

SECOND SERIES ORDINANCE

A SECOND SERIES ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF CHARLESTON COUNTY, SOUTH CAROLINA, SOLID WASTE USER FEE REVENUE REFUNDING BONDS, SERIES 2004, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$16,500,000; AND OTHER MATTERS RELATING THERETO.

WHEREAS, the County Council of Charleston County, South Carolina (the County Council), the governing body of Charleston County, South Carolina (the County), enacted a Bond Ordinance on 29 September 1994 (the General Bond Ordinance) to provide for the financing and refinancing of improvements to the County=s solid waste disposal and recycling system (the System) by means of the issuance of revenue bonds payable from net revenues derived by the County from the operation of the System; and

WHEREAS, the County has previously financed certain improvements to the System by the issuance of Solid Waste User Fee Revenue Bonds, Series 1994 (the Series 1994 Bonds) pursuant to the General Bond Ordinance as supplemented by a Series Ordinance enacted on 29 September 1994; and

WHEREAS, it is provided in and by the General Bond Ordinance that, upon enactment of a Series Ordinance, there may be issued one or more Series of Bonds (as defined in the General Bond Ordinance) for the purpose of refunding Bonds issued to provide land or facilities which are a part of the System or which are payable in whole or in part from revenues of the System; and

WHEREAS, the County Council has determined, upon the advice of Public Financial Management, the County=s Financial Advisor, that a savings in debt service payable from revenues of the System can be achieved by the advance refunding of the Series 1994 Bonds; and

WHEREAS, the County Council intends (i) to advance refund the Series 1994 Bonds; and (ii) to pay the costs of issuance of refunding bonds (including payment of the bond insurance premium) by means of the issuance of Bonds under the Bond Ordinance and this Series Ordinance in the aggregate principal amount of not exceeding \$16,500,000 (the Series 2004 Bonds) and to provide for the Reserve Requirement (as defined in the Bond Ordinance), by means of transferring moneys and securities from the debt service reserve fund established with respect to the Series 1994 Bonds to one established with respect to the Series 2004 Bonds; and

WHEREAS, the Series 2004 Bonds are to be issued as Bonds under the Bond Ordinance and this Second Series Ordinance (the General Bond Ordinance as supplemented or amended is herein referred to as the Bond Ordinance); and

WHEREAS, by reason of the foregoing, County Council, has determined to enact this ordinance as a Series Ordinance in accordance with the terms and provisions of the Bond Ordinance; and

WHEREAS, The Bank of New York is the successor Trustee to NationsBank of South Carolina, National Association, pursuant to the terms of the Bond Ordinance.

NOW, THEREFORE, BE IT ENACTED by the County Council of Charleston County, South Carolina, as follow:

ARTICLE I DEFINITIONS

Section 1.1 Definitions.

The terms defined in this Section 1.1 and all words and terms defined in the General Bond Ordinance (except as herein otherwise expressly provided or unless the context otherwise requires) shall for all purposes of this Series Ordinance have the respective meanings given to them in the Bond Ordinance and in this Section 1.1.

Authorized Denominations shall mean \$5,000 or any multiple thereof.

Beneficial Owner shall have the meaning attributed to that term in Section 2.3.

Bond Insurer or Insurer or Ambac Assurance shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Book-Entry Only System shall have the meaning attributed to that term in Section 2.3.

Chief Financial Officer shall mean the Chief Financial Officer of the County or, in her absence, any other officer or employee of the County designated in writing delivered to the Trustee by the County Administrator to perform the duties of the Chief Financial Officer under this Series Ordinance and containing the specimen signature of such person.

Continuing Disclosure Undertaking shall mean that certain Continuing Disclosure Undertaking substantially in the form of Exhibit B hereto as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Interest Payment Date shall mean March 1 and September 1, beginning September 1, 2004.

Letter of Representations shall mean the Blanket Letter of Representations of the County to DTC dated December 15, 1995.

Policy or Financial Guaranty Insurance Policy shall mean the financial guaranty insurance policy Issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Series 2004 Bonds.

“Refunded Series 1994 Bonds” shall mean all of the now outstanding \$15,785,000 Solid Waste User Fee Revenue Bonds, Series 1994 of the County, dated September 1, 1994.

“Refunding Escrow Agent” shall mean The Bank of New York, as escrow agent under the Series 1994 Bond Escrow Agreement, and any successor as permitted thereunder.

“Series 2004 Bonds” shall mean the County’s Solid Waste User Fee Revenue Refunding Bonds, Series 2004, in the aggregate principal amount of not exceeding \$16,500,000 authorized to be issued hereunder.

