--END OF ARTICLE 3--

ARTICLE 4 – TERMS AND PROVISIONS OF THE BONDS

Section 4.01. Dates, Maturity Amounts and Interest Rates. Each series of Bonds will be identified by the Dated Date, will be dated as of the Authentication Dates, will bear (or accrue) interest at the rate(s) (or yield(s)), payable (or compounded) on the appropriate Interest Payment Dates, and will mature on the Maturity Dates and in the principal amounts (or maturity amounts) provided for in the Certificate of Designation for such series of Bonds.

Section 4.02. Optional Redemption and Mandatory Redemption. The Series 2004 A Bonds and the Series 2004 B Bonds are subject to optional redemption as set forth in the applicable Certificate of Designation. If the Certificate of Designation for a series of Bonds sets forth Mandatory Redemption Dates, such Bonds shall be redeemed prior to maturity by the Sinking Fund Depository without further authorization on the appropriate Mandatory Redemption Dates and in the appropriate principal amounts set forth therein upon payment of the applicable Redemption Price.

Section 4.03. Notices, Selection of Bonds for Redemption. Notice of redemption shall be given by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the applicable redemption date, to the Registered Owners of Bonds to be redeemed at the addresses which appear in the Bond Register on the fifth business day preceding the date selected for the mailing of such notice and to the Insurer, if any. Neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond shall affect the validity of the proceedings for the redemption of any other Bond. If the County shall have duly given notice of redemption and shall have deposited funds for the payment of the Redemption Price of the Bonds with the Sinking Fund Depository, interest on such Bonds shall cease to accrue after such redemption date.

In connection with any notice or other communication to be provided to Registered Owners pursuant to this Debt Ordinance by the County or the Sinking Fund Depository with respect to any consent or other action to be taken by Registered Owners, the Securities Depository will consider the date of receipt of notice requesting such consent or other action as the record date for the consent or other action, provided that the County or the Sinking Fund Depository may establish a special record date for such consent or other action. The County or the Sinking Fund Depository must give the Securities Depository notice of the special record date not less than 10 days in advance of such special record date.

Any successor Sinking Fund Depository must, in its written acceptance of its duties under this Debt Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the representation letter executed by the County with respect to the Bonds.

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if either: (1) after notice to the County and the Sinking Fund Depository, the Securities Depository determines to resign as securities Depository for the Bonds; or (2) after notice to the Securities Depository and the Sinking Fund Depository, the County determines that a continuation of the system of book-entry transfers through the Securities Depository (or through a successor Securities Depository) is not in the best interest of the County. In either of such events (unless in the case described in clause (2) above, the County appoints a successor Securities Depository), the Bonds will be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by the Securities Depository, but without any liability on the part of the County or the Sinking Fund Depository for the accuracy of such designation. Any successor Securities Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in Series 2003 Bonds, and to effect transfers of Series 2003 Bonds, in a book-entry form.

Whenever the Securities Depository requests the County and the Sinking Fund Depository to do so, the County and the Sinking Fund Depository must cooperate with the Securities Depository in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds. The Bonds will also carry CUSIP numbers as a convenience to owners.

Section 4.05. Interest Payments; Accrual. The Bonds will bear interest, payable in arrears, initially on the First Interest Payment Date and then on each Interest Payment Date subsequent for the respective preceding period; provided, that interest may be paid from an Interest Payment Date next preceding the date of a Bond except when the date of such Bond is a date to which interest has been so paid, then from the date of such Bond, or when either (1) the date of such Bond is prior to the First Interest Payment Date, or (2) no interest has been paid, then from the Dated Date.

Section 4.06. Record Date; Payments on Default. The person in whose name any Bond is registered at the close of business on any Record Date with respect to any Interest Payment Date, Redemption Date or Maturity Date shall be entitled to receive the amounts payable on such payment date notwithstanding the cancellation of such Bond upon any transfer or exchange thereof subsequent to such Record Date and prior to such payment date.

When, if, and to the extent, the County defaults in the payment of any amount due on any such dates, any moneys collected for such payment, as and when collected from time to time, may be paid to the persons in whose names Bonds are registered at the close of business on a Special Record Date established by the Sinking Fund Depository, notice of which has been mailed to all Registered Owners of Bonds not less than ten days prior to such date.

Section 4.07. Funds for Payment. The Bonds are payable at the offices of the Sinking Fund Depository in the coin or currency of the United States of America that is legal tender for the payment of public and private debts at the time and place of payment; provided, however, in the absence of written demand for such payment by the Registered Owner, received by the Sinking Fund Depository not later than the Record Date, all payments of the Bonds will be made by check or draft drawn on the Sinking Fund Depository and mailed, first class, postage prepaid, to the owner at the address that appears in the Register, following presentation at the offices of the Sinking Fund Depository. At the election of any registered owner of at least \$1,000,000 of any Series of Bonds, interest on such Bonds shall be payable to such owner, in either case by wire transfer in immediately available funds to a designated account if written notice of any such election and designated account is given to the Paying Agent at least five days prior to the Interest Payment Date as to which such election shall be effective.

Section 4.08. Registration and Transfer. The County will cause the Sinking Fund Depository to keep, in its capacity as Registrar, a Register in which, subject to reasonable regulations, the County will provide for the registration of Bonds and the registration of transfers and exchanges of Bonds. No transfer or exchange of any Bond will be valid unless made at the offices of the Sinking Fund Depository and registered in the Register.

Upon surrender for registration of transfer of any Bond, the County will execute, and the Sinking Fund Depository will authenticate and deliver in the name of the transferee or transferees, a new Bond or Bonds of any authorized denomination, of the same yield and maturity, and in the same principal amount, as the Bond so surrendered.

Any Bond is exchangeable for other Bonds of the same yield and maturity, in any authorized denomination, in the same principal amount as the Bond or Bonds presented for exchange. Upon surrender for exchange of any Bond, the County shall execute, and the Sinking Fund Depository shall authenticate and deliver in exchange therefor, the new Bond or Bonds which the Registered Owner making the exchange shall be entitled to receive.

Section 5.02. Unclaimed Funds. The Sinking Fund Depository shall return to the County all moneys deposited and held in a Sinking Fund for the payment of Bonds which have not been claimed by the Registered Owners after two years from the date when payment is due, except where such funds are held for the payment of outstanding checks, drafts or other instruments of the Sinking Fund Depository. Nothing in this Section or by reason of any action taken hereunder shall relieve the County of its liability for payment to the Registered Owners of unrepresented Bonds.

Section 5.03. Registration Agents. The Sinking Fund Depository shall undertake and perform those additional duties which may be required of it in order to enable the Securities Depository to perform services for its participants, including the processing of transfers of registration within necessary time periods, the payment of Bonds by acceptable fund transfers and the delivery of adequate redemption and other payment notices.

Section 5.04. Liability of Sinking Fund Depository. The Sinking Fund Depository may exercise any of the powers or perform any duty hereunder by or through attorneys, agents, receivers or employees, and it shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorney, agent, receiver or employee, if reasonable care has been exercised in his appointment and retention, nor shall the Sinking Fund Depository be otherwise answerable or accountable under any circumstances whatever in connection with such powers or duties, except for its own negligence or willful misconduct. The Sinking Fund Depository shall be protected and shall incur no liability in relying, acting or proceeding in good faith upon any notice, request, order, certificate, report, opinion, statement, affidavit, voucher, or other paper or document believed by it to be genuine and to have been signed, passed or presented by the proper person, nor be bound to make any investigation into the matters stated therein. However, the Sinking Fund Depository may, at any time in its discretion, require of the County full information and advice as to the above as well as to the performance of any of the covenants, conditions and agreements in this Debt Ordinance and may further make or cause to be made independent investigations, at the expense of the County, concerning its affairs. The Sinking Fund Depository may consult with legal counsel to be selected and employed by it and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

Section 5.05. Ownership of Bonds. The Sinking Fund Depository, in its individual capacity or as a fiduciary, may become the owner of Bonds, with the same rights it would have if it were not the Sinking Fund Depository. The Sinking Fund Depository may also engage in, or be interested in, any financial or other transaction with the County not in derogation of the rights of the Registered Owners of the Bonds.

Section 5.06. Interpretation. The Sinking Fund Depository may construe any of the provisions of this Debt Ordinance insofar as they may appear to be ambiguous or inconsistent with any other provision, and any construction of any such provisions by the Sinking Fund Depository in good faith will be binding upon the Registered Owners of the Bonds.

Section 5.07. Fees and Expenses. The Sinking Fund Depository shall be paid such initial and periodic fees for its services and reimbursed for such expenses, as are specified in those proposals and other such communications made to and received by the County in connection with the Bonds, if any, or, in all events, according to its usual, customary and reasonable schedule of fees and other charges.

Section 5.08. Removal; Resignation. The Sinking Fund Depository shall serve in such capacity at the will of the County and may be removed, at any time, with or without cause, by the appointment of a qualified successor and upon sixty (60) days' written notice to the Registered Owners of the Bonds and to the Sinking Fund Depository. Moreover, but if, and only in the event that, the payment of the Bonds has been insured to the Registered Owners thereof by a duly issued and outstanding Insurance Policy, then the Sinking Fund Depository and any successor shall be, and remain at all times, acceptable to the Insurer, who shall be empowered to request the appointment of a successor for cause shown. The Sinking Fund Depository may at any time resign and be discharged of the trust hereby created by giving not less than sixty (60) days' written notice to the County and the Registered Owners, specifying the date when such resignation shall take effect, in the manner required for bond redemption notices in Section 4.03 hereof, and such resignation shall take effect upon the day specified in such notice, unless previously a successor Sinking Fund Depository shall have been appointed by the County as hereinbefore provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 5.09. Duties upon Default. If the County fails or refuses to make any required deposit in the Sinking Funds, the Sinking Fund Depository shall (a) independent of events and actions of Registered Owners, any trustee or any court or administrative or judicial officer undertaken or occurring pursuant to the provisions of Article 6 hereof: (1) notify the Department of Community and Economic Development of such failure or refusal, in order to facilitate an inspection of the Sinking Fund by the Department pursuant to Section 8226 of the Debt Act; and (2) notify the Insurer, if any; and (b) in conjunction with such events and actions under Article 6 hereof, may, and upon request of the Registered Owners of twenty-five per cent in principal amount of outstanding Bonds and upon being indemnified against cost and expense shall, exercise any remedy, provided in Article 6 of this Debt Ordinance, in the Debt Act or at law or in equity, for the equal and ratable benefit of the Registered Owners of the outstanding Bonds, and shall disburse all funds so collected equally and ratably to the Registered Owners thereof, pursuant to the requirements of Subchapter D of Chapter 82 of the Debt Act.

Notwithstanding the foregoing, however, if, and only in the event, the payment of the Bonds has been insured to the Registered Owners thereof by a duly issued and outstanding Insurance Policy, then the Sinking Fund Depository shall diligently seek recovery of funds for the payment of the Bonds from the Insurer according to the terms of the Insurance Policy and, in the event the terms of such Insurance Policy are being fully met and satisfied by the Insurer, then the Sinking Fund Depository may undertake the remedies provided in subparagraph (b) of this Section only after notice to, and with the consent of, the Insurer.

(d) Proof of ownership of Bonds and of execution of instruments relative thereto is to be made according to the provisions of Section 8114 of the Debt Act.

