

---

CITY OF COLUMBIA, SOUTH CAROLINA

EIGHTH SUPPLEMENTAL ORDINANCE NO. 2011-068

AN EIGHTH SUPPLEMENTAL ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF CITY OF COLUMBIA, SOUTH CAROLINA, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, IN ONE OR MORE SERIES, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$135,000,000, IN ORDER TO REFINANCE CERTAIN OUTSTANDING INDEBTEDNESS AND FINANCE CERTAIN IMPROVEMENTS TO THE SYSTEM; AUTHORIZING THE MAYOR, THE CITY MANAGER, THE FINANCE DIRECTOR AND THE TREASURER, OR ANY TWO OF THEM ACTING TOGETHER, TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; AND OTHER MATTERS RELATING THERETO.

Enacted: September 20, 2011

---

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COLUMBIA,  
SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

Section 1. Definitions.

The terms in this Section 1 and all words and terms defined in the General Bond Ordinance No. 93-43 (the "General Bond Ordinance") enacted by the City Council (the "Council") of the City of Columbia, South Carolina (the "City"), on May 21, 1993 (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the "Ordinance") (except as herein otherwise expressly provided or unless the context otherwise requires) shall for all purposes of this Eighth Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

"2009 Letter of Credit" shall mean the irrevocable, direct-pay letter of credit issued by the Bank securing the payment of the principal of and interest on the Bonds of 2009.

"Bank" shall mean U.S. Bank National Association, as provider of the Letter of Credit.

"Beneficial Owner" shall mean any purchaser who acquires beneficial ownership interest in any Initial Bond held by the Depository. In determining any Beneficial Owner the City, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the City, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any New Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

"Bond Insurance Policy" shall mean the Financial Guaranty Insurance Policy (if any) issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the New Bonds.

"Bond Insurer" shall mean Assured Guaranty Corp., a Maryland-domiciled insurance company, or any successor thereto or assignee thereof.

"Bond Purchase Agreement" shall mean one or more Bond Purchase Agreements relating to the sale of the New Bonds, to be dated the date of execution and delivery thereof between the Underwriters and the City, as amended or supplemented thereto.

"Bonds of 1993" shall mean the original principal amount \$74,765,000 Waterworks and Sewer System Revenue Bonds, Series 1993, dated May 1, 1993, and outstanding as of the date of this Eighth Supplemental Ordinance in the principal amount of \$8,590,000.

"Bonds of 2001" shall mean the original principal amount \$41,500,000 Waterworks and Sewer System Refunding Revenue Bonds, Series 2001, dated November 1, 2001, and outstanding as of the date of this Eighth Supplemental Ordinance in the principal amount of \$33,905,000.

**“Bonds of 2005”** shall mean the original principal amount \$60,000,000 Waterworks and Sewer System Revenue Bonds, Series 2005, dated June 15, 2005, all of which is outstanding as of the date of this Eighth Supplemental Ordinance.

**“Bonds of 2009”** shall mean the original principal amount \$81,860,000 City of Columbia, South Carolina, Waterworks and Sewer System Revenue Bonds, Series 2009, dated September 2, 2009, all of which is outstanding as of the date of this Eighth Supplemental Ordinance.

**“Bonds of 2010”** shall mean the original principal amount \$105,000,000 Waterworks and Sewer System Revenue Bonds, Series 2010, dated May 26, 2010, all of which is outstanding as of the date of this Eighth Supplemental Ordinance.

**“Bonds to be Refunded”** shall mean the Bonds of 2001 to be refunded with a portion of the proceeds of the New Bonds, as determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11.

**“Book-Entry Form”** or **“Book-Entry System”** shall mean with respect to the New Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the New Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates “immobilized” in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the New Bonds, when subject to the Book-Entry System.

**“Business Day”** shall mean, with respect to the New Bonds issued pursuant to this Eighth Supplemental Ordinance, any day other than a Saturday, a Sunday or a day which shall be in the State or the state in which the respective office of the Paying Agent and the Registrar is located a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

**“City Representative”** shall mean the person or persons at the time designated to act on behalf of the City for the purpose of performing any act under this Eighth Supplemental Ordinance by a written certificate containing the specimen signature of such person or persons and signed on behalf of the City by the Mayor or the City Manager.

**“Code”** shall mean the Internal Revenue Code of 1986, as amended.

**“Continuing Disclosure Agreement”** shall have the meaning given that term in Section 17 hereof.

**“Council”** shall mean the City Council of the City.

**“Custodian”** shall mean the bank, depository or trust company selected by the City as custodian of the Series Construction Fund.

**“Debt Service Reserve Policy”** shall mean, subject to Section 8, the Financial Guaranty Insurance Policy (Reserve Fund), if any, issued by the Bond Insurer simultaneously with the issuance of the New Bonds and payable to the Paying Agent.

**“Depository”** shall mean any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, operating and maintaining, with its Participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the New Bonds, and to effect transfers of the New Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited-purpose trust company), New York, New York.

**“Eighth Supplemental Ordinance”** shall mean this Eighth Supplemental Ordinance No. 2011-068 of the Council of the City enacted on September 20, 2011.

**“Escrow Agent”** shall mean The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York), as paying agent for the Bonds to be Refunded and, if applicable, escrow agent under the Refunding Trust Agreement.

**“Fifth Supplemental Ordinance”** shall mean Fifth Supplemental Ordinance No. 2007-072 of the Council of the City enacted on September 19, 2007, as supplemented by the Sixth Supplemental Ordinance and the Seventh Supplemental Ordinance.

**“First Supplemental Ordinance”** shall mean First Supplemental Ordinance No. 1993-44 of the Council of the City enacted on May 21, 1993.

**“Fourth Supplemental Ordinance”** shall mean Fourth Supplemental Ordinance No. 2005-013 of the Council of the City enacted on May 18, 2005.

**“General Bond Ordinance”** shall mean Ordinance No. 93-43 of the Council of the City enacted on May 21, 1993.

**“Initial Bonds”** shall mean the New Bonds initially issued in Book-Entry Form as provided in Section 4 hereof.

**“Insurer Default”** shall mean there shall exist a default in the payment by the Bond Insurer of principal of or any interest on any New Bond when required to be made by the Bond Insurance Policy or the Debt Service Reserve Policy, as the case may be.

**“Interest Payment Date”** shall mean February 1 and August 1 of each year commencing February 1, 2012, or as otherwise determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof.

**“Investment Contract”** shall mean, collectively, (1) the BMA Master Repurchase Agreement (September 1996 Version) dated as of December 12, 2006, as supplemented by Annex I

thereto, between Citigroup Global Markets Inc., as provider (the "Provider"), and the City, as buyer (the "Buyer"), and a Custodial Undertaking in Connection with Master Repurchase Agreement dated as of December 12, 2006, among the Provider, the Buyer and The Bank of New York, as custodian, and (2) any repurchase, forward delivery or other investment agreement relating to Bonds (as defined in the Ordinance) prior to the date of this Eighth Supplemental Ordinance, the City's payment obligations under which are secured by a pledge of Net Revenues of the System.

"Letter of Credit" shall mean, subject to Section 8 hereof, a letter of credit (if any) issued by a bank or other financial institution satisfactory to the City simultaneously with the issuance of the New Bonds, to satisfy all or a portion of the Series Reserve Fund Requirement.

"New Bonds" shall mean the City of Columbia, South Carolina, Waterworks and Sewer System Revenue Bonds, in one or more series pursuant to Section 3 hereof, in the aggregate principal amount of not exceeding \$135,000,000, authorized to be issued hereunder.

"New Projects" shall mean, collectively, the improvements, extensions and enlargements to the System, including any one or more of the projects described in Schedule I hereto, and such other improvements as the City may deem necessary or incidental to the System.

"Outstanding Parity Bonds" shall mean, as of the date of this Eighth Supplemental Ordinance, the Bonds of 1993, the Bonds of 2001, the Bonds of 2005, the Bonds of 2009 and the Bonds of 2010.

"Paying Agent" shall mean the bank, trust company or other financial institution selected by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, to act as Paying Agent for the New Bonds.

"Permitted Investments" shall have the meaning set forth in the General Bond Ordinance; provided, however, that if and to the extent a Bond Insurance Policy is in effect with respect to a Series of New Bonds, "Permitted Investments" shall mean, with respect to the Series Debt Service Fund and Series Debt Service Reserve Fund (if any) established for such Series of New Bonds, only such Permitted Investments, as defined in the General Bond Ordinance, as also qualify under the following:

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation); (b) Direct obligations (other than any obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America; or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - (a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
  - (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.
  - (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations.
  - (d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.
6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.
7. Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better.
8. "State Obligations", which means:
  - (a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
  - (b) Direct general obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification Report");

(d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

(f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" by Moody's; (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's; which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by S&P and "A3" by Moody's and acceptable to the Bond Insurer (each an "Eligible Provider"), provided that:

(a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA or 104% of the total principal when the

collateral type is FNMA and FHLMC (“Eligible Collateral”);

(b) a third party acting solely as agent for the City (the “Investment Custodian”) has possession of the collateral or the collateral has been transferred to the Investment Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;

(c) the collateral shall be marked to market on a daily basis and the provider or Investment Custodian shall send monthly reports to the City and Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Investment Custodian holding the collateral;

(d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of Bond Insurer;

(e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Investment Custodian has a perfect first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(f) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, notify the City and the Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral; or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) Business Days, the provider shall, at the direction of any custodian or trustee (who shall give such direction if so directed in writing by the Bond Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the City.

11. Investment Agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s, and acceptable to the Bond Insurer (each an “Eligible Provider”); provided that:

(a) interest payments are to be made to the Paying Agent at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Series Construction Fund, to the Custodian for construction draws) on the New Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior written notice; the City and the Paying Agent hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or

premium paid;

(c) the provider shall send monthly reports to the Paying Agent, the City and the Bond Insurer setting forth the balance the City or Paying Agent has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

(d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof, or if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and subordinated creditors;

(e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

(f) the City and the Bond Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(g) the City and the Bond Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(h) the investment agreement shall provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral with the City, or a third party acting solely as agent for a custodian (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the City (who shall give such direction if so directed in writing by the Bond Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City.

(i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Investment Custodian shall send monthly reports to the City and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Investment Custodian holding the collateral;

(j) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or the Paying Agent, as appropriate, and (ii) the provider shall become insolvent, not pay its debt as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or the Paying Agent, as appropriate.

12. Such other investments as may be approved in writing by the Bond Insurer.

"Principal Payment Date" shall have the meaning given to such term in Section 3(a).

"Refunding Trust Agreement" shall mean, collectively, one or more Refunding Trust Agreements dated the date of their execution between the City and the Escrow Agent.

"Refunding Trust Fund" shall mean, collectively, one or more funds of that name created pursuant to the Refunding Trust Agreement.

"Registrar" shall mean the bank, trust company or other financial institution selected by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, to act as Registrar for the New Bonds.

"Reimbursement Agreement" shall mean, subject to Section 8, the Reimbursement Agreement (Reserve Fund) between the City and the Bond Insurer relating to the Debt Service Reserve Policy.

“Second Supplemental Ordinance” shall mean Second Supplemental Ordinance No. 99-082 of the Council of the City enacted on September 22, 1999.

“Seventh Supplemental Ordinance” shall mean Seventh Supplemental Ordinance No. 2009-83 of the Council of the City enacted on August 19, 2009.

“Series Construction Fund” shall mean one or more Funds established pursuant to Section 13 hereof into which a portion of the proceeds of a Series of the New Bonds will be deposited and from which such proceeds will be disbursed to pay the Costs of Acquisition and Construction of the New Projects and Costs of Issuance, as applicable. Pursuant to Section 13, each Series Construction Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Fund” shall mean one or more Funds established pursuant to Section 7 hereof to provide for the payment of the principal of and interest on the Series of the New Bonds related thereto. Pursuant to Section 7, each Series Debt Service Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Reserve Fund” shall mean one or more Funds, if any, established pursuant to Section 8 hereof (a) to insure the timely payment of the principal and interest on the New Bonds related thereto; and (b) to provide for the redemption of the Series of the New Bonds related thereto. Pursuant to Section 8, each Series Debt Service Reserve Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Reserve Fund Requirement” shall mean the amount, if any, established pursuant to Section 8 hereof.

“Sixth Supplemental Ordinance” shall mean Sixth Supplemental Ordinance No. 2009-87 of the Council of the City enacted on August 19, 2009.

“Swap” shall mean the interest rate swap transaction entered into under the authorization of the Fifth Supplemental Ordinance.

“Third Supplemental Ordinance” shall mean Third Supplemental Ordinance No. 2001-090 of the Council of the City enacted on October 24, 2001.

“Underwriters” shall mean Morgan Keegan & Company, Inc. and Terminus Securities LLC.

“Value” or “Values” means, if a Bond Insurance Policy is in effect, with respect to any Permitted Investments for the Series Debt Service Fund and Series Debt Service Reserve Fund established for the New Bonds, the amount calculated under the Ordinance determined as of any date of calculation as follows:

- (a) the bid price published by a nationally recognized pricing service as selected by the City in its sole discretion;

- (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (c) as to any investment not specified above: the value thereof established by prior agreement between the City and the Bond Insurer.

Section 2. Certain Findings and Determinations.

The City hereby finds and determines:

(a) This Eighth Supplemental Ordinance supplements the Ordinance, constitutes and is a “Supplemental Ordinance” within the meaning of such quoted term as defined and used in the Ordinance, and is enacted under and pursuant to the Ordinance.

(b) The New Bonds constitute and are “Bonds” within the meaning of the quoted word as defined and used in the Ordinance.

(c) Subject to the following sentence, the Net Revenues pledged under the Ordinance are not encumbered by any lien and charge thereon or pledge thereof, other than (i) the lien and charge thereon and pledge thereof created by the General Bond Ordinance and the First Supplemental Ordinance for the payment and security of the Bonds of 1993; (ii) the lien and charge thereon and pledge thereof created by the General Bond Ordinance and the Third Supplemental Ordinance for the payment and security of the Bonds of 2001; (iii) the lien and charge thereon and pledge thereof created by the General Bond Ordinance and the Fourth Supplemental Ordinance for the payment and security of the Bonds of 2005; (iv) the lien and charge thereon and pledge thereof created by the General Bond Ordinance, the Fifth Supplemental Ordinance and the Seventh Supplemental Ordinance for the payment and security of the Bonds of 2009; (v) the lien and charge thereon and pledge thereof created by the General Bond Ordinance, the Fifth Supplemental Ordinance and the Sixth Supplemental Ordinance for the payment and security of the Bonds of 2010; and (vi) the lien and charge thereon and pledge thereof created by the General Bond Ordinance and this Eighth Supplemental Ordinance for the payment and security of the New Bonds. The City has heretofore entered into (1) the Swap which is secured by a pledge of and lien and charge upon the Net Revenues of the System, which lien and charge is subordinate and inferior to the lien and charge thereof securing the Outstanding Parity Bonds and any other Bonds issued pursuant to the General Bond Ordinance on a parity with the Outstanding Parity Bonds and (2) the 2009 Letter of Credit and the Investment Contract, the City’s payment obligations under each of which are limited to Net Revenues of the System available “to meet any obligations of the City which are or which shall become charges, liens or encumbrances upon the Revenues of the System” as provided in Section 6.7 of the General Bond Ordinance.

(d) There does not exist an Event of Default, nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The period of usefulness of the System is in excess of thirty (30) years from the date hereof. The estimated cost of refunding the Bonds to be Refunded is approximately \$35,000,000.

(f) The estimated Costs of Acquisition and Construction of the New Projects is approximately \$100,000,000 to be financed in part with the proceeds of the New Bonds.

(g) Article III of the General Bond Ordinance provides that one or more Series of Bonds may be issued for such purposes as may be permitted by the Act upon compliance with certain provisions of the General Bond Ordinance for the purposes of paying the Costs of Acquisition and Construction of one or more Projects authorized to be financed under the Act. Further, Section 3.4(B) of the General Bond Ordinance provides that Bonds may be issued at any time for the purpose of refunding (including by purchase) other Bonds, including amounts to pay principal, redemption premium and interest to the date of redemption (or purchase) of the refunded Bonds and the Cost of Issuance; provided that (i) the aggregate Debt Service on all Bonds to be Outstanding after the issuance of the proposed Series of New Bonds shall not be greater than would have been the aggregate Debt Service of all Bonds not then refunded and the Bonds to be refunded; or (ii) the requirements of paragraph (A), (B), (C) and (E) of Section 3.3 of the General Bond Ordinance are met with respect to the refunding Series. Bonds issued upon compliance with Section 3.2 and Section 3.3 of the General Bond Ordinance shall be issued on a parity as to the Net Revenues of the System in all respects *inter sese*.

(h) Section 12.1 of the General Bond Ordinance provides that the obligations of the City under the Ordinance and the liens, pledges, charges, trusts, covenants and agreements of the City made or provided for therein shall be fully discharged and satisfied as to any Bond, and such Bond shall no longer be deemed to be Outstanding under the General Bond Ordinance when payment of the principal of, redemption premium, if any, and interest on such Bond shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment, (A) moneys sufficient to make such payment, or (B) Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent and Registrar for the New Bonds.

(i) Subject to Section 8 hereof, if a Series Debt Service Reserve Fund is established hereunder with respect to a Series of the New Bonds, it shall secure only such Series of New Bonds, and the Series Reserve Fund Requirement (if any) will be satisfied through the deposit of cash (at such time as may be determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 8 hereof), the purchase of a Debt Service Reserve Policy, the provision of a Letter of Credit or any combination of the foregoing, for the benefit of the Holders of the New Bonds.

(j) The New Bonds are being issued for one or more of the following purposes: (i) improving and enlarging the System (i.e., the New Projects); (ii) refunding, together with other available amounts, the Bonds to be Refunded; (iii) funding the Series Debt Service Reserve Fund (if any) in an amount equal to the Series Reserve Fund Requirement (if funded upon the initial delivery of the Bonds) through the deposit of cash, the purchase of the Debt Service Reserve Policy,

the provision of a Letter of Credit or any combination thereof; and (iv) paying the Cost of Issuance, including the premium on the Bond Insurance Policy, if purchased, of the New Bonds.