“Series 1994 Bond Escrow Agreement” shall mean the escrow deposit agreement, between the County and the Refunding Escrow Agent, established with respect to the Refunded Series 1994 Bonds.

“User Fee Fund” shall mean the fund by that name established under the terms of the Trust Indenture.

“1997 Bonds” shall mean the County’s Revenue Recovery Refunding Revenue Bonds (Foster Wheeler Charleston Resource Recovery, Inc. Project) Series 1997.

ARTICLE II THE SERIES 2004 BONDS

Section 2.1 Authorization of Series 2004 Bonds, Maturities; Delegation of Authority to Approve Certain Terms of Series 2004 Bonds.

(a) There is hereby authorized to be issued a Series of Bonds designated “Solid Waste User Fee Revenue Refunding Bonds, Series 2004” (the “Series 2004 Bonds”) in the maximum authorized principal amount of Sixteen Million Five Hundred Thousand and no/100 Dollars (\$16,500,000) for the purpose of providing funds (i) to advance refund the Refunded Series 1994 Bonds; and (ii) to pay the costs of issuance of the Series 2004 Bonds (including payment of the premium for the Policy).

(b) The Series 2004 Bonds shall mature on March 1 in each of the years, in the principal amounts, and bear interest at the rates per annum as approved by the Chief Financial Officer. Interest on the Series 2004 Bonds is payable on March 1 and September 1, beginning September 1, 2004.

(c) All other terms of the Series 2004 Bonds shall be approved by the Chief Financial Officer within the following parameters:

(i) The coupon interest rate for the Series 2004 Bonds shall not exceed 5.5% per annum;

(ii) The principal amount of the Series 2004 Bonds shall not exceed Sixteen Million Five Hundred Thousand Dollars (\$16,500,000); and

(iii) The final maturity of the Series 2004 Bonds shall be March 1, 2014.

(d) The Date of Issue of the Series 2004 Bonds shall be April 1, 2004. The Series 2004 Bonds shall be issued as fully registered Bonds in Authorized Denominations and shall be numbered R-1 and upward.

(e) (I) Principal of and premium, if any, of the Series 2004 Bonds, when due, shall be payable at the corporate trust office of the Trustee, in the City of East Syracuse, New York.

(ii) Interest on the Series 2004 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid, unless the date of authentication is an Interest Payment Date, in which case interest shall be payable from that date; provided, however, that interest shall be payable from April 1, 2004, if the date of authentication is prior to September 1, 2004. Interest on the Series 2004 Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, interest to be paid by the Trustee by check or draft mailed to each Holder at his address as it appears on the books of registry maintained by the Registrar. Holders of \$1,000,000 or more in aggregate principal amount of Series 2004 Bonds may request that payments of interest be made by wire transfer to an account within the continental United States by providing written instructions thereof to the Trustee before the applicable Record Date.

Section 2.2 Form of Series 2004 Bonds.

The Series 2004 Bonds shall be in substantially the form attached hereto as Exhibit A, with any necessary or appropriate variations, omissions, and insertions as are incidental to the series, numbers, denominations, maturities, interest rate or rates, redemption provisions, the purpose of issuance, and other details thereof or as are otherwise permitted or required by law or by the Bond Ordinance, including this Series Ordinance.

Section 2.3 Book-Entry Only System for Series 2004 Bonds.

(a) The provisions of this section shall apply with respect to any Series 2004 Bond registered to Cede & Co. or any other nominee of DTC while the Book-Entry Only System provided for herein is in effect and shall, during the period of their application, supersede any contrary provisions of the Bond Ordinance.

(b) The Series 2004 Bonds shall be issued as a single Bond for each maturity. On the date of the initial authentication and delivery of the Series 2004 Bonds, the Series 2004 Bonds shall be registered in the name of Cede & Co., as nominee of DTC as the Holder of all the Series 2004 Bonds. With respect to Series 2004 Bonds registered in the name of Cede & Co., as nominee of DTC, neither the County nor the Trustee shall have any responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations, and various other entities, some of whom, or their representatives, own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner thereof pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (I) the

accuracy of the records of DTC, Cede & Co., or any Participant with respect to any ownership interests in the Series 2004 Bonds, (ii) the delivery to any Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Series 2004 Bonds, including any notice of redemption, or (iii) the payment to any Participant, or any Beneficial Owner, or any other Person, other than DTC, of any amount with respect to the principal of or premium, if any, or interest on the Series 2004 Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Series 2004 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the County's obligations with respect to the principal of and premium, if any, and interest on such Series 2004 Bonds to the extent of the sum so paid. No Person other than DTC shall receive a Series 2004 Bond. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this section shall refer to such new nominee of DTC.

