

**AN ORDINANCE OF THE COUNTY COMMISSIONERS
OF THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
ENACTED NOVEMBER 22, 2005 AND NUMBERED 166.**

**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 B OF 2005 IN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FORTY MILLION DOLLARS (\$40,000,000); COVENANTING TO PAY, AND PLEDGING UNLIMITED TAXING POWER FOR THE PAYMENT OF, SUCH BONDS; ESTABLISHING ONE OR MORE SINKING FUNDS 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 SUCH 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 SUCH BONDS.

WHEREAS, the County Commissioners of the County, after due consideration of the public welfare and with full legal competence pursuant to its enabling legislation, has determined to undertake the Project hereinafter described; and

WHEREAS, the County Commissioners of the County desires to incur indebtedness, within constitutional and statutory limitations, in order to undertake said Project; and

WHEREAS, the incurrence of such indebtedness is governed by the provisions of the Debt Act, with which this Debt Ordinance and all related proceedings of the County and all duly authorized actions of its officers are intended to comply;

NOW, THEREFORE, BE IT, AND IT HEREBY IS, ENACTED by the affirmative vote of a majority of all members of the County Commissioners of the County as follows:

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“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.

“Insurance Agreement” means any agreement among the County, the Insurer and the Sinking Fund Depository, as authorized by Section 3.07, reflecting any agreements required by the Insurer as a condition to issuing the Bond Insurance Policy, which may also include the Paying Agent Agreement, to the extent that such agreements are set forth therein.

“Interest Payment Date(s)” means the dates determined pursuant to Appendix I.

“Paying Agent Agreement” means the agreement between the County and the Sinking Fund Depository with respect to its duties and Sinking Fund Depository, Paying Agent, Tender Agent and Registrar, and setting forth any further agreements regarding the funds created or authorized hereby.

“Project” means payment of the costs of (a) the advance refunding of all or a portion of the Refunded Bonds; and (b) payment of costs associated with such current refunding and with the issuance of the Bonds.

“Purchase Proposal” means the written agreement for the purchase and sale of the Bonds, as accepted by the County by the enactment of this Debt Ordinance.

“Purchased Bonds” shall have the meaning set forth in Appendix I.

“Purchaser” means PNC Capital Markets, Inc., as representative of the group of underwriters named in the Purchase Proposal.

“Record Date(s)” means the dates determined pursuant to Appendix I.

“Refunded Bonds” means the County’s previously issued General Obligation Bonds further described on Schedule I attached hereto.

“Securities Depository” shall mean The Depository Trust Company, New York, New York, until a successor Securities Depository shall have become such, and, thereafter, Securities Depository shall mean the successor Securities Depository.

“Sinking Fund Depository” means Manufacturers and Traders Trust Company, a bank or bank and trust company (or wholly owned subsidiary of the same) located and lawfully conducting a banking or trust business in the Commonwealth, having a corporate trust office in Harrisburg, Pennsylvania.

“Solicitor” means Elaine Geroulo, Esq. of Scranton, Pennsylvania.

“Tax Code” means Sections 103 and 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended, and the regulations promulgated by the Internal Revenue Service thereunder.

“Tax Compliance Certificate” means one or more certificates to be executed on behalf of the County upon the issuance of the Bonds to evidence the agreement of the County to comply with the Tax Code.

ARTICLE 3 -- SECURITY FOR DEBT; SINKING FUND

Section 3.01. General Obligation Covenant. The Bonds shall be general obligations of the County. The County hereby covenants with the owners from time to time of the Bonds to: (a) include the amount necessary to service the debt on the Bonds, for each fiscal year in which such sums are payable, in its budget for that year; (b) appropriate such amounts from its general revenues to the payment of such debt service; and (c) duly and punctually pay, or cause to be paid, from its Sinking Fund or from any other of its revenues or funds, the principal of and the interest on the Bonds at the dates and place and in the manner stated in the Bonds, according to the true intent and meaning thereof.

For such budgeting, appropriation and payment of the Bonds, the County hereby irrevocably pledges its full faith, credit and taxing power. The maximum amounts of debt service on the Bonds hereby covenanted to be paid are set forth in Schedule II, attached to this Debt Ordinance and incorporated by reference herein.

As provided in the Debt Act, the foregoing covenants are specifically enforceable. Notwithstanding the foregoing, nothing contained herein shall prohibit or restrain the authorization, issuance, sale or delivery of additional general obligation bonds or notes of the County on a parity with the Bonds, upon adoption of an appropriate covenant to budget, appropriate and pay additional taxes and other revenues and funds for the payment and security of such additional obligations.

The County hereby covenants to comply with Section 1.12-1207 of its Home Rule Charter, which requires that, when a budget shall have been finally adopted, the County Commissioners shall thereupon establish tax rates so that such budget shall be balanced as to revenue and expenditures.

Section 3.02. Creation of Sinking Fund. The County hereby creates, and orders to be established (in its name and identified by reference to the Bonds), a Sinking Fund for the payment of the Bonds with the Sinking Fund Depository, and further covenants to maintain such Sinking Fund until the Bonds are paid in full.

Section 3.03. Deposits into Sinking Fund. The County covenants with the owners of the Bonds, and a Designated Officer (according to the duties specified in Section 8223 of the Debt Act) is hereby authorized and directed, to transfer directly from taxes or other revenues of the County or to withdraw from the General Fund and to deposit into the Sinking Fund on the dates and in the amounts provided in the Insurance Agreement, if any, but in no event later than the appropriate Interest Payment Dates (or as and when otherwise due by their terms and in order to provide same-day, available funds for timely payment), amounts sufficient to pay: (a) the interest on the Bonds then outstanding; and (b) the principal of the Bonds then maturing or subject to redemption.

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 as permitted by the Debt Act.

Section 3.05. 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, Tender 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, Tender 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. The County hereby agrees to comply with the provisions of the Paying Agent Agreement.

redemption moneys with the Sinking Fund Depository not later than the opening of business on the redemption date, and that such notice shall be of no effect unless such moneys are so deposited.