(k) It is necessary and in the best interest of the City to undertake the refunding and the New Projects and to issue the New Bonds in the principal amount of not exceeding \$135,000,000 in accordance with the Ordinance, the Act, and this Eighth Supplemental Ordinance for the purposes set forth above, which New Bonds shall be issued on a parity with the Outstanding Parity Bonds.

### Section 3. Authorization of New Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds designated "City of Columbia, South Carolina, Waterworks and Sewer System Revenue Bonds, Series (year) [including such further words, numbers or letters as may be necessary or desirable to identify individual series thereof and the purpose for issuance]" (collectively, the "New Bonds"), in the aggregate principal amount of not exceeding \$135,000,000. The proceeds of the New Bonds shall be used for one or more of the purposes set forth in Section 2(j) hereof.

The New Bonds shall mature on February 1 in each of the years (the "Principal Payment Dates") and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year composed of twelve 30-day months), as determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof.

(b) Such of the New Bonds as the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the City may (i) deliver to the Registrar for cancellation New Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such New Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the City and cancelled by the Registrar and not theretofore applied as a credit against any mandatory redemption obligation. Each New Bond so delivered or previously purchased or redeemed shall be credited by the Registrar, at one hundred percent (100%) of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in chronological order, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Registrar, without further authorization or direction from the City, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The New Bonds shall originally be dated the date of delivery of the New Bonds, or such other date as the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000, or in such other denominations determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof. The New Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the New Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, in the case of a Holder of \$1,000,000 or more in principal amount of New Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder.

(f) The New Bonds and the assignment provisions pertaining thereto shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, 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 Ordinance, including this Eighth Supplemental Ordinance.

(g) If the City elects to purchase the Bond Insurance Policy, the following Statement of Insurance shall be attached to each New Bond for which the scheduled payment of principal and interest thereon is guaranteed by such Bond Insurance Policy:

#### STATEMENT OF INSURANCE

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on the Bonds to \_\_\_\_\_, as paying agent on behalf of the holders of the New Bonds (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this obligation acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

(h) A copy of the approving opinion to be rendered on the New Bonds shall be attached to each New Bond, preceding the same a certificate shall appear, which shall be signed on behalf of the City by a manual or facsimile signature of the Clerk of the City. Such certificate shall be in the form substantially as follows:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the City of Columbia, South Carolina.

CITY OF COLUMBIA, SOUTH CAROLINA

By: \_\_\_\_\_  
Clerk

Section 4. Book-Entry System; Recording and Transfer of Ownership of the New Bonds.

The Initial Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Initial Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of \$5,000 principal amount of Initial Bonds of the same Series and maturity or any integral multiple of \$5,000.

The Initial Bonds will be issued in fully-registered form, as a single Bond representing the entire principal amount of each Series of the New Bonds or one New Bond for each of the maturities of each Series of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the City shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this Eighth Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The City, the Registrar and the Paying Agent make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a timely basis, and the City, the Registrar and the Paying Agent shall have no

responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The City, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this Eighth Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The City, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the City maintained by the Registrar as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the City, or (b) the City has advised the Depository of the City's determination that the Depository is incapable of discharging its duties, then the City shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the City or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the City shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the City is unable to retain a qualified successor to the Depository, or the City has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the City undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the New Bonds by mailing an appropriate notice to the Depository, upon receipt by the City of the Initial Bonds together with an assignment duly executed by the Depository, the City shall execute, authenticate and deliver to the Depository Participants the New Bonds in fully-registered form, in authorized denomination; provided, however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

#### Section 5. Optional Redemption of New Bonds.

Such of the New Bonds as may be determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the City upon the written direction of the City, in whole or in part at any time in such order of their maturities as the City shall determine and by lot within a maturity, at the respective redemption prices with respect to each New Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed, as shall be determined by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption.

#### Section 6. Payment of the New Bonds.

The New Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Net Revenues of the System in accordance with the provisions of the Ordinance including this Eighth Supplemental Ordinance. The New Bonds shall be issued on a parity with the pledge of Net Revenues securing the remaining Outstanding Parity Bonds, and shall be senior to the pledge thereof securing the City's obligations under the Swap, the 2009 Letter of Credit, the Investment Contract or any Junior Bonds or any other charges, liens or encumbrances on the Net Revenues of the System, as contemplated by Section 6.7 of the General Bond Ordinance.

The New Bonds, and the interest thereon, shall not be a debt of the City, nor a charge, lien or encumbrance, legal or equitable, upon any property of the City or upon any income, receipts or revenues of the City other than such of the Net Revenues of the System as are hereby pledged to the payment thereof. No recourse shall be had for the payment of the New Bonds, or the interest thereon, or any part thereof, against the general fund of the City, nor shall the credit or taxing powers of the City be deemed to be pledged to the payment of the principal of and interest on the New Bonds. The full faith, credit and taxing powers of the State of South Carolina or of the City are not pledged to the payment of the principal of or the interest on the New Bonds, and the New Bonds shall never constitute an indebtedness of the City within the meaning of any State constitution provision (other than Article X, Section 14, Paragraph 10, of the South Carolina constitutional provision authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation.

#### Section 7. Establishment of Series Debt Service Fund.

In accordance with Section 6.5 of the General Bond Ordinance, the Series Debt Service Fund is hereby established on the date of the original delivery of the New Bonds and held by the City for the benefit of the Holders of the New Bonds; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for the payment of debt service on such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Debt Service Fund" with respect to the related Series of New Bonds.

**Section 8. Establishment of the Series Reserve Fund Requirement and Series Debt Service Reserve Fund.**

In accordance with Section 6.6 of the Ordinance, the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, may determine whether it is necessary or desirable to establish a Series Debt Service Reserve Fund for the benefit of the Holders of one or more Series of New Bonds (if any) and the amount and timing of funding of the Series Reserve Fund Requirement, and, if so, such Series Debt Service Reserve Fund shall be established on the date of the original delivery of such Series of New Bonds or funded from System Revenues over a period of time thereafter and held by the City, all as provided in the Ordinance; provided, however, that (1) upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Debt Service Reserve Fund" with respect to the related Series of New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article X of the Ordinance, then the Series Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then Outstanding principal amount of such Series. If the Series Debt Service Reserve Fund is established, the Series Reserve Fund Requirement initially will be satisfied by the City by the deposit of cash into the Series Debt Service Reserve Fund (which may, as designated by the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, pursuant to Section 11 hereof, be funded from the proceeds of the New Bonds on the date of delivery thereof or from System Revenues thereafter), with the purchase of the Debt Service Reserve Policy, the provision of a Letter of Credit or any combination of the foregoing, in each case for the benefit of the Holders of the New Bonds.

**Section 9. Authorization to Effect Refunding; Redemption of the Bonds to be Refunded.** The Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, are hereby authorized and directed for and on behalf of the City to take such actions, including but not limited to the execution by the Mayor and the City Manager, or either of them acting alone, of the Refunding Trust Agreement or other agreements, and give such directions as shall be necessary to carry out the provisions of this Eighth Supplemental Ordinance, including directions to the paying agent and/or registrar of the Bonds to be Refunded calling all or a portion of the Bonds to be Refunded for redemption on one or more dates. If executed, the Refunding Trust Agreement shall be dated the date of delivery of the related Series of the New Bonds to the initial purchaser thereof, and substantially in the form approved by the Mayor and the City Manager, or either of them acting alone, upon the advice of counsel to the City. The execution thereof shall be evidence of the approval of any such form of agreement.

Upon delivery of the New Bonds, a portion of the principal proceeds thereof, together with amounts (if any) deposited in the Debt Service Fund with respect to the Bonds to be Refunded and other funds of the City, shall be used to refinance the Bonds to be Refunded or, if applicable, be deposited with the Escrow Agent and held by it under the Refunding Trust Agreement and in the Refunding Trust Fund. Subject to the terms of the Refunding Trust Agreement, it shall be the duty of the Escrow Agent to keep such proceeds invested and reinvested to the extent that it shall be practical in Government Obligations and to apply the principal and

interest of the trust so established in the manner prescribed in such Refunding Trust Agreement and the General Bond Ordinance.

The Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, are hereby authorized to take such actions as may be necessary or desirable, upon the advice of counsel to the City, to secure the Government Obligations to be purchased under the Refunding Trust Agreement, including but not limited to the preparation and dissemination of bid specifications and the execution of directions to purchase such Government Obligations.

**Section 10. Designation of Registrar and Paying Agent.**

The Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, are hereby authorized and empowered to select the Registrar and the Paying Agent, respectively, for the New Bonds, pursuant to Section 11 hereof. The Registrar and the Paying Agent shall signify its acceptance of its duties upon delivery of the New Bonds.

**Section 11. Sale and Issuance of New Bonds; Official Statement; Collateral Agreements.**

(a) The Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, are hereby authorized and empowered to determine the original issue dates and initial Interest Payment Dates of each Series of the New Bonds; the aggregate principal amounts of the New Bonds, if less than authorized by this Ordinance, and each Series thereof (including the portions thereof to be issued on a taxable or tax-exempt basis), and authorized denominations thereof; the principal amount of the Bonds to be Refunded to be refinanced with the proceeds of such Series of New Bonds, and the dates upon which such Bonds to be Refunded will be redeemed; the principal amount of each maturity of each Series of the New Bonds; the interest rates for each Series of the New Bonds; the New Bonds to be subject to mandatory and optional redemption; whether the Bond Insurance Policy will be purchased with respect to each Series of the New Bonds; whether the Series Debt Service Reserve Fund will be established and funded with respect to each Series of the New Bonds and, if so, the manner and timing in which the Series Reserve Fund Requirement will be satisfied; the redemption prices of the New Bonds subject to optional redemption; the Registrar and Paying Agent for each Series of the New Bonds; and any Underwriters' or original issue discount or original issue premium at which each Series of the New Bonds will be sold.

(b) The Mayor and the City Manager, or either of them acting alone, are hereby authorized and empowered to enter into, on behalf of the City, one or more Bond Purchase Agreements to be dated the date of their respective execution. Upon the submission of such Bond Purchase Agreement by the Underwriters, the Mayor and the City Manager, or either of them acting alone, shall further determine that the respective Purchase Contract is fair and reasonable and in the best interest of the City; that the related Series of New Bonds shall be sold to the Underwriters upon the terms and conditions set forth in such Bond Purchase Agreements and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Bond Purchase Agreements by the City have been met. The Council hereby approves the form of Bond Purchase Agreement attached hereto as Exhibit B, together with such

amendments and modifications to the form thereof as the Mayor and the City Manager, or either of them acting alone, shall negotiate and approve, and authorizes and directs the Mayor and the City Manager, or either of them acting alone, to execute the Bond Purchase Agreements, as so modified and amended, and deliver such executed Bond Purchase Agreements to the Underwriters, such person's execution and delivery of the Bond Purchase Agreements constituting conclusive evidence of his approval of the matters therein contained.

(c) The Council hereby ratifies and approves the form of Preliminary Official Statement relating to the New Bonds, in substantially the form attached hereto as Exhibit C, together with such amendments and modifications to the form thereof (the "Preliminary Official Statement") as the Mayor and the City Manager, or either of them acting alone, shall negotiate and approve. The Mayor and the City Manager, or either of them acting alone, is hereby authorized to "deem final" one or more Preliminary Official Statements related to the New Bonds for purposes of complying with the requirements set forth in Rule 15c2-12 of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended.

(d) The Council hereby authorizes one or more Final Official Statements of the City to be dated of even date with the execution and delivery of the Bond Purchase Agreement relating to the New Bonds, substantially in the form of the Preliminary Official Statement presented at this meeting, with such modifications as the Mayor and the City Manager, or either of them acting alone, approve, as well as any amendments or supplements thereto dated the date thereof (as so amended and supplemented, the "Final Official Statement"); the Mayor and the City Manager, or either of them acting alone, is hereby authorized and directed to execute copies of the Final Official Statement and deliver the same to the Underwriters, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the City hereby authorizes the use of the Preliminary Official Statement, the Final Official Statement, the Ordinance (including this Eighth Supplemental Ordinance) and the information contained herein and therein in the connection with the public offering and sale of the New Bonds by the Underwriters.

(e) A copy of this Eighth Supplemental Ordinance shall be filed with the minutes of the meeting at which this Eighth Supplemental Ordinance was enacted.

(f) The Council hereby authorizes the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, to negotiate the terms of and prepare investment agreements, forward delivery agreements, repurchase agreements and other agreements in connection with the New Bonds, to prepare and solicit bids for providers of such agreements, and the Mayor and the City Manager, or either of them acting alone, are authorized to execute, in the name and on behalf of the City, all such agreements or written confirmations of any such investment arrangements and other documents as may be necessary in connection therewith.

(g) The Council hereby ratifies, confirms and approves the actions of the City Manager heretofore undertaken with regard to applications for the Debt Service Reserve Policy relating to the Series Reserve Fund Requirement, other credit enhancements, and liquidity arrangements relating to the New Bonds from municipal bond insurance companies or financial institutions and to enter into, execute and deliver on behalf of the City, such loan, insurance,

reimbursement or guaranty agreements as shall be necessary and advisable, with advice of counsel, in connection with the transactions and other matters referred to herein.

(h) Notwithstanding the foregoing resolutions, the Mayor and the City Manager, or either of them acting alone, are hereby authorized and empowered to take such actions as may be necessary or desirable to sell the New Bonds (or any Series thereof) to one or more purchasers in a private offering or private placement transaction, and may prepare, negotiate, execute and deliver a purchase agreement (which may but is not required to be in the form of the Bond Purchase Agreement, together with such amendments and modifications to the form thereof as the Mayor or City Manager shall negotiate and approve, such person's execution and delivery thereof constituting conclusive evidence of his approval of the matters therein contained, or in another form satisfactory to the Mayor and City Manager, or either of them acting alone) with such purchasers and prepare, disseminate, execute and deliver requests for proposals, offering documents or private placement memoranda (which may be in the form of the Preliminary Official Statement, together with such amendments and modifications to the form thereof as the Mayor or City Manager shall negotiate and approve, such person's execution thereof constituting conclusive evidence of his approval of the matters therein contained, or otherwise) and solicit interest and receive offers from purchasers to purchase one or more Series of New Bonds in a private offering or private placement transaction as may be required in connection therewith.

(i) The Council hereby authorizes and directs all of the officers and employees of the City to carry out or cause to be carried out all obligations of the City under the aforesaid Bond Purchase Agreement or purchase agreement and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

(j) With respect to the Swap, the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, are authorized and empowered to take such actions and execute any agreements or other documents to terminate the Swap, if determined it to be in the City's best interest to do so, upon advice of counsel and the City's financial advisor.

#### Section 12. Disposition of Proceeds of New Bonds and Certain Other Moneys.

The proceeds derived from the sale of any Series of the New Bonds, net of the original issue discount or original discount premium or both, any Underwriters' discount or fees payable to the purchaser thereof and the premiums, if any, on the Bond Insurance Policy and Debt Service Reserve Policy, shall be deposited with the City and used for the following purposes:

(a) There shall be paid over to the paying agent for the Bonds to be Refunded or the Escrow Agent (as applicable), an amount which the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, determine to be required, together with amounts (if any) transferred from the Debt Service Fund for the Bonds to be Refunded and other moneys of the City, to provide for the payment of principal of, redemption premium, if any, and interest on the Bonds to be Refunded upon the redemption thereof.

(b) If the Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, determine that a Series Debt Service Reserve Fund shall be established for a Series of New Bonds and the Series Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the City for deposit into such Series Debt Service Reserve Fund an amount equal to the Series Reserve Fund Requirement.

(c) The remainder of the proceeds of any Series of the New Bonds shall be deposited into the Series Construction Fund established in Section 13 hereof to pay Costs of Acquisition and Construction for the New Projects and Costs of Issuance for such Series of New Bonds.

The respective amounts specified in this Section 12 shall be determined by the City upon delivery of any Series of the New Bonds.

### Section 13. Series Construction Fund.

There is hereby created and established the Series Construction Fund, which fund shall be held by the Custodian; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Construction Fund" with respect to the related Series of New Bonds. The Series Construction Fund established for a particular Series of New Bonds shall be accounted for as a single fund, however the moneys on deposit therein may be held by one or more banks or other financial institutions designated by the City. The moneys on deposit in the Series Construction Fund shall be used and applied to pay the Cost of the Acquisition and Construction of the New Projects and all Costs of Issuance incidental to the issuance and sale of the New Bonds.

Moneys held for the credit of the Series Construction Fund shall be invested to the fullest extent practicable and reasonable, in Permitted Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Fund.

Withdrawals from the Series Construction Fund shall be made in the manner withdrawals from other funds of the City are made.

If after the payment in full of all costs of the New Projects and Costs of Issuance or after adequate provision has been made for such payment any moneys remain in the Series Construction Fund, such excess shall be paid into the related Series Debt Service Fund and shall be used only for the payment of the principal of and interest on the related Series of New Bonds or, in the alternative, to acquire Outstanding New Bonds at a price (exclusive of accrued interest) not exceeding the face amount thereof.

**Section 14. Federal Tax Covenant.**

The City hereby covenants and agrees with the Holders of the New Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the New Bonds to become includable in the gross income of the Holders for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the New Bonds. The City further covenants and agrees with the Holders of the New Bonds that no use of the proceeds of the New Bonds shall be made which, if such use had been reasonably expected on the date of issue of the New Bonds would have caused the New Bonds to be "arbitrage bonds," as defined in the Code; and to that end the City hereby shall:

(a) comply with the applicable provisions of Sections 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as any of the New Bonds are Outstanding;

(b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and

(c) make such reports of such information at the times and places required by the Code.