(c) Upon receipt by the County and the Trustee of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities hereunder, the Trustee shall issue, transfer, and exchange Series 2004 Bonds as requested by DTC in Authorized Denominations, and whenever DTC requests the County and the Trustee to do so, the County and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for a substitute Securities Depository willing and able upon reasonable and customary terms to maintain custody of the Series 2004 Bonds registered in whatever name or names the Holders transferring or exchanging such Series 2004 Bonds shall designate in accordance with this section.

(d) In the event the County determines that it is in the best interests of the Beneficial Owners that they be able to obtain Series 2004 Bonds registered in the name of a Holder other than DTC, the County may so notify DTC and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of such Series 2004 Bonds. In such event, upon the return by DTC of all Series 2004 Bonds held by DTC in the name of Cede & Co., the Trustee shall issue, transfer, and exchange Series 2004 Bonds in Authorized Denominations as requested by DTC, and whenever DTC requests the County and the Trustee to do so, the Trustee and the County will cooperate with DTC in taking appropriate action after reasonable notice to make available Series 2004 Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Series 2004 Bonds shall designate, in accordance with this section.

(e) Notwithstanding any other provision of this Series Ordinance to the contrary, so long as any Series 2004 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 2004 Bond and all notices with respect to such Series 2004 Bond shall be made and given, respectively, to DTC as provided in the Letter of Representations.

(f) In the event that the Book-Entry Only System pursuant to this section is discontinued, the Series 2004 Bonds shall be issued, transferred, and exchanged through DTC and its Participants to the Beneficial Owners.

**ARTICLE III
REDEMPTION OF SERIES 2004 BONDS**

Section 3.1 Optional and Mandatory Redemption of Series 2004 Bonds.

The Series 2004 Bonds shall be subject to optional and mandatory redemption upon the terms and conditions as approved by the Chief Financial Officer.

**ARTICLE IV
CERTAIN COVENANTS AND FINDINGS**

Section 4.1 Certain Findings and Determinations.

In accordance with the Bond Ordinance, the County Council finds and determines:

(a) This Series Ordinance supplements the Bond Ordinance, constitutes and is a Series Ordinance within the meaning of the quoted term as defined and used in the Bond Ordinance, and is enacted under and pursuant to the Bond Ordinance.

(b) The Series 2004 Bonds constitute and are Bonds within the meaning of the quoted word as defined and used in the Bond Ordinance.

(c) There does not exist a default in the payment of the principal of or interest on any Outstanding Bonds or Junior Lien Bonds now outstanding.

(d) The period of usefulness of the System is estimated to be 20 years.

(e) The issuance of the Series 2004 Bonds is necessary to provide funds to be used to advance refund the Refunded Series 1994 Bonds and to pay costs of issuance of the Series 2004 Bonds (including the premium for the Policy).

(f) The Bond Ordinance and this Second Series Ordinance comply with the requirements of Section 218 of the Trust Indenture.

(g) The County is obligated to deposit all future User Fees with the Escrow Agent for distribution pursuant to the Escrow Agreement.

(h) There will be deposited in the applicable County User Fee Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement simultaneously with the issuance of the Series 2004 Bonds.

(i) The Annual Principal and Interest Requirements of the Series 2004 Bonds does not exceed the Annual Principal and Interest Requirement of the Refunded Series 1994 Bonds.

(j) In compliance with Section 218 of the Trust Indenture, there has been filed with the Trustee a certification of a Consultant that the revenues derived by the County from the User Fee are projected to be sufficient to pay the County's obligations under the Service Agreement and

its obligations including, without limitation, debt service on the Series 2004 Bonds.

(k) County Council adopted an Ordinance entitled "AN ORDINANCE RELATING TO THE DISPOSITION OF SOLID WASTE; PROVIDING FOR THE ESTABLISHMENT OF A USER FEE FOR THE DISPOSITION BY THE COUNTY OF SUCH SOLID WASTE; PROVIDING FOR THE COLLECTION OF SUCH USER FEE; AND PROVIDING AN EFFECTIVE DATE" on December 10, 1987 (the "User Fee Ordinance"), for the purpose of making available to all inhabitants and persons within the County a solid waste disposal and recycling system for the disposal of all solid waste generated within or brought into the County; to establish a procedure for establishing a schedule of user fees for the disposition of solid waste to pay for, among other things, the costs of such disposition, including the amounts to be paid by the County pursuant to the Service Agreement (referred to below); to establish a procedure for establishment of a classification of real property within the County in the establishment of such schedule of rates and charges; and to provide for a method and procedure for the collection of such established user fees.