If less than all of the Bonds of like maturity of a series of Bonds shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Sinking Fund Depository in such manner as the Sinking Fund Depository in its discretion may deem fair and appropriate; provided, that all Bonds purchased with funds provided under a Standby Agreement may be redeemed first, if so provided in such Standby Agreement. Any portion of any Bond of a denomination larger than an Authorized Denomination may be redeemed, but only in the principal amount of an Authorized Denomination. Prior to selecting Bonds for redemption, the Sinking Fund Depository shall assign numbers to each Authorized Denomination of any Bond of a denomination larger than an Authorized Denomination and shall treat each portion as a separate Bond in the denomination of an Authorized Denomination for purposes of selection for redemption. Upon surrender of any Bond for redemption of a portion thereof, the Sinking Fund Depository shall authenticate and deliver to the owner thereof a new Bond or Bonds of the same maturity and in any Authorized Denominations requested by the owner in a principal amount equal to the unredeemed portion of the Bond surrendered.

Section 4.04. Book-Entry System. The Bonds will be issued in the form of one fully registered bond for the aggregate principal amount of the Bonds of each maturity, which Bonds will be registered in the name of Cede & Co., as nominee of the Securities Depository. Initially, all of the Bonds will be registered in the name of Cede & Co., as nominee of the Securities Depository; provided that if the Securities Depository requests that the Bonds be registered in the name of a different nominee, the Sinking Fund Depository must exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds registered in the name of such nominee of the Securities Depository. No person other than the Securities Depository or its nominee is entitled to receive from the County or the Sinking Fund Depository either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof unless the Securities Depository or its nominee transfers record ownership of all or any portions of the Bonds on the Register (as such term is defined in Section 4.08), in connection with discontinuing the book entry system.

So long as the Bonds or any portion thereof are registered in the name of the Securities Depository or any nominee thereof, all payments of the principal or redemption price of or interest on such Bonds will be made to the Securities Depository or its nominee in immediately available funds on the dates provided for such payments in this Debt Ordinance. Each such payment to the Securities Depository or its nominee will be valid and effective to discharge fully all liability of the County or the Sinking Fund Depository with respect to the principal or redemption price of or interest on the Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds outstanding of any maturity, the Sinking Fund Depository will not require surrender by the Securities Depository or its nominee of the Bonds so redeemed, but the Securities Depository (or its nominee) may retain such Bonds and make an appropriate notation on the Bond certificate as to the amount of the partial redemption provided that the Securities Depository must deliver to the Sinking Fund Depository, upon request, a written confirmation of the partial redemption and thereafter the records maintained by the Sinking Fund Depository will be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

The County and the Sinking Fund Depository may treat the Securities Depository (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners under this Debt Ordinance, registering the transfer of Bonds, obtaining any consent or other action to be taken by Registered Owners and for all other purposes whatsoever; and neither the County nor the Sinking Fund Depository will be affected by any notice to the contrary. Neither the County nor the Sinking Fund Depository will have any responsibility or obligation to any participant in the Securities Depository, any person claiming a beneficial ownership interest in the Bonds under or through the Securities Depository or any such participant, or any

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 principal amount of Bonds, interest on and principal of 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.

All Bonds issued upon any registration of transfer or exchange shall be valid obligations of the County, evidencing the same indebtedness and entitled to the same benefits under this Debt Ordinance as the Bonds surrendered for such registration of transfer or exchange. All Bonds so surrendered shall be cancelled and may be destroyed by the Sinking Fund Depository.

Every Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer, in form and with guaranty of signature satisfactory to the County and the Sinking Fund Depository, duly executed by the owner thereof or his duly authorized agent or legal representative.

No service charge shall be imposed on any Registered Owner for any transfer or exchange of any Bond, but the County may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

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 5.04. 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 5.05. 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 5.06. 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 5.07. Removal; Resignation. The Sinking Fund Depository shall serve in such capacity at the will of the County and may be removed, provided that the County is not in default in the payment of principal or interest on the Bonds, 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 hereof or of the Debt Act: (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, with the consent of the Insurer or at the direction of the Insurer (if the Insurer is not in default under the Insurance Policy), shall, exercise any remedy provided in the Debt Act or at law

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 Bonds then outstanding. It shall not be necessary for the consent of the Registered Owners to approve the particular form of any proposed modification or supplement, if such consent shall approve the substance thereof.

If the County obtains an Insurance Policy for the Bonds, the Insurer's consent shall be required in lieu of the consent of the Registered Owners of such series of Bonds for all purposes hereunder, absent a default by the Insurer under the Insurance Policy relating to such series of Bonds; provided that the consent of the Registered Owners of such series of Bonds shall be required in addition to the consent of the Insurer for any modification or amendment described in clause (i) or (ii) of the preceding paragraph.

Section 7.03. Acceptance of Amendment. The Sinking Fund Depository shall accept any amending, modifying or supplemental debt ordinance which the County is authorized to execute hereunder upon delivery of the following:

(a) The amending, modifying or supplemental debt ordinance, duly executed with proof of filing with the Department; and

(b) An opinion of Co-Bond Counsel to the effect that such amending, modifying or supplemental debt ordinance was properly enacted, executed and delivered pursuant to: (i) the provisions of Section 7.01 hereof; or (ii) the provisions of Section 7.02 hereof and that any consent of the Registered Owners of the Bonds or the Insurer required hereunder has been secured, and that, in all events, the enactment, execution and delivery of such debt ordinance complies with all applicable requirements of law, including the Debt Act.

Section 7.04. Effect of Amendment. Upon the execution of any amending, modifying or supplemental debt ordinance pursuant to the provisions of this Article, this Debt Ordinance shall be and be deemed to be amended, modified and supplemented in accordance therewith, and the respective rights, limitation of rights, obligations, duties and immunities of parties hereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such amendments, modifications and supplements, and all the terms and conditions of any such debt ordinance shall be and be deemed to be part of the terms and conditions of this Debt Ordinance for any and all purposes.

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 distribution of one or more Official Statements by the Purchaser is hereby approved, in the form deemed final by the Chairman 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, on the advice of Co-Bond Counsel and the Solicitor, 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, if required by the Purchaser, 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.

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, an 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

County, the Sinking Fund Depository, the Registered Owners of the Bonds (and the Insurer, if any), any right, remedy or claim under or by reason of this Debt Ordinance or any covenant, condition or stipulation hereof; and all of the covenants, stipulations, promises and agreements in this Debt Ordinance contained by and on behalf of the County shall be for the sole and exclusive benefit of such persons.

Section 12.06. Severability. If any one or more of the covenants or agreements provided in this Debt Ordinance on the part of the County or the Sinking Fund Depository to be performed shall for any reason be held to be illegal or invalid or otherwise contrary to law, then such covenant or covenants or agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements, but shall in no way otherwise affect the validity of this Debt Ordinance.