**Section 15. Bond Insurance Policy and Special Provisions Required Thereby.** If the City elects to purchase the Bond Insurance Policy with respect to a Series of the New Bonds, the provisions of this Section 15 shall apply with respect to such Series of the New Bonds. All capitalized terms used in this Section 15 but not specifically defined in the General Bond Ordinance or this Eighth Supplemental Ordinance shall have the meanings assigned such terms in the Bond Insurance Policy.

(1) So long as such Series of New Bonds shall be Outstanding and no Insurer Default has occurred and is continuing, the City has covenanted to the Bond Insurer as follows:

**A. Notices and Other Information**

(i) Any notice that is required to be given to Holders of such Series of the New Bonds (the "Bondholders"), any entity required pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or pursuant to the General Bond Ordinance shall also be provided to the Bond Insurer, simultaneously with the sending of such notices. In addition, to the extent that the City has entered into a continuing disclosure agreement, covenant or undertaking with respect to such Series of the New Bonds, all information furnished pursuant to such agreements shall be provided to the Bond Insurer, simultaneously with the furnishing of such information.

(ii) All demands, notices or other information required to be given to the Bond Insurer shall be in writing and shall be sent by registered or certified mail or personally delivered or telecopied to the recipient as follows:

Assured Guaranty Corp.  
31 West 52<sup>nd</sup> Street, 28<sup>th</sup> Floor  
New York, New York 10019  
Attention: Risk Management Department – Public Finance Surveillance  
(Re: Policy No. \_\_\_\_\_)  
Telecopy No.: (212) 581-3268  
Confirmation: (212) 974-0100  
Email: [riskmanagementdept@assuredguaranty.com](mailto:riskmanagementdept@assuredguaranty.com)

In each case in which notice or other communication refers to an Event of Default, a claim on the Bond Insurance Policy or any event with respect to which failure on the part of the Bond Insurer to respond shall be deemed to constitute consent or acceptance, then such demand, notice or other communication shall be marked to indicate "URGENT MATERIAL ENCLOSED" and shall also be sent to the attention of the General Counsel at the same address and telecopy number above or at [generalcounsel@assuredguaranty.com](mailto:generalcounsel@assuredguaranty.com).

(iii) The Bond Insurer shall have the right to receive such additional information as it may reasonably request.

(iv) The City will permit the Bond Insurer to discuss the affairs, finances and accounts of the City with respect to the System or any information the Bond Insurer may reasonably request regarding the security for such Series of the New Bonds with appropriate officers of the City and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books and records of the City on any Business Day upon reasonable prior notice.

(v) The Paying Agent shall notify the Bond Insurer of any failure of the City to provide notices, certificates and other information as provided herein or under the General Bond Ordinance.

**B. Defeasance**

(i) In the event that the principal and/or interest due on such Series of the New Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the New Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the pledge of the Net Revenues and all covenants, agreements and other obligations of the City to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Bondholders including, without limitation, any rights that such Bondholders may have in respect of securities law violations arising from the offer and sale of such Series of the New Bonds.

In addition to the requirements set forth in the General Bond Ordinance, the following provisions shall apply with respect to any defeasance of such Series of the New Bonds:

(a) An opinion of Bond Counsel to the effect that (i) the defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on such Series of the New Bonds; and (ii) such Series of New Bonds are no longer Outstanding.

(b) A refunding trust or escrow agreement (the "Escrow Agreement") shall be executed in connection therewith and there shall be delivered to the Paying Agent an opinion of counsel regarding the validity and enforceability of the Escrow Agreement.

(c) The Escrow Agreement shall provide that:

(i) any substitution of securities shall require a verification of an independent certified public accountant and the prior written consent of the Bond Insurer.

(ii) the City will not exercise any optional redemption of such Series of New Bonds secured by the Escrow Agreement or any other redemption other than mandatory sinking fund redemption unless (a) the right to make any such redemption has been expressly reserved in the Escrow Agreement and such reservation has been disclosed in detail in the official statement for such Series of the New Bonds, and (b) as a condition of any such redemption there shall be provided to the Bond Insurer a verification of an Accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption.

(iii) the City shall not amend the Escrow Agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Bond Insurer.

#### C. Paying Agent

(i) The Paying Agent shall provide prior written notice of any name change of the Paying Agent or the resignation or removal of the Registrar to the Bond Insurer.

(ii) To the extent otherwise permitted by the General Bond Ordinance, no removal, resignation or termination of the Paying Agent shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

(iii) The Paying Agent may be removed at any time, at the written request of the Bond Insurer, for any breach of its obligations hereunder or under the General Bond Ordinance.

(iv) Notwithstanding any other provision hereof or of the General Bond

Ordinance, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Paying Agent shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

D. Amendments and Supplements

With respect to amendments or supplements to the General Bond Ordinance which do not require the consent of the Bondholders, the Bond Insurer must be given prior written notice of any such amendments or supplements. With respect to amendments or supplements to the General Bond Ordinance which do require the consent of the Bondholders, the Bond Insurer's prior written consent is required. Copies of any amendments or supplements to this Eighth Supplemental Ordinance which are consented to by the Bond Insurer shall be sent to the rating agencies that have assigned a rating to such Series of the New Bonds.

E. Bond Insurer as Third Party Beneficiary

The Bond Insurer is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

F. Control Rights

The Bond Insurer shall be deemed to be the sole Holder of all of the related Series of New Bonds for purposes of (a) exercising all remedies and directing actions or for any other purposes following an Event of Default; and (b) granting any consent, waiver, direction or approval or taking any action permitted by or required hereunder or under the General Bond Ordinance to be granted or taken by the Holders of such Series of New Bonds.

G. Consent Rights of Bond Insurer

(i) *Consent of Bond Insurer.* Any provision herein expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner that affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

(ii) *Consent of Bond Insurer to Bondholder Consent.* Wherever this Eighth Supplemental Ordinance or the General Bond Ordinance requires the consent of Holders of such Series of the New Bonds, the Bond Insurer's written consent shall also be required.

(iii) *Consent of Bond Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the City must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold the New Bonds guaranteed by the Bond Insurer, absent an Insurer Default under the Bond Insurance Policy.

(iv) *Consent of Bond Insurer upon Default.* Anything in this Eighth Supplemental Ordinance to the contrary notwithstanding, upon the occurrence and continuance

of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Paying Agent for the benefit of the Bondholders under this Eighth Supplemental Ordinance, including, without limitation, (a) the right to accelerate the principal of the New Bonds as described in this Eighth Supplemental Ordinance and (b) the right to annul any declaration of acceleration. The Bond Insurer also shall be entitled to approve all waivers of Events of Default with respect to such Series of the New Bonds.

(v) *Acceleration Rights.* Upon the occurrence of an Event of Default as defined herein, the Bond Insurer may, by written notice to the City, declare the principal of such Series of the New Bonds to be immediately due and payable, whereupon that portion of the principal of such Series of the New 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 this Eighth Supplemental Ordinance or such Series of the New Bonds to the contrary notwithstanding.

#### H. No Purchase by the City

Without the prior written consent of the Bond Insurer, no New Bonds insured by the Bond Insurer shall be purchased by the City, or any of its affiliates, in lieu of redemption; unless such New Bonds are redeemed, defeased or cancelled.

#### I. Interest Rate Exchange Agreement

Any interest rate exchange agreement (“Interest Rate Exchange Agreement”) entered into by the City and payable from and secured by the Net Revenues shall meet the following conditions: (i) the Interest Rate Exchange Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding or debt reasonably expected to be issued within the next twelve (12) months after the issuance of the New Bonds, and (ii) the Interest Rate Exchange Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the New Bonds and on any debt on a parity with the New Bonds. The City shall not terminate an Interest Rate Exchange Agreement unless it demonstrates to the satisfaction of the Bond Insurer prior to the payment of any such termination amount that such payment will not cause the City to be in Default under the Ordinance, including, but not limited to, any monetary obligations thereunder. All counterparts or guarantors to any Interest Rate Exchange Agreement must have a rating of at least “A-“ and “A3” by S&P and Moody’s, respectively. If the counterparty or guarantor’s rating falls below “A-“ or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Interest Rate Exchange Agreement, which credit support annex shall be acceptable to the Bond Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Bond Insurer, shall be required.

J. Reporting Requirements

The City will furnish or cause to be furnished to the Bond Insurer:

- (a) the Annual Budget of the City prior to the beginning of each Fiscal Year;
- (b) annual audited financial statements of the System prepared by an independent certified public accountant, within 210 days after the end of the Fiscal Year;
- (c) prior to issuing additional Bonds on parity with such Series of the New Bonds, any disclosure document or financing agreement pertaining to such additional debt, which disclosure document or financing agreement shall include, without limitation, the applicable maturity schedule, interest rate or rates, redemption and security provisions pertaining to any such additional debt; and
- (d) notice of any material adverse change in the financial condition of the System, including notice of any litigation or investigation that may have a material adverse affect on the financial position of the System, within thirty (30) days following notice of such litigation or investigation.

(2) The City has further covenanted to the Bond Insurer as follows:

A. Reimbursement Obligations.

(i) The City hereby agrees to pay or reimburse the Bond Insurer, but solely from available Net Revenues, (a) all amounts paid by the Bond Insurer under the Insurance Policy, and (b) to the extent permitted by law, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Insurance Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of this Eighth Supplemental Ordinance or the General Bond Ordinance (collectively, the "Related Documents"), including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City or any affiliate thereof) relating to the Related Documents, any party to the Related Documents or the transaction contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Related Documents or any other supplemental ordinance, or the pursuit of any remedies under the Related Documents, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, the Related Documents whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (ii), (iii) and (iv) above. In addition, the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect to the Related Documents or any other supplemental ordinance. To the extent permitted by law but solely from available Net Revenues, the City will

pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JPMorgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus three percent (3%) per annum (the "Reimbursement Rate"). The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JPMorgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as the Bond Insurer shall specify.

(ii) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the City agrees to pay or reimburse the Bond Insurer, to the extent permitted by law, but solely from Net Revenues, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the Bond Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Bond Insurer within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by the Ordinance by reason of:

a. any omission or action (other than of or by the Bond Insurer) in connection with the offering, issuance, sale, remarketing or delivery of such Series of the New Bonds;

b. the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the City in connection with any transaction arising from or relating to the Ordinance;

c. the violation by the City of any law, rule or regulation, or any judgment, order or decree applicable to it;

d. the breach by the City of any representation, warranty or covenant under the Ordinance or the occurrence, in respect of the City, under the Ordinance of any Event of Default or any event which, with the giving of notice or lapse of time or both, would constitute any Event of Default; or

e. any untrue statement or alleged untrue statement of a material fact contained in the official statement relating to such Series of the New Bonds, if any, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by the Bond Insurer in writing expressly for use therein.

**B. Payment Procedure Under the Bond Insurance Policy**

(i) At least two (2) Business Days prior to each Interest Payment Date and Principal Payment Date on such Series of the New Bonds, the Paying Agent will determine whether there will be sufficient funds to pay all principal of and interest on such Series of the New Bonds due on the related payment date and shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the New Bonds to which such deficiency is applicable and whether such Series of New Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Bond Insurer or its designee.

(ii) The Registrar shall, after giving notice to the Bond Insurer as provided above, make available to the Bond Insurer and, at the Bond Insurer's direction, to any fiscal agent (the "Fiscal Agent"), the Books of Registry of the City maintained by the Registrar, and all records relating to the funds maintained pursuant to the Ordinance.

(iii) The Registrar shall provide the Bond Insurer and any Fiscal Agent with a list of registered owners of New Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Bond Insurer, the Fiscal Agent or another designee of the Bond Insurer to (i) mail checks or drafts to the registered owners of such Series of New Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) pay principal upon such Series of New Bonds being surrendered to the Bond Insurer, the Fiscal Agent or another designee of the Bond Insurer by the registered owners of New Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(iv) The Paying Agent shall, at the time it provides notice to the Bond Insurer of any deficiency pursuant to clause (a) above, notify registered owners of such Series of New Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (A) as to such deficiency and its entitlement to receive principal or interest, as applicable, (B) that the Bond Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the Bond Insurer or any Fiscal Agent, in form satisfactory to the Bond Insurer, of an appropriate assignment of the registered owner's right to payment, (C) that, if they are entitled to receive partial payment of principal from the Bond Insurer, they must surrender the related New Bonds for payment first to the Paying Agent, which will note on such New Bonds the portion of the principal paid by the Paying Agent and second to the Bond Insurer or its designee, together with an appropriate assignment, in form satisfactory to the Bond Insurer, to permit ownership of such New Bonds to be registered in the name of the Bond Insurer, which will then pay the unpaid portion of principal, and (D) that, if they are entitled to receive full payment of principal from the Bond Insurer, they must surrender the related New Bonds for payment to the Bond Insurer or its designee, rather than the Paying Agent, together with an appropriate assignment, in form satisfactory to the Bond Insurer, to permit ownership of such New Bonds to be registered in the name of the Bond Insurer.

(v) In addition, if the Paying Agent has actual knowledge that any holder of the New Bonds has been required to disgorge payments of principal or interest on the New Bonds previously Due for Payment pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Bond Insurer or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

(vi) The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the New Bonds as follows:

a. If and to the extent there is a deficiency in amounts required to pay interest on such Series of the New Bonds, the Paying Agent shall (a) receive as designee of the respective Bondholders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (b) disburse the same to such respective Bondholders; and

b. If and to the extent of a deficiency in amounts required to pay principal of such Series of the New Bonds, the Paying Agent shall (a) receive as designee of the respective Bondholders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Bond Insurer, and (b) disburse the same to such Bondholders.

(vii) Payments with respect to claims for interest on and principal of such Series of New Bonds disbursed by the Paying Agent from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the City with respect to such New Bonds, and the Bond Insurer shall become the owner of such unpaid New Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(viii) Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent hereby agree for the benefit of the Bond Insurer that:

a. they recognize that to the extent the Bond Insurer makes payments directly or indirectly (e.g. by paying through the Paying Agent), on account of principal of or interest on such Series of the New Bonds, the Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated herein and such Series of the New Bonds; and

b. they will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in this Eighth Supplemental Ordinance and such Series of the New Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on such Series of the New Bonds to Holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(ix) The Bond Insurer shall be entitled to pay principal or interest on such Series of the New Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City and any amounts due on such Series of the New Bonds as a result of acceleration of the maturity thereof in accordance with this agreement, whether or not the Bond Insurer has received a Notice of Nonpayment or a claim upon the Bond Insurance Policy.

(x) In addition, the Bond Insurer shall to the extent it makes any payment of principal or interest on such Series of the New Bonds become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of claims for interest, the Registrar shall note the Bond Insurer's rights as subrogee on the Books of Registry of the City maintained by the Registrar upon receipt of proof of payment of interest thereon to the registered Bondholders, and (ii) in the case of claims for principal, the Registrar shall note the Bond Insurer's rights as subrogee on the Books of Registry of the City maintained by the Registrar, upon surrender of such Series of the New Bonds together with receipt of proof of payment of principal thereof.

Section 16. Debt Service Reserve Policy and Special Provisions Required Thereby. If the City elects to satisfy the Series Reserve Fund Requirement by the purchase of the Debt Service Reserve Policy the provisions of this Section 16 shall apply with respect to the related Series of the New Bonds. Notwithstanding anything to the contrary contained in this Eighth Supplemental Ordinance or in the General Bond Ordinance, so long as the Debt Service Policy is in effect and has not been wrongfully dishonored by the Bond Insurer or the Bond Insurer is owed any amounts in connection with a draw on the Debt Service Reserve Policy and no Insurer Default has occurred and is continuing, the City shall comply with the provisions of the Reimbursement Agreement. The Mayor, the City Manager, the Finance Director and the Treasurer, or any two of them acting together, are authorized and directed to negotiate and execute the Reimbursement Agreement and deliver the Reimbursement Agreement to the Bond Insurer.

(a) *Payments Due under the Debt Service Reserve Policy.* All amounts on deposit under this Eighth Supplemental Ordinance (excluding any amounts not pledged to such Series of the New Bonds) and lawfully available to pay debt service, shall be used to pay debt service on such Series of the New Bonds before any drawing may be made on the Debt Service Reserve Policy or any other liquidity facility (other than the Bond Insurance Policy issued by the Bond Insurer).

(b) *Repayment of Draws Under the Debt Service Reserve Policy.* Any amounts available for replenishment of withdrawals from the Series Debt Service Reserve Fund shall be applied first to reimburse the Bond Insurer for payments under the Debt Service Reserve Policy (following which the Debt Service Reserve Policy will be reinstated to the "Policy Limit" (as defined therein) to the extent required thereunder) prior to depositing cash and investments to the Series Debt Service Reserve Fund. All draws on the Debt Service Reserve Policy shall be repaid no later than twelve (12) months of such drawing.

Section 17. Continuing Disclosure.

(a) The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Disclosure Dissemination Agent Agreement in the form attached hereto as Exhibit D (the “Continuing Disclosure Agreement”) with such changes as may be approved by the Mayor and the City Manager, or either of them acting alone, upon advice of counsel. Notwithstanding any other provision of the Ordinance or this Eighth Supplemental Ordinance, failure of the City to comply with the provisions of the Continuing Disclosure Agreement shall not be considered an Event of Default under the Ordinance or this Eighth Supplemental Ordinance. The Continuing Disclosure Agreement shall be executed by the Mayor and the City Manager, or either of them acting alone, prior to the delivery of the New Bonds.

(b) The City covenants, so long as and to the extent required pursuant to Section 11-1-85, Code of Laws of South Carolina 1976, as amended, to file with a central repository for availability in the secondary bond market when requested:

(i) an annual independent audit, within thirty (30) days of the City’s receipt of the audit; and

(ii) event specific information within thirty (30) days of an event adversely affecting more than five percent (5%) of the Revenues or the City’s tax base.