(l) The County entered into an arrangement with Foster Wheeler Charleston Resource Recovery, Inc. ("FWCR"), a wholly-owned subsidiary of Foster Wheeler Power Systems, Inc. ("Foster Wheeler Power Systems"), pursuant to which the County issued Resource Recovery Revenue Bonds (Foster Wheeler Charleston Resource Recovery, Inc. Project) Series 1987, dated November 1, 1987 (the "1987 Bonds"), in order to finance the acquisition and construction of a solid waste disposal and resource recovery facility then owned and operated by FWCR for the purpose of disposal of certain of the solid waste generated in the County.

(m) The County entered into a Service Agreement dated December 1, 1985, as amended and restated as of November 1, 1987, with FWCR which provides, among other things, for the payment by the County of various fees and charges to FWCR for solid waste disposal services, which are defined in the Service Agreement as the Disposal Fee. The Service Agreement requires that the County impose and collect charges for solid waste disposal services in amounts adequate to provide for the payment of the Disposal Fee to be made by the County thereunder.

(n) The County has previously defeased and refunded the 1987 Bonds by the issuance of the 1997 Bonds.

(o) In 2002, all of the outstanding common stock of FWCR was acquired by Montenay Power Corporation from Foster Wheeler Power Systems and FWCR changed its name to "Montenay Charleston Resource Recovery, Inc."

(p) At the present time, the County has no outstanding debt chargeable to the revenues of the System except for (i) the payment of the Disposal Fee under the Service Agreement relating to the 1997 Bonds and (ii) the Refunded Series 1994 Bonds.

Section 4.2 Continuing Disclosure.

(a) Pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended ("Section 11-1-85"), the County Council covenants to file with a central repository for

availability in the secondary bond market, when requested, an annual independent audit, within 30 days of its receipt of the audit; and event specific information within 30 days of an event adversely affecting more than five percent (5%) of the Revenues. The only remedy for failure by the County Council to comply with the covenant in this Section 4.2(a) shall be an action for specific performance of this covenant. The County Council specifically reserves the right to amend this covenant to reflect any change in Section 11-1-85, without the consent of any Bondholder.

(b) The County Council hereby approves the Continuing Disclosure Undertaking in substantially the form attached hereto as Exhibit B, and the Chief Financial Officer is authorized and directed to execute and deliver the Continuing Disclosure Undertaking with any changes as the Chief Financial Officer should approve, upon the advice of the Financial Advisor or counsel, her execution being conclusive evidence of her approval. The County Council hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this Series Ordinance, failure of the County Council to comply with the Continuing Disclosure Undertaking shall not be considered an Event of Default; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County Council to comply with its obligations under this paragraph.

Section 4.3 State Tax Exemption of Series 2004 Bonds.

The Series 2004 Bonds and the interest thereon shall be exempt from any and all State, county, municipal, and other taxation whatsoever under the laws of the State of South Carolina, except inheritance, estate, or transfer taxes.

ARTICLE V SALE OF BONDS; BOND INSURANCE; USE OF PROCEEDS

Section 5.1 Sale and Issuance of Series 2004 Bonds; Official Statement; Acceptance of Policy.

(a) The Series 2004 Bonds shall be sold to Morgan Keegan & Co., Inc., A.G. Edwards & Sons, Inc., and Legg Mason Wood Walker, Inc. (collectively, the APurchaser@) for a price not less than 99.00% as approved by the Chief Financial Officer. The County Council hereby authorize and direct the Chief Financial Officer to execute a bond purchase agreement (the APurchase Contract@), in substantially the form of Exhibit C attached hereto, and deliver it to the Purchaser.

(b) The County Council hereby ratify and approve the Preliminary Official Statement of the County dated April 6, 2004, relating to the Series 2004 Bonds and the distribution thereof in connection with the sale of the Series 2004 Bonds, and hereby confirm the certification by the Chief Financial Officer that it has been deemed final within the meaning of S.E.C. Rule 15(c)(2)-12.

(c) The County Council hereby authorize the Official Statement of the County relating to the Series 2004 Bonds substantially in the form of the Official Statement presented at this meeting, with any modification as the Chief Financial Officer approves; the Chief Financial Officer is hereby authorized and directed to execute copies of the Official Statement and deliver them to the Purchaser, which execution and delivery shall be conclusive evidence of the approval of any modifications; and the County Council hereby authorize the use of the Official Statement and the information contained therein in connection with the public offering and sale of the Series 2004 Bonds by the Purchaser.

(d) The County Council hereby authorize and direct all of the officers and employees of the County to carry out or cause to be carried out all obligations of the County under the Purchase Contract and to perform all other actions as they shall consider necessary or advisable in connection with the issuance, sale, and delivery of the Series 2004 Bonds.