Section 6.04. Costs of Suits or Proceedings. In any suit, action or proceeding by or on behalf of the Registered Owners of defaulted Bonds, the fees and expenses of a trustee or receiver, including operating costs of a project and reasonable counsel fees, constitute taxable costs, and all such costs and disbursements allowed by the court will be deemed additional principal due on the Bonds, and must be paid in full from any recovery prior to any distribution to the Registered Owners of the Bonds.

Section 6.05. Distribution of Moneys Realized for Registered Owners. Moneys or funds collected for the Registered Owners of defaulted Bonds shall, after the payment of costs and fees as provided in Section 6.04, be applied by the trustee or receiver as follows:

(a) Unless the principal of all the Bonds has become or has been declared due and payable, (i) to the payment to the Registered Owners entitled thereto of all installments of interest then due in the order of their respective due dates and, if the amount available is not sufficient to pay any installment in full, then to the payment ratably, according to the amounts due on such installment, to the Registered Owners entitled thereto, without any discrimination or preference; and (ii) to the payment to the Registered Owners entitled thereto of the unpaid principal of any Bonds which have become due, whether at stated Maturity Dates or by call for redemption, in the order of their respective due dates, and if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment ratably, according to the amounts of principal due on such dates, to the Registered Owners entitled thereto without any discrimination or preference;

(b) If the principal of all the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest, to the Registered Owners entitled thereto without any discrimination or preference.

Section 6.06. Insurance Policy; Procedure for Payment under Insurance Policy. No provisions of this Debt Ordinance, the Debt Act or otherwise arising at law or in equity for the enforcement of claims by Registered Owners for the payment of either principal or interest in respect of the Bonds may be effectuated without the consent of the Insurer, as long as the terms of the Insurance Policy are being fully met and satisfied.

If the principal and/or interest due on the Bonds is paid by the Insurer pursuant to the Insurance Policy, all covenants, agreements and other obligations of the County to the Registered Owners of the Bonds, under this Debt Ordinance and under the Debt Act, will continue to exist and will run to the benefit of the Insurer, who will be subrogated to the rights of the Registered Owners. Accordingly, the Sinking Fund Depository must follow all instructions of the Insurer for the prompt payment of the principal of and/or interest due on the Bonds to the Registered Owners, including provision of the Register to the Insurer, processing of checks or other remittances on behalf of the Insurer, collection of Bonds and notation of the Insurer's interests as subrogee within its records and on its books.

–END OF ARTICLE 6–

ARTICLE 7 – AMENDMENTS AND MODIFICATIONS

Section 7.01. Amendments Without Consent. The County may, from time to time and at any time, enact, execute, file with the Department and deliver to the Sinking Fund Depository, who shall accept the same, debt ordinances amending, modifying or supplemental hereto as shall not be inconsistent with the terms and provisions hereof and which shall not adversely affect the rights of the Registered Owners of the Bonds (which modifying or supplemental debt ordinances shall thereafter form a part hereof) for the following purposes:

- (a) to cure any ambiguity, formal defect or omission in this Debt Ordinance;
- (b) to grant to or confer upon the Sinking Fund Depository for the benefit of the Registered Owners of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred thereupon;
- (c) to add to this Debt Ordinance additional covenants and agreements thereafter to be observed by, or to surrender any right or power herein reserved to or conferred upon, the County; or
- (d) to amend the definition of the Project and change the purposes of the Bonds, in compliance with all provisions of the Debt Act.

Section 7.02. Amendments With Consent. With the consent of the Registered Owners of not less than sixty-six and two-thirds per centum (66 2/3%) in outstanding principal amount of the Bonds (and with the consent of the Insurer, if any), the County may, from time to time and at any time, enact, execute, file with the Department and deliver to the Sinking Fund Depository, who shall accept the same, debt ordinances amending, modifying or supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Debt Ordinance or of modifying in any manner the rights of the Registered Owners of the Bonds; provided, however, that no such modifying or supplemental debt ordinance shall: (i) extend the fixed maturity date of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Registered Owner of each Bond so affected; or (ii) reduce the aforesaid percentage of Bonds, the Registered Owners of which are required to consent to any such modification or supplement, without the consent of the Registered Owners of all

Section 9.04. Reimbursement. In accordance with Treas. Reg. 1.150-2, the County hereby states its intention that a portion of the proceeds of the Bonds will be used to reimburse County for original capital expenditures relating to the Project paid prior to the date of issuance of the Bonds. The reasonably expected source of funds that will be used to reimburse the original expenditures is the proceeds of tax-exempt bonds. The description of the type and use of the property for which the original expenditures to be fully or partially reimbursed are to be paid are costs related to the Project.

--END OF ARTICLE 9--

ARTICLE 10 – FEDERAL SECURITIES LAW COVENANTS

Section 10.01. Compliance in General. The County hereby states its intention to comply, and to facilitate compliance by the Purchaser and other related parties, with all the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), including for this purpose the related body of securities disclosure and anti-fraud laws, both statutory and common; the County represents and covenants that it has undertaken and performed, and will undertake and perform, or, as appropriate, discontinue, upon appropriate instructions of Co-Bond Counsel or otherwise, all those acts necessary and proper for compliance with the Rule, as interpreted by applicable regulations, rulings or other pronouncements of the Securities and Exchange Commission, or other appropriate regulatory body.

Section 10.02. Official Statement. The form of Preliminary Official Statement presented to the County Commissioners and the distribution of one or more Preliminary Official Statements by the Purchaser is hereby approved, in substantially the form presented to this meeting, with specific provisions inserted therein with respect to the series of Bonds described therein, subject to the approval of two of the County Commissioners, with the advice of Co-Bond Counsel and the Solicitor. The Designated Officers are hereby authorized and directed to execute one or more final Official Statements, the same with such completions therein from the preliminary document as may be necessary and, provided further, that execution of a certificate concurrently upon, or subsequent to, preparation of the final Official Statement, including any settlement certificate, by a Designated Officer, regarding the truth and accuracy of the final Official Statement is tantamount to execution of the original document and full and sufficient authority for the printing of one or more conformed signatures therein.

Section 10.03. Continuing Disclosure. The County will execute and deliver a Continuing Disclosure Certificate under which it will agree to provide or cause to be provided (i) annual financial information and operating data, and (ii) in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the state information depository, notice of certain material events, as defined in the Rule. The Purchaser's obligation to purchase the Bonds is conditioned upon its receipt of the Continuing Disclosure Certificate, at or prior to the delivery of the Bonds, in form and substance reasonably satisfactory to the Purchaser.

--END OF ARTICLE 10--

ARTICLE 11 – SALE OF BONDS; SETTLEMENT; REFUNDINGS

Section 11.01. Award to Purchaser. After due consideration of various factors, including professional assistance, the complexity of the transaction and current market conditions, the County Commissioners hereby determine that a private sale by negotiation of the Bonds is in the best financial interest of the County.

The Bonds are hereby awarded and sold at private sale by negotiation to the Purchaser in accordance with all the terms of the Purchase Proposal (including the price to be paid for the Bonds) which is hereby accepted, and incorporated by reference into this Debt Ordinance. The Designated Officers are authorized and directed to execute such Purchase Proposal, return it to the Purchaser and file a copy of the same with the records of the County.

The sale of the Bonds to the Purchaser pursuant to the Purchase Proposal is conditioned upon the satisfaction of the conditions for the final sale of the Bonds provided in the Purchase Proposal.

Section 11.02. Delivery of Bonds. The Designated Officers are hereby authorized and directed to deliver the Bonds to the Sinking Fund Depository for authentication and thereafter to the Purchaser against confirmed receipt of the Purchase Price thereof.

Section 11.03. Clearing Fund. The Designated Officers are hereby authorized and directed to establish with the Sinking Fund Depository, in the name of the County, a one-day demand deposit account to facilitate the settlement of the Bonds, designated the "Clearing Fund". The Purchase Price shall be deposited into the Clearing Fund immediately upon receipt and the Designated Officers are hereby authorized and directed to transfer and invest funds, to pay all necessary, usual and proper costs of issuance of the Bonds, to execute and deliver such documents and to do all such other acts, upon advice of Co-Bond Counsel and the Solicitor, as are reasonable and necessary to ensure a satisfactory settlement of the sale of the Bonds and a proper application of the proceeds of the Bonds to the Project.

Section 11.04. Escrow Deposit Agreements; Purchase of Investments. The Designated Officers are hereby authorized to take all such actions as necessary to implement the Advance Refunding Project and the Current Refunding Project, including, but not limited to: (i) executing and delivering, with the advice of Co-Bond Counsel and the Solicitor, one or more escrow deposit agreements with the sinking fund depository for the 1994 Bonds; (ii) giving such notices as are required of the redemption or defeasance of the 1994 Bonds; (iii) executing (or to causing to be executed) an initial and final Subscription for Purchase and Issue of United States Treasury Securities-State and Local Government Series, and any related certification, each in form and substance satisfactory to Co-Bond

DULY ADOPTED by the County Commissioners of the County, in lawful session assembled, on
September __, 2004.

[SEAL]

COUNTY OF LACKAWANNA

Chairman, Board of County Commissioners

Commissioner

Commissioner

Attest:

Administrative Director

Controller

Treasurer

Schedule I-A

Maximum Debt Service Payable on the Series 2004 A Bonds

Year	Maximum Principal Payment	Maximum Interest Payment	Maximum Debt Service
2005	\$320,000	\$332,772	\$652,772
2006	255,000	278,600	533,600
2007	375,000	260,750	635,750
2008	385,000	234,500	619,500
2009	395,000	207,550	602,550
2010	405,000	179,900	584,900
2011	415,000	151,550	566,550
2012	375,000	122,500	497,500
2013	5,000	96,250	101,250
2014	440,000	95,900	535,900
2015	455,000	65,100	520,100
2016	475,000	33,250	508,250

Schedule I-B1

Maximum Debt Service Payable on the Series 2004 B Bonds

Year	Maximum Principal Payment	Maximum Interest Payment	Maximum Debt Service
2005		\$6,013,946	\$6,013,946
2006		5,439,750	5,439,750
2007		5,439,750	5,439,750
2008		5,439,750	5,439,750
2009		5,439,750	5,439,750
2010		5,439,750	5,439,750
2011		5,439,750	5,439,750
2012		5,439,750	5,439,750
2013		5,439,750	5,439,750
2014		5,439,750	5,439,750
2015		5,439,750	5,439,750
2016		5,439,750	5,439,750
2017	\$495,000	5,439,750	5,934,750
2018	515,000	5,365,500	5,880,500
2019	535,000	5,288,250	5,823,250
2020	555,000	5,208,000	5,763,000
2021	2,770,000	5,124,750	7,894,750
2022	2,880,000	4,709,250	7,589,250
2023	3,615,000	4,277,250	7,892,250
2024	3,760,000	3,735,000	7,495,000
2025	3,910,000	3,171,000	7,081,000
2026	4,060,000	2,584,500	6,644,500
2027	4,220,000	1,975,500	6,195,500
2028	4,390,000	1,342,500	5,732,500
2029	4,560,000	684,000	5,244,000

Schedule I-B2

Maximum Debt Service Payable on Purchased BondsSeven Year Term-Out

Year	Maximum Principal Payment	Maximum Interest Payment	Maximum Debt Service
1	\$4,800,000	\$9,066,250	\$11,966,250
2	4,800,000	7,978,750	10,878,750
3	4,800,000	6,528,750	9,428,750
4	4,800,000	5,078,750	7,978,750
5	4,800,000	3,628,750	6,528,750
6	4,800,000	2,178,750	5,078,750
7	4,365,000	728,750	2,193,750

Assumes that all Series 2004 B Bonds are purchased by liquidity provider and amortize on a seven-year term level principal payments with interest at the maximum rate for Purchased Bonds.