(c) The only remedy for failure by the City to comply with the Continuing Disclosure Agreement or the covenants included in paragraph (b) of this Section 17 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an “Event of Default” under the Ordinance or this Eighth Supplemental Ordinance. The Registrar and the Paying Agent shall have no responsibility to monitor the City’s compliance with the Continuing Disclosure Agreement or the covenants included in paragraph (b) of this Section 17, and the City specifically reserves the right to amend or delete its covenants in the Continuing Disclosure Agreement or in paragraph (b) of this Section 17 to reflect any change in Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, or federal law, as applicable, without the consent of the Registrar and the Paying Agent or the Registered Holders of any New Bond.

Section 18. Further Actions.

The Mayor, the City Manager, the Finance Director, the Treasurer, the City Clerk and the City Attorney are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to effectuate issuance and sale of the New Bonds pursuant to the Bond Purchase Agreement, to elect to purchase the Bond Insurance Policy or the Debt Service Reserve Policy, or both, including the execution and delivery of the commitment letter and/or any insurance agreement relating thereto and to carry out the intentions of this Eighth Supplemental Ordinance.

Section 19. Headings.

The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Eighth Supplemental Ordinance.

Section 20. Notices.

All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the City:

City of Columbia  
1737 Main Street  
Columbia, South Carolina 29217-0147  
Attention: City Manager

If to the Bond Insurer:

Assured Guaranty Corp.  
31 West 52<sup>nd</sup> Street, 28<sup>th</sup> Floor  
New York, New York 10019  
Attention: Risk Management Department – Public Finance Surveillance  
(Re: Policy No. \_\_\_\_\_)  
Telecopy No.: (212) 581-3268  
Confirmation: (212) 974-0100  
Email: [riskmanagementdept@assuredguaranty.com](mailto:riskmanagementdept@assuredguaranty.com)

In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

The City, the Registrar, the Paying Agent and the Bond Insurer may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 21. Repeal of Inconsistent Ordinances and Resolutions.

All ordinances and resolutions of the City, and any part of any ordinance or resolution, inconsistent with this Eighth Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

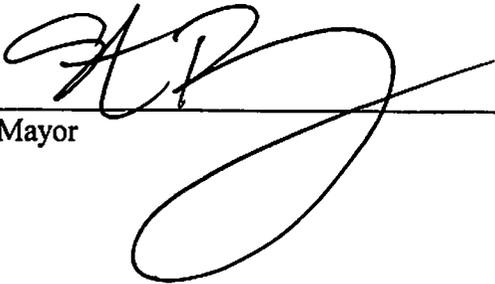
Section 22. Effective Date.

This Eighth Supplemental Ordinance shall become effective upon its enactment.

[Signature page follows]

Enacted by the City Council of the City of Columbia, South Carolina, this 20th day of September, 2011.

CITY COUNCIL OF THE CITY OF COLUMBIA,  
SOUTH CAROLINA

By:  \_\_\_\_\_  
Mayor

(SEAL)

ATTEST:

  
Clerk

Date of First Reading:

Date of Second Reading:

SCHEDULE I

List of New Projects

WATER CIP

Rehabilitation of Water Lines and Fire Protection Upgrades  
System Wide Expansion  
Installation of New Water Storage Facilities  
Columbia Canal Water Treatment Plant Upgrades

SEWER CIP

Rehabilitation of Sewer Lines  
System Wide Expansion  
Metro Wastewater Treatment Plant Upgrades

FORM OF NEW BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, New York, New York ("DTC") to the City of Columbia, South Carolina 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 authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA  
 STATE OF SOUTH CAROLINA  
 CITY OF COLUMBIA  
 WATERWORKS AND SEWER SYSTEM REVENUE BOND  
 SERIES (YEAR)

REGISTERED

No. R- \_\_\_\_\_

<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
_____ 1, 2011	<i>(As set forth in Schedule A)</i>		

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: \$ \_\_\_\_\_

The City of Columbia, South Carolina (the "City"), is justly indebted and, for value received, hereby promises to pay to the Registered Holder (named above), or registered assigns, but solely from the Net Revenues hereinafter mentioned and not otherwise, the Principal Amount shown above on the Maturity Date shown above (unless the within Bond shall be subject to prior redemption and shall have been duly called for previous redemption and payment of redemption price made or provided for), upon presentation and surrender of this Bond at the principal office of \_\_\_\_\_, as paying agent (the "Paying Agent") in \_\_\_\_\_, and to pay interest, but solely from the Net Revenues hereinafter mentioned and not otherwise, on such principal amount from the date hereof at the Interest Rate per annum shown above until this Bond matures. Interest on this Bond is payable (calculated on the basis of a 360-day year comprised of twelve 30-day months) on \_\_\_\_\_, and semiannually thereafter on February 1 and August 1 of each year, until this Bond matures, and shall be payable by wire transfer to the registered holder owning at least \$1,000,000 aggregate principal amount of the Bonds to an account within the continental United States or by check or draft mailed to the person in whose name this Bond is registered on the registration books of the City maintained by

\_\_\_\_\_ (the "Registrar"), in \_\_\_\_\_, at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal, redemption premium, if any, and interest on this Bond are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however, that interest on this fully registered Bond shall be paid by wire transfer, check or draft as set forth above.

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER [17][21], [AND TITLE 11, CHAPTER 21,] CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED, AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATION. THIS BOND AND THE BONDS OF THE SERIES OF WHICH IT IS ONE SHALL NOT CONSTITUTE A DEBT OF THE CITY, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE CITY OR ON ANY INCOME, RECEIPTS OR REVENUES THEREOF, OTHER THAN THE AFORESAID NET REVENUES OF THE SYSTEM (AS DEFINED HEREIN) PLEDGED THERETO. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THIS BOND OR THE INTEREST THEREON AGAINST THE GENERAL FUND OF THE CITY AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED TO BE PLEDGED THERETO. THE FULL FAITH, CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

This Bond shall not be entitled to any benefit under the Bond Ordinance (hereinafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

This Bond is one of an authorized series of Bonds (as defined in the Bond Ordinance) of the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_) of like date of original issue, tenor and effect, except as to number, date of maturity, principal amount, date of authentication, registered holder, redemption provisions and rate of interest, issued by the City for the purpose of making certain improvements, enlargements and extensions to the City's Water and Sewer System (the "System"). This Bond and the series of Bonds of which it is one are authorized to be issued and are issued under, pursuant to and in full compliance with the Constitution and statutes of the State of South Carolina, including particularly Article X, Section 14(10) of the South Carolina Constitution and Title 6, Chapter [17][21], [and Title 11, Chapter 21] of the Code of Laws of South Carolina, 1976, as amended (collectively the "Act"). This Bond and the series of Bonds of which it is one are also authorized to be issued and are issued under and pursuant to General Bond Ordinance No. 93-43 of the City Council of the City (the "Council") enacted on May 21, 1993, as amended (as so amended, the "General Bond Ordinance"), and as supplemented by the Eighth Supplemental Ordinance No. 2011-\_\_\_ of the Council enacted on \_\_\_\_\_, 2011 (collectively, the "Eighth Supplemental Ordinance," and together with the General Bond Ordinance, the "Bond

Ordinance”), under the Act which Bond Ordinance has been duly codified and indexed as prescribed by law.

The Bond Ordinance contains provisions defining terms, including the properties comprising the System; sets forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series which may hereafter be issued on a parity herewith under the Bond Ordinance; sets forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the holder hereof with respect thereto; sets forth the terms and conditions upon which and the extent to which the Bond Ordinance may be altered, modified and amended; sets forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the City thereunder; and sets forth the terms and conditions upon which the pledge made in the Bond Ordinance for the security of this Bond and upon which the covenants, agreements and other obligations of the City made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Bond Ordinance. Reference is hereby made to the Bond Ordinance to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the General Bond Ordinance pertaining to the definitions of the “Debt Service” and “Maximum Debt Service”, to provide for the calculation of interest on Variable Rate Bonds for purposes of the additional bonds’ test, and to otherwise modify the rate covenant have been amended by Supplemental Ordinances to the General Bond Ordinance. The provisions of the Act and the Bond Ordinance shall be a contract with the holder of this Bond.

This Bond and the series of Bonds of which it is one and the interest thereon are special obligations of the City and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Net Revenues (as defined in the General Bond Ordinance) derived by the City from the System; and on a parity with the Bonds of 2001, the Bonds of 2005, the Bonds of 2009, the Bonds of 2010 (as such terms are defined in the Eighth Supplemental Ordinance) and any Series of Bonds (as defined in the General Bond Ordinance) which are presently Outstanding (as defined in the General Bond Ordinance) or which may be hereafter issued under the General Bond Ordinance payable from such Net Revenues on a parity and equally and ratably secured therewith.

This Bond and the series of Bonds of which it is one maturing on or prior to February 1, \_\_\_\_, shall not be subject to redemption prior to their stated maturities. This Bond and the series of Bonds of which it is one maturing on or after February 1, \_\_\_\_, shall be subject to redemption prior to maturity, at the option of the City, on and after February 1, \_\_\_\_, in whole or in part at any time in such order of their maturities as the City shall determine and by lot within a maturity, at the redemption prices with respect to each Bond, expressed as a percentage of the principal amount to be redeemed, as set forth below, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption:

Period During Which  
Redeemed (both dates inclusive)

Redemption  
Prices

If less than all the Bonds of the series of which this Bond is one of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected by lot by the Registrar. In the event this Bond is redeemable, as aforesaid, and shall be called for redemption, notice of the redemption hereof, describing this Bond and specifying the redemption date and the premium payable upon such redemption, shall be given by the Registrar by first class mail, postage prepaid, to the registered owner thereof not less than thirty (30) days and not more than sixty (60) days prior to the redemption date at the last address appearing upon the registration books of the City. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment hereof shall be duly made or provided for, interest hereon shall cease to accrue from and after the redemption date hereof.

The Bonds of the series of which this Bond is one maturing in the year \_\_\_\_ shall be retired by sinking fund installments which shall be accumulated in the Series Debt Service Fund (as defined in the Eighth Supplemental Ordinance) in amounts sufficient to redeem on February 1 of each year, at a redemption price equal to the principal amount of the Bond or Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, the principal amount of such Bonds specified for each of the years shown below:

Year

Principal Amount

The Bonds of the series of which this Bond is one maturing in the year \_\_\_\_ shall be retired by sinking fund installments which shall be accumulated in the Series Debt Service Fund in amounts sufficient to redeem on February 1 of each year, at a redemption price equal to the principal amount of the Bond or Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, the principal amount of such Bonds specified for each of the years shown below:

Year

Principal Amount

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the City may (i) deliver to the Registrar for cancellation Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the City and cancelled by the Registrar and not theretofore applied as a credit against any mandatory redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registrar, at one hundred 100 percent (100%) of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in chronological order, and the principal amount of the Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

This Bond is transferable, as provided in the Bond Ordinance, only upon the books of the City kept for that purpose at the principal office of the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Thereupon a new fully registered Bond or Bonds of the same aggregate principal amount, rate of interest and maturity shall be issued to the transferee in exchange therefor as provided in the Bond Ordinance. The City, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption premium, if any, hereof and interest due hereon and for all other purposes.

To the extent and in the manner permitted by the terms of the Bond Ordinance, the provisions of this Bond or of the Bond Ordinance, or any ordinance amendatory thereof or supplemental thereto, may be amended or modified by the City with the written consent of the holders of at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Bonds of the series of which this Bond is one then outstanding under the Bond Ordinance (including the Bonds of the series of which this Bond is one); provided, that no such amendment or modification shall permit a change in the date of maturity of any installment of principal hereof or date of optional or mandatory redemption of any Bond or the date of payment of interest thereon or a reduction in the principal amount or redemption price thereof or rate of interest thereon without the consent of the holder of each such Bond affected thereby, or shall reduce the percentage of the principal amount of Bonds, the consent of the holders of which is required by the Bond Ordinance to effect such an amendment or modification.

Under the laws of the State of South Carolina, this Bond and the interest hereon are exempt from all State, county, municipal, school district and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of South Carolina to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law; that the series of which this Bond is a part does not exceed any constitutional or statutory limitation of indebtedness; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part, as provided in the Bond Ordinance.

IN WITNESS WHEREOF, the City of Columbia, South Carolina, has caused this Bond to be executed in its name by the manual/facsimile signature of the Mayor of the City and attested by the manual/facsimile signature of the Clerk of the City under the seal of the City impressed, imprinted or reproduced hereon.

CITY OF COLUMBIA, SOUTH CAROLINA

By: \_\_\_\_\_  
Mayor

(SEAL)

ATTEST:

\_\_\_\_\_  
Clerk

(FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION)

This Bond is one of the Bonds described in the within-mentioned Bond Ordinance of City of Columbia, South Carolina.

\_\_\_\_\_  
Registrar

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

By: \_\_\_\_\_  
Authorized Officer

[(STATEMENT OF INSURANCE)]

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on the Bonds to \_\_\_\_\_, as paying agent on behalf of the holders of the Bonds (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this obligation acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

(FORM OF ASSIGNMENT)

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

\_\_\_\_\_  
(Name and Address of Transferee)

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Signature Guaranteed

(Authorized Officer)

\_\_\_\_\_  
Notice: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agents Medallion Program ("STAMP") or similar program.

\_\_\_\_\_  
Notice: The signature to the assignment must correspond with the name of the registered holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

UNIF GIFT MIN ACT -

TEN ENT - as tenants by the entireties

\_\_\_\_\_  
(Cust) Custodian (Minor)

JT TEN - as joint tenants with right of survivorship and not as tenants in common

under Uniform Gifts to Minors Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in above list.

CERTIFICATE

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the complete legal opinion (except for date, letterhead and signature) of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the City of Columbia, South Carolina.

CITY OF COLUMBIA, SOUTH CAROLINA

By: \_\_\_\_\_  
Clerk

SCHEDULE A

\$ \_\_\_\_\_

City of Columbia, South Carolina  
Waterworks and Sewer System Revenue Bonds,  
Series (year)

Maturity  
(February 1)

Principal  
Amount

Interest  
Rate

CUSIP  
Number

**EXHIBIT B**

**FORM OF BOND PURCHASE AGREEMENT**

[DRAFT]

§[]  
CITY OF COLUMBIA, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM REVENUE BONDS  
SERIES 2011A

§[]  
CITY OF COLUMBIA, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM REVENUE BONDS  
SERIES 2011B

PURCHASE CONTRACT

October [], 2011

The Honorable Mayor and Members of City Council  
City of Columbia  
1225 Laurel Street  
Columbia, South Carolina 29201

The undersigned, Morgan, Keegan & Company, Inc., on behalf of itself and as representative of Terminus Securities, LLC, as the Underwriter (“Underwriter”), offers to enter into this Purchase Contract with the City of Columbia, South Carolina (“City”), which, upon the acceptance of this offer and the execution of this Purchase Contract by the City, shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter. This offer is made subject to your acceptance of this Purchase Contract on or before 5 p.m. local time, on October [], 2011, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to your office at any time prior to the acceptance hereof by you. All terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Preliminary Official Statement (defined below) or the Ordinance (defined below).

1. **Offer and Sale of Bonds.** Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from the City \$[] aggregate principal amount of the City’s Waterworks and Sewer System Revenue Bonds, Series 2011A City \$[] aggregate principal amount of the City’s Waterworks and Sewer System Revenue Bonds, Series 2011B (collectively, “Bonds”), and the City hereby agrees to sell to the Underwriter all (but not less than all) of the Bonds. The purchase price for the Bonds shall be \$[] (representing the par amount of the Bonds less an Underwriter’s discount of \$[], plus net original issue premium of \$[]). The Underwriter may change the offering prices of the Bonds at any time and from time to time.

2. **Authorization and Purpose.** The Bonds shall be authorized and issued pursuant to the following: (i) Title 6, Chapter 21 of the Code of Laws of South Carolina 1976, as amended (“Enabling Act”); (ii) General Bond Ordinance No. 93-43 enacted by the City Council of the City (“City Council”) on May 21, 1993 (“Bond Ordinance”); (iii) Fifth Supplemental Ordinance No. 2007-072 enacted by the City Council on September 19, 2007 (“Fifth Supplemental Ordinance”); (iv) Sixth Supplemental Ordinance No. 2009-87 enacted by the City Council on August 19, 2009 (“Sixth Supplemental Ordinance”); and (v) Seventh Supplemental Ordinance No. 2011-[] enacted by the City Council on [], 2011 (“Seventh Supplemental Ordinance,” and together with the Bond Ordinance, Fifth Supplemental Ordinance and Sixth Supplemental Ordinance and any other ordinances amendatory thereof or supplemental thereto are referred to as the “Ordinance”). Proceeds of the Bonds will be used, as applicable, to (i) improve and enlarge the System; (ii) satisfy the initial reserve fund requirement for the Bonds (“Reserve Fund Requirement”); (iii) refund the outstanding \$33,905,000 of the City’s \$41,500,000 original principal

amount Waterworks and Sanitary Sewer System Refunding Revenue Bonds, Series 2001; and (iv) pay the costs incurred in connection with the issuance of the Bonds. The Bonds shall mature on such dates and in such principal amounts, shall bear interest at such rates, shall be reoffered at the prices and yields and shall be subject to optional and mandatory redemption, all as set forth in Exhibit A attached hereto and made a part hereof. The Depository Trust Company ("DTC") shall act as securities depository for the Bonds, which shall be issued in book-entry form.

Payment of the Bonds will be secured by a pledge of and lien on the Net Revenues derived by the City from the System on a parity with the pledges thereof securing the Bonds of 1993, the Bonds of 2001, the Bonds of 2005, the Bonds of 2009 and the Bonds of 2010.