Section 12.07. No Personal Liability. No covenant or agreement contained in the Bonds or in this Debt Ordinance shall be deemed to be the covenant or agreement of any member, officer, agent, attorney or employee of the County in his individual capacity, and neither the members of the County Commissioners nor any Designated Officer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12.08. Counterparts. This Debt Ordinance may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; but such counterparts shall constitute but one and the same instrument.

Section 12.09 Effective Date. This Debt Ordinance shall be effective for all purposes upon the last to occur of: (a) seven days following the publication of the notice required by Section 1.3-311 of the County's Home Rule Charter; and (b) ten days after the date hereof.

Schedule II

Maximum Debt Service

Fiscal Year (ending December 31)	Maximum Principal Amount Subject to Redemption or Maturity	Maximum Interest Payable*	Maximum Annual Debt Service
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
TOTAL			

* Calculated at the maximum rate on the Bonds of 15%.

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Exhibit A

FORM OF BOND

THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
\$ _____ GENERAL OBLIGATION BOND, SERIES B OF 2005

DATED DATE MODE MATURITY DATE CUSIP

[Dated Date]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

The County of Lackawanna (Pennsylvania) (the "County"), a political subdivision of the Commonwealth, duly organized and validly existing under the Constitution and laws of the Commonwealth, for value received and intending to be legally bound, hereby acknowledges itself indebted and promises to pay, as a general obligation of the County, to the Registered Owner hereof, on the Maturity Date stated above, upon presentation and surrender hereof (unless this Bond, if redeemable, has been duly called for previous redemption and payment of the redemption price made or provided for) the Principal Amount stated above and to pay interest thereon at the Interest Rate calculated as set forth below, on each Interest Payment Date (as defined in the Debt Ordinance described below) in each year during the term of this Bond from the most recent Interest Payment Date, respectively, to which interest has been paid or provided for (or from the Dated Date if no interest has been paid) beginning on the Dated Date stated above, until full payment of the Principal Amount to the Registered Owner has been made or provided for. [INSERT APPROPRIATE INTEREST ACCRUAL PROVISIONS].

The principal of, interest on, and premium, if any, on this Bond are payable in the coin or currency of the United States of America that is, at the time and place of payment, legal tender for payment of public and private debts, at the corporate trust office of Manufacturers and Traders Trust Company in Harrisburg, Pennsylvania, in its capacity as Sinking Fund Depository, Paying Agent and Registrar (the "Sinking Fund Depository"); provided that, absent written demand by the Registered Owner, received by the Sinking Fund Depository not later than the Record Date, periodic payments of current interest will be made by check or draft drawn on the Sinking Fund Depository and mailed, first class, postage prepaid, to the Registered Owner on the appropriate Record Date at the address that appears on the Register described below, and that payment of principal will be made in like manner following presentation at the offices of the Sinking Fund Depository. At the election of any registered owner of at least \$1,000,000 of principal amount of Bonds, interest on and principal of the 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.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COUNTY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN

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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 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.

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.

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IN WITNESS WHEREOF, the County has caused this Bond to be duly executed in its name by the facsimile signature of the Chairman of the County Commissioners, its Controller and its Treasurer, together with a facsimile of its corporate seal affixed hereto duly attested by the facsimile signature of its Administrative Director, and dated as of the Date of its Authentication.

COUNTY OF LACKAWANNA

ATTEST:

By /s/ Designated Officer
Chairman, Board of County Commissioners

/s/ Designated Officer
Administrative Director

By /s/ Designated Officer
Controller

[SEAL]

By /s/ Designated Officer
Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the issue of \$_____ County of Lackawanna (Pennsylvania), General Obligation Bonds, Series B of 2005 authorized by the within-mentioned Debt Ordinance.

The Text of Opinion contained herewith is the text of the opinion of Co-Bond Counsel, an executed counterpart of which, dated the date of delivery of and payment for the Bonds, is on file at the offices of the Sinking Fund Depository.

MANUFACTURERS AND TRADERS
TRUST COMPANY,
as Sinking Fund Depository
and Paying Agent

/s/ Authorized Officer
Authorized Signatory

AUTHENTICATION DATE:

[TEXT OF BOND INSURANCE LEGEND, IF ANY]

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Appendix I
Multi-Modal Provisions

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APPENDIX I

Multi-Modal Provisions

Article I

Definitions

Section 101. Definitions. The following terms, for all purposes of this Appendix I, shall have the meanings set forth below. All other capitalized terms that are used as defined terms herein, unless the context clearly requires otherwise, shall have the meanings assigned thereto in the Debt Ordinance.

“All-Hold Rate” shall mean, on any date of determination, the interest rate per annum equal to 65% (as such percentage may be adjusted pursuant to Section 7 of Addendum A hereto) of the Index on such date; provided, that in no event shall the All-Hold Rate exceed the Maximum Auction Interest Rate.

“Alternate Standby Agreement” shall mean an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of any Liquidity Enhanced Bonds of a Series, as amended, supplemented or extended from time to time.

“Applicable Auction Rate” shall mean the rate per annum at which interest accrues on the Auction Rate Bonds of a Series for any Auction Interest Period; provided, that in no event shall the Applicable Auction Rate exceed the Maximum Auction Interest Rate.

“Applicable Percentage” shall mean on any date of determination, the percentage determined (as such percentage may be adjusted pursuant to Section 7 of Addendum A hereto) based on Moody’s or S&P’s ratings of the applicable Auction Rate Bonds in effect at the close of business on the Business Day immediately preceding such date, or, if such Auction Rate Bonds are then rated by both Moody’s and S&P, based on the lower of such ratings on such Business Day, as set forth below:

<u>Moody’s</u>	<u>S&P</u>	<u>Applicable Percentage</u>
“Aaa”	“AAA”	175%
“Aa”	“AA”	175%
“A”	“A”	175%
“Baa”	“BBB”	200%
Below “Baa”	Below “BBB”	265%

provided that if such Auction Rate Bonds are not then rated by a Rating Agency, the Applicable Percentage shall be 265%. For purposes of this definition, S&P’s rating categories of “AAA,” “AA,” “A,” and “BBB” and Moody’s ratings of “Aaa,” “Aa,” “A” and “Baa” refer to and include the respective rating categories correlative thereto if any or all of such Rating Agencies have changed or modified their generic rating categories or if S&P or Moody’s, as the case may be, do not rate, or no longer rate, such Auction Rate Bonds or have been replaced.