(e) The County Council hereby authorize use of the Bond Ordinance (including this Series Ordinance) and the information contained therein in connection with the public offering and sale of the Series 2004 Bonds by the Purchaser.

(f) The County Council hereby accept the commitment of the Bond Insurer to issue the Policy and authorize and approve the purchase of the Policy from the Bond Insurer. The County Council further authorize the execution and delivery of any documents and certificates as may be necessary and proper in connection with the purchase of the Policy. So long as the Policy is in effect with respect to the Series 2004 Bonds, the applicable provisions of Section 5.4 of this Series Ordinance shall be and remain in full force and effect and shall govern the issuance of the Series 2004 Bonds and the provisions of the Bond Ordinance with respect to the Series 2004 Bonds.

(g) The Chairman, County Administrator, the Clerk, the Chief Financial Officer, and other officers or employees of the County are fully authorized and empowered to take any further action and to execute and deliver all closing documents and certificates as may be necessary and proper in order to complete the issuance of the Series 2004 Bonds herein authorized and the action of such officers and any one or more of them in executing and delivery of such documents in the form as he or they shall approve, is hereby fully authorized.

Section 5.2 Disposition of Proceeds of Series 2004 Bonds and Certain Other Moneys.

(a) From the proceeds derived from the sale of the Series 2004 Bonds there shall be deposited:

(i) With the Trustee for deposit to the Interest Account of the County User Fee Bond Fund any accrued interest on the Series 2004 Bonds;

(ii) With the Refunding Escrow Agent, the proceeds necessary to prepay or defease and discharge the Refunded Series 1994 Bonds as directed by the Chief Financial Officer; and

(iii) With the County, any remaining proceeds to be applied to the payment of the costs of issuance of the Series 2004 Bonds (including payment of the premium for the Policy) or as otherwise directed in writing by the Chief Financial Officer.

(b) (I) The Chief Financial Officer shall direct the Trustee in writing (A) to hold funds in the County User Fee Debt Service Reserve Fund established with respect to the Series 1994 Bonds in the County User Fee Debt Service Reserve Fund in the amount necessary to satisfy in full the Reserve Requirement with respect to the Series 2004 Bonds and (B) to transfer the balance to the Refunding Escrow Agent for use in refunding the Refunded Series 1994 Bonds as set forth in the Series 1994 Bond Escrow Agreement.

(ii) The Chief Financial Officer shall direct the Trustee in writing to transfer all funds held in the County User Fee Bond Fund to the Refunding Escrow Agent for use in refunding the Refunded Series 1994 Bonds as set forth in the Series 1994 Bond Escrow Agreement.

Section 5.3 Redemption of Certain Outstanding Bonds.

(a) The County Council hereby elect to redeem the Refunded Series 1994 Bonds which are subject to optional redemption on January 1, 2005, or such other date as is approved by the Chief Financial Officer upon advice of the Financial Advisor and counsel. The Refunded Series 1994 Bonds which mature on January 1, 2007, shall be paid under the Series 1994 Bond Escrow Agreement at their stated maturity. The County Council hereby authorize the Series 1994 Bond Escrow Agreement with the Refunding Escrow Agent in connection with the refunding and defeasance of the Refunded Series 1994 Bonds. The Chief Financial Officer is authorized and directed to execute the Series 1994 Bond Escrow Agreement in substantially the form attached hereto as Exhibit D, with any changes as the executing officer approves, upon the advice of the Financial Advisor or counsel, her execution being conclusive evidence of her approval.

(b) The Chairman, the County Administrator, the Chief Financial Officer, or any one of them, are hereby authorized to direct the Refunding Escrow Agent to invest funds held by it in accordance with the terms of the Series 1994 Bond Escrow Agreement. Any moneys held pursuant to the Series 1994 Bond Escrow Agreement described in this Section 5.3 which remain after the payment in full of the Refunded Series 1994 Bonds shall be paid over to the Trustee for deposit in the County User Fee Bond Fund.

Section 5.4 Ambac Assurance Consent Language.

(a) Consent of Ambac Assurance. Any provision of the Bond Ordinance expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance hereunder without the prior written consent of Ambac Assurance. Ambac Assurance reserves the right to charge the County a fee for any consent or amendment to the Series Ordinance while the Financial Guaranty Insurance Policy is outstanding.

(b) Consent of Ambac Assurance in Addition to Holder Consent. Unless otherwise provided in this Section, Ambac Assurance=s consent shall be required in addition to Holder consent, when required, for the following purposes: (I) execution and delivery of any supplemental Series Ordinance; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (I) or (ii) above which requires Holder consent.