3. **Official Statement.** The City has previously provided to the Underwriter copies of the Preliminary Official Statement with respect to the Bonds dated September [], 2011 ("Preliminary Official Statement"). As of its date, the Preliminary Official Statement has been "deemed final" by the City for purposes of Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934 except for the offering prices, interest rates, selling commissions, principal amount per maturity, optional and mandatory redemption provisions, sources and uses of funds and delivery dates of the Bonds. Within seven business days of the date hereof and, in any event, in sufficient time to accompany confirmations requesting payment from customers, the City agrees to supply to the Underwriter a final Official Statement executed by the City ("Official Statement") and in a sufficient quantity to comply with Rule 15c2-12(b)(1) and the rules of the Municipal Securities Rulemaking Board. The City hereby consents to and ratifies the use by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the public offering of the Bonds. The Underwriter agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the final Official Statement pursuant to the rules of the Municipal Securities Rulemaking Board and that any supplement or amendment to the Official Statement also shall be delivered to the initial purchasers of any Bonds.

4. **Offering.** The Underwriter intends to make an initial bona fide public offering of all the Bonds at not in excess of the public offering price or prices (or yield or yields) set forth in Exhibit A hereto and may subsequently change such offering price or prices (or yield or yields) without any requirement of prior notice to the City. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others, as stated in Paragraph 1 above, at prices lower than the public offering price or prices stated.

5. **Representations and Warranties of the City.** The City hereby represents and warrants to the Underwriter that:

(a) The City is a public body corporate and politic existing under the laws of the State of South Carolina.

(b) The City is authorized by the laws of the State of South Carolina, including particularly the Enabling Act, to enact the Ordinance, to issue the Bonds, to enter into this Purchase Contract and to secure the Bonds in the manner contemplated by the Ordinance.

(c) The City has full power and authority to consummate the transactions contemplated by this Purchase Contract, the Bonds, the Ordinance, the Official Statement and as otherwise set forth herein.

(d) The City has duly approved and authorized the distribution and use of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement; the City has delivered the Preliminary Official Statement to the Underwriter, and the City deems the Preliminary Official Statement to be final for the purpose of SEC Rule 15c2-12(b)(1) except for the offering prices, interest rates, selling commissions, principal amount per maturity, optional and mandatory redemption provisions, sources and

uses of funds and delivery dates of the Bonds; the Official Statement will be a final official statement as such term is defined in Rule 15c2-12(b)(1), as of its date; and nothing has come to the City's attention which would lead it to believe that (i) except for the offering prices, interest rates, selling commissions, principal amount per maturity, optional and mandatory redemption provisions, sources and uses of funds and delivery date of the Bonds, the information contained in the Preliminary Official Statement is not true and correct or contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made in the Preliminary Official Statement, in light of the circumstances under which they were made, not misleading; and (ii) the information to be contained in the Official Statement will not be materially true and correct or will contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which they were made, not misleading (excluding from (i) and (ii), above, the information relating to DTC and its affiliates and the book-entry only system of registration and transfer and related information under the caption "THE BONDS—Book-Entry Only System"; the information relating to the Underwriter under the caption "MISCELLANEOUS – Underwriting" and the stabilizing language on the inside front cover).

(e) The City has duly enacted the Ordinance and duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein, in the Ordinance and in the Official Statement; (ii) the approval of the Official Statement and the execution of the Official Statement by a duly authorized officer; (iii) the application of the proceeds of the Bonds for the purposes described in the Official Statement; and (iv) the execution, delivery and receipt of this Purchase Contract, the Bonds and any and all such other agreements and documents as may be required to be executed, delivered, and received by the City in order to carry out, give effect to, and consummate the transactions contemplated hereby and by the Official Statement.

(f) The Bonds, when issued, delivered and paid for as herein and in the Ordinance provided, will have been duly authorized, executed, issued and delivered and will constitute special obligations of the City entitled to the benefits and security of the Ordinance. The Bonds and the interest thereon do not constitute an indebtedness of the City within the meaning of any provision, limitation or restriction of the South Carolina Constitution (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license) or the laws of the State of South Carolina and are payable by the City solely from the Net Revenues of the System.

(g) The City, immediately after the Closing, will apply the proceeds from the sale of the Bonds as described in the Ordinance and the Preliminary Official Statement and as more fully described in the certificates delivered at the Closing. The City will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Ordinance or would cause the interest on the Bonds to be includable in gross income for federal income tax purposes.

(h) Except as stated in the Official Statement, there is no action, suit, hearing, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, agency or body pending or, to the best of the City's knowledge, threatened, in writing, against or directly affecting the City contesting the due organization and valid existence of the City or wherein an unfavorable decision, ruling or finding would, in any way, adversely affect (i) the transactions contemplated hereby or by the Official Statement or the validity or due enactment of the Ordinance or the validity, due authorization and execution of the Bonds, this Purchase Contract or any agreement or instrument to which the City is a party and which is used or contemplated hereby or by the Official Statement, (ii) the federal tax-exempt status of the interest on the Bonds, (iii) the exemption of interest on the Bonds from taxation in South Carolina as described in Paragraph 5(j) below, (iv) the organization, existence or powers of the City or the title of the Mayor or

any of the members of the City Council or any officers of the City, or (v) the business, properties or assets or the condition, financial or otherwise, of the City.

(i) The execution and delivery by the City of the Official Statement, this Purchase Contract and the other documents contemplated hereby and by the Official Statement, and the enactment of the Ordinance and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the City a breach of or a default under any existing law, court or administrative regulation, decree, order or any agreement, indenture, mortgage or lease by which it is or, on the date of Closing, will be bound, and this Purchase Contract constitutes a legally binding obligation of the City enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

(j) There is no legislation enacted or, to the best of the City's knowledge, pending, the effect of which would be to remove the exemption of the interest on the Bonds from any taxation under the laws of South Carolina, except inheritance or other transfer taxes and certain franchise taxes.

(k) The City has not been notified of any listing or proposed listing of disqualification by the Internal Revenue Service to the effect that the City is a bond issuer that may not certify its bonds.

(l) If, between the date of this Purchase Contract and the Termination of the Disclosure Period (hereinafter defined), any event shall occur to the knowledge of the undersigned which could reasonably cause or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than the information relating to DTC and its affiliates and the book-entry only system of registration and transfer and related information under the caption "THE BONDS—Book-Entry Only System"; the information relating to the Underwriter under the caption "MISCELLANEOUS – Underwriting" and the stabilizing language on the inside front cover), the City shall notify the Underwriter thereof, and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its own expense forthwith prepare and furnish to the Underwriter (1) a sufficient number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will supplement or amend the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at such time, not misleading, and (2) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

For purposes of this Purchase Contract:

(i) The "Termination of the Disclosure Period" shall mean the later of (1) the earlier of (x) the ninetieth day following the End of the Underwriting Period (as defined in subparagraph (ii) below) and (y) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, and (2) the twenty-fifth day following the End of the Underwriting Period; and

(ii) The "End of the Underwriting Period" shall mean the later of (1) the Closing Date, unless the City has been notified in writing by the Underwriter on or prior to the Closing Date that the "End of the Underwriting Period" for purposes of Rule 15c2-12 will not occur on the Closing Date and (2) the date on which notice is given to the

City by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City pursuant to clause (1) of this subparagraph (ii) that the "End of the Underwriting Period" will not occur on the Closing Date, the Underwriter agrees to notify the City in writing as soon as practicable of the "End of the Underwriting Period" for purposes of Rule 15c2-12.

(m) Between the time of the City's acceptance hereof and the Closing, the City will not have executed or issued any bonds or notes or incurred any other obligations for borrowed money payable from, or secured by a pledge of, the Net Revenues of the System on a parity with the pledge thereof securing the Bonds, and there will not have been any adverse change of a material nature in the financial position, method of operation, or personnel of the System.

6. **Closing.** At 10:00 a.m., local time, on October [], 2011, or at such other time or such other date as shall have been agreed upon by the City and Underwriter, the City will deliver, or cause to be delivered, to the Underwriter the Bonds, in fully registered form, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Bonds to the City in Federal or other immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Purchase Contract is a further condition to the obligations of the Underwriter hereunder.

Payment and delivery of the Bonds as aforesaid shall be made at the offices of the City, or at such other place as the City and the Underwriter agree upon, provided, however, that the Bonds will be physically delivered to DTC in New York, New York, or pursuant to arrangements with DTC, to U.S. Bank National Association, as registrar ("Registrar") under the terms of a "FAST" closing. Such payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered Bonds in book-entry form, in the form of one certificate per maturity and registered in the name of "Cede & Co." At the direction of the City, the Registrar shall release or authorize the release of the Bonds at the Closing to the Underwriter upon receipt of payment for the Bonds as aforesaid. In addition, the City and the Underwriter agree that there shall be a preliminary closing on October [], 2011, or on such other date agreed upon by the City and the Underwriter.

7. **Closing Conditions.** The Underwriter's obligation to purchase the Bonds at the Closing is subject to the following conditions which must be performed in a timely fashion as set forth herein: (i) the performance by the City of its obligations to be performed hereunder and (ii) the following conditions, including the delivery by the City of such documents as are enumerated herein in form and substance reasonably satisfactory to the Underwriter:

(a) At the time of Closing, (i) the Official Statement shall not have been amended, modified or supplemented except as may be agreed to by the Underwriter, and the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, (ii) the proceeds of the sale of the Bonds shall be applied as described in the Official Statement, (iii) all official action of the City related to the Bonds shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and (iv) the City shall have duly enacted and there shall be in full force and effect such proceedings as, in the opinion of McNair Law Firm, P.A. and The Charleston Group ("Co-Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby.

(b) The Underwriter shall have the right to cancel its obligation to purchase the Bonds (and such cancellation shall not constitute a default hereunder by the Underwriter) if between the date hereof and the Closing:

(i) legislation shall be enacted or be actively considered for enactment by the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of the Congress by a committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the IRS or other governmental agency shall be made or proposed to be made with respect to federal taxation upon revenues or other income of the general character to be derived by the City or by any similar body, or upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired that have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, that, in the opinion of the Underwriter, materially and adversely affects the market price of the Bonds or the market price generally of obligations of the general character of the Bonds; or

(ii) any legislation, ordinance or regulation shall be enacted or be actively considered for enactment by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered that, in the opinion of the Underwriter, materially and adversely affects the market price of the Bonds; or

(iii) any action shall have been taken by the Securities and Exchange Commission that would require the registration of the Bonds under the Securities Act of 1933, as amended (the "1933 Act"), or the qualification of the Ordinance under the Trust Indenture Act of 1939, as amended (the "TIA"), or it appears that the Underwriter, by selling the Bonds, would subject itself to liability under the 1933 Act, the 1934 Act or any blue sky law; or

(iv) any event shall have occurred or shall exist that, in the opinion of the Underwriter, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or (ii) is not reflected in the Official Statement and should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(v) there shall have occurred any outbreak of, or escalation in, hostilities or other national or international calamity or crisis or a financial crisis, including, but not limited to, the United States engaging in hostilities, or a Declaration of War or a national emergency by the United States on or after the date hereof which, in the sole opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(vi) trading shall be suspended, or new or additional trading or loan restrictions shall be imposed, by the New York Stock Exchange or other national securities exchange or governmental authority with respect to obligations of the general character of the Bonds or a general banking moratorium shall be declared by federal, South Carolina or New York authorities; or

(vi) there shall have occurred any change in the financial condition or affairs of the City or the System the effect of which is, in the sole judgment of the Underwriter, so material and adverse as to make it impracticable or inadvisable to proceed with the offering or delivery of the Bonds on the terms and in the manner contemplated by the Official Statement; or

(vii) either of the ratings of the Bonds shall have been downgraded or withdrawn, which in the Underwriter's sole opinion, materially adversely affects the market price of the Bonds; or

(viii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or questioning any authority for or the validity of the Bonds or the money or revenues pledged to the payment thereof or any of the proceedings of the City taken with respect to the issuance and sale thereof; or

(ix) the "blue sky" or securities commission of any state in the United States has withheld registration, exemption, or clearance of the offering of the Bonds, and, in the sole opinion of the Underwriter, the effect of the withholding will materially and adversely affect the market price or marketability of the Bonds; or

(x) the purchase of and payment for the Bonds by the Underwriter, or their resale or reoffering by the Underwriter, on the terms and conditions contemplated by this Purchase Contract and the Official Statement, is prohibited by any applicable law or governmental regulation or by order of any court, government authority, board, agency, or commission or would subject the Underwriter to liability under the 1933 Act, the 1934 Act, common law or otherwise; or

(xi) additional material restrictions not in force on the date of this Purchase Contract have been imposed on trading in securities generally or by a governmental authority or national association of securities dealers; or

(xii) there shall have occurred any event other than those listed above, the effect of which is, in the reasonable and exclusive judgment of the Underwriter, material and adverse to make it impractical or inadvisable to proceed with the offering of the Bonds on the terms and in the manner contemplated by the Official Statement.

(c) At the time of Closing, the City shall have duly adopted all proceedings required by the Enabling Act and all other applicable laws and regulations, State or federal, necessary to enable Co-Bond Counsel to deliver an unqualified opinion with respect to due authorization, execution and delivery of the Bonds.

(d) The Underwriter shall have received, within a sufficient time period for such final Official Statements to accompany confirmations delivered by the Underwriter to potential investors in accordance with the Rules of the Municipal Securities Rulemaking Board but in no event later than seven business days following the date hereof, a quantity of Official Statements adequate to enable the Underwriter to meet the continuing obligations imposed on it by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; provided, however, that the Underwriter may not terminate its obligations under this Purchase Contract as a result of the failure of this condition to be met unless such failure affects the Underwriter's marketing and sale of the Bonds or subjects the Underwriter to compliance infractions under the Securities and Exchange Commission or the Municipal Securities Rulemaking Board delivery requirements.

(e) At or prior to the Closing, the Underwriter shall receive one executed original of the following documents, unless otherwise indicated:

(i)(A) the unqualified approving opinions of Co-Bond Counsel each dated the date of Closing, addressed to the City in substantially the forms of Appendix "D" of the Official Statement, and (B) supplemental opinions of Co-Bond Counsel, each dated the

date of Closing and addressed to the Underwriter, in substantially the forms set forth in Exhibit B attached hereto;

(ii) a certificate of the City, dated the date of Closing signed by an official of the City, in substantially the form attached hereto as Exhibit C;

(iii) a specimen of the Bonds;

(iv) an opinion of Kenneth E. Gaines, Esquire, Counsel to the City, addressed to the City and the Underwriter, dated the date of Closing in substantially the form attached hereto as Exhibit D;

(v) evidence satisfactory to the Underwriter that the Bonds have been rated “[ ]” by Moody’s Investors Service, Inc. (“Moody’s”) and “[ ]” by Standard & Poor’s (“Standard & Poor’s”);

(vi) a certified copy of the Ordinance;

(vii) a copy of the Official Statement executed on behalf of the City by a duly authorized official of the City;

(viii) an executed copy of the Disclosure Dissemination Agent Agreement dated the date of Closing, between the City and Digital Assurance Certification, L.L.C.;

(ix) [reserved];

(x) the opinions of Parker Poe Adams & Bernstein LLP and the Starkes Law Firm, Co-Counsel to the Underwriter, addressed to the Underwriter and dated the date of Closing in substantially the forms attached hereto as Exhibit F;

(xi) receipt from the Trustee establishing that the Reserve Fund Requirement has been established through the deposit of a portion of the Bond proceeds; and

(xii) other certificates of the City or information of the City contained in certificates listed in the Closing Memorandum to be approved by counsel to the City and Co-Bond Counsel, and such additional opinions, as Co-Bond Counsel may reasonably request to evidence (A) compliance by the City with legal requirements, (B) the truth and accuracy, as of the time of Closing, of the respective representations of the City contained herein and (C) the due performance or satisfaction by the City at or prior to such time, of all agreements then to be performed and of all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions or the obligations contained in this Purchase Contract, or if the obligation of the Underwriter to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Contract or, at the election of the City, if the Closing shall not occur by the end of business on October [ ], 2011, or such alternative date as the parties may mutually establish, this Purchase Contract shall terminate and neither the Underwriter nor the City shall be under further obligation hereunder; except that the respective obligations to pay expenses to the extent applicable, as provided in Paragraph 13 hereof, shall continue in full force and effect.

The delivery of any certificate that is required to be delivered in accordance with this Purchase Contract shall be deemed to have been made if the terms of that certificate are included to the satisfaction

of the Underwriter within any one certificate or any number of other certificates delivered or caused to be delivered by the party responsible for delivery.

8. **Issue Price Certificate.** At the Closing, contemporaneously with the receipt of the Bonds, the Underwriter will deliver to the City a receipt therefor and a certificate as to issue price of the Bonds confirming their reasonable expectations regarding the representations set forth in Paragraph number 4 hereof and as to such other matters reasonable required in order to enable Co-Bond Counsel to render an opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

9. **Opinions of Co-Bond Counsel.** The City will furnish to the Underwriter a reasonable supply of copies of the opinions of Co-Bond Counsel to accompany delivery of the Bonds.

10. **Annual Audits.** The City agrees to furnish to the Underwriter, upon request during the life of the outstanding Bonds, a copy of each annual audit report for the System issued by the City from time to time.

11. **Mutual Performance.** The obligations of the City hereunder are subject to the performance by the Underwriter of its obligations hereunder.

12. **Survival of City's Representations, Warranties and Agreements.** All representations, warranties and agreements of the City hereunder shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter and shall survive delivery and payment of the Bonds.

13. **Payment of Expenses.** If the Bonds are sold to the Underwriter by the City, the City shall pay, out of the proceeds of the Bonds, any expenses incident to the performance of its obligations hereunder including but not limited to: (a) the costs of the preparation of the Preliminary Official Statement and final Official Statement for the Bonds, including the costs of all proofs and production of final proof, together with the number of copies which the Underwriter deems reasonable and the costs of delivery of the Preliminary Official Statement and final Official Statement; (b) the cost of the preparation, printing and delivery of the Bonds in fully-registered form; (c) the fees and disbursements of Co-Bond Counsel, Co-Counsel to the Underwriters and any other experts or consultants retained by the City, including the City's Counsel, financial advisor, independent engineers, accountants, consultants and the charges of Moody's and Standard & Poor's; and (d) fees and costs of the Registrar and custodian of the Construction Fund of 2011.