“Auction” shall mean the implementation of the Auction Procedures on an Auction Date.

“Auction Agent” shall mean the initial Auction Agent for a Series or Subseries of Auction Rate Bonds designated by the County, unless and until a Substitute Auction Agent Agreement becomes effective, after which Auction Agent shall mean the Substitute Auction Agent.

“Auction Agent Agreement” shall mean the initial Auction Agent Agreement for a Series or Subseries of Auction Rate Bonds unless and until a Substitute Auction Agent Agreement is entered into, after which Auction Agent Agreement shall mean such Substitute Auction Agent Agreement, in each case as approved by the Insurer.

“Auction Agent Fee” has the meaning set forth in the Auction Agent Agreement.

“Auction Date” shall mean the initial date therefor for each Series of Auction Rate Bonds, and thereafter the Business Day immediately preceding the first day of each Auction Interest Period for such Series, other than: (i) each Auction Interest Period for such Series commencing after the ownership of the Auction Rate Bonds is no longer maintained in book-entry system by the Securities Depository; (ii) each Auction Interest Period for such Series commencing after the occurrence and during the continuance of a Payment Default, but only if the Insurer for such Series is in default of its obligations under the Insurance Policy; or (iii) any Auction Interest Period for such Series commencing less than two Business Days after the cure or waiver of a Payment Default.

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, in each case as approved by the Insurer.

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

“Business Day” shall mean a day (i) other than a day on which banks located in the City of New York, New York or the cities in which the designated corporate trust offices of the Paying Agent or the Tender Agent, and the designated offices of the Remarketing Agent, the Auction Agent, the Broker-Dealer, the Market Agent, the Insurer or the Standby Purchaser are located, are required or authorized by law or executive order to close, and (ii) on which the New York Stock Exchange is not closed.

“Change of Tax Law” shall mean, with respect to any Beneficial Owner of Auction Rate Bonds, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the date of issuance of the Bonds, which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by, any Beneficial Owner of Auction Rate Bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

“Commercial Paper Dealers” shall mean any Commercial Paper Dealer for each Series of the Auction Rate Bonds appointed by the County as provided in Section 5(b) of Addendum A hereto.

“Delivery Office” shall mean the office of the Tender Agent as may be specified by the Tender Agent for receiving Liquidity Enhanced Bonds and the notices set forth in Sections 301 and 302.

“Electronic Means” shall mean telephone, telecopy, telegraph, telex, internet, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall be promptly confirmed in writing or by one of the other means of electronic communication authorized herein.

“Existing Holder” shall mean, with respect to any Auction, a person who was listed as the Beneficial Owner of Auction Rate Bonds in the Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

“Existing Holder Registry” shall mean the registry of Persons who are Beneficial Owners of Auction Rate Bonds, maintained by the Auction Agent as provided in the Auction Agent Agreement.

“Favorable Opinion of Bond Counsel” shall mean an opinion of nationally recognized bond counsel, addressed to the County, the Standby Purchaser, the Insurer, the Broker-Dealer, the Remarketing Agent, and the Paying Agent, to the effect that the action proposed to be taken is authorized or permitted by the Debt Ordinance and the Debt Act and will not adversely affect the exclusion of interest on the applicable series of the Bonds from gross income for purposes of federal income taxation under Section 103 of the Code.

“Fixed Interest Rate” shall mean, as to the applicable Multi-Modal Bonds of a Series, a non-variable interest rate or rates to maturity established in accordance with Section 207.

“Fixed Interest Rate Period” shall mean, as to the applicable Multi-Modal Bonds of a Series, the period of time, which shall end at maturity, during which such Multi-Modal Bonds of such Series bear interest at a Fixed Interest Rate.

“Index” shall mean with respect to the Auction Rate Bonds on any Auction Date (a) One-Month LIBOR, or (b) if such rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Insurer and the County.

“Interest Accrual Date” shall mean, as to the applicable Multi-Modal Bonds, (i) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month during that Weekly Interest Rate Period, (ii) with respect to any Auction Rate Period, the first day thereof and, thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date, (iii) with respect to each Short-Term Interest Rate Term within any Short-Term Interest Rate Period, the first day thereof, and (iv) with respect to the Fixed Interest Rate Period, the date on

“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 (whether or not debt service thereon is paid by the Insurer under the Insurance Policy).

“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.

“Rating Confirmation Notice” shall mean a written notice from each of the Rating Agencies that as of the effective date of the Alternate Standby Agreement for a Series, the short-term ratings on the Liquidity Enhanced Bonds of such Series will not be lowered or withdrawn from the then current rating as a result of action proposed to be taken by the County (without giving effect to the existence of the Insurance Policy with respect to the ratings on such Series).

“Record Date” shall mean, as to the Multi-Modal Bonds, with respect to each Interest Payment Date for Multi-Modal Bonds bearing interest at a Fixed Interest Rate, the 15th day of the calendar month immediately preceding such Interest Payment Date, with respect to each Interest Payment Date for Multi-Modal Bonds bearing interest at a Weekly Interest Rate, the last Business Day preceding such Interest Payment Date, with respect to each Interest Payment Date for Multi-Modal Bonds bearing interest at an Auction Rate, the second Business Day next preceding such Interest Payment Date, and with respect to each Interest Payment Date for Multi-Modal Bonds bearing interest at a Short-Term Interest Rate, the last Business Day preceding such Interest Payment Date.

“Registrar” shall mean the Paying Agent.

“Remarketing Agent” shall mean, as to any Liquidity Enhanced Bonds, the Remarketing Agent or Remarketing Agents appointed for a particular Series of the Liquidity Enhanced Bonds and qualified pursuant to Article VII hereof. Any reference in this Appendix I to the duties and obligations of a Remarketing Agent with respect to particular Liquidity Enhanced Bonds shall be deemed to refer to only the Remarketing Agent with respect to such particular Series of Liquidity Enhanced Bonds.

“Remarketing Agreement(s)” shall mean, as to any Liquidity Enhanced Bonds, initially, any Remarketing Agreement(s), between the County and the Remarketing Agent(s), and any amendments and supplements thereto and, subsequently, any similar agreement between the County and any successor Remarketing Agent, and any amendments and supplements thereto, in each case as approved by the Insurer.

“Remarketing Proceeds Account” shall mean the Account so designated and established within the Purchase and Remarketing Fund.

(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 or the Insurer to the extent paid by the Insurer.

(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 be cancelled.