Schedule III

Maximum Aggregate Debt Service Payable on the Bonds and Other Debt of the County

Year	Existing Debt Service (Prior to Issuance of the Bonds)	Proposed Debt Service (After Issuance of the Bonds)
2005	\$9,678,234.26	\$11,927,772.93
2006	9,940,716.76	11,935,965.51
2007	9,247,609.26	11,357,868.01
2008	7,885,592.99	10,912,806.74
2009	7,801,017.50	10,909,683.75
2010	7,797,256.88	10,912,564.38
2011	7,797,682.50	10,907,420.00
2012	9,246,407.50	11,119,397.50
2013	9,776,982.50	11,267,410.00
2014	9,156,518.13	11,081,765.63
2015	9,157,915.00	11,081,662.50
2016	8,599,892.50	10,526,122.50
2017	8,600,427.50	10,527,895.00
2018	8,595,917.50	10,523,832.50
2019	8,599,770.00	10,527,342.50
2020	8,595,867.50	10,522,307.50
2021	624,750.00	4,744,267.50
2022	620,125.00	4,740,227.50
2023	0.00	4,741,342.50
2024	0.00	4,743,550.00
2025	0.00	4,745,030.00
2026	0.00	4,740,585.00
2027	0.00	4,740,215.00
2028	0.00	4,743,525.00
2029	0.00	4,740,120.00

Exhibit A

Components of Capital Project

<u>Project Component</u>	<u>Estimated Cost</u>	<u>Estimated Useful Life (Years)</u>
Courthouse Construction	\$ 10,000,000	50
Administrative Building Repairs	100,000	25
Voting Technology	2,000,000	25
Computer Aided Mass Appraisal	5,500,000	10
Computerization Upgrades (including financial system)	700,000	15
Recording System Family Court	40,000	15
Phone System – Magistrates	20,000	15
Miscellaneous Equipment – Prison	28,500	10
911 System Upgrades	35,000	15
Airport Terminal Construction	3,317,900	30
Repairs – County Parks	350,000	20
Library Renovations	275,000	30
Improvements and Equipment at Montage		
Snowmaking and Miscellaneous	1,949,000	
Roof of Lodge	48,000	30
Snowmobiles	7,000	15
Miscellaneous Equipment	<u>44,000</u>	10
TOTAL	<u>\$ 24,414,000</u>	

[Confirm Update.]

to the Registered Owner thereof, without charge therefor, a registered Bond or Bonds for the unredeemed balance of the principal amount of such Bond, all as more fully set forth in the Debt Ordinance. If notice of redemption has been duly given, the Bonds or portions thereof specified in that notice become due and payable at the applicable Redemption Price on the designated redemption date, and if, on such date, moneys are held by the Sinking Fund Depository for the payment of the Redemption Price of the Bonds to be redeemed, together with interest to the date fixed for redemption, then from and after such date interest on such Bonds ceases to accrue.

[INSERT APPROPRIATE SERIES TENDER PROVISIONS]

The County, pursuant to recommendations made by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the Bonds, and has directed the Sinking Fund Depository to use such numbers in notices of redemption and other notices, if any, as a convenience to the Registered Owners of the Bonds. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice and reliance may be placed only on the identification number printed hereon.

This Bond may be transferred or exchanged only on the Register maintained by the County at the designated office of the Sinking Fund Depository upon surrender hereof by the Registered Owner at such office duly endorsed by, or accompanied by a written instrument of transfer duly executed by, the Registered Owner or his duly authorized agent or legal representative, in each case, in form and with a guaranty of signature satisfactory to the County and the Sinking Fund Depository. No service charge shall be imposed on any Registered Owner of any Bond for any transfer or exchange of any Bond, but the County may require payment of any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

The County is not required to register the transfer or exchange of any Bond: (a) during the period of (15) business days before any (i) date of selection of Bonds to be redeemed or (ii) date of maturity; or (b) after such Bond has been selected for redemption.

Subject to the provisions of this Bond and of the Debt Ordinance, the Sinking Fund Depository may treat the Registered Owner of this Bond as the absolute owner hereof, for all purposes, whether or not this Bond shall be overdue, and neither the County nor the Sinking Fund Depository shall be affected by any notice to the contrary.

This Bond is hereby declared to be a general obligation of the County. The County hereby covenants with the Registered Owner of this Bond to include the amount necessary to pay the debt service hereon, in each fiscal year for which such sums are due, in its budget for that year, to appropriate such amounts from its general revenues to the payment of such debt service and to duly and punctually pay or cause to be paid from its Sinking Fund or any other of its revenues or funds the principal of this Bond and the interest hereon on the dates, at the place and in the manner stated herein, according to the true intent and meaning hereof.

[The County has established a Debt Service Reserve Fund for the Bonds. The debt service reserve requirement shall be based on _____. Any withdrawal from the Debt Service Reserve Fund shall be replenished monthly from the next available tax revenues after meeting the requirements for deposits to the Sinking Fund Depository.]

It is hereby certified that all acts, conditions and things required by the laws of the Commonwealth to exist, to have happened or to have been performed, precedent to or in the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond, together with all other indebtedness of the County, is within every debt and other limit applicable to the County prescribed by the Constitution and the laws of the Commonwealth; that the County has established with the Sinking Fund Depository a Sinking Fund for this Bond and shall deposit therein amounts sufficient to pay the principal of and interest on this Bond as the same shall become due and payable; and that for the prompt and full payment of all obligations under this Bond, the full faith, credit and taxing power of the County are hereby irrevocably pledged.

No recourse shall be had for the payment of the principal of or the interest on this Bond, or for any claim based hereon, against any officer, agent or employee, past, present or future, of the County, as such, either directly or through the County, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise; all such liability of such officers, agents or employees is hereby renounced, waived and released as a condition of and as consideration for the issuance and acceptance of this Bond.

ASSIGNMENT

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

Please insert Social Security
or other identifying number
of assignee

Please print or typewrite name and address
including postal zip code of transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

Agent to transfer the within Bond on the books kept for registration thereof,
with full power of substitution in the premises.

Dated

Signature(s) Guaranteed:

NOTICE: Signature(s) must be
guaranteed by a member firm of
an approved Signature Guarantee
Medallion Program.

NOTICE: The signature(s) to
this assignment must
correspond with the name(s) as
written upon the face of the
Bond, in every particular,
without alteration or
enlargement, or any change
whatever.

“Auction Interest Period” shall mean, as to the applicable Auction Rate Bonds of a Series or subseries, each period within an Auction Rate Period during which a specific Auction Rate is in effect, as a result of an Auction, for such Series of Auction Rate Bonds, which Auction Interest Period may be generally a seven (7) day period, a twenty-eight (28) day period, a thirty-five (35) day period, or such other period as may be designated from time to time as an Auction Interest Period by the County and the Market Agent pursuant to an Auction Period Adjustment for a Series of Auction Rate Bonds, each Auction Interest Period running from, and including, an Interest Payment Date for such Auction Rate Bonds to the day preceding the next Interest Payment Date for such Auction Rate Bonds.

“Auction Period Adjustment” shall mean an adjustment to the length of an Auction Interest Period (and the related period between Interest Payment Dates for the applicable Auction Rate Bonds) implemented by the County and the Market Agent pursuant to Section 4(g) of Addendum A hereto.

“Auction Procedures” shall mean the Auction Procedures set forth in the Auction Agent Agreement and in Addendum A hereto.

“Auction Rate” shall mean with respect to the interest rate on the Auction Rate Bonds of a Series, the rate of interest per annum that results from the implementation of the Auction Procedures, and determined as described in the Auction Procedures; provided however, that the Auction Rate shall not exceed the Maximum Auction Interest Rate.

“Auction Rate Bonds” shall mean any Multi-Modal Bond bearing interest at an Auction Rate.

“Auction Rate Period” shall mean, as to the applicable Auction Rate Bonds of a Series, the period during which Auction Rates are in effect for such Series of Auction Rate Bonds.

“Authorized Denominations” shall mean, with respect to any Multi-Modal Bond bearing interest at a Fixed Interest Rate, \$5,000 and any integral multiple thereof; with respect to any Multi-Modal Bond bearing interest at an Auction Rate, \$25,000 and any integral multiple thereof; and, with respect to any Multi-Modal Bond bearing interest at a Weekly Interest Rate or a Short-Term Interest Rate, \$100,000 and any integral multiple of \$5,000 in excess thereof.

“Authorized Officer” shall mean the Designated Officers, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

“Available Moneys” shall mean (a) moneys drawn under the Standby Agreement which either are applied directly to the payment of the purchase price of the Liquidity Enhanced Bonds of a Series or which, if not so applied, are held in a separate and segregated account until so applied, (b) proceeds of the Liquidity Enhanced Bonds of a Series received contemporaneously with the issuance and sale of the Liquidity Enhanced Bonds of such Series and held by a Fiduciary at all times after receipt in a separate and segregated account for the Liquidity Enhanced Bonds of such Series in which only Available Moneys are at any time held, (c) proceeds of the remarketing of Liquidity Enhanced Bonds to a purchaser other than the County, (d) moneys which have been on deposit with a Fiduciary as agent and bailee for the Owners of the Liquidity Enhanced Bonds of such Series for 123 days during which no petition in bankruptcy is pending or has been filed by or against the County under the United States Bankruptcy Code or any successor code, and (e) any other money the application of which would not, in the written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the County, the Rating Agencies, if any, and the Paying Agent and delivered to the Fiduciaries, constitute a voidable preference in the case of the bankruptcy of the County.

“Beneficial Owner” shall mean, when the Bonds are in book-entry system, any person who acquires a beneficial ownership in the Bonds held by the Securities Depository.

“BMA Index” shall mean on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association (“BMA”) or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Market Agent with respect to the Auction Rate Bonds of a Series, and effective from such date.

“Bondholder” or “Holder” or “Owner” shall mean any person who shall be the registered owner of any Bond or Bonds.

“Broker-Dealer” shall mean the Broker-Dealer designated in the Certificate of Determination for a Series of the Auction Rate Bonds or any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a Participant (or an affiliate of a Participant), (ii) has been appointed as such by the County pursuant to Section 10 of Addendum A hereto, and (iii) has entered into a Broker-Dealer Agreement that is in effect on the date of reference.

“Broker-Dealer Agreement” shall mean each agreement between the Auction Agent and a Broker-Dealer relating to a Series of the Auction Rate Bonds pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“Broker-Dealer Fee” has the meaning set forth in the applicable Broker-Dealer Agreement and Auction Agent Agreement.

"Interest Rate Period" shall mean, as to the Multi-Modal Bonds, the Weekly Interest Rate Period, the Auction Rate Period (comprised of separate Auction Interest Periods), the Short-Term Interest Rate Period or the Fixed Interest Rate Period.

"Liquidity Enhanced Bonds" shall mean the Multi-Modal Bonds in the Weekly Interest Rate Period or the Short-Term Interest Rate Period.

"Market Agent" shall mean the initial Market Agent for a Series of Auction Rate Bonds designated in the Certificate of Determination, unless and until a Substitute Market Agent Agreement is entered into, after which Market Agent shall mean the Substitute Market Agent.