The Underwriter shall pay (a) all advertising expenses in connection with the public offering of the Bonds; (b) all expenses incurred by it in connection with its public offering and distribution of the Bonds, including, but not limited to, the fees and disbursements of any counsel retained by them (other than fees and disbursements of Co-Counsel to the Underwriters described in paragraph 13); and (c) the cost of preparing and printing the blue sky and legal investment memoranda and the disbursements for filing fees in connection with the aforesaid blue sky and legal investment memoranda.

14. **Covenants of the City.** The City agrees:

(a) To deliver promptly to the Underwriter such number of conformed copies of the Official Statement (and any amended or supplemented Official Statement) and the Ordinance as the Underwriter may reasonably request;

(b) Not to supplement or amend, or cause to be supplemented or amended, the Official Statement or the Ordinance from the date of this Purchase Contract through the Termination of the Disclosure Period, without the prior written consent of the Underwriter;

(c) Through the Termination of the Disclosure Period, to prepare any amendment or supplement to the Official Statement that may, in the judgment of the City or the Underwriter, be required so that the Official Statement as amended or supplemented will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(d) To advise the Underwriter immediately of receipt by the City of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(e) To cooperate with the Underwriter including furnishing such information, executing such instruments and taking such other action in cooperation with the Underwriter as may be required to qualify the Bonds for offering and sale under the "blue sky" or other laws of such jurisdictions as the Underwriter may designate; provided that in connection with such qualification the City shall not be obligated to take any action that would subject it to the general service of process in any state where it is not now subject;

(f) Not to take or omit to take any action which action or omission will adversely effect the exemption from federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended; and

(g) Not to take or omit to take any action which action or omission will in any way cause the proceeds of the Bonds to be applied in a manner contrary to that described in the Ordinance or the Official Statement.

15. **Notices.** Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Morgan Keegan & Company, Inc., Golden Isles Marina, 117 Marina Drive, St. Simons Island, Georgia 31522, Attention: George Pugh.

16. **Parties in Interest.** This Purchase Contract is made solely for the benefit of the City and the Underwriter (including any successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof, except that the representation, warranties, and agreements of the City contained in this Purchase Contract shall also be deemed to be for the benefit of the person or persons, if any, who control the Underwriter within the meaning of Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934. Nothing in this Purchase Contract is intended or shall be construed to give any person, other than the persons referred to in this paragraph, any legal or equitable right, remedy or claim under or in respect of this Purchase Contract or any provision contained herein. All of the representations, warranties and agreements of the City contained herein shall remain in full force and effect, regardless of (a) any investigation made by or on behalf of any Underwriter, (b) delivery of the Bonds and payment of amounts required hereunder by or for the City or (c) any termination of this Purchase Contract.

17. **Governing Law.** This Purchase Contract shall be governed by and construed in accordance with the laws of the State of South Carolina.

18. **Effectiveness; Counterpart Execution.** This Purchase Contract shall become effective upon your acceptance and execution hereof and may be executed in counterparts and such counterparts shall constitute one and the same instrument.

**19. No Liability.** Neither the Mayor or members of the City Council, nor any officer, agent, attorney or employee as such, in his or her individual capacity, past, present or future of the City, either directly or through the City, shall be charged personally by the Underwriter with any liability, or held liable to such Underwriter under any term or provision of this Purchase Contract or because of its execution or contemplated execution, or because of any breach or attempted or alleged breach thereof. It is expressly agreed and understood that the obligations of the City under this Purchase Contract are solely corporate obligations and that no personal liability whatsoever shall attach to, or be incurred by, any past, present or future officer, agent, attorney or employee thereof. All personal liability of any character against every such past, present or future officer, agent, attorney and employee of the City is, by the execution of this Purchase Contract and as a condition of, and as part of the consideration for, the execution of this Purchase Contract, expressly waived and released. The immunity of the past, present or future officers, agents, attorneys and employees of the City under the provision contained in this Section shall survive the termination of this Purchase Contract.

*[ONE SIGNATURE PAGE FOLLOWS]  
[REMAINDER OF PAGE INTENTIONALLY BLANK]*

*[SIGNATURE PAGE TO PURCHASE CONTRACT]*

Very truly yours,

By: MORGAN KEEGAN & COMPANY, INC.

By: \_\_\_\_\_  
Its:

Accepted and Agreed to as  
of the date first above written.

CITY OF COLUMBIA, SOUTH CAROLINA

By: \_\_\_\_\_  
Its: Mayor

**EXHIBIT A**

The Bonds shall mature on the dates and bear interest at the rates and shall be reoffered at the prices as set forth below:

**MATURITY SCHEDULE**

\$[] Serial Bonds

\$[] []% Term Bond, due [], []<sup>c</sup>; Price []%; Yield: []%; CUSIP: []

<sup>c</sup>Priced to the Call Date of [].

**Optional Redemption**

The Bonds maturing on or after [], [], are subject to redemption prior to maturity on or after [], [], at the option of the City, as a whole or in part at any time in such order of their maturities as the City shall determine at par together with accrued interest to the date fixed for redemption.

**Mandatory Redemption**

The Bonds maturing on [], [], shall be subject to mandatory sinking fund redemption commencing [], [], and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount, plus interest accrued to the redemption date, on February 1, of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

\*

\*Final Maturity.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the City may (i) deliver to the Registrar/Paying Agent for cancellation Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the City and cancelled by the Registrar/Paying Agent and not theretofore applied as a credit against any mandatory redemption obligation. Each Bond so delivered or previously purchased or redeemed will be credited by the Registrar/Paying Agent, at 100 percent of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in chronological order, and the principal amount of

the Bonds to be redeemed by operation of the mandatory redemption requirement will be accordingly reduced.

## EXHIBIT B

### Forms of Supplemental Bond Counsel Opinions

October [], 2011

Morgan Keegan & Company, Inc.  
on behalf of itself and as representative of  
Terminus Securities, LLC  
Charleston, South Carolina

Re: \$[] Waterworks and Sewer System Revenue Bonds, Series 2011, of the City of Columbia,  
South Carolina

We have acted as bond counsel in connection with the issuance by the City of Columbia, South Carolina ("City") of its \$[] original principal amount Waterworks and Sewer System Revenue Bonds, Series 2011 ("Bonds"). This opinion is being delivered to you pursuant to paragraph 7(e)(i)(B) of the Purchase Contract dated October [], 2011 ("Purchase Contract") between the City and you as the underwriter ("Underwriter"). Capitalized terms not otherwise defined herein shall have the meanings assigned such terms in the Purchase Contract.

Reference is made to our approving opinion ("Opinion") of even date herewith as bond counsel addressed to the City delivered in connection with the issuance of the Bonds. You are hereby authorized to rely upon the Opinion to the same extent as if the Opinion were specifically addressed to you, subject to the qualifications and considerations set forth in the Opinion.

In connection therewith, we have examined:

1. Title 6, Chapter 21 of the Code of Laws of South Carolina, 1976, as amended.
2. The Purchase Contract.
3. The Official Statement dated October [], 2011 ("Official Statement"), relating to the Bonds; provided, however, that we have not reviewed any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.
4. The General Bond Ordinance No. 93-43 enacted by City Council ("City Council") of the City on May 21, 1993 ("General Ordinance"), the Fifth Supplemental Ordinance No. 2007-072 enacted by the City Council on September 19, 2007 ("Fifth Supplemental Ordinance"), the Sixth Supplemental Ordinance No. 2009-87 enacted by the City Council on August 19, 2009 ("Sixth Supplemental Ordinance," and (v) Seventh Supplemental Ordinance No. 2011-[] enacted by the City Council on [], 2011 (Seventh Supplemental Ordinance," and together with the General Ordinance, Fifth Supplemental Ordinance and Sixth Supplemental Ordinance are referred to as the "Ordinance").
5. The Disclosure Dissemination Agent Agreement of the City dated the date hereof ("Disclosure Agreement").

Based upon the foregoing and examinations of such other documents, and consideration of such matters of law as we have deemed appropriate to enable us to render this opinion, we are of the opinion that:

1. The Purchase Contract and the Disclosure Agreement, respectively, have been duly authorized, executed and delivered by the City.

2. The Official Statement has been duly authorized, approved and delivered by the City.

3. We have considered the information contained in the Official Statement under the headings entitled: "THE 2011 BONDS" (other than the information under "Book-Entry-Only System"); "SECURITY FOR THE 2011 BONDS"; and in Appendix C of the Official Statement entitled "Summary of Certain Provisions of the Ordinance" and, based upon our review, we are of the opinion that the statements or summaries under such headings (except the information therein related to The Depository Trust Company and its affiliates and the book-entry only system of registration and transfer and related information under the caption "THE BONDS—Book-Entry Only System," as to which we express no opinion) are, to the extent indicated therein, accurate statements or summaries of the matters set forth or documents referred to therein, and fairly present the information purported to be shown, and the information under the heading "TAX EXEMPTION AND OTHER TAX MATTERS" is true and correct in all material respects.

4. The Ordinance and the Bonds conform as the form and tenor with the terms and provisions thereof as set out in the Official Statement.

5. All conditions precedent to the delivery of the Bonds contained in the Ordinance have been fulfilled.

6. The Bonds are presently exempt from registration under the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

This opinion is rendered to and may be relied upon solely by the Underwriter and may not be relied upon by any other persons, firms or corporations.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Yours very truly,

McNAIR LAW FIRM, P.A.

October [], 2011

Morgan Keegan & Company, Inc.  
on behalf of itself and as representative of  
Terminus Securities, LLC  
Charleston, South Carolina

Re: \$[] Waterworks and Sewer System Revenue Bonds, Series 2011, of the City of Columbia,  
South Carolina

We have acted as bond counsel in connection with the issuance by the City of Columbia, South Carolina ("City") of its \$[] original principal amount Waterworks and Sewer System Revenue Bonds, Series 2011 ("Bonds"). This opinion is being delivered to you pursuant to paragraph 7(e)(i)(B) of the Purchase Contract dated October [], 2011 ("Purchase Contract") between the City and you as the underwriter ("Underwriter"). Capitalized terms not otherwise defined herein shall have the meanings assigned such terms in the Purchase Contract.

Reference is made to our approving opinion ("Opinion") of even date herewith as bond counsel addressed to the City delivered in connection with the issuance of the Bonds. You are hereby authorized to rely upon the Opinion to the same extent as if the Opinion were specifically addressed to you, subject to the qualifications and considerations set forth in the Opinion.

In connection therewith, we have examined:

1. Title 6, Chapter 21 of the Code of Laws of South Carolina, 1976, as amended.
2. The Purchase Contract.
3. The Official Statement dated October [], 2011 ("Official Statement"), relating to the Bonds; provided, however, that we have not reviewed any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.
4. The General Bond Ordinance No. 93-43 enacted by City Council ("City Council") of the City on May 21, 1993 ("General Ordinance"), the Fifth Supplemental Ordinance No. 2007-072 enacted by the City Council on September 19, 2007 ("Fifth Supplemental Ordinance"), the Sixth Supplemental Ordinance No. 2009-87 enacted by the City Council on August 19, 2009 ("Sixth Supplemental Ordinance," and (v) Seventh Supplemental Ordinance No. 2011-[] enacted by the City Council on [], 2011 (Seventh Supplemental Ordinance," and together with the General Ordinance, Fifth Supplemental Ordinance and Sixth Supplemental Ordinance are referred to as the "Ordinance").
5. The Disclosure Dissemination Agent Agreement of the City dated the date hereof ("Disclosure Agreement").

Based upon the foregoing and examinations of such other documents, and consideration of such matters of law as we have deemed appropriate to enable us to render this opinion, we are of the opinion that:

1. The Purchase Contract and the Disclosure Agreement, respectively, have been duly authorized, executed and delivered by the City.

2. The Official Statement has been duly authorized, approved and delivered by the City.

3. We have considered the information contained in the Official Statement under the headings entitled: "THE 2011 BONDS" (other than the information under "Book-Entry-Only System"); "SECURITY FOR THE 2011 BONDS"; and in Appendix C of the Official Statement entitled "Summary of Certain Provisions of the Ordinance" and, based upon our review, we are of the opinion that the statements or summaries under such headings (except the information therein related to The Depository Trust Company and its affiliates and the book-entry only system of registration and transfer and related information under the caption "THE BONDS—Book-Entry Only System," as to which we express no opinion) are, to the extent indicated therein, accurate statements or summaries of the matters set forth or documents referred to therein, and fairly present the information purported to be shown.

4. The Ordinance and the Bonds conform as the form and tenor with the terms and provisions thereof as set out in the Official Statement.

5. All conditions precedent to the delivery of the Bonds contained in the Ordinance have been fulfilled.

6. The Bonds are presently exempt from registration under the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

This opinion is rendered to and may be relied upon solely by the Underwriter and may not be relied upon by any other persons, firms or corporations.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Yours very truly,

The Charleston Group

**EXHIBIT C**

**GENERAL CERTIFICATE OF THE CITY OF COLUMBIA  
REQUIRED BY SECTION 7(e)(ii) OF THE PURCHASE CONTRACT**

Pursuant to Section 7(e)(ii) of the Purchase Contract dated October [], 2011 ("Purchase Contract"), between the City of Columbia, South Carolina ("City") and Morgan Keegan & Company, Inc., on behalf of itself and as representative of Terminus Securities, LLC, as underwriter ("Underwriter"), the undersigned authorized representative of the City hereby certifies as follows:

1. The representations and warranties of the City in the Purchase Contract dated as of [], 2011, are true and correct in all material respects as of the date hereof.

2. There is no action, suit, hearing, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, agency or body pending or, to the best of the City's knowledge, threatened, in writing, against or directly affecting the City contesting the due organization and valid existence of the City or wherein an unfavorable decision, ruling or finding would, in any way, materially adversely affect (A) the transactions contemplated by the Purchase Contract or the Official Statement dated October [], 2011 ("Official Statement"), relating to the \$[] City of Columbia, South Carolina Waterworks and Sewer System Revenue Bonds, Series 2011 ("Bonds"), or the validity, due authorization and execution of the Purchase Contract, the Disclosure Dissemination Agent Agreement dated October [], 2011, between the City and Digital Assurance Certification, L.L.C., or any agreement or instrument to which the City is a party or which is used or contemplated for use in the consummation of the transactions contemplated by the Purchase Contract or by the Official Statement, (B) the federal tax-exempt status of the interest component on the Bonds, (C) the exemption of the interest component on the Bonds from taxation as described in Paragraph 5(j) of the Purchase Contract, (D) the organization, existence or powers of the City or the title of the Mayor or any of the members of the City Council or any officers of the City except as set forth in the Official Statement, or (E) the business, properties or assets or the condition, financial or otherwise, of the City.

3. The information with respect to the City contained in the Official Statement, relating to the Bonds, is, as of its date, true and correct in all material respects. The information with respect to the City contained in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, and there has not been any material adverse change in the financial condition or operations of the City since the date of the Official Statement which has not been brought to the attention of the Underwriter in writing prior to the date hereof.

4. To the best of the knowledge and belief of the City, the City reasonably expects as of the date hereof that the proceeds of the Bonds will be used as provided in the Official Statement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate in the name and on behalf of the City as of October [], 2011.

CITY OF COLUMBIA, SOUTH CAROLINA

By: \_\_\_\_\_  
City Manager

**EXHIBIT D**

[Form of Opinion of the City Attorney]

October [], 2011

Morgan Keegan & Company, Inc.  
on behalf of itself and as representative of  
Terminus Securities, LLC  
Charleston, South Carolina

City of Columbia  
Columbia, South Carolina

***Re: \$[] Waterworks and Sewer System Revenue Bonds, Series 2011, of the City of Columbia, South Carolina***

As counsel to the City of Columbia, South Carolina, a municipal corporation and political subdivision created pursuant to the laws of the State of South Carolina ("City"), I have considered the validity of the City's \$[] original principal amount Waterworks and Sewer System Revenue Bonds, Series 2011 ("Bonds"). This opinion is being delivered to you pursuant to paragraph 7(e)(iv) of the Purchase Contract dated October [], 2011 ("Purchase Contract") between the City and you as the underwriter ("Underwriter"). Capitalized terms not otherwise defined herein shall have the meanings assigned such terms in the Purchase Contract.

In connection therewith, I have examined:

1. Title 6, Chapter 21 of the Code of Laws of South Carolina, 1976, as amended;
2. The Purchase Contract;
3. The Official Statement dated October [], 2011 ("Official Statement"), relating to the Bonds, provided, however, that I have not reviewed any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version;
4. The General Bond Ordinance No. 93-43 enacted by City Council ("City Council") of the City on May 21, 1993 ("General Ordinance"), the Fifth Supplemental Ordinance No. 2007-072 enacted by the City Council on September 19, 2007 ("Fifth Supplemental Ordinance"), the Sixth Supplemental Ordinance No. 2009-87 enacted by the City Council on August 19, 2009, ("Sixth Supplemental Ordinance"), and the Seventh Supplemental Ordinance No. 2011-[], enacted by the City Council on [], 2011 ("Seventh Supplemental Ordinance" and together with the General Ordinance, Fifth Supplemental Ordinance and Sixth Supplemental Ordinance are referred to as the "Ordinance");
5. The Disclosure Dissemination Agent Agreement of the City dated the date hereof ("Disclosure Agreement" and with the Purchase Contract, "City Agreements"); and
6. Such other documents and instruments and proceedings of the City as I have deemed relevant.

As to questions of fact material to my opinion, I have relied upon representations and other certifications of officials of the City without undertaking to verify the same by independent investigation.

Based on the foregoing, I am of the opinion that as of this date:

1. The City is a political subdivision, duly created, validly existing and in good standing under the Constitution and laws of the State of South Carolina, and has all requisite power and authority (i) to enact and implement the Ordinance and to issue, sell and deliver the Bonds and (ii) to conduct its business as currently being conducted and as proposed to be conducted and as described in the Official Statement and to carry out the transactions contemplated by the Purchase Contract and the Official Statement.