(c) Consent of Ambac Assurance in the Event of Insolvency. Any reorganization or liquidation plan with respect to the County must be acceptable to Ambac Assurance. In the event of any reorganization or liquidation, Ambac Assurance shall have the right to vote on behalf of all Holders who hold Ambac Assurance-insured Series 2004 Bonds absent a default by Ambac Assurance under the applicable Financial Guaranty Insurance Policy insuring such Series 2004 Bonds.

(d) Consent of Ambac Assurance Upon Default. Anything in the Bond Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Bond Ordinance, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders or the Trustee for the benefit of the Holders under the Bond Ordinance , including, without limitation: (I) the right to accelerate the principal of the Series 2004 Bonds as described in the Bond Ordinance, and (ii) the right to annul any declaration of acceleration, and Ambac Assurance shall also be entitled to approve all waivers of events of default.

(e) Acceleration Rights. Upon the occurrence of an event of default, the Trustee may, with the consent of Ambac Assurance, and shall, at the direction of Ambac Assurance or a majority of the Holders with the consent of Ambac Assurance, by written notice to the County and Ambac Assurance, declare the principal of the Series 2004 Bonds to be immediately due and payable, whereupon that portion of the principal of the Series 2004 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable anything in the Bond Ordinance or in the Series 2004 Bonds to the contrary notwithstanding.

Section 5.5 Notices/Information to Be Given to Ambac Assurance.

(a) Notices to Be Sent to the Attention of the Surveillance Department.

(I) While the Financial Guaranty Insurance Policy is in effect, the County shall furnish to Ambac Assurance, upon request, the following: (A) a copy of any financial statement, audit, or annual report of the County; and (B) such additional information it may reasonably request. Upon request, such information shall be delivered at the County=s expense to the attention of the Surveillance Department, unless otherwise indicated;

(ii) A copy of any notice to be given to the registered owners of the Series 2004 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 2004 Bonds, and any certificate rendered pursuant to the Bond Ordinance relating to the security for the Series 2004 Bonds;

(iii) To the extent that the County has entered into a continuing disclosure agreement with respect to the Series 2004 Bonds, Ambac Assurance shall be included as party to be notified.

(b) Notices to Be Sent to the Attention of the General Counsel Office.

(i) The County shall notify Ambac Assurance of any failure of the County to provide relevant notices, certificates, etc.;

(ii) Notwithstanding any other provision of the Bond Ordinance, the Trustee shall immediately notify Ambac Assurance if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

(c) Other Information to be Given to Ambac Assurance.

The County will permit Ambac Assurance to discuss the affairs, finances, and accounts of the County or any information Ambac Assurance may reasonably request regarding the security for the Series 2004 Bonds with appropriate officers of the County. The Trustee or County, as appropriate will permit Ambac Assurance to have access to information regarding the System and have access to and to make copies of all books and records relating to the Series 2004 Bonds at any reasonable time.

Section 5.6 Ambac Assurance=s Permitted Investments.

For so long as Ambac Assurance is the Insurer with regard to the Series 2004 Bonds, the term Permitted Investments under the Bond Ordinance shall mean the following:

(a) Ambac Assurance will allow the following obligations to be used as Authorised Investments under the Bond Ordinance for all purposes, including defeasance investments in refunding escrow accounts.

(i) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(ii) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

U.S. treasury obligations
All direct or fully guaranteed obligations
Farmers Home Administration
General Services Administration
Guaranteed Title XI financing
Government National Mortgage Association (GNMA)
State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) The following obligations are Authorised Investments for all purposes other than defeasance investments in refunding escrow accounts.

(l) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank.

(ii) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by Ambac

(iii) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of $\text{A}P-1@$ by Moody's and $\text{AA}-1@$ or $\text{AA}-1+@$ by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(iv) Commercial paper which is rated at the time of purchase in the single highest classification, $\text{A}P-1@$ by Moody's and $\text{AA}-1+@$ by S&P and which matures not more than 270 calendar days after the date of purchase;

(v) Investments in a money market fund rated $\text{AAA}Am@$ or $\text{AAA}Am-G@$ or better by S&P;

(vi) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligator

prior to maturity or as to which irrevocable instructions have been given by the obligator to call on the date specified in the notice; and

which are rated, based on an irrevocable escrow account or fund (the Escrow), in the highest rating category of Moody's or S&P or any successors thereto; or

(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(vii) Municipal Obligations rated Aaa/AAA or general obligations of States with a rating of A2/A or higher by both Moody's and S&P.

(viii) Investment Agreements approved in writing by Ambac Assurance Corporation (supported by appropriate opinions of counsel); and

(ix) other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance.