"Market Agent Agreement" shall mean the initial Market Agent Agreement relating to the Auction Rate Bonds of a Series, between the Paying Agent and the Market Agent, until and unless a Substitute Market Agent Agreement is effective, after which Market Agent Agreement shall mean such Substitute Market Agent Agreement, in each case as from time to time amended or supplemented.

"Maximum Rate" shall mean (a) as to the Multi-Modal Bonds of each Series other than Purchased Bonds, twelve percent (12%) per annum, or such lesser rate as shall be set forth in the applicable Certificate of Determination, and (b) as to Purchased Bonds, twenty-five percent (25%) per annum.

"Maximum Auction Interest Rate" shall mean as of any applicable Auction Date, the product of the Index multiplied by the Applicable Percentage; but never to exceed the Maximum Rate.

"Multi-Modal Bonds" shall mean any Bonds designated in a Certificate of Determination to bear interest pursuant to the provisions of this Appendix I.

"No Auction Rate" shall mean as of any applicable Auction Date, the Auction Rate applicable to the immediately preceding Auction Period.

"Non-Payment Rate" shall mean, on any date of determination, the interest rate per annum equal to the lesser of (i) 265% of the Index on such date (as such percentage may be adjusted pursuant to Section 7 of Addendum A hereto) and (ii) the Maximum Auction Interest Rate.

"Notice of Cure of Payment Default" shall mean a notice substantially in the form of Exhibit 2 to Addendum A hereto.

"Notice of Payment Default" shall mean a notice substantially in the form of Exhibit 1 to Addendum A hereto.

"Notice of Percentage Change" shall mean a notice to the Paying Agent, the Insurer, the Broker-Dealer and the Auction Agent substantially in the form provided in the Market Agent Agreement.

"Notice of Proposed Percentage Change" shall mean a notice to the Paying Agent, the Insurer, the Broker-Dealer and the Auction Agent substantially in the form provided in the Market Agent Agreement.

"One-Month LIBOR" shall mean the London interbank offered rate ("LIBOR") for deposits in U.S. dollars having a maturity of one month commencing on the Auction Date as reported by Bloomberg Financial Service, as of 9:00 a.m. New York City time, on the Auction Date. If such rate is not reported by Bloomberg Financial Service, the rate will be determined based on the rate which appears on Telerate Page 3750, on such Auction Date. If such rate is not reported by Bloomberg Financial Service and does not appear on Telerate Page 3750, such rate will be determined based upon the publication determined by the Broker-Dealer (or, if there is more than one Broker-Dealer, by the Market Agent) to be most comparable to Telerate Page 3750. "Telerate Page 3750" shall mean the display page so designated on the Bridge Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) or such comparable page on a comparable service.

"Participant" shall mean one of the entities which are a member of the Securities Depository and deposits securities, directly or indirectly, in the book-entry system.

"Paying Agent" shall mean the Sinking Fund Depository acting in its capacity as Paying Agent, or such other Paying Agent as may be appointed by the County.

"Payment Default" shall mean a failure by the County to pay interest on or principal of a series of Multi-Modal Bonds, as and when due.

"Purchase Account" shall mean the Account so designated and established within the Purchase and Remarketing Fund.

"Purchase and Remarketing Fund" shall mean the Fund so designated and established by Section 503.

"Purchased Bonds" shall mean any Liquidity Enhanced Bonds of a Series purchased by the Standby Purchaser for such Series for so long as such Liquidity Enhanced Bonds bear interest at the Purchased Bond Rate.

"Purchased Bond Rate" shall, at any date of determination, mean the interest rate per annum for Purchased Bonds determined pursuant to the provisions of the Standby Agreement in effect on such date; provided, however, that in no event shall the Purchased Bond Rate exceed the Maximum Rate.

“Weekly Interest Rate” shall mean, as to the applicable Multi-Modal Bonds, a variable interest rate established weekly in accordance with Sections 202 and 207.

“Weekly Interest Rate Period” shall mean, as to the applicable Multi-Modal Bonds of a Series, each period during which a Weekly Interest Rate is in effect for such Series of such Multi-Modal Bonds.

Article II

Determination of Interest Rates

Section 201. General Provisions.

(a) Each Series of Multi-Modal Bonds shall be issued initially as Auction Rate Bonds or Weekly Rate Bonds, as set forth in the applicable Certificate of Determination (unless and until converted). Each Series of the Multi-Modal Bonds may be converted, at the election of the County, but only upon satisfaction of the applicable conditions to any such conversion as are set forth herein, to or from a Weekly Interest Rate Period, to or from an Auction Rate Period, to or from a Short-Term Interest Rate Period, or to (but not from) a Fixed Interest Rate Period.

(b) The Multi-Modal Bonds (i) bearing interest at a Weekly Interest Rate, shall bear interest as provided in Section 202 and Section 207; (ii) bearing interest at an Auction Rate, shall bear interest as provided in Addendum A hereto; (iii) bearing interest at a Short-Term Interest Rate, shall bear interest as provided in Section 207; (iv) bearing interest at a Fixed Interest Rate, shall bear interest as provided in Section 207, and (v) constituting Purchased Bonds shall bear interest at the Purchased Bond Rate.

(c) Interest on the Multi-Modal Bonds shall be payable as provided in the Debt Ordinance, provided that interest on any Liquidity Enhanced Bonds that constitute Purchased Bonds shall be payable to the Standby Purchaser.

(d) Notwithstanding any other provision of the Debt Ordinance, this Appendix or the Bonds, so long as the Bonds are in a book-entry system and the Securities Depository is the registered owner of the Bonds:

(i) Presentation of Liquidity Enhanced Bonds to the Tender Agent at redemption or at maturity, or delivery of Liquidity Enhanced Bonds to the Tender Agent in connection with a purchase of tendered bonds, shall be deemed made to the Tender Agent when the right to exercise ownership rights in the Liquidity Enhanced Bonds through the Securities Depository or a Participant is transferred by the Securities Depository on its books to the account of the Tender Agent.

(ii) Bonds purchased by the County shall not be registered in the name of the County on the register maintained by the Registrar and shall not be physically held by any party other than the Securities Depository.

(iii) Notwithstanding anything in this Appendix I to the contrary, so long as the book-entry system is in effect with respect to the Liquidity Enhanced Bonds, every remarketing of the Liquidity Enhanced Bonds (or any portions thereof) by the Remarketing Agent and all purchases and transfers of beneficial ownership interests in the Liquidity Enhanced Bonds by the Tender Agent shall be conducted in accordance with such book-entry system as such book-entry system shall be revised from time to time.

(e) The Paying Agent is serving as Registrar and Paying Agent for the Bonds.

Section 202. Interest Rates for Multi-Modal Bonds; Computation of Interest on Multi-Modal Bonds.

(a) Initially, the Multi-Modal Bonds of each Series shall bear interest at an Auction Rate and shall be subject to an Auction Rate Period (unless and until converted), or shall bear interest at a Weekly Interest Rate and shall be subject to a Weekly Interest Rate Period, as provided in the applicable Certificate of Determination.

(b) The interest rates contained in the records of the Paying Agent shall be conclusive and binding, absent manifest error, upon the County, the Remarketing Agent, the Paying Agent, the Standby Purchaser, the Insurer, the Auction Agent, the Broker-Dealer, the Market Agent and the Owners.

(c) Notwithstanding anything contained herein to the contrary, in no event shall the rate of interest on any Multi-Modal Bond exceed at any time the Maximum Rate.

(d) Notwithstanding anything contained herein to the contrary, in no event shall any Owner be entitled to receive any interest payment with respect to any Multi-Modal Bond in excess of the amount permitted by any applicable usury or similar law.

(e) Interest on the Multi-Modal Bonds shall be computed, in the case of the Fixed Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, in the case of the Auction Rate Period, on the basis of a 360-day year for the actual number of days elapsed, and in the case of a Weekly Interest Rate Period or a Short-Term Interest Rate Period, on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed.

Agent (if applicable) and the Remarketing Agent a Standby Agreement, or an amendment thereto, providing for interest coverage for a period of time acceptable to the Rating Agencies for any such Series to be so converted. After conversion to an Auction Rate Period or to a Fixed Interest Rate Period for a Series of Multi-Modal Bonds, no Standby Agreement shall be required for any such Series during any such Interest Rate Period.

Section 206. Interest Payment Dates for Multi-Modal Bonds. Interest on the Multi-Modal Bonds of each Series shall be payable (i) on the initial Interest Payment Date therefor established in the applicable Certificate of Determination, for the period commencing on the date of initial authentication and delivery of the Multi-Modal Bonds and ending on the date immediately preceding such initial Interest Payment Date, and (ii) thereafter, on each Interest Payment Date for such Series for the period commencing on the immediately preceding Interest Accrual Date to which interest has been paid in full or duly provided for and ending on the day immediately preceding such Interest Payment Date.

Section 207. Interest Rates on Multi-Modal Bonds.

(a) During each Weekly Interest Rate Period for any Multi-Modal Bonds, as provided in Section 202, such Multi-Modal Bonds shall bear interest at the Weekly Interest Rate. During each Auction Rate Period for any Multi-Modal Bonds, such Multi-Modal Bonds shall bear interest at the Auction Rate. During each Short-Term Interest Rate Period for any Multi-Modal Bonds, each Multi-Modal Bond shall bear interest at the applicable Short-Term Interest Rate. During the Fixed Interest Rate Period for any Multi-Modal Bonds, such Multi-Modal Bonds shall bear interest at the Fixed Interest Rate.

The interest rate on the Multi-Modal Bonds of a Series during any Weekly Interest Rate Period or Short-Term Interest Rate Period shall be established from time to time as a rate equal to the rate determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Multi-Modal Bonds of such Series, would enable the Remarketing Agent to sell the Multi-Modal Bonds of such Series at the time the interest rate is being determined at a price equal to the principal amount thereof plus accrued interest, if any. The interest rate on the Multi-Modal Bonds of a Series during any Auction Rate Period and for any Auction Interest Period shall be determined from time to time by the Auction Agent through the implementation of the Auction Procedures. The determination of each Weekly Interest Rate, any Short-Term Interest Rate and any Fixed Interest Rate by the Remarketing Agent (or with respect to any Auction Rate by the Auction Agent through the implementation of the Auction Procedures with respect to Auction Rate Bonds) shall be conclusive and binding upon the Paying Agent, the Standby Purchaser, the Insurer of the Multi-Modal Bonds of such Series, the County, the Tender Agent, the Broker-Dealer, the Market Agent, and the Owners of such Multi-Modal Bonds, absent manifest error.

(b) During each Weekly Interest Rate Period, the Bonds of a Series in such Weekly Interest Rate Period shall bear interest at a Weekly Interest Rate, which shall be determined in accordance with Section 207(a) by the Remarketing Agent by 5:00 p.m. (New York City time) on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to the BMA Index on the day the Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

(c) During the Fixed Interest Rate Period, the Bonds of a Series in such Interest Rate Period shall bear interest at the Fixed Interest Rate, which shall be determined, in accordance with Section 207(a), by the Remarketing Agent on a Business Day selected by it prior to the first day that such Bonds begin the Fixed Interest Rate Period.