2. Each of the City Agreements has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the applicable parties thereto, constitutes a legal, valid and binding agreement enforceable against the City in accordance with its terms (except that the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable); provided, however, that no opinion is expressed as to the enforceability of the indemnity or choice of law provisions thereof.

3. The City has taken all action legally required of it to enact and to implement the Ordinance and to authorize the issuance, sale and delivery of the Bonds. The Ordinance has been duly enacted by the City Council.

4. To the best of my knowledge and after due inquiry, the City is not in default in any material respect under any material agreement or other instrument to which it is a party or by which it may be bound.

5. There are no consents, approvals or authorizations of the State of South Carolina or any local governmental authority required on the part of the City in connection with the enactment and implementation of the Ordinance and the execution and delivery of the Purchase Contract, provided, however, that there is no opinion given with respect to compliance with any state securities laws or "blue sky" laws of any jurisdiction.

6. To the best of my knowledge and after due inquiry and except as disclosed in the Official Statement, there are no proceedings or investigations pending or threatened, in writing, against the City in any court or before any governmental authority or arbitration board or tribunal, wherein an unfavorable decision, ruling or finding would in any way materially and adversely affect the transactions contemplated by the Purchase Contract and the Official Statement or which, in any way, would adversely affect the validity and enforceability of the Bonds, or any agreement or instrument to which the City is a party and which is used or contemplated by the foregoing.

7. To the best of my knowledge and after due inquiry, the City in all material respects has good and proper title to the System as described in the Official Statement.

8. None of the proceedings held or actions taken by the City with respect to the Ordinance, the City Agreements or the Bonds have been repealed, rescinded or revoked.

Very truly yours,

Kenneth E. Gaines

**City Attorney**

1000 17th Street, Suite 1000, San Francisco, CA 94109

Dear \_\_\_\_\_:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Sincerely,

**EXHIBIT E**

**CONSENT LETTER FROM ACCOUNTANTS**

The Honorable Mayor and Members of City Council  
City of Columbia  
Columbia, South Carolina

Morgan Keegan & Company, Inc.  
on behalf of itself and as representative of  
Terminus Securities, LLC  
Charleston, South Carolina

We consent to the inclusion of our report dated March [17], 2011, related to the City of Columbia's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, in the Preliminary Official Statement dated September [], 2011, and the Official Statement to be dated on or about October [], 2011 for the City of Columbia, South Carolina, Waterworks and Sewer System Revenue Bonds, Series 2011.

WEBSTER ROGERS LLP

---

Columbia, South Carolina  
September [], 2011

**EXHIBIT F**

**Form of Underwriter's Counsel Opinion**

October [], 2011

Morgan Keegan & Company, Inc.  
on behalf of itself and as representative of  
Terminus Securities, LLC  
Charleston, South Carolina

**§//**  
**City of Columbia, South Carolina**  
**Waterworks and Sewer System Revenue Bonds**  
**Series 2011**

Ladies and Gentlemen:

We have acted as counsel to Morgan Keegan & Company, Inc. on behalf of itself and as representative of Terminus Securities, LLC, as the underwriter ("Underwriter") in connection with the purchase of the above referenced bonds ("Bonds") pursuant to a Purchase Contract, dated October [], 2011 ("Purchase Contract"), between the Underwriter and the City of Columbia, South Carolina ("City"). This opinion is delivered to you pursuant to Section 7(e)(x) of the Purchase Contract. Each capitalized term not otherwise defined in this letter has the meaning assigned to that term in the Purchase Contract.

We have, as your counsel, examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, legal opinions, instruments or records, and have made such investigation of law, as we have deemed appropriate as a basis for the conclusions hereinafter expressed for the purpose of this opinion.

In arriving at the conclusions expressed below, we are not expressing any opinion or view on, and are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above, including the accuracy of all factual matters represented and legal conclusions contained therein. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing on and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement, dated October [], 2011 ("Official Statement"), and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as your counsel, we met in conferences with your representatives and representatives of the City, counsel to the City, McNair Law Firm, P.A. and The Charleston Group, as co-bond counsel, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in these conferences, and in reliance on these conferences and on the records, documents, certificates and opinions referenced above, we advise you that, during the course of our representation of you as the Underwriter on this matter, no information came to the attention of the attorneys in our firm rendering legal services in connection with your representation that caused us to believe that the Official Statement as of its date and as of the date of this letter (except for any financial and statistical data and forecasts, numbers, estimates, assumptions and expressions of opinion, and information concerning The Depository Trust Company and the book-entry system for the Bonds contained or incorporated by reference in the Official Statement and its Appendices, which we expressly exclude from the scope of this sentence) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein,

in the light of the circumstances under which they were made, not misleading.

Furthermore, we are of the opinion that in connection with the offering and sale of the Bonds, the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and no indenture with respect to the Bonds is required to be qualified pursuant to the Trust Indenture Act of 1939, as amended.

Except as set forth above, we express no opinion in connection with the issuance and sale of the Bonds. The opinions expressed above are rendered solely for your benefit in connection with the issuance of the Bonds. These opinions may neither be relied on by you for any other purpose nor be furnished to, used, circulated, quoted or relied on by any other person or entity for any other purpose, without our prior written consent in each instance. We disclaim any obligation to update the opinions expressed above for events occurring or coming to our attention after the date of this letter.

Very truly yours,

**PARKER POE ADAMS & BERNSTEIN LLP**

October [], 2011

Morgan Keegan & Company, Inc.  
on behalf of itself and as representative of  
Terminus Securities, LLC  
Charleston, South Carolina

*Re: §§ City of Columbia, South Carolina, Waterworks and Sewer System Revenue Bonds  
Series 2011*

Ladies and Gentlemen:

We have acted as counsel to Morgan Keegan & Company, Inc. on behalf of itself and as representative of Terminus Securities, LLC, as the underwriter (“Underwriter”) in connection with the purchase of the above referenced bonds (“Bonds”) pursuant to a Purchase Contract, dated October [], 2011 (“Purchase Contract”), between the Underwriter and the City of Columbia, South Carolina (“City”). This opinion is delivered to you pursuant to Section 7(e)(x) of the Purchase Contract. Each capitalized term not otherwise defined in this Letter has the meaning assigned to that term in the Purchase Contract.

We have, as your counsel, examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, legal opinions, instruments or records, and have made such investigation of law, as we have deemed appropriate as a basis for the conclusions hereinafter expressed for the purpose of this opinion.

In arriving at the conclusions expressed below, we are not expressing any opinion or view on, and are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above, including the accuracy of all factual matters represented and legal conclusions contained therein. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing on and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement, dated October [], 2011 (the “Official Statement”), and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as your counsel, we met in conferences with your representatives and representatives of the City, counsel to the City, McNair Law Firm, P.A. and The Charleston Group, as co-bond counsel, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in these conferences, and in reliance on these conferences and on the records, documents, certificates and opinions referenced above, we advise you that, during the course of our representation of you as the Underwriter on this matter, no information came to the attention of the attorneys in our firm rendering legal services in connection with your representation that caused us to believe that the Official Statement as of its date and as of the date of this letter (except for any financial and statistical data and forecasts, numbers, estimates, assumptions and expressions of opinion, and information concerning The Depository Trust Company and the book-entry system for the Bonds contained or incorporated by reference in the Official Statement and its Appendices, which we expressly exclude from the scope of this sentence) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Furthermore, we are of the opinion that in connection with the offering and sale of the Bonds, the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and no indenture with respect to the Bonds is required to be qualified pursuant to the Trust Indenture Act of 1939, as amended.

Except as set forth above, we express no opinion in connection with the issuance and sale of the Bonds. The opinions expressed above are rendered solely for your benefit in connection with the issuance of the Bonds. These opinions may neither be relied on by you for any other purpose nor be furnished to, used, circulated, quoted or relied on by any other person or entity for any other purpose, without our prior written consent in each instance. We disclaim any obligation to update the opinions expressed above for events occurring or coming to our attention after the date of this letter.

Very truly yours,

**STARKES LAW FIRM**

**EXHIBIT C**

**FORM OF PRELIMINARY OFFICIAL STATEMENT**

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2011

NEW ISSUE

BOOK-ENTRY-ONLY

RATINGS:  
Moody's: [ ]  
Standard & Poor's: [ ]  
(see "RATINGS")

*In the opinion of McNair Law Firm, P.A., Co-Bond Counsel, assuming continued compliance by the City with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the 2011A Bonds and the 2011B Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the 2011A Bonds and the 2011B Bonds is not an item of tax preference in computing the alternative minimum tax on individuals and corporations. However, interest on the 2011A Bonds and the 2011B Bonds is included in adjusted current earnings when calculating the corporate alternative minimum tax on certain corporations. The 2011A Bonds and the 2011B Bonds and the interest thereon will also be exempt from all State, county, municipal, school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.*

\$100,000,000\*

CITY OF COLUMBIA, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM REVENUE BONDS  
SERIES 2011A

\$35,000,000\*

CITY OF COLUMBIA, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS  
SERIES 2011B



Dated: Delivery Date

Due: February 1, as shown on inside cover

The City of Columbia, South Carolina ("City"), Waterworks and Sewer System Revenue Bonds, Series 2011A ("2011A Bonds") and the City Waterworks and Sewer System Revenue Refunding Bonds, Series 2011B ("2011B Bonds"), are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal, redemption premium, if any, and interest on the 2011A Bonds and the 2011B Bonds will be made. Individual purchases will be made in book-entry-only form, in denominations of \$5,000 each, or any integral multiple thereof. So long as Cede & Co., as partnership nominee of DTC, is the registered owner of the 2011A Bonds and the 2011B Bonds, references herein to holders or registered owners of 2011A Bonds and the 2011B Bonds shall mean Cede & Co., and shall not mean the beneficial owners of the 2011A Bonds and the 2011B Bonds. Interest on the 2011A Bonds and the 2011B Bonds shall be payable on each February 1 and August 1 commencing February 1, 2012, until maturity or prior redemption. Principal on the 2011A Bonds and the 2011B Bonds will be payable in the years and amounts shown on the inside cover hereof. All capitalized terms used on this cover, and not otherwise defined, are defined herein.

The 2011A Bonds and the 2011B Bonds are being issued under the authority of the Constitution and laws of the State, including Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended, and General Bond Ordinance No. 93-4, enacted by the City Council, the governing body of the City ("City Council"), on May 21, 1993, as amended and supplemented, including as supplemented particularly by the Eighth Supplemental Ordinance No. 2011-11, enacted by the City Council on 11, 2011.

The 2011A Bonds are being issued for the purposes of (i) improving and enlarging the Waterworks and Sanitary Sewer System of the City ("System"), (i.e., the 2011 Projects); and (ii) paying the cost of issuance of the 2011A Bonds. The 2011B Bonds are being issued for the purposes of (i) refunding the outstanding \$33,905,000 of the City's \$41,500,000 original principal amount Waterworks and Sanitary Sewer System Refunding Revenue Bonds, Series 2001; and (ii) paying the cost of issuance of the 2011B Bonds.

The 2011A Bonds and the 2011B Bonds, including the interest thereon, are payable solely from the Net Revenues of the System and are secured by a pledge of and lien upon the Net Revenues thereof.

**THE 2011A BONDS AND THE 2011B BONDS WILL BE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION PRIOR TO MATURITY AS DESCRIBED HEREIN.**

**THE 2011A BONDS AND THE 2011B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATION. THE 2011A BONDS AND THE 2011B BONDS SHALL NOT CONSTITUTE A DEBT OF THE CITY, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE CITY OR ON ANY INCOME, RECEIPTS OR REVENUES THEREOF, OTHER THAN THE NET REVENUES OF THE SYSTEM PLEDGED THERETO. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE 2011A BONDS AND THE 2011B BONDS OR THE INTEREST THEREON AGAINST THE GENERAL FUND OF THE CITY AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED TO BE PLEDGED THERETO. THE FULL FAITH, CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2011A BONDS AND THE 2011B BONDS.**

The 2011A Bonds and the 2011B Bonds are offered when, as and if issued and delivered by the City, subject to the final approving opinions of McNair Law Firm, P.A., Columbia, South Carolina, and Johnson, Tol & Battiste, P.A., Co-Bond Counsel. Certain legal matters will be passed upon for the City by its counsel, Kenneth E. Gaines, Esquire, and for the Underwriters by their counsel, Parker Poe Adams & Bernstein LLP, Columbia, South Carolina, and The Starks Law Firm, P.A., Columbia, South Carolina. Merchant Capital, L.L.C., Columbia, South Carolina, has served as Financial Advisor to the City in connection with the issuance of the 2011A Bonds and the 2011B Bonds. It is expected that the 2011A Bonds and the 2011B Bonds will be available for delivery through the facilities of DTC, on or about October 11, 2011.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. The City deems the Preliminary Official Statement to be final as of its date for purposes of S.E.C. Rule 15c2-12 except for information which may be omitted pursuant to Rule 15c2-12.

MORGAN KEEGAN

TERMINUS SECURITIES, LLC

This Official Statement is dated October 11, 2011.

\*Throughout this Preliminary Official Statement, the presence of an asterisk indicates that information is preliminary and subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. The 2011A Bonds and the 2011B Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy the 2011A Bonds and the 2011B Bonds nor shall there be any sale of the 2011A Bonds and the 2011B Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any applicable jurisdiction.

2011A BONDS MATURITY SCHEDULE

\$\_\_\_\_\_ SERIAL BONDS

MATURITY (FEB. 1)	AMOUNT	INTEREST RATE	PRICE OR YIELD	MATURITY (FEB. 1)	AMOUNT	INTEREST RATE	PRICE OR YIELD
----------------------	--------	------------------	----------------------	----------------------	--------	------------------	----------------------

(\$\_\_\_\_\_ % TERM BONDS DUE [], 20\_\_ - YIELD \_\_\_\_\_ %)

2011B BONDS MATURITY SCHEDULE

\$\_\_\_\_\_ SERIAL BONDS

MATURITY (FEB. 1)	AMOUNT	INTEREST RATE	PRICE OR YIELD	MATURITY (FEB. 1)	AMOUNT	INTEREST RATE	PRICE OR YIELD
----------------------	--------	------------------	----------------------	----------------------	--------	------------------	----------------------

(\$\_\_\_\_\_ % TERM BONDS DUE [], 20\_\_ - YIELD \_\_\_\_\_ %)

This Official Statement does not constitute an offering of any security other than the original offering of the 2011A Bonds and the 2011B Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2011A Bonds and the 2011B Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Information in this Official Statement has been obtained by the Underwriters from the City and other sources believed to be reliable. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE SYSTEM.

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

Upon execution and delivery, the 2011A Bonds and the 2011B Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this document, or approved the 2011A Bonds and the 2011B Bonds for sale and any representation to the contrary is a criminal offense.

U.S. Bank National Association, as Registrar and Paying Agent, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the 2011A Bonds and the 2011B Bonds, or (iii) the tax-exempt status of the interest on the 2011A Bonds and the 2011B Bonds.

Reference herein to laws, rules, regulations, agreements, reports and other documents, do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made therein. Where full texts have not been included as appendices to the Official Statement, they will be furnished upon request.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget," or other similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO EXPECTATIONS, OR EVENTS, CONDITIONS, OR CIRCUMSTANCES, ON WHICH THE FORWARD-LOOKING STATEMENTS ARE BASED, OCCUR OR FAIL TO OCCUR.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011A BONDS AND THE 2011B BONDS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING MAY BE DISCONTINUED AT ANY TIME.

**CITY OF COLUMBIA, SOUTH CAROLINA**

1737 Main Street  
Columbia, South Carolina 29201  
803-545-3050



**CITY COUNCIL**

Stephen K. Benjamin, Mayor

**COUNCIL MEMBERS**

Sam Davis  
Tameika Isaac Devine  
Dr. Belinda F. Gergel, Mayor Pro Tempore  
Brian DeQuincey Newman  
Leona K. Plough  
Daniel J. Rickenmann

**CITY MANAGER**

Steven A. Gantt

**FINANCE DIRECTOR**

William H. Ellis, CPA

**TREASURER**

Jeffrey M. Palen

**CITY ATTORNEY**

Kenneth E. Gaines, Esquire

**FINANCIAL ADVISOR**

Merchant Capital, L.L.C.  
Columbia, South Carolina

## TABLE OF CONTENTS

[to be completed]

- APPENDIX A - PORTION OF THE  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT OF THE CITY  
FOR FISCAL YEAR ENDED JUNE  
30, 2010
- APPENDIX B - GENERAL INFORMATION  
REGARDING THE CITY OF  
COLUMBIA
- APPENDIX C - SUMMARY OF CERTAIN  
PROVISIONS OF THE  
ORDINANCE
- APPENDIX D - FORMS OF OPINIONS OF CO-  
BOND COUNSEL
- APPENDIX E - FORM OF DISCLOSURE  
DISSEMINATION AGENT  
AGREEMENT

## OFFICIAL STATEMENT

\$100,000,000\*

### CITY OF COLUMBIA, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM REVENUE BONDS SERIES 2011A

\$35,000,000\*

### CITY OF COLUMBIA, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS SERIES 2011B

## INTRODUCTION

This Official Statement of the City of Columbia, South Carolina ("City"), which includes the cover page hereof and the appendices hereto, provides information relating to the City, its \$100,000,000\* Waterworks and Sewer System Revenue Bonds, Series 2011A ("2011A Bonds") and its \$35,000,000\* Waterworks and Sewer System Revenue Refunding Bonds, Series 2011B ("2011B Bonds"). The 2011A Bonds, the 2011B Bonds, the 2010 Bonds, the 2009 Bonds, the 2005 Bonds, the 2001 Bonds, the 1993 Bonds and any Additional Bonds (as such terms are hereinafter defined) are referred to herein as the "Bonds." Included in this Official Statement is a brief description of the 2011A Bonds and the 2011B Bonds and the security therefor, the Waterworks and Sanitary Sewer System of the City ("System"), the City and the surrounding area and the ordinances pursuant to which the 2011A Bonds and the 2011B Bonds are authorized and issued by the City. Also included is certain financial information relating to the System. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. Capitalized terms used herein without specific definition are used as defined in "APPENDIX C – Summary of Certain Provisions of the Ordinance."