The value of the above investments shall be determined as follows:

For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(iii) As to any investment not specified above: the value thereof established by prior agreement among the Issuer, the Trustee, and Ambac Assurance.

Section 5.7 Defeasance.

Notwithstanding anything in the Bond Ordinance to the contrary, in the event that the principal and/or interest due on the Series 2004 Bonds shall be paid by Ambac Assurance pursuant to the Financial Guaranty Insurance Policy, the Series 2004 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the County, and the assignment and pledge of the Gross Revenues and all covenants, agreements and other obligations of the County to the Holders shall continue to exist and shall

run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such Holders.

Section 5.8 Payment Procedure Pursuant to the Financial Guaranty Insurance Policy.

As long as the Financial Guaranty Insurance Policy shall be in full force and effect, the County, the Trustee, and any Paying Agent, if any, agree to comply with the following provisions:

At least one (1) business day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the funds and accounts to pay the principal of or interest on the Series 2004 Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such funds or accounts, the Trustee or Paying Agent, if any, shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Series 2004 Bonds to which such deficiency is applicable, and whether such Series 2004 Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified Ambac Assurance at least one (1) business day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Series 2004 Bonds on or before the first (1st) business day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

The Trustee or Paying Agent, if any, shall, after giving notice to Ambac Assurance as provided in (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to The Bank of New York, in New York, New York, as insurance trustee for Ambac Assurance or any successor insurance trustee (the Insurance Trustee), the registration books of the County maintained by the Trustee or Paying Agent, if any, and all records relating to the funds and accounts maintained under the Bond Ordinance.

The Trustee or Paying Agent, if any, shall provide Ambac Assurance and the Insurance Trustee with a list of Holders of Series 2004 Bonds entitled to receive principal or interest payments from Ambac Assurance under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Series 2004 Bonds entitled to receive full or partial interest payments from Ambac Assurance and (ii) to pay principal upon Series 2004 Bonds surrendered to the Insurance Trustee by the Holders of Series 2004 Bonds entitled to receive full or partial principal payments from Ambac Assurance.

The Trustee or Paying Agent, if any, shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify Holders of Series 2004 Bonds entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Series 2004 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series

2004 Bonds to be registered in the name of Ambac Assurance) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Series 2004 Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Series 2004 Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on an Series 2004 Bond which has become due for payment and which is made to a Holder by or on behalf of the County has been deemed a preferential transfer and theretofore recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, non-appealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time Ambac Assurance is notified pursuant to (a) above, notify all Holders that in the event that any Holder=s payment is so recovered, such Holder will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Series 2004 Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from Holders and the dates on which such payments were made.

in addition to those rights granted Ambac Assurance under the Bond Ordinance, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Series 2004 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subornation (I) in the case of subornation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note Ambac Assurance=s rights as subrogee on the registration books of the County maintained by the Trustee or Paying Agent, if any, upon receipt from Ambac Assurance of proof of the payment of interest thereon to the Holders of the Series 2004 Bonds, and (ii) in the case of subornation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note Ambac Assurance =s rights as subrogee on the registration books of the County maintained by th e Trustee or Paying Agent, if any, upon surrender of the Series 2004 Bonds by the Holders thereof together with proof of the payment of principal thereof.

Section 5.9 Provisions Concerning the Trustee.

(a) The Trustee (or Paying Agent) may be removed at any time, at the request of Ambac Assurance, for any breach of the trust set forth in the Bond Ordinance.

(b) Ambac Assurance shall receive prior written notice of any Trustee (or Paying Agent) resignation.

(c) Every successor Trustee appointed pursuant to the Bond Ordinance shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorised to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to Ambac

Assurance. Any successor Paying Agent, if applicable, shall not be appointed unless Ambac Assurance approves such successor in writing.

(d) Notwithstanding any other provision of the Bond Ordinance, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant to the terms and provisions of the Bond Ordinance, the Trustee (or Paying Agent) shall consider the effect on the Holders as if there were no Financial Guaranty Insurance Policy.

(e) Notwithstanding any other provision of the Bond Ordinance, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to Ambac Assurance, shall be appointed.

Section 5.10 Interested Parties.

(a) Ambac Assurance as Third Party Beneficiary. To the extent that this Series Ordinance confers upon or gives or grants to Ambac Assurance any right, remedy or claim under or by reason of the Bond Ordinance, Ambac Assurance is hereby explicitly recognized as being a third-party beneficiary under the Bond Ordinance and may enforce any such right, remedy or claim conferred, given or granted under the Bond Ordinance.