(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).

(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.

Section 203. Conversion of Multi-Modal Bonds.

(a) Subject to the conditions described in Section 203(b), Section 204, Section 205 and Section 405, by written direction delivered to the Paying Agent, the Registrar, the Tender Agent and the Remarketing Agent for the applicable Series (and in the case of a conversion to or from Auction Rate Bonds, to the Auction Agent, the Broker-Dealer and the Market Agent), the County may elect at any time to convert all or a portion of any Series of the Outstanding Multi-Modal Bonds to a Fixed Interest Rate to maturity, or to or from a Weekly Interest Rate, or to or from an Auction Rate, or to or from a Short-Term Interest Rate. In the event of any conversion of less than all of a Series of the Multi-Modal Bonds, the Bonds to be so converted shall be selected by the Registrar by lot, and a separate CUSIP number shall be obtained therefor; provided that if the outstanding Multi-Modal Bonds of a Series to be converted bear

deemed purchased as provided in Section 302 (a) at a purchase price equal to the principal amount thereof, plus accrued interest, if any; and (iv) the procedures for such purchase. A form of such notice shall be provided to the Registrar by the County.

Section 205. Conditions to Conversion. A conversion to a new Interest Rate Period for all or a portion of a Series of the Multi-Modal Bonds shall not take place unless the County shall deliver, or cause to be delivered, to the Paying Agent, the Insurer, the Broker-Dealer, the Tender Agent and the Remarketing Agent two Favorable Opinions of Bond Counsel, the first to be delivered with the direction specified in Section 203 and the second to be delivered on the effective date of the new Interest Rate Period. If such opinion is not received on the proposed effective date of the new Interest Rate Period, then all such Multi-Modal Bonds of such Series shall be purchased or deemed purchased on such date and all such Multi-Modal Bonds of such Series shall continue to be in the prior Interest Rate Period, 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.

In addition, a conversion to a Weekly Interest Rate Period or to a Short-Term Interest Rate Period shall not take place unless the County shall deliver, or cause to be delivered, to the Paying Agent, the Insurer, the Tender 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 Insurer and 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, 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 Wednesday 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 Wednesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period shall end on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Thursday 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

the amount of the interest accrued on the Purchased Bonds, calculated at the Purchased Bond Rate (which shall not exceed the Maximum Rate), provided that the failure of the Standby Purchaser to so notify the Paying Agent shall not relieve the County of its obligation to pay interest on such Purchased Bonds at the Purchased Bond Rate. The Paying Agent is hereby directed to pay from funds available in the Debt Service Fund the amount described in the next preceding sentence to the Standby Purchaser on the date of remarketing, to the extent not otherwise paid as interest on such Purchased Bonds.

(iii) So long as the Multi-Modal Bonds remain in the book-entry system, the Paying Agent shall pay interest due on Purchased Bonds (which shall not exceed the Maximum Rate), at the rate at which interest accrued on the Bonds of such Series other than Purchased Bonds, in accordance with Section 201 and, to the extent interest accrued on the Purchased Bonds at a rate in excess of such rate, to pay such excess by wire transfer of immediately available funds to the Standby Purchaser. So long as the Multi-Modal Bonds are not maintained in such book-entry system, the Paying Agent shall pay interest due on Purchased Bonds by wire transfer of immediately available funds to the Standby Purchaser.

(iv) Payment of the principal at maturity or on redemption in whole or in part of Purchased Bonds shall be made (1) while the book-entry system is not in effect, only upon presentation and surrender of such Multi-Modal Bonds to the Paying Agent, and the Tender Agent or its nominee shall so present and surrender such Multi-Modal Bonds for payment when due, and (2) while the book-entry system is in effect, in accordance with the procedures established by the Securities Depository.

(h) The Remarketing Agent shall provide the Paying Agent, the Registrar, the Tender Agent, the applicable Insurer, the applicable Standby Purchaser and the County with notice by Electronic Means of each Weekly Interest Rate, each Short-Term Interest Rate and each Fixed Interest Rate promptly after the determination thereof by the Remarketing Agent.

ARTICLE III

Tender and Purchase of Multi-Modal Bonds

Section 301. Right of Weekly Interest Rate Bondholders to Tender Weekly Interest Rate Bonds. The Liquidity Enhanced Bonds bearing interest at a Weekly Interest Rate shall be purchased upon demand of the Owners thereof prior to their maturity on the following terms:

(a) Optional Tenders - Non Book-Entry System. During any Weekly Interest Rate Period for which the book-entry system with respect to the Liquidity Enhanced Bonds is not 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 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

effect that the purchase of all of the Liquidity Enhanced Bonds of such Series will occur on the Business Day specified by the Tender Agent that is not more than ten (10) Business Days after the date of receipt by the Tender Agent of the written direction sent by the Standby Purchaser and in any event no later than the fifth (5th) Business Day next preceding the termination of the Standby Agreement in respect of such Liquidity Enhanced Bonds of such Series (the "Standby Purchase Date"). On the Standby Purchase Date, all Liquidity Enhanced Bonds of such Series bearing interest at the Weekly Interest Rate or at a Short-Term Interest Rate shall be tendered by the Liquidity Enhanced Bondholders to the Tender Agent for purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any. On the Standby Purchase Date, the Tender Agent shall draw on the Standby Agreement to obtain funds to pay the purchase price of the Liquidity Enhanced Bonds of such Series. Payment of the purchase price of each Liquidity Enhanced Bond shall be made by 3:00 p.m. (New York City time) on the Standby Purchase Date upon delivery of such Liquidity Enhanced Bond 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 Standby Purchase Date; provided, however, while the Liquidity Enhanced Bonds are in the book-entry system, the Liquidity Enhanced Bonds shall be presented to the Tender Agent according to the normal and customary practices between the Securities Depository and the Tender Agent.

(d) Mandatory Tender Upon Replacement of Standby Agreement. Mandatory Tender Upon Replacement of Standby Agreement. In the event of the replacement of the Standby Agreement with an Alternate Standby Agreement, on the earlier of the fifth (5th) Business Day next preceding the termination or expiration of the Standby Agreement to be replaced, or on the date the Alternate Standby Agreement shall become effective, all Liquidity Enhanced Bonds of a Series subject to the Standby Agreement to be replaced for such Series 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 such purchase price will be made in the manner specified in the last sentence of Section 302(b); provided, however, that any drawing made under the Standby Agreement required in order to make such payment shall be made from the existing Standby Agreement and not the Alternate Standby Agreement.