(d) During each Short-Term Interest Rate Period, each Bond of a Series in such Short-Term Interest Rate Period shall bear interest during each Short-Term Interest Rate Term for such Bond at the Short-Term Interest Rate for such Bond. The Short-Term Interest Rate Term and the Short-Term Interest Rate for each Bond need not be the same for any two (2) Bonds, even if determined on the same date. Each of such Short-Term Interest Rates for each Bond shall be determined by the Remarketing Agent in accordance with Section 207(a) no later than the first day of each Short-Term Interest Rate Term. Except for any Bond purchased by the Standby Purchaser or the County and remaining unsold by the Remarketing Agent at the close of business on the first day of the Short-Term Interest Rate Term, each Short-Term Interest Rate Term shall be for a period of days within the range or ranges announced as possible Short-Term Interest Rate Terms no later than 9:00 a.m., New York City time, on the first day of each Short-Term Interest Rate Term by the Remarketing Agent. Each Short-Term Interest Rate Term for each Bond shall be a period of not more than two hundred seventy (270) days, determined by the Remarketing Agent to be the period which, together with all other Short-Term Interest Rate Terms for all Bonds then Outstanding, will result in the lowest overall interest expense on the Bonds over the next succeeding two hundred seventy (270) days. Any Bond purchased on behalf of the County and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Short-Term Interest Rate Term for that Bond shall have a Short-Term Interest Rate Term of one day or, if that Short-Term Interest Rate Term would not end on a day immediately preceding a Business Day, a Short-Term Interest Rate Term ending on the day immediately preceding the next Business Day. Each Short-Term Interest Rate Term shall end on either a day which immediately precedes a Business Day or on the day

Enhanced Bond to be purchased and the principal amount to be retained shall each be an Authorized Denomination for Liquidity Enhanced Bonds subject to a Weekly Interest Rate Period) shall be purchased or deemed purchased as provided in Section 303(a)(iii) on the date specified in the notice referred to in (b) below by the time set forth in (b) below at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the date of purchase, upon delivery on any Business Day by the Owner of such Liquidity Enhanced Bond to the Tender Agent at its Delivery Office.

(b) Optional Tenders - Book-Entry System. During any Weekly Interest Rate Period for which the book-entry system with respect to the Liquidity Enhanced Bonds is in effect, any Liquidity Enhanced Bond (or portion thereof) bearing interest at a Weekly Interest Rate (provided that the principal amount of such Liquidity Enhanced Bond to be purchased and the principal amount to be retained shall each be an Authorized Denomination for Liquidity Enhanced Bonds subject to a Weekly Interest Rate Period) shall be purchased or deemed purchased as provided in Section 303(a)(iii) on the date specified in the notice referred to below at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the date of purchase, provided, however, that in the event the Purchase Date is also an Interest Payment Date for the Liquidity Enhanced Bonds to be purchased, no accrued interest on such Bonds shall be included in the Purchase Price, upon delivery on any Business Day by a Beneficial Owner (through its direct Participant in the Securities Depository) to the Tender Agent at its Delivery Office, the Paying Agent and the Remarketing Agent of an irrevocable written notice, executed by the Participant and stating the principal amount of such Liquidity Enhanced Bond (or portion thereof) bearing interest at a Weekly Interest Rate to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven (7) days after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. Payment of the purchase price of such Liquidity Enhanced Bond bearing interest at a Weekly Interest Rate shall be made upon, and solely from, the receipt of remarketing proceeds pursuant to Section 303 or the receipt by the Tender Agent of the proceeds of any drawing on the applicable Standby Agreement, or as soon as possible thereafter on the Business Day specified in the notice. The Beneficial Owner shall effect delivery of such Liquidity Enhanced Bonds, in accordance with Section 201(d)(v), by causing the direct Participant through which such Beneficial Owner owns such Liquidity Enhanced Bonds to transfer its interest in such Liquidity Enhanced Bonds equal to such Beneficial Owner's interest on the records of the Securities Depository for such Liquidity Enhanced Bonds to the participant account of the Tender Agent with the Securities Depository.

(c) Termination or Suspension of Optional Tender. As provided in Section 308, in the event of certain defaults relating to the Insurer for a particular Series of the Liquidity Enhanced Bonds, as set forth in the Standby Agreement for such Series, the obligations of the Standby Purchaser to purchase tendered Liquidity Enhanced Bonds of such Series bearing interest at a Weekly Interest Rate may terminate or be suspended without notice. In such event, the Liquidity Enhanced Bonds of such Series shall not be subject to optional tender for purchase as provided in this Section 301.

Section 302. Mandatory Tender for Purchase of the Liquidity Enhanced Bonds and Auction Rate Bonds.

(a) Mandatory Tender Upon Conversion. On the first day of any new Interest Rate Period for any Multi-Modal Bonds of a Series being converted to a Weekly Interest Rate Period, a Short-Term Interest Rate Period, an Auction Rate Period, or a Fixed Interest Rate Period, such Multi-Modal Bonds of such Series shall be purchased or deemed purchased as provided in Section 303(a)(iii) at the purchase price therefor equal to the principal amount thereof plus accrued interest, if any. Payment of the purchase price of such Multi-Modal Bonds shall be made by 3:00 p.m. (New York City time) on the first day of the new Interest Rate Period (provided, however, while the Multi-Modal Bonds of such Series are in the book-entry system, the Multi-Modal Bonds shall be presented to the Tender Agent according to the normal and customary practice between the Securities Depository and the Tender Agent) upon delivery of such Multi-Modal Bonds to the Tender Agent at its Delivery Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m. (New York City time) on the first day of the new Interest Rate Period.

If the new Interest Rate Period for any Multi-Modal Bonds being converted to a Weekly Interest Rate Period, a Short-Term Interest Rate Period, an Auction Rate Period, or a Fixed Interest Rate Period is not able to begin by reason of the failure by the County to deliver, or cause to be delivered, a Favorable Opinion of Bond Counsel or to satisfy any other applicable condition as set forth in Section 205, such Multi-Modal Bonds shall be deemed purchased on the date that was to be the first day of the new Interest Rate Period (but for the failure of the County to deliver such Favorable Opinion of Bond Counsel or to satisfy any other applicable condition) at a purchase price equal to the principal amount thereof, plus accrued interest thereon, if any, except that Auction Rate Bonds shall not be purchased or deemed purchased in the event of a failed conversion, but rather shall continue to be in the Auction Rate Period. Payment of the purchase price shall be made at the time and in the manner (including presentation of such Multi-Modal Bonds) specified in this Section 302(a).

(b) Mandatory Tender Upon Termination or Expiration of Standby Agreement. If at any time the Tender Agent shall give notice in accordance with Section 306 that any Liquidity Enhanced Bonds of a Series then subject to purchase under the Standby Agreement for such Series as then in effect shall on the date specified in such notice cease to be subject to purchase under the Standby Agreement as a result of the termination or expiration of the term of the Standby Agreement then, on the fifth (5th) Business Day next preceding any termination or expiration of the Standby Agreement in respect of such Liquidity Enhanced Bonds of such Series each such Liquidity Enhanced Bond or Bonds shall be purchased or deemed purchased as provided in Section 303(a)(iii), at a purchase price equal to the principal amount thereof plus accrued interest, if any. Payment of the purchase price of such Liquidity Enhanced Bonds shall be made by 3:00 p.m. (New York City time) on such Business Day upon delivery of such Liquidity Enhanced Bonds to the Tender Agent at its Delivery Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange,

(1) proceeds of the remarketing of such Multi-Modal Bonds (but only such remarketing proceeds received from purchasers of the Multi-Modal Bonds pursuant to Section 303(b)) furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Proceeds Account;

(2) moneys furnished to the Tender Agent for deposit into the Purchase Account representing the proceeds of a drawing under the Standby Agreement then in effect; and

(3) any other moneys available to the Tender Agent for such purpose which the County may elect (but shall not in any event be required) to make available for such purpose (first utilizing any Available Moneys and second any other moneys so available).

Subject to Section 503, the Tender Agent shall segregate amounts derived from the sources described in (1), (2) and (3) above by depositing proceeds derived from the source described in (1) above into the Remarketing Proceeds Account, by depositing proceeds derived from the source described in (2) above into the Purchase Account, and by depositing proceeds derived from the source described in (3) above, if any, to the benefit of the tendering Holder.

(iii) With respect to any Multi-Modal Bonds or portions thereof required to be purchased pursuant to Section 301 and any Multi-Modal Bonds or portions thereof required to be tendered for purchase in accordance with Section 302 as to which sufficient funds to accomplish such purchase are available to the Tender Agent at the respective times at which payment of the purchase price was to be made as provided herein:

(1) Such Multi-Modal Bonds or portions thereof shall be deemed to have been purchased, for all purposes of this Appendix I irrespective of whether or not such Multi-Modal Bonds shall have been presented to the Tender Agent, and the former Owner or Owners of such Multi-Modal Bonds shall have no claim thereon hereunder or otherwise for any amount other than the purchase price thereof which would have been paid on the date set for purchase, and such Multi-Modal Bonds or portions thereof shall no longer be deemed to be Outstanding for purposes hereof.

(2) In the event that any such Multi-Modal Bonds or portions thereof shall not be presented to the Tender Agent, the Tender Agent shall segregate and hold the moneys for the purchase price of such Multi-Modal Bonds in trust, uninvested and without liability for interest thereon, for the benefit of the former Owners of such Multi-Modal Bonds, who shall thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the purchase price of such Multi-Modal Bonds.

(3) In the event that any such Multi-Modal Bonds or portions thereof shall not be presented to the Tender Agent at the time specified in Section 301 or Section 302, then the Tender Agent shall request, and thereupon the County shall execute and deliver and the Tender Agent shall immediately authenticate a new Multi-Modal Bond or Bonds in an aggregate principal amount equal to the principal amount of the Multi-Modal Bonds or portions thereof so purchased, but not presented, bearing a number or numbers not contemporaneously Outstanding. Every Multi-Modal Bond authenticated and delivered as provided in the preceding sentence shall be entitled to all the benefits hereof equally and proportionately with any and all other Multi-Modal Bonds duly issued hereunder. The Tender Agent shall maintain a record of the Multi-Modal Bonds or portions thereof not tendered for purchase pursuant to Section 301 or Section 302 together with the names and addresses of the former Owners thereof.

(4) In case any Multi-Modal Bonds or portions thereof which have been deemed purchased as provided in Section 303(a)(iii)(1) are delivered to the Tender Agent subsequent to the date and time specified for such delivery for payment of the purchase price thereof at its Delivery Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange, on any Business Day, the Tender Agent shall, subject to the provisions of paragraph (g) of this Section 303, pay the purchase price of such Multi-Modal Bond or portion thereof to the Owner (A) no later than 3:00 p.m. (New York City time) on such Business Day, if such Multi-Modal Bond is presented by 10:00 a.m. (New York City time) on such Business Day, and (B) no later than 12:00 noon (New York City time) on the next succeeding Business Day, if such Multi-Modal Bond is presented after 10:00 a.m. (New York City time) on such Business Day and, if appropriate, shall also deliver to such Owner a new Multi-Modal Bond in an aggregate principal amount equal to the portion of any Multi-Modal Bond not so purchased; provided, however, while the Multi-Modal Bonds are in the book-entry system, the Multi-Modal Bonds shall be presented to the Tender Agent according to the normal and customary practices between the Securities Depository and the Tender Agent. Any such Multi-Modal Bonds so delivered to the Tender Agent shall be canceled by it and delivered to the Paying Agent.