(b) Parties Interested Herein. Nothing in the Bond Ordinance expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the County, the Trustee, Ambac Assurance, the Paying Agent, if any, and the Holders of the Series 2004 Bonds, any right, remedy or claim under or by reason of the Bond Ordinance or any covenant, condition or stipulation of the Bond Ordinance, and all covenants, stipulations, promises and agreements in the Bond Ordinance contained by and on behalf of the County shall be for the sole and exclusive benefit of the County, the Trustee, Ambac Assurance, the Paying Agent, if any, and the Holders of the Series 2004 Bonds.

ARTICLE VI AMENDMENTS TO TRUST INDENTURE AND BOND ORDINANCE

Section 6.1 Authorization for Amendment; Supplemental Indenture.

In accordance with Section 3.5 of the bond ordinance enacted by the County Council on November 18, 1997, authorizing the issuance of the 1997 Bonds, Ambac Assurance Corporation as the bond insurer with respect to the 1997 Bonds (pursuant to Section 1102 of the Trust Indenture) has consented to and approved the amendment of Section 218 of the Trust Indenture, effective upon the issuance of the Series 2004 Bonds. The amendment to Section 218 of the Trust Indenture provides that the maturity dates and the interest payment dates on County User Fee Revenue Bonds secured by a pledge of the User Fee, including Bonds issued under the Bond Ordinance, may be March 1 or September 1. The County Council hereby approves the amendment of the Trust Indenture and authorizes and directs the Chairman to execute and deliver the Supplemental Indenture in substantially the form attached hereto as Exhibit F.

Section 6.2 Amendments to Bond Ordinance.

(a) The Purchaser has agreed with the County that upon the issuance of the Series 2004 Bonds and the defeasance of the Refunded Series 1994 Bonds, that the Purchaser (as owner of all Outstanding Bonds under the Bond Ordinance) in accordance with Section 12.02 of the Bond Ordinance, consents to the following amendments to the Bond Ordinance:

(i) Section 2.02 of the Bond Ordinance is amended by deleting the definition of the term A Interest Payment Date@ therein and substituting therefore the following:

A Interest Payment Dates shall mean March 1 and September 1.@

(ii) Section 4.02(1) of the Bond Ordinance is amended to read as follows:

A(1) Bonds shall be stated to mature and/or have mandatory or sinking fund redemptions on March 1 or September 1 and in the amounts prescribed or approved by the Series Ordinance.@

(iii) Section 4.02(2) of the Bond Ordinance is amended to read as follows:

A(2) Bonds shall bear interest payable on the Interest Payment Dates and at the rates prescribed by the Series Ordinance.@

(b) The amendments to the Bond Ordinance made by this Section shall be effective upon the issuance of the Series 2004 Bonds and defeasance of the Refunded Series 1994 Bonds.

ARTICLE VII MISCELLANEOUS

Section 7.1. Bond Ordinance as Modified to Remain in Full Force and Effect.

As supplemented herein and amended by Article VI hereof, the Bond Ordinance remains in full force and effect and shall govern the issuance of the Series 2004 Bonds.

Section 7.2 Section Headings; Table of Contents.

The headings and titles of the several sections hereof, and any Table of Contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation, or effect of this Series Ordinance.

Section 7.3 Notices.

(a) Any notices required to be given by the County or the Trustee shall also be given to the Bond Insurer.

(b) All notices, certificates, or other communications hereunder or under the Bond Ordinance shall be sufficiently given and shall be deemed given when delivered, as follows:

If to the County:

Charleston County
Lonnie Hamilton, III Public Services Bldg.
4045 Bridge View Drive
North Charleston, SC 29405-7464
Attention: Corine Altenhein

If to the Trustee:

The Bank of New York
10161 Centurion Parkway
Jacksonville, FL 32256
Michele R. O'Donnell

Attention:

If to Ambac Assurance's Surveillance Department:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department

If to Ambac Assurance's General Counsel Office:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel Office

If to the Refunding Escrow Agent:

The Bank of New York
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Mary Trammel

(c) The County, the Trustee, Ambac Assurance, and the Refunding Escrow Agent, may, by notice given to the other parties, designate any further or different addresses to which subsequent notice, certificates, or other communications shall be sent.

Section 7.4 Notice of Issuance of Refunding Bonds.

Notice of issuance of the Series 2004 Bonds to refund the Series 1994 Bonds shall be published once in a financial paper published in the City of New York, in substantially the form attached hereto as Exhibit E.

Section 7.5 Effective Date.

This Series Ordinance shall become effective immediately upon approval after receiving third reading; provided, however, that the amendment of the Bond Ordinance pursuant to Article VI hereof shall be effective upon issuance of the Series 2004 Bonds and defeasance of the Refunded Series 1994 Bonds.