(e) Mandatory Tender Upon End of Each Short-Term Interest Rate Term. On the day next succeeding the last day of each Short-Term Interest Rate Term for a Bond bearing interest at a Short-Term Interest Rate, unless such day is the first day of a new Interest Rate Period (in which event such Bond shall be subject to mandatory purchase pursuant to Section 302(a)), such Bond bearing interest at a Short-Term Interest Rate shall be purchased from its Owner at a purchase price equal to the principal amount thereof payable in immediately available funds. The purchase price of any Bond bearing interest at a Short-Term Interest Rate so purchased shall be payable only upon surrender of such Bond 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 or his duly authorized attorney, with such signature guaranteed by a bank, trust company or member firm of the New York Stock Exchange.

(f) Termination or Suspension of Mandatory Tender. As provided in Section 308, in the event of certain defaults or termination events 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 Liquidity Enhanced Bonds of such Series subject to mandatory tender for purchase may terminate or be suspended without notice. In such event, the Liquidity Enhanced Bonds of such Series shall not be subject to mandatory tender for purchase.

Section 303. Purchase and Remarketing of Multi-Modal Bonds.

(a) (i) As soon as practicable, but in no event later than 10:00 a.m. (New York City time) on the Business Day next following the Business Day that the Tender Agent receives the notice described in Section 301 with respect to Multi-Modal Bonds bearing interest at a Weekly Interest Rate, the Tender Agent shall give notice by Electronic Means to the Remarketing Agent, the Paying Agent, the Standby Purchaser and the County specifying the principal amount of such Multi-Modal Bonds, if any, with respect to which any notice has been delivered to it demanding the purchase of such Multi-Modal Bonds in accordance with Section 301.

(ii) The Tender Agent shall purchase, but only from the sources listed below, Multi-Modal Bonds or portions thereof which are then required to be purchased (pursuant to an optional or mandatory tender) in accordance with Section 301 or Section 302 from the Owners thereof with immediately available funds by 3:00 p.m. (New York City time) on the date such Multi-Modal Bonds are required to be purchased at the purchase price provided in Section 301 or Section 302. Funds for the payment of such purchase price shall be derived from the following sources in the order of priority indicated:

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-Modal Bonds at a premium; provided, however, that such premium may be no greater than is necessary to adjust for changes in prevailing market conditions between the date on which the interest rate then borne by such Multi-Modal Bonds was established and the date of the remarketing; and provided, further, that any such premium may not be applied either directly or indirectly to cover the Remarketing Agent's costs of remarketing and any premium shall be paid by the Remarketing Agent to the Tender Agent and immediately deposited by the Tender Agent into the Remarketing Proceeds Account. Any such payment to the Tender Agent shall be accompanied by written instructions from the Remarketing Agent specifying the amount of such premium. The Remarketing Agent shall remit the proceeds from the remarketing of such Multi-Modal Bonds remarketed by it by 2:00 p.m. (New York City time) on the Business Day on which such Multi-Modal Bonds are to be purchased pursuant to Section 301 or Section 302.

(ii) Subject to the provisions of Section 207, the Remarketing Agent (or the Auction Agent through the implementation of the Auction Procedures with respect to Auction Rate Bonds) shall determine the rate of interest to be borne by the Multi-Modal Bonds during each Interest Rate Period as provided in Section 207 (or in the Auction Procedures with respect to Auction Rate Bonds) and shall furnish to the Paying Agent and the Tender Agent in a timely manner all information necessary for the Paying Agent or the Tender Agent to carry out their respective duties hereunder, including, but not limited to, the interest rates applicable to the Multi-Modal Bonds.

(iii) By 10:00 a.m. (New York City time) (12:15 p.m. in the case of Multi-Modal Bonds bearing interest at a Short-Term Interest Rate) on the Business Day on which any Multi-Modal Bonds are to be purchased pursuant to Section 301 or Section 302, the Remarketing Agent shall give written notice or telephonic notice (promptly confirmed by Electronic Means) to the Standby Purchaser, the Paying Agent and the Tender Agent, specifying the principal amount of such Multi-Modal Bonds, if any, sold by it pursuant to Section 303(b)(i); such notice to the Paying Agent and the Tender Agent shall also specify the name, address and taxpayer identification number of each such purchaser (or, in the case of the book-entry system, the participant) and the principal amount of such Multi-Modal Bonds being purchased by each such purchaser.

(iv) Notwithstanding anything herein to the contrary, under no circumstances shall the Remarketing Agent remarket any Multi-Modal Bonds hereunder to or for the account of the County.

(c) (i) Multi-Modal Bonds purchased with moneys described in Section 303(a)(ii)(1) shall be registered by the Tender Agent as directed by the Remarketing Agent and made available to the Remarketing Agent by 2:00 p.m. (New York City time) on the purchase date registered in accordance with the instructions provided by the Remarketing Agent pursuant to Section 303(b)(iii). Purchased Bonds which have been remarketed and for which the Tender Agent has received remarketing proceeds from the Remarketing Agent and notice from the Standby Purchaser pursuant to Section 303(c)(ii) shall be made available to the Remarketing Agent by 2:00 p.m. (New York City time) on the purchase date, registered in accordance with instructions provided by the Remarketing Agent as set forth in Section 303(b)(iii). Simultaneously with the receipt of the funds supplied by the Remarketing Agent to the Tender Agent, acting as agent for the Standby Purchaser for this purpose, as described in the preceding sentence, the Tender Agent shall (1), while the book-entry system is not in effect, cancel the Purchased Bonds (or portions thereof for which remarketing proceeds have been made available) then Outstanding by reason of the prior purchase pursuant to Section 303(a)(ii)(2) and delivery pursuant to Section 303(c)(ii), and (2) simultaneously transfer such funds supplied by the Remarketing Agent to the Standby Purchaser as payment for the purchase price of such Purchased Bonds (or portions thereof).

(ii) Liquidity Enhanced Bonds purchased with proceeds from a drawing under the Standby Agreement shall constitute Purchased Bonds and (1) while the book-entry system is not in effect, shall be registered upon receipt of funds from the Standby Purchaser for the purchase of

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).

(d) The County shall, at all times, maintain a Standby Agreement for each Series of Liquidity Enhanced Bonds with a Standby Purchaser (including any guarantor thereof) having a short-term rating of A-1 by S&P and P-1 by Moody's.