(b) (i) Promptly upon becoming aware of any requirement that any Multi-Modal Bond or portion thereof be purchased pursuant to Section 301 or Section 302(a), (b), (d) or (e), the Remarketing Agent shall offer for sale and use its best efforts to sell such Multi-Modal Bonds, any such sale to be made on the date of such purchase, or, if such sale cannot be made on the date of such purchase, as soon as practicable thereafter, at the best price available in the marketplace; provided, however, that the Remarketing Agent shall not sell any of such Multi-Modal Bonds at a price below the principal amount thereof, plus accrued interest thereon, if any. The Remarketing Agent may, however, sell such Multi-

(d) If the Tender Agent shall have received a demand for the purchase of Liquidity Enhanced Bonds or portions thereof (other than Purchased Bonds) in accordance with Section 301 or if any Liquidity Enhanced Bonds are required to be tendered for purchase in accordance with Section 302 and the Remarketing Agent shall not then have provided the Tender Agent with sufficient funds to make such purchase by depositing in the Remarketing Proceeds Account immediately available funds by no later than one hour before the time provided in the Standby Agreement for such Series for presentation of notices in order to receive payment in immediately available funds by 2:30 p.m. (New York City time) on the date such Liquidity Enhanced Bonds are required to be purchased, then the Tender Agent shall draw under the Standby Agreement by no later than the time provided in the Standby Agreement for presentation of notices in order to receive payment in immediately available funds by 2:30 p.m. (New York City time) on such day, the amount sufficient to pay the portion of the purchase price of such Liquidity Enhanced Bonds which exceeds the amount provided by the Remarketing Agent for deposit in the Remarketing Proceeds Account in order to fully pay the purchase price of the applicable Liquidity Enhanced Bonds. The Tender Agent shall deposit the proceeds of such drawing in respect of such Liquidity Enhanced Bonds in accordance with the provisions of Section 303(a)(ii). The Tender Agent shall notify the County and the Paying Agent by telephone, promptly confirmed in writing, of the amounts to be drawn, as soon as practicable and, when possible, at least one day prior to such draw on the Standby Agreement.

(e) Subject (with respect to any remarketing premium) to Section 303(b)(i), the proceeds of the sale by the Remarketing Agent of any Multi-Modal Bonds or portions thereof shall be transferred to the Tender Agent upon receipt of Multi-Modal Bonds therefor and, except for Multi-Modal Bonds not tendered as described in Section 303(a)(iii) or 303(g), immediately applied by the Tender Agent to the payment of the purchase price of Multi-Modal Bonds or portions thereof pursuant to Section 303(a)(ii)(1) or, in the case of the sale of Purchased Bonds, to the payment of the purchase price of such Purchased Bonds, whether or not the Tender Agent has at the time received a Multi-Modal Bond or ownership interest in a Multi-Modal Bond pursuant to Section 303(c)(ii) as a result of such payment by the Standby Purchaser. In making such payments to the Standby Purchaser, the Tender Agent may conclusively assume that the Standby Purchaser has not been paid from any other sources. To the extent that the Standby Purchaser is so paid with proceeds of the sale of Multi-Modal Bonds by the Remarketing Agent, any Purchased Bond or ownership interest in such Multi-Modal Bond shall be immediately returned to or released by the Tender Agent and new Multi-Modal Bonds representing such sale proceeds shall be registered and delivered as provided in Section 303(c)(i).

(f) Notwithstanding anything herein to the contrary, if there shall have occurred and be continuing a Payment Default and if the Insurer of the Multi-Modal Bonds of a Series is in default under the Insurance Policy, there shall be no sales of Multi-Modal Bonds of such Series pursuant to Section 303(b)(i).

(g) The Tender Agent shall, at the end of the tenth (10th) Business Day after the date on which Multi-Modal Bonds are to be purchased, set aside on its books all funds then held in the Remarketing Proceeds Account and the Purchase Account by virtue of the fact that Multi-Modal Bonds deemed purchased on such date were not presented for purchase to the Tender Agent in accordance with the provisions of Section 303(a) and shall hold the same in trust for the payment to the Owners of such Multi-Modal Bonds of the purchase price thereof as required by the provisions of Section 303(a). The Tender Agent shall pay such purchase price from such amounts by check or draft of the Tender Agent made payable to the party entitled to such payment as soon as practicable after such party surrenders the Multi-Modal Bond or Bonds so deemed purchased to the Tender Agent.

(h) Notwithstanding anything herein to the contrary, if the conditions to a conversion of Auction Rate Bonds to another Interest Rate Period are not satisfied, there shall be no conversion, the Paying Agent shall promptly notify the applicable Owners of such Auction Rate Bonds of the failed conversion, and the Auction Rate Bonds shall continue to be in the Auction Rate Period and shall bear interest at an Auction Rate determined in accordance with the Auction Procedures.

Section 304. Standby Agreement.

(a) The Tender Agent shall take such actions as may be necessary to obtain funds under the Standby Agreement for the applicable Series of Liquidity Enhanced Bonds to pay the purchase price, including accrued interest, if any, of Liquidity Enhanced Bonds of such Series then subject to purchase under the Standby Agreement tendered for purchase or required to be purchased pursuant to the provisions hereof at the times, on the dates, to the extent and in the manner provided by Section 303(d) and deposit the proceeds of such drawing in the Purchase Account pending application of such moneys to the payment of the purchase price of such Liquidity Enhanced Bonds.

(b) If at any time all of the Liquidity Enhanced Bonds of a Series then subject to purchase under the Standby Agreement for such Series shall have been defeased pursuant to the Debt Ordinance, such Liquidity Enhanced Bonds shall continue to be subject to optional or mandatory tender as otherwise provided herein, and the Tender Agent shall maintain the Standby Agreement in accordance with the terms of the Standby Agreement until such Liquidity Enhanced Bonds have been redeemed or otherwise cancelled. The Tender Agent shall comply with the procedures, if any, set forth in the Standby Agreement relating to the termination thereof and is authorized to deliver certificates reducing the stated amount of the Standby Agreement in accordance with the provisions thereof, if any.

(c) In connection with the termination or expiration of the term of the Standby Agreement for a Series requiring mandatory purchase of Liquidity Enhanced Bonds of such Series as provided in Section 302, the Tender Agent shall give the notice of mandatory tender for purchase of the Liquidity Enhanced Bonds of such Series as provided in Section 302(b).

in default under the Standby Agreement; or (c) the Standby Purchaser for such Series is not obligated under the Standby Agreement to purchase Liquidity Enhanced Bonds.

The Paying Agent shall, to the extent it has actual notice thereof, give notice to the Liquidity Enhanced Bondholders of the applicable Series, each Rating Agency which then maintains a rating on the Liquidity Enhanced Bonds of such Series, the Remarketing Agent, the Insurer for the Liquidity Enhanced Bonds of such Series, the County and the Standby Purchaser of (a) the occurrence and continuation of any of the events set forth in the first paragraph of this Section 308, and that such events result in no tenders, sales or remarketing of Liquidity Enhanced Bonds being permitted, and (b) the curing of any of the events set forth in the first paragraph of this Section 308 and that as a consequence tenders, sales and remarketings are again permitted hereunder.

ARTICLE IV

Notice of Redemption of Bonds

Section 401. Notice of Redemption. In addition to the notice required by the Debt Ordinance, such notice of redemption shall also be sent to (i) the Standby Purchaser (only with respect to a redemption of the Liquidity Enhanced Bonds of the applicable Series), (ii) the applicable Remarketing Agent, if any, and (iii) the applicable Broker-Dealer, if any, by certified mail, return receipt requested.

ARTICLE V

Disposition of Proceeds; Funds and Accounts

Section 501. [Reserved].

Section 502. [Reserved].

Section 503. Purchase and Remarketing Fund.

(a) There is hereby created with respect to each Series of the Liquidity Enhanced Bonds a fund to be held by the Tender Agent and designated as the "Purchase and Remarketing Fund". The following Accounts shall be established within the Purchase and Remarketing Fund: (i) the Purchase Account; and (ii) the Remarketing Proceeds Account. Amounts on deposit in the Purchase and Remarketing Fund shall not be commingled with the amounts held in any other fund or account.

(b) All drawings on the Standby Agreement to pay the purchase price of Liquidity Enhanced Bonds of the applicable Series shall be deposited in the Purchase Account and used only for the payment of the purchase price of Outstanding Liquidity Enhanced Bonds of such Series in the manner and at the times specified in Section 303. Any proceeds of any such drawing remaining in the Purchase Account after payment of the purchase price of the Liquidity Enhanced Bonds of such Series to be purchased shall be returned to the Standby Purchaser immediately.

(c) All amounts received by the Tender Agent from the Remarketing Agent representing the purchase price of Liquidity Enhanced Bonds of a Series remarketed by the Remarketing Agent shall be deposited in the Remarketing Proceeds Account and shall be used only for payments of the purchase price of the Liquidity Enhanced Bonds of such Series so remarketed as provided in Section 303 or to the payment of the Standby Purchaser for Liquidity Enhanced Bonds of such Series purchased by the Standby Purchaser and remarketed.

(d) No moneys provided by the County shall be accepted for deposit to the credit of the Purchase and Remarketing Fund, nor shall any such moneys if deposited by mistake or otherwise, be used for the purchase of Liquidity Enhanced Bonds tendered or deemed tendered for purchase pursuant to the terms of Article III hereof. Moneys in the Purchase and Remarketing Fund shall be held uninvested and without liability for interest thereon.

ARTICLE VI

Tender Agent

Section 601. Tender Agent; Appointment and Acceptance of Duties.

(a) The County hereby appoints the Paying Agent as Tender Agent for the Liquidity Enhanced Bonds, and may at any time or from time to time appoint one or more other Tender Agents having the qualifications set forth in Section 604 for a successor Tender Agent. One or more Tender Agent(s) may be appointed by the County to the extent necessary to effectuate the rights of the Owners to tender Liquidity Enhanced Bonds for purchase.

(b) Each Tender Agent (other than the Paying Agent) shall signify its acceptance of the duties and obligations imposed upon it hereby by executing and delivering to the County, the Paying Agent, the Standby Purchaser, the Insurer for the Liquidity Enhanced Bonds and the Remarketing Agent a written acceptance thereof.

(c) Unless otherwise provided, the principal corporate trust offices of the Tender Agents are designated as the respective offices or agencies of the County for the payment of the purchase price of tendered Liquidity Enhanced Bonds.

Section 602. Tender Agent; General Responsibilities.

(a) The Tender Agent shall perform the duties and obligations set forth herein and in particular shall:

Section 604. Resignation or Removal of Tender Agent or Paying Agent and Appointment of Successor.

(a) Any Tender Agent or Paying Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least 60 days written notice to the County, the Standby Purchaser, the Remarketing Agent, the applicable Insurer and the other Fiduciaries, provided that any such resignation shall take effect only upon the appointment of, and acceptance of such appointment by, a successor Tender Agent or Paying Agent, as the case may be. Any Tender Agent or Paying Agent may be removed at any time by an instrument filed with such Tender Agent or Paying Agent (with a copy to the Insurer) and signed by an Authorized Officer, provided that any such removal shall take effect only upon the appointment of, and acceptance of such appointment by, a successor Tender Agent or Paying Agent, as the case may be. The County agrees that upon the resignation of the Tender Agent or the Paying Agent it will act expeditiously and use its best efforts to appoint a successor Tender Agent or Paying Agent, such successor Tender Agent or Paying Agent to be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States, having capital stock and surplus aggregating at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it hereby; provided, however, that if no appointment of a successor Tender Agent or the Paying Agent shall be made within 45 days after written notice of resignation of such office is given to the County, the Tender Agent or Paying Agent, as applicable, or the Owner of any Liquidity Enhanced Bond may apply to any court of competent jurisdiction to appoint a successor Tender Agent or Paying Agent, as the case may be.

(b) In the event of the resignation or removal of any Tender Agent or Paying Agent, such Tender Agent or Paying Agent shall pay over, assign and deliver any moneys and Liquidity Enhanced Bonds, including authenticated Liquidity Enhanced Bonds, held by it to its successor.

(c) Notwithstanding any other provision hereof to the contrary, the duties of the Tender Agent shall terminate with respect to a Series of Multi-Modal Bonds upon conversion of all of the Outstanding Liquidity Enhanced Bonds of such Series to a Fixed Interest Rate or to an Auction Rate.

ARTICLE VII

The Remarketing Agent

Section 701. The Remarketing Agent. The County shall appoint one or more Remarketing Agents for each Series of the Liquidity Enhanced Bonds. The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it hereby. The Remarketing Agent or any successor shall signify its acceptance of the duties and obligations imposed upon it hereunder by executing the Remarketing Agreement under which the Remarketing Agent will agree to:

(a) determine (which shall include inquiries of market sources as necessary to accurately ascertain the then-prevailing market conditions for the Liquidity Enhanced Bonds) each Weekly Interest Rate, each Short-Term Interest Rate Term and related Short-Term Interest Rate and each Fixed Interest Rate for each Series and give notice of such rates as set forth in Article II hereof;

(b) keep such books and records with respect to the remarketing of the Liquidity Enhanced Bonds as shall be consistent with prudent industry practice; and

(c) use its best efforts to remarket the Liquidity Enhanced Bonds and Purchased Bonds of the applicable Series in accordance herewith and the Remarketing Agreement; provided, however, that if the Remarketing Agent shall have received from the County written notice that the Insurer of the Liquidity Enhanced Bonds or Purchased Bonds of such Series is in default under its Insurance Policy or has been declared insolvent or has repudiated its Insurance Policy, the Remarketing Agent shall suspend its remarketing of the Liquidity Enhanced Bonds or Purchased Bonds until such time as the County and the Remarketing Agent agree to the resumption of remarketing.

Section 702. Removal or Resignation of Remarketing Agent. Subject to the provisions of the Remarketing Agreement, the Remarketing Agent may be removed at any time with or without cause by an instrument filed with the Insurer, the Remarketing Agent and the Paying Agent and signed by an Authorized Officer. The County may appoint a successor Remarketing Agent, and each successor Remarketing Agent shall at all times be either a member of the National Association of Securities Dealers, Inc. or registered as a dealer of municipal securities under the Securities Exchange Act of 1934, as amended, and having net capital of at least \$50,000,000. Subject to the provisions of the Remarketing Agreement, the Remarketing Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least sixty (60) days written notice to the County, the Standby Purchaser, the Fiduciaries and the Insurer of the Liquidity Enhanced Bonds of the applicable Series. The Paying Agent, shall promptly give written notice to the Liquidity Enhanced Bondholders of any removal or resignation of the Remarketing Agent.

Section 703. Successor Remarketing Agents. Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Remarketing Agent hereunder.

Section 704. Modification of Remarketing Agent's Duties. Modifications may be made to the provisions hereof regarding the duties and responsibilities of the Remarketing Agent, the dates and times at which interest rates are to be determined and the tender for purchase and notices of tenders, provided that the prior consent of the Remarketing Agent is obtained in writing and that:

the Standby Agreement. Notwithstanding anything else provided herein, (a) any amendment of the Standby Agreement shall require the prior written consent of the Insurer for the Liquidity Enhanced Bonds for such Series and (b) an amendment hereof altering the rights and duties of the Standby Purchaser hereunder shall require the prior written consent of the Standby Purchaser. The County further agrees that it will not amend the Standby Agreement in any manner which would adversely affect the interests of the Tender Agent without the prior written consent of the Tender Agent.

Section 805. References to Standby Purchaser or Insurer.

(a) Any provision hereof regarding the consent of, or mandating the direction of action by, the Standby Purchaser shall, except as expressly provided, be deemed ineffective if (i) the Standby Agreement issued thereby is no longer in effect and no amount is due and owing under such Standby Agreement or (ii) the Standby Purchaser has wrongfully failed to honor a proper draw under the Standby Agreement.

(b) Any provision hereof regarding the consent of, or mandating the direction of action by, an Insurer shall, except as expressly provided, be deemed ineffective if (i) the Insurance Policy is no longer in effect or (ii) the Insurer has failed to make payment under the Insurance Policy.

ARTICLE IX

Miscellaneous

Section 901. [Reserved].

Section 902. [Reserved].

Section 903. Notices. Except as otherwise required herein, all notices required or authorized by this Appendix I to be given to the County, the Registrar, the Paying Agent, the Remarketing Agent, the Tender Agent, the Standby Purchaser, the Insurer and the Rating Agencies pursuant hereto shall be in writing and shall be sent by registered or certified mail, postage prepaid, recognized private carrier, with delivery charges prepaid and acknowledgement of delivery, or by Electronic Means, to the following addresses:

1. to the County, to:
2. to the Registrar and the Paying Agent, to:
3. to the Remarketing Agent, at the address therefor indicated at the time of the appointment thereof.
4. to the Standby Purchaser, at the address therefor indicated at the time of the appointment thereof.
5. to the Insurer, at the address therefor indicated in the Insurance Policy.

6. to the Tender Agent, to:

7. to S&P, to:

Standard & Poor's Ratings Service
55 Water Street, 38th Floor
New York, New York 10041
Attn: Municipal Finance Department
Telephone: (212) 438-2000
Facsimile: (212) 438-2131

8. to Moody's, to:

Moody's Investors Service
99 Church Street
New York, New York 10007
Attn: Public Finance Department, Structured Finance Group
Telephone: (212) 553-0322
Facsimile: (212) 261-1466

9. to Fitch, to:

Fitch, Inc.
One State Street Plaza
New York, New York 10004
Attn: Municipal Finance Department
Telephone: (212) 908-0515
Facsimile: (212) 480-4439

or to such other addresses as may from time to time be furnished to the parties, effective upon the receipt of notice thereof given as set forth above.

(d) Broker-Dealer Fees With Respect to Auction Rate Bonds. On each Interest Payment Date, the County shall cause the Auction Agent to pay to the Broker-Dealer, in immediately available funds, an amount equal to (i) the Broker-Dealer Fee, multiplied by (ii)(A) in the case of the first Interest Payment Date, the aggregate principal amount of outstanding Auction Rate Bonds on the date of issuance or (B) in the case of each Interest Payment Date immediately following an Auction Date, the aggregate principal amount of outstanding Auction Rate Bonds multiplied by (iii) the number of days in the Auction Interest Period, divided by (iv) 360.

(e) Computation of Interest Distributable on Auction Rate Bonds. The amount of interest distributable to Beneficial Owners of Auction Rate Bonds, in respect of each \$25,000 in principal amount thereof for any Auction Interest Period or part thereof shall be calculated by the Paying Agent by applying the Applicable Auction Rate, for such Auction Interest Period or part thereof to the principal amount of \$25,000, multiplying such sum by the actual number of days in the Auction Interest Period or part thereof concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upward).

(f) Defaulted Interest.

(i) The Paying Agent shall determine not later than 12:00 noon, New York City time, on the third Business Day next succeeding an Interest Payment Date, whether a Payment Default is expected to occur. If a Payment Default is expected to occur, the Paying Agent shall, not later than 12:15 p.m. New York City time on such Business Day, send a Notice of Payment Default to the Auction Agent by telecopy or similar means and, if such Payment Default is cured, the Paying Agent shall immediately send a Notice of Cure of Payment Default to the Auction Agent by telecopy or similar means.

(ii) Defaulted interest shall forthwith cease to be payable to the Beneficial Owner on the relevant Record Date by virtue of having been such Beneficial Owner and such defaulted interest shall be payable to the Person in whose name the Auction Rate Bonds are registered at the close of business on a special record date fixed therefor by the Paying Agent, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest. The Paying Agent shall promptly notify the County of the special record date and at its expense mail to each Beneficial Owner of an Auction Rate Bonds as to which defaulted interest is payable, not less than ten days before the special record date, of the date of the proposed payment of such defaulted interest.

(g) Changes in Auction Interest Periods. While any of the Auction Rate Bonds are Outstanding, the County may, from time to time, change the length of one or more Auction Interest Periods (an "Auction Period Adjustment") in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Interest Period and the interest rate borne by the Auction Rate Bonds. The County will not initiate such change in the length of the Auction Interest Period unless it shall have received, not less than ten (10) days nor more than twenty (20) days prior to the Auction Period Adjustment, (i) the written consent of the Market Agent, which consent shall not be unreasonably withheld, (ii) written confirmation from each of the Rating Agencies then rating the Auction Rate Bonds that such Auction Period Adjustment will not adversely affect its ratings then applicable to any of the Auction Rate Bonds, and (iii) a Favorable Opinion of Bond Counsel. The County will initiate an Auction Period Adjustment by giving written notice to the Paying Agent, the Auction Agent, the Market Agent, the Broker-Dealer, the Insurer, and the Securities Depository at least ten (10) days prior to the Auction Date for such Auction Interest Period.

Any such Auction Period Adjustment must become effective on an Interest Payment Date and shall not result in an Auction Interest Period of less than seven days nor more than one year.

An Auction Period Adjustment will take effect only if (A) the Paying Agent and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Interest Period, a certificate from the County authorizing an Auction Period Adjustment specified in such certificate, the written consent of the Market Agent and the Rating Agency confirmations described above and (B) sufficient bids exist at the Auction on the Auction Date for such first Auction Interest Period. If the condition referred to in (A) above is not met, the Auction Rate applicable for the next Auction Interest Period will be determined pursuant to the Auction Procedures and the Auction Interest Period will be the Auction Interest Period determined without reference to the proposed change. If the condition referred to in (A) above is met, but the condition referred to in (B) above is not met, the Auction Rate applicable for the next Auction Interest Period will be the Maximum Auction Interest Rate, and the Auction Interest Period will be the Auction Interest Period determined without reference to the proposed change.

Section 5. Calculation of Maximum Auction Interest Rate, All-Hold Rate and Non-Payment Rate. The Auction Agent shall calculate the Maximum Auction Interest Rate and the All-Hold Rate on each Auction Date. If the ownership of the Auction Rate Bonds is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall calculate the Maximum Auction Interest Rate on the Business Day immediately preceding each Interest Payment Date after the delivery of certificates representing the Auction Rate Bonds. If a Payment Default shall have occurred, the Paying Agent shall calculate the Non-Payment Rate on the first day of (i) each Auction Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Auction Interest Period commencing less than two Business Days after the cure of any Payment Default. The determination by the Paying Agent or the Auction Agent, as the case may be, of the Maximum Auction Interest Rate, All-Hold Rate and Non-Payment Rate shall (in the absence of manifest error) be final and binding upon all Beneficial Owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Paying Agent of the Maximum Auction Interest Rate, All-Hold Rate and Non-Payment Rate.

Section 6. Notification of Rates, Amounts and Payment Dates.

interest on Auction Rate Bonds for the next succeeding Auction Interest Period shall be determined in accordance with the Auction Procedures. If any of the conditions referred to in (ii) above are not met, the existing percentage used in determining the All-Hold Rate, the percentage of the Index used in determining the Non-Payment Rate and the Applicable Percentage used in determining the Maximum Auction Interest Rate shall remain in effect and the rate of interest for the next succeeding Auction Interest Period shall equal the Maximum Auction Interest Rate on the Auction Date.