Section 305. Alternate Standby Agreement.

(a) At least forty-five (45) days prior to the expiration or termination of any Standby Agreement for a Series, the County may provide for the delivery to the Tender Agent of an Alternate Standby Agreement. Any such Alternate Standby Agreement may be for a term of years which is more or less than the Standby Agreement which is being replaced (but any such Alternate Standby Agreement in no event shall be less than 364 days unless all Liquidity Enhanced Bonds of such Series shall mature in less than one year), shall be approved by the Insurer and contain administrative provisions reasonably acceptable to the Remarketing Agent, the Paying Agent and the Tender Agent. On or prior to the date of the delivery of such Alternate Standby Agreement to the Tender Agent, the County shall furnish to the Insurer, the Paying Agent, the Remarketing Agent, and the Tender Agent a Favorable Opinion of Bond Counsel. Upon receipt of such documents and the documents set forth in paragraph (c) of this Section 305 and in compliance with the terms of the existing Standby Agreement, the Tender Agent shall accept such Alternate Standby Agreement and promptly surrender the Standby Agreement then in effect to the Standby Purchaser which issued such Standby Agreement in accordance with its terms for cancellation or deliver any document necessary to reduce the coverage of such Standby Agreement.

(b) The Tender Agent shall comply with any procedures set forth in any outstanding Standby Agreement relating to the termination thereof. In addition, upon conversion of a Series of the Liquidity Enhanced Bonds to the Auction Rate or the Fixed Interest Rate in accordance with Section 203, the Tender Agent shall comply with the procedures set forth in the outstanding Standby Agreement relating to the termination thereof.

(c) Notwithstanding anything contained herein to the contrary, no Alternate Standby Agreement shall be accepted by the Tender Agent and the Paying Agent, unless such Alternate Standby Agreement is accompanied by (i) opinions of counsel reasonably satisfactory to the County, the

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 for 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.

(e) The Tender Agent shall cooperate with the Remarketing Agent to the extent necessary to permit the preparation, execution, issuance and authentication of replacement Liquidity Enhanced Bonds in connection with the tender and remarketing of Liquidity Enhanced Bonds hereunder.

Section 603. Tender Agent; Procedures for Tendering Liquidity Enhanced Bonds.

(a) The Tender Agent shall promptly return any Tender Notice (together with any Liquidity Enhanced Bonds submitted in connection therewith) that is incomplete or improperly completed or not delivered in a timely fashion to the person submitting the notice upon surrender of the receipt, if any, issued therefor.

(b) The Tender Agent's determination of whether a Tender Notice is properly completed or delivered on a timely basis shall be binding on the County, the Paying Agent and the Owner of the Liquidity Enhanced Bonds submitted therewith.

(c) The Tender Agent shall comply fully with the notice and other requirements described in Articles III and IV hereof.

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, with the approval of the Insurer, 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

Agent (or successor Tender Agent) which is holding the Standby Agreement shall immediately surrender it to the Standby Purchaser.

Notwithstanding anything contained herein, the Tender Agent shall not seek to be paid from proceeds of the Standby Agreement for any of its fees and expenses as Tender Agent but will look solely to the County for payment of such obligations.

Section 802. Release of Standby Agreement. The Tender Agent shall not release, amend or waive the right to draw under any then-existing Standby Agreement with respect to Liquidity Enhanced Bonds of a Series subject to purchase under such Standby Agreement, unless and until (1) an Alternate Standby Agreement has been provided or if the principal amount of Liquidity Enhanced Bonds Outstanding of such Series has been reduced and the release is in exchange for a Standby Agreement substantially the same as that released, but in a stated amount reflecting said lesser principal amount, or (2) all of the Liquidity Enhanced Bonds of such Series shall have been converted to a Fixed Interest Rate or to an Auction Rate and the County directs such a release, and (3) in any case, a drawing has been made and honored under the then-existing Standby Agreement to the extent required to pay the purchase price of Liquidity Enhanced Bonds then subject to mandatory tender for purchase.

Section 803. Reduction or Termination of Standby Agreement. The County shall, in accordance with the applicable provisions of the Standby Agreement for a Series, take such action or cause such action to be taken (including filing of certificates of reduction) as shall be required to reduce the amounts available for drawing thereunder in respect of principal and interest on the Liquidity Enhanced Bonds to reflect any permanent reduction in the amount of Liquidity Enhanced Bonds Outstanding; provided, however, that the amount available to be drawn under the Standby Agreement shall at all times be equal to the principal amount of the Outstanding Liquidity Enhanced Bonds with respect to which such Standby Agreement was issued and the interest thereon referenced in such Standby Agreement with respect to such reduced principal amount of Liquidity Enhanced Bonds Outstanding calculated at the Maximum Rate with respect to such Liquidity Enhanced Bonds.

Section 804. Amendment of Standby Agreement. The County through the Registrar shall notify the Liquidity Enhanced Bondholders of the applicable Series, the Tender Agent, the Remarketing Agent, the Paying Agent, the Insurer, and each Rating Agency of any proposed amendment of a Standby Agreement for such Series, which would adversely affect the interests of the Liquidity Enhanced Bondholders of such Series or the Tender Agent, and may consent thereto upon receipt of the consent of the Insurer and the Owners of all Liquidity Enhanced Bonds of the applicable Series then Outstanding which would be so affected by the action proposed to be taken; provided, that the County shall not, without the consent of the Insurer for the Liquidity Enhanced Bonds for such Series and the registered Owners of all Liquidity Enhanced Bonds of the applicable Series Outstanding which would be so affected by the action proposed to be taken, consent to any amendment which would (a) decrease the amount of the Standby Agreement for such Series, or (b) reduce the term of the Standby Agreement for such Series, and provided further, however, that any change in the principal and interest amount of Liquidity Enhanced Bonds of the applicable Series subject to the Standby Agreement shall be effective only upon receipt by the County of a Rating Confirmation Notice from each Rating Agency. The County shall not be required to notify Liquidity Enhanced Bondholders, or cause Liquidity Enhanced Bondholders to be notified, or obtain their consent for any proposed amendment to the Standby Agreement which would not adversely affect their interests, including any extension of 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, but not to the extent of any payments made by the Insurer under the Policy.

8. 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.

Notwithstanding any contrary provision contained herein, the County shall notify the Rating Agencies of (i) any extension, expiration or termination of a Standby Agreement or effectiveness of an Alternate Standby Agreement, (ii) any redemption of any of the Bonds (other than pursuant to mandatory sinking fund provisions) or defeasance or mandatory tender of any Bonds, (iii) any conversion of the Interest Rate Period, (iv) any acceleration of the Bonds, (v) any change in the identity of the Remarketing Agent, the Tender Agent or the Paying Agent and (vi) any amendment to the Debt Ordinance, a Standby Agreement, a Remarketing Agreement, an Auction Agent Agreement, or a Broker-Dealer Agreement.

Addendum A**Terms of the Auction Rate Bonds**

Section 1. **General.** The Auction Rate Bonds shall be dated, shall bear interest, and shall mature as provided in the Ordinance and Appendix I to which this Addendum A is annexed.

Section 2. **Redemption Provisions.** The Auction Rate Bonds shall be subject to redemption as set forth in the Ordinance.

Section 3. **Timing of Actions.** Whenever in this Addendum A there is specified a time of day at or by which a certain action must be taken, such time shall be local time in New York City, except as otherwise specifically provided in Appendix I. If the date for making any payment or the last day for the performance of any act or the exercise of any right, provided in Appendix I, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Addendum A, except as otherwise specifically provided herein.

Section 4. **Payments With Respect to Auction Rate Bonds.**

(a) **General Provisions.** Interest with respect to the Auction Rate Bonds shall accrue from the date of issuance or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

(b) **Interest Payable by County.** The Paying Agent shall determine the aggregate amount of interest payable by the County in accordance with subsection (f) below with respect to the Auction Rate Bonds on each Interest Payment Date. Interest due on any Interest Payment Date shall equal (i) the Applicable Auction Rate, multiplied by (ii) the aggregate principal amount of the outstanding Auction Rate Bonds, multiplied by (iii) the number of days in the Auction Interest Period or part thereof, divided by (iv) the applicable number of days in a 360-day year, and rounding the resultant figure to the nearest cent (a half cent being rounded upward). The Paying Agent shall promptly notify the Securities Depository of its calculations, as provided in Section 6(b)(ii) of this Addendum A.

(c) **Applicable Auction Rate.** Interest on the Auction Rate Bonds shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Applicable Auction Rate for each Auction Interest Period shall be the Auction Rate; provided that

(i) if a notice of an adjustment in the percentages used to determine the Maximum Auction Interest Rate, the All-Hold Rate and the Non-Payment Rate shall have been given by the Market Agent in accordance with Section 7 of this Addendum A and because of a failure to satisfy either of the conditions set forth in clause (i) or (ii) of Section 7(c) of this Addendum A such adjustment shall not have taken effect, then an Auction shall not be held on the Auction Date immediately preceding the next succeeding Interest Payment Date and the Applicable Auction Rate for such next succeeding Auction Interest Period shall equal the Maximum Auction Interest Rate on such Auction Date;

(ii) if, on any Auction Date, an Auction is not held for any reason then the Applicable Auction Rate for the next succeeding Auction Interest Period shall equal the No Auction Rate on such Auction 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, (iii) a Favorable Opinion of Bond Counsel and (iv) if the length of the Auction Interest Period will exceed one (1) year after the Auction Period Adjustment, the written consent of the Insurer. 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 (and the Insurer has not timely paid under the Insurance Policy), 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 the Insurer has not timely paid under the Insurance Policy) 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.

Interest Rate and the percentage of the Index used in calculating the Non-Payment Rate pursuant to subsection (a) above by means of a Notice of Proposed Percentage Change delivered in writing at least 2 days prior to the Auction Date on which the Market Agent desires to effect the change, to the County, the Paying Agent, the Auction Agent and the Insurer. Such notice shall be effective only if it is accompanied by the form of a Favorable Opinion of Bond Counsel.

(c) An adjustment in the respective percentages used to determine the All-Hold Rate, the Maximum Auction Interest Rate and the Non-Payment Rate shall take effect on an Auction Date only if:

(i) the Paying Agent, the Insurer and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day immediately preceding such Auction Date, a Notice of Percentage Change from the Market Agent by telecopy or similar means, in substantially the form required hereunder authorizing the adjustment of the 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 which shall be specified in such authorization, and confirming that nationally recognized bond counsel expects to be able to give a Favorable Opinion of Bond Counsel on or prior to such Auction Date regarding the adjustment in the 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; and

(ii) the Paying Agent, the Insurer and the Auction Agent receive by 9:30 a.m., New York City time on such Auction Date, a Favorable Opinion of Bond Counsel on or prior to such Auction Date regarding the adjustment in the 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.

(iii) The Insurer has given its written consent to such adjustment.

If any of the conditions referred to in (i), (ii) or (iii) 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 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.

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.

(b) Any Broker-Dealer may be removed at any time, at the request of the County for any breach of its obligations hereunder or under a Broker-Dealer Agreement, provided that at least one Broker-Dealer Agreement must be in effect immediately following such removal.

Section 11. Provisions Relating to Auctions. The County shall not be responsible for any failure of a Broker-Dealer to submit an order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall the County be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. The County shall have no liability in the event that there are not Sufficient Clearing bids from time to time pursuant to the Auction Procedures.

Section 12. Amendments. With the consent of the Insurer, the provisions of this Addendum A and the definitions of terms used herein (including, without limitation, the definitions of Applicable Auction Rate, Applicable Percentage, All-Hold Rate, Maximum Auction Interest Rate and Non-Payment Rate) may be amended by the County, (i) upon obtaining a Rating Confirmation Notice or (ii) by obtaining the consent of the Beneficial Owners of all Auction Rate Bonds. In the case of clause (ii) above, the Paying Agent shall mail notice of such amendment to the Beneficial Owners of the Auction Rate Bonds, and if, on the first Auction Date occurring at least 30 days after the date on which the Paying Agent mailed such notice, Sufficient Clearing Bids (as defined in the Auction Agent Agreement) have been received or all of the Auction Rate Bonds are subject to Submitted Hold Orders (as defined in the Auction Agent Agreement), the proposed amendment shall be deemed to have been consented to by the Beneficial Owners of all Auction Rate Bonds. As an additional condition precedent to any such amendment pursuant to the provisions of this Section, there shall be delivered to the County and the Paying Agent a Favorable Opinion of Bond Counsel. Written notice of each such amendment shall be delivered by the County to the Paying Agent, the Auction Agent, the Insurer, each Rating Agency, and each Broker-Dealer.

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 (and the Insurer has not timely paid under the Insurance Policy). 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: _____