Section 8. Market Agent.

(a) The Paying Agent, as agent for the Beneficial Owners of the Auction Rate Bonds, is hereby directed to enter into the Market Agent Agreement with the Market Agent. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it hereby and by the Market Agent Agreement. The Market Agent may be removed by the Paying Agent (at the written direction of the County) at any time upon and pursuant to the written direction of the Insurer, or, with the prior written consent of the Insurer, the Beneficial Owners of two-thirds of the aggregate principal amount of the Auction Rate Auction Rate Bonds then Outstanding, provided that such removal shall not take effect until the appointment by the Beneficial Owners or the Paying Agent (at the written direction of the County) of a Substitute Market Agent acceptable to the Insurer. The Market Agent may resign upon 30 days written notice delivered to the Paying Agent, the Broker-Dealer, the Auction Agent and the Insurer, provided that such resignation shall not take effect until the appointment by the County, or, with the prior written consent of the Insurer, the Beneficial Owners or the Paying Agent (at the written direction of the County), of a Substitute Market Agent with the consent of the Insurer. If the Paying Agent is unable to appoint a Substitute Market Agent within 30 days following receipt of such written notice of resignation, the Market Agent may petition the appropriate court having jurisdiction to appoint a Substitute Market Agent.

(b) The Market Agent may be removed at any time, at the request of the County, for any breach of its obligations hereunder or under the Market Agent Agreement.

Section 9. Auction Agent.

(a) The Paying Agent, as agent for the Beneficial Owners of the Auction Rate Bonds, is hereby directed to enter into the Auction Agent Agreement with the Auction Agent. Any Substitute Auction Agent shall be (i) subject to the written approval of the Insurer and the Broker-Dealer, (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Paying Agent and the Market Agent in writing and having a combined capital stock or surplus of at least \$15,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000, and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least 90 days notice to the Paying Agent, the County, the Broker-Dealer, the Market Agent and the Insurer. The Auction Agent may be removed at any time by the Paying Agent, upon the written direction of (i) the County or (ii) the Insurer, or with the prior written consent of the Insurer, the Beneficial Owners of two-thirds of the aggregate principal amount of the Auction Rate Bonds then outstanding, by an instrument signed by such Beneficial Owners or their attorneys and filed with the Auction Agent, the Paying Agent, the Market Agent and the Insurer upon at least 30 days notice. Neither resignation nor removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction Agent has been appointed and has accepted such appointment. If required by the Market Agent, a Substitute Auction Agent Agreement shall be entered into with a Substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Paying Agent, the County, the Market Agent and the Insurer in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. The Insurer may make the payment of any Auction Agent Fee and expenses due the Auction Agent. The Paying Agent shall not be liable for any action taken, suffered or omitted by the Auction Agent.

(b) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Paying Agent, at the direction of the County, shall use its best efforts to appoint a Substitute Auction Agent.

(c) The Auction Agent is acting as agent for the Paying Agent in connection with Auctions. In the absence of bad faith, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining or failing to ascertain the pertinent facts.

(d) The Auction Agent may be removed at any time, at the request of the County for any breach of its obligations hereunder or under the Auction Agent Agreement.

Section 10. Broker-Dealers.

(a) The Auction Agent will enter into a Broker-Dealer Agreement with the Broker-Dealer. The County may, from time to time, approve one or more additional Persons to serve as Broker-Dealers under Broker-Dealer Agreements, and shall be responsible for providing such Broker-Dealer Agreements to the Paying Agent and the Auction Agent.

Exhibit 1 to Addendum A

Notice of Payment Default

THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
GENERAL OBLIGATION BOND, SERIES ___ OF 2002

NOTICE IS HEREBY GIVEN that a payment default has occurred and is continuing with respect to the Auction Rate Bonds identified above. The next Auction for the Auction Rate Bonds will not be held. The rate of interest on the Auction Rate Bonds for the next succeeding Auction Interest Period shall be the Non-Payment Rate.

Dated:

_____,
Paying Agent

By: _____

Exhibit 2 to Addendum A

Notice of Cure of Payment Default

THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
GENERAL OBLIGATION BOND, SERIES ___ OF 2002

NOTICE IS HEREBY GIVEN that the payment default with respect to the Auction Rate Bonds identified above has been waived or cured. The next Interest Payment Date is _____ and the next scheduled Auction Date is _____.

Dated:

_____,
Paying Agent

By: _____

**AN ORDINANCE OF THE COUNTY COMMISSIONERS
OF THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
ENACTED _____, 2004 AND NUMBERED ____.**

**FORMAL ACTION CONSTITUTING A QUALIFIED INTEREST RATE
MANAGEMENT AGREEMENT ORDINANCE
UNDER THE LOCAL GOVERNMENT UNIT DEBT ACT**

APPROVING AND ADOPTING AN INTEREST RATE MANAGEMENT PLAN; APPROVING THE FORMS OF INTEREST RATE MANAGEMENT AGREEMENT RELATING TO ITS SERIES OF 2004B BONDS; AUTHORIZING THE PROPER OFFICERS OF THE COUNTY TO EXECUTE AND DELIVER THE INTEREST RATE MANAGEMENT AGREEMENT; APPROVING THE MAXIMUM RATE OF INTEREST PAYABLE BY THE COUNTY UNDER THE INTEREST RATE MANAGEMENT AGREEMENT AND THE MINIMUM RATE OF INTEREST PAYABLE BY THE COUNTERPARTY (AS DEFINED HEREIN) UNDER THE INTEREST RATE MANAGEMENT AGREEMENT; APPROVING THE TERM OF THE INTEREST RATE MANAGEMENT AGREEMENT; COVENANTING TO PAY THE PERIODIC SCHEDULED PAYMENTS OF THE COUNTY UNDER THE INTEREST RATE MANAGEMENT AGREEMENT; AUTHORIZING THE PREPARATION OF A TRANSCRIPT OF PROCEEDINGS TO BE FILED WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; AND AUTHORIZING THE EXECUTION AND DELIVERY OF OTHER NECESSARY DOCUMENTS AND THE TAKING OF OTHER NECESSARY ACTION IN CONNECTION WITH THE FOREGOING.

WHEREAS, the County has heretofore issued its \$ _____ General Obligation Bonds, Series of 1994 ("1994 Bonds") to provide financing for _____, and to pay the costs of issuance associated therewith; and

WHEREAS, the 1994 Bonds are currently outstanding in the aggregate principal amount of \$ _____; and

WHEREAS, the County has heretofore appointed Investment Management Advisory Group, Inc. ("IMAGE"), a firm that is experienced in the financial aspects and risks of interest rate management agreements, to advise the County with respect to the Swap Agreement (as hereinafter defined); and

WHEREAS, IMAGE has been retained, among other things, to prepare an Interest Rate Management Plan and to evaluate whether to refund, using synthetic fixed rate bonds, the 1994 Bonds, in order to generate debt service savings for the County; and

WHEREAS, the Interest Rate Management Plan contains recommendations relating to the process for selecting a counterparty and criteria for entering into an interest rate management agreement with either a financial institution to be determined in consultation with its financial advisors (the "Counterparty"); and

WHEREAS, IMAGE is recommending to the County that the County use, synthetic fixed rate bonds (the "Series of 2004B Bonds") to refund all outstanding 1994 Bonds by, among other things, entering into a qualified interest rate management agreement for the purpose of reducing the County's interest rate costs related to the Series of 2004B Bonds; and

WHEREAS, the qualified interest rate management agreement shall be memorialized by a Master Agreement, as supplemented by a Schedule, Credit Support Annex and Confirmation thereto (the "Swap Agreement"); and

3. **Execution and Delivery of Swap Agreement.** The Chairman, Controller and the Treasurer are hereby authorized to execute the Swap Agreement by manual or facsimile signature and to approve the exact notional amount, term and interest rates under the Swap Agreement (subject to paragraph 2 above) such approvals to be conclusively evidenced by the execution thereof. Following such execution, the officers of the County are hereby authorized to deliver, or to cause to be delivered, the Swap Agreement.

The Swap Agreement, when executed, will be a general obligation of the County. The County hereby covenants that it shall include the amount of scheduled payments due thereunder for each fiscal year in which such sums are payable in its budget for that year; shall appropriate such amounts from its general revenues to the payment of such scheduled payments; and shall duly and punctually pay or cause to be paid the scheduled payments on the dates and places and in the manner stated in the Swap Agreement according to the true intent and meaning thereof, and for such proper budgeting, appropriation, and payment, the full faith, credit and taxing power of the County is hereby irrevocably pledged.

The maximum and estimated amounts which the County hereby covenants to pay under the Swap Agreement is set forth in Schedule I attached hereto. Attached hereto as Schedule II is the maximum combined obligations of the County taking into account the Swap Agreement and the 2004 B Bonds.

4. **Authorization of Private Sale By Negotiation or Invited Sale.** In compliance with Section 8281(e) of the Local Government Unit Debt Act, the County Commissioners, in consultation with IMAGE, have determined that a private sale by negotiation or invited sale, rather than public sale is in the best financial interest of the County. Therefore, the Swap Agreement shall be awarded to the Counterparty subject to the requirements of this Ordinance; provided that the proceedings have been filed with the Department of Community and Economic Development in accordance with paragraph 7 below; and provided further that the County hereby reserves the right to award the Swap Agreement, in whole or in part, to another counterparty, or by using a competitive public sale, if upon consultation with its advisors, the County deems such award to be in its best financial interest. The award of the Swap Agreement at a private sale, by negotiation or invitation, in accordance with the other terms and conditions set forth in this Ordinance, is hereby deemed to be in the best financial interest of the County and is hereby approved.

5. **Execution and Delivery of Documents.** The proper officers of the County are hereby authorized to execute and deliver, in the name of the County and on its behalf such other documents, agreements, instruments and certifications, as the executing officers determine to be reasonable and appropriate to provide for the Swap Agreement as authorized by this Ordinance, and to approve the final form and substance thereof, and any amendments or supplements thereto before or after the initial execution and delivery thereof copies of the foregoing documents, together with the other documents relating to the transactions authorized hereby, in final form as executed and delivered by the parties thereto, shall be filed in the official records of the County.

6. **Dating of Swap Agreement.** The Swap Agreement and other documents are presently expected to be dated as of their date of execution in September of 2004. The Chairman or Vice Chairman of the County Commissioners is hereby authorized to approve a later date for the Swap Agreement and all such other documents if the award of the Swap Agreement is delayed, such approval to be conclusively evidenced by the execution of the Swap Agreement and such other documents by the Chairman or Vice Chairman of the County Commissioners.

7. **Debt Act Proceedings.**

The Chairman or Vice Chairman of the County Commissioners are authorized and directed to prepare or cause to be prepared, verify and file the proceedings required by Section 8284 of the Act, to take other necessary action.

DULY ENACTED by the County Commissioners of the County of Lackawana, in lawful session assembled, on _____, 2004.

[SEAL]

COUNTY OF LACKAWANNA

Chairman, Board of County Commissioners

Commissioner

Commissioner

Attest:

Chief of Staff

Controller

Treasurer

APPENDIX II
Attach Form of Swap Agreement

PHILA1\20061894 147944.000

SCHEDULE II

MAXIMUM AMOUNTS PAYABLE UNDER SERIES B BONDS
AND SWAP AGREEMENT

PHILA\2006189\4 147944.000