### Authorization

The 2011A Bonds and the 2011B Bonds are being issued under the Constitution and laws of the State of South Carolina ("State"), including Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended, General Bond Ordinance No. 93-4, enacted by the City Council, the governing body of the City ("City Council"), on May 21, 1993 ("General Ordinance"), as so amended and supplemented, including as supplemented particularly by the Eighth Supplemental Ordinance No. 2011-[], enacted by the City Council on [], 2011 ("Supplemental Ordinance," and together with the General Ordinance, as so amended and supplemented, "Ordinance").

### Purpose

The 2011A are being issued for the purposes of (i) improving and enlarging the System (*i.e.*, the 2011 Projects (defined herein)); and (ii) paying the costs of issuance of the 2011A. See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE."

The 2011B Bonds are being issued for the purposes of (i) refunding the outstanding \$33,905,000 of the City's \$41,500,000 original principal amount Waterworks and Sanitary Sewer System Refunding Revenue Bonds, Series 2001; and (ii) paying the cost of issuance of the 2011B Bonds. See "SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

## THE 2011A BONDS AND THE 2011B BONDS

### General

The 2011A Bonds and the 2011B Bonds will be dated their date of delivery, will mature on February 1 in the years and in the principal amounts set forth on the inside cover page hereto, and will bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months) set forth on the inside cover page hereto, payable on February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year. The 2011A Bonds and the 2011B Bonds are issuable initially in book-entry-only form in denominations of \$5,000 or any integral multiple thereof. So long as the 2011A Bonds and the 2011B Bonds are in book-entry-only form and are registered in the name

of Cede & Co., as the nominee of The Depository Trust Company, New York, New York, payments on the 2011A Bonds and the 2011B Bonds will be made as set forth under "Book-Entry-Only System" below. Should the 2011A Bonds and the 2011B Bonds no longer be held in book-entry-only form, principal of the 2011A Bonds and the 2011B Bonds, whether upon maturity or redemption, will be payable on the respective maturity dates or redemption dates upon presentation and surrender thereof at the corporate trust office of U.S. Bank National Association, as registrar and paying agent ("Registrar/Paying Agent"), and interest on the 2011A Bonds and the 2011B Bonds will be payable by check or draft of the Registrar/Paying Agent mailed to the person in whose name each 2011A Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such payment. Interest payments to a person who is a holder of \$1,000,000 or more in aggregate principal amount of the 2011A Bonds and the 2011B Bonds not held in book-entry-only form may be made by wire transfer to an account within the continental United States upon timely receipt of a written request of such holder.

The 2011A Bonds and the 2011B Bonds are subject to optional and mandatory redemption prior to their maturity.

**Optional Redemption**

*2011A Bonds*

The 2011A maturing on or after [], 20[], are subject to redemption prior to maturity on or after [], 20[], at the option of the City, as a whole or in part at any time in such order of their maturities as the City shall determine at the redemption price equal to 100% of the principal amount of the 2011A Bonds being redeemed together with accrued interest to the date fixed for redemption.

*2011B Bonds*

The 2011B maturing on or after [], 20[], are subject to redemption prior to maturity on or after [], 20[], at the option of the City, as a whole or in part at any time in such order of their maturities as the City shall determine at the redemption price equal to 100% of the principal amount of the 2011B Bonds being redeemed together with accrued interest to the date fixed for redemption.

**Mandatory Redemption**

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the City may (i) deliver to the Registrar/Paying Agent for cancellation 2011A Bonds and the 2011B Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such 2011A Bonds and the 2011B Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the City and cancelled by the Registrar/Paying Agent and not theretofore applied as a credit against any mandatory redemption obligation. Each 2011A Bond so delivered or previously purchased or redeemed will be credited by the Registrar/Paying Agent, at 100 percent of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in chronological order, and the principal amount of the 2011A Bonds and the 2011B Bonds to be redeemed by operation of the mandatory redemption requirement will be accordingly reduced.

*2011A Bonds*

The 2011A Bonds maturing on [], 20[] ("Term Bonds"), shall be subject to mandatory sinking fund redemption commencing [], 20[], and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount, plus interest accrued to the redemption date, on [], of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

\*

---

\*Final Maturity.

*2011B Bonds*

The 2011B Bonds maturing on [], 20[] (“Term Bonds”), shall be subject to mandatory sinking fund redemption commencing [], 20[], and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount, plus interest accrued to the redemption date, on [], of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

\*

---

\*Final Maturity.

**General Redemption Provisions; Notice**

In the event the 2011A Bonds and the 2011B Bonds or any portion thereof shall be called for redemption, notice of the redemption, describing (among other things) the 2011A Bonds and the 2011B Bonds to be redeemed, specifying the redemption date and the redemption price payable on such redemption, shall be mailed by first-class mail, postage prepaid, to the registered owner thereof as shown on the Books of Registry not less than 30 days and not more than 60 days prior to the redemption date. So long as the 2011A Bonds and the 2011B Bonds are in book-entry-only form and are registered in the name of Cede & Co., as the nominee of DTC (defined herein), notices of redemption with respect to the 2011A Bonds and the 2011B Bonds will be given to Cede & Co., and will be distributed by Cede & Co. as set forth under “Book-Entry-Only System” below.

If the 2011A Bonds and the 2011B Bonds are no longer held in book-entry-only form and less than all of the 2011A Bonds and the 2011B Bonds of any maturity are called for redemption, the 2011A Bonds and the 2011B Bonds of such maturity to be redeemed shall be selected by lot within such maturity.

If a 2011A Bond is subject by its terms to redemption prior to its stated maturity and has been duly called for redemption and notice of the redemption thereof has been duly given as in the Ordinance provided and if moneys for the payment of such 2011A Bond at the then applicable redemption price or together with the then applicable redemption premium, if any, and the interest to accrue to the redemption date on such 2011A Bond are held for the purpose of such payment by the Registrar/Paying Agent, then such 2011A Bond so called for redemption shall, on the redemption date designated in such notice, become due and payable, and interest on the 2011A Bond so called for redemption shall cease to accrue.

**Book-Entry-Only System**

The Depository Trust Company, New York, New York (“DTC”), will initially act as securities depository for the 2011A Bonds and the 2011B Bonds. The 2011A Bonds and the 2011B Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC’s partnership nominee). Upon issuance of the 2011A Bonds and the 2011B Bonds, one fully registered bond will be issued for each maturity of the 2011A Bonds and the 2011B Bonds as set forth on the front cover page hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2011A Bonds and the 2011B Bonds references herein to the holders or registered owners (“Holders”) of the 2011A Bonds and the 2011B Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (hereinafter defined) of the 2011A Bonds and the 2011B Bonds.

The information under this caption concerning DTC and DTC’s book-entry system has been obtained from sources believed to be reliable, but the City does not take any responsibility for the accuracy or completeness thereof.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and

money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtc.org](http://www.dtc.org) and [www.dtc.com](http://www.dtc.com).

Purchases of the 2011A Bonds and the 2011B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011A Bonds and the 2011B Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the DTC Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011A Bonds and the 2011B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2011A Bonds and the 2011B Bonds, except in the event that use of the book-entry system for the 2011A Bonds and the 2011B Bonds is discontinued.

To facilitate subsequent transfers, all 2011A Bonds and the 2011B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other names may be requested by an authorized representative of DTC. The deposit of 2011A Bonds and the 2011B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011A Bonds and the 2011B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011A Bonds and the 2011B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The City and the Registrar/Paying Agent will recognize DTC or its nominee, Cede & Co., as the registered owner of the 2011A Bonds and the 2011B Bonds for all purposes. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2011A Bonds and the 2011B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2010 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2011A Bonds and the 2011B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2011A Bonds and the 2011B Bonds are credited on the record date (identified on a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2011A Bonds and the 2011B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City and the Registrar/Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City and the Registrar/Paying

Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City acting through the Registrar/Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2011A Bonds and the 2011B Bonds at any time by giving reasonable notice to the City or the Registrar/Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2011A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2011A Bond certificates will be printed and delivered to DTC.

**THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT NEITHER THE CITY NOR THE UNDERWRITERS TAKE RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOREGOING INFORMATION WITH DTC OR THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS.**

Each person for whom a Participant acquires an interest in the 2011A Bonds and the 2011B Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments.

So long as Cede & Co. is the registered owner of the 2011A Bonds and the 2011B Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2011A Bonds and the 2011B Bonds (other than under the caption "TAX EXEMPTION AND OTHER TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2011A Bonds and the 2011B Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Registrar/Paying Agent to DTC only.

For every transfer and exchange of 2011A Bonds and the 2011B Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

**NONE OF THE CITY, THE UNDERWRITERS NOR THE REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2011A BONDS AND THE 2011B BONDS UNDER THE ORDINANCES; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2011A BONDS AND THE 2011B BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2011A BONDS AND THE 2011B BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2011A BONDS AND THE 2011B BONDS; OR (VI) ANY OTHER MATTER.**

The Supplemental Ordinance provides that if (a) DTC determines not to continue to act as securities depository for the 2011A Bonds and the 2011B Bonds and gives reasonable notice to the Registrar/Paying Agent or the City or (b) the City has advised DTC of the City's determination that DTC is incapable of discharging its duties, then the City will attempt to retain another qualified securities depository to replace DTC. Upon receipt by the City or the Registrar/Paying Agent of the 2011A Bonds and the 2011B Bonds, together with an assignment duly executed by DTC, the City will execute and deliver to the successor depository, the 2011A Bonds and the 2011B Bonds of the same principal amount, interest rate, and maturity. If the City is unable to retain a qualified successor to DTC, or the City has

determined that it is in its best interest not to continue the book-entry-only system of transfer or that interests of the Beneficial Owners of the 2011A Bonds and the 2011B Bonds might be adversely affected if the book-entry-only system of transfer is continued (the City has undertaken no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the 2011A Bonds and the 2011B Bonds by mailing an appropriate notice to DTC, upon receipt by the City of the 2011A Bonds and the 2011B Bonds together with an assignment duly executed by DTC, the City will execute, authenticate and deliver to the Participants the 2011A Bonds and the 2011B Bonds in fully registered form, in Authorized Denominations; provided, however, that the discontinuation of the book-entry-only system of registration and transfer or the replacement of DTC or any successor depository is subject to the applicable rules of DTC or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

### **Registration, Transfers and Exchanges**

#### *2011A Bonds and the 2011B Bonds Held in Book-Entry-Only Form*

So long as the 2011A Bonds and the 2011B Bonds are in book-entry-only form and are registered in the name of Cede & Co., as the nominee of DTC, the 2011A Bonds and the 2011B Bonds may be registered, transferred and exchanged as set forth under "Book-Entry-Only System" herein.

#### *2011A Bonds and the 2011B Bonds Not Held in Book-Entry-Only Form*

Each 2011A Bond not held in book-entry-only form shall be transferable only upon the books of registry ("Books of Registry") of the City, which shall be kept for such purpose at the corporate trust office of the Registrar/Paying Agent, by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar/Paying Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such 2011A Bond, the Registrar/Paying Agent shall cause to be issued in the name of the transferee a new fully registered 2011A Bond or 2011A Bonds and the 2011B Bonds, of the same aggregate principal amount, interest rate, series and maturity as the surrendered 2011A Bond. Any registered owner requesting a transfer shall pay any tax or other governmental charge required to be paid with respect thereto. Any 2011A Bond surrendered in exchange for a new registered 2011A Bond shall be cancelled by the Registrar/Paying Agent.

The City and the Registrar/Paying Agent may deem and treat the person in whose name any 2011A Bond not held in book-entry-only form shall be registered as the absolute owner of such 2011A Bond for all purposes including the payment of or on account of the principal, premium, if any, or interest thereon and any such payment made to a registered owner shall be effectual to satisfy and discharge the liability upon such 2011A Bond with respect thereto.

In the event any 2011A Bond not held in book-entry-only form becomes mutilated in whole or in part, or is lost, stolen or destroyed, or becomes so defaced as to impair the value thereof to the holder thereof, the City shall execute and the Registrar/Paying Agent shall authenticate and deliver a new 2011A Bond of the same interest rate and denomination and like tenor and effect in exchange or in substitution for such mutilated, lost, stolen or destroyed 2011A Bond; provided that, in the case of any mutilated 2011A Bond, such 2011A Bond shall be surrendered to the Registrar/Paying Agent, and in the case of any lost, stolen or destroyed 2011A Bond there shall be furnished to the City and the Registrar/Paying Agent evidence of such loss, theft or destruction satisfactory to the City and the Registrar/Paying Agent together with such indemnity as they shall require. In the event any such mutilated, lost, stolen or destroyed 2011A Bond shall have matured, instead of issuing a duplicate 2011A Bond, the City may pay the same. The City and the Registrar/Paying Agent may charge the holder or owner of such mutilated, lost, stolen or destroyed 2011A Bond with their reasonable fees and expenses in connection therewith.

## **SECURITY FOR THE 2011A BONDS AND THE 2011B BONDS**

### **Pledged Revenues**

The 2011A Bonds and the 2011B Bonds are payable solely from and are secured equally and ratably with the 1993 Bonds, the 2001 Bonds, the 2005 Bonds, the 2009 Bonds, the 2010 Bonds, and all bonds hereafter issued on a parity therewith (with respect to the pledge of and lien upon the Net Revenues) under the General Ordinance ("Additional Bonds") by a pledge of and lien upon the Net Revenues (defined herein) of the System.

The term "Net Revenues" means the Revenues of the System after deducting Expenses of Operating and

Maintaining the System (defined herein). The term "Revenues" means all fees, tolls, rates, rentals and all other charges to be levied and collected in connection with and all other income and receipts of whatever kind or character derived by the City from the operation of the System or arising from the System, excluding the receipts, income, revenues, fees and other charges derived from the operation of Special Facilities (as defined in Appendix C). The term "Expenses of Operating and Maintaining the System" means the costs and expenses of operating and maintaining the System in good repair and working order including wages, salaries, costs of materials and supplies, costs of routine repairs, renewals, replacements or alterations occurring in the normal course of business, the reasonable fees and charges of any paying agents and registrars of any Bonds issued pursuant to the General Ordinance or any supplemental ordinance, the costs of any audit required by the General Ordinance and the premium for all insurance required with respect to the System. Such term does not include any allowance for depreciation or renewals or replacements of capital assets of the System and amounts deemed to be payments in lieu of taxes or other equity transfers. The term "1993 Bonds," used herein, means the outstanding principal amount of \$8,590,000 of the City's \$74,765,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 1993. The term "2001 Bonds," used herein, means the outstanding principal amount of \$33,905,000 of the City's \$41,500,000 original principal amount Waterworks and Sanitary Sewer System Refunding Revenue Bonds, Series 2001. The term "2005 Bonds," used herein, means the outstanding principal amount of \$60,000,000 of the City's \$60,000,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2005. The term "2009 Bonds" used herein, means the outstanding principal amount of \$81,860,000 of the City's \$81,860,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2009. The term "2010 Bonds" used herein, means the outstanding principal amount of \$105,000,000 of the City's \$105,000,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2010.

#### **Limited Obligations**

THE 2011A BONDS AND THE 2011B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATION. THE 2011A BONDS AND THE 2011B BONDS SHALL NOT CONSTITUTE A DEBT OF THE CITY, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE CITY OR ON ANY INCOME, RECEIPTS OR REVENUES THEREOF, OTHER THAN THE NET REVENUES OF THE SYSTEM PLEDGED THERETO. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE 2011A BONDS AND THE 2011B BONDS OR THE INTEREST THEREON AGAINST THE GENERAL FUND OF THE CITY AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED TO BE PLEDGED THERETO. THE FULL FAITH, CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2011A BONDS AND THE 2011B BONDS.

#### **Rate Covenant**

The City has covenanted in the General Ordinance to operate the System in an efficient and economical manner and establish, levy, maintain, revise and collect such fees, rates and other charges for the use of the services and facilities furnished by the System as may be necessary or proper, which fees, rates and other charges, together with other Revenues and other available moneys, will at all times be sufficient after making due and reasonable allowance for contingencies and for a margin of error in estimates, to provide in each July 1 through June 30 fiscal year of the City, an amount equal to:

- (a) 100 percent of the amounts required to pay Expenses of Operating and Maintaining the System for the then current fiscal year;
- (b) 110 percent of the amounts required to be deposited into each Debt Service Fund (as herein defined) for the Bonds for the then current fiscal year;
- (c) 100 percent of the amounts required to be deposited to each Debt Service Reserve Fund (as herein defined) for the Bonds for the then current fiscal year;
- (d) 100 percent of the amounts required to provide for payment of any Junior Bonds (as herein defined) in the then current fiscal year; and

- (e) any amounts necessary to comply in all respects with the terms of the General Ordinance.

#### **Disposition of Revenues and Funds Established by the General Ordinance**

The following are the additional funds and accounts created and established by the General Ordinance:

- (a) Debt Service Fund to be held by the City, including an Interest Account and Principal Account; and
- (b) Debt Service Reserve Fund to be held by the City.

The Revenues of the System shall be applied at the times, in the amounts and for the purposes as provided or permitted by the General Ordinance, and in the following order of priority:

First, for the payment of Expenses of Operating and Maintaining the System;

Second, into the respective Debt Service Funds, the amounts required by the General Ordinance or any supplemental ordinance; and

Third, into the respective Debt Service Reserve Funds, the amounts required by the General Ordinance or any supplemental ordinance.

If, after applying Revenues of the System as set forth above, there are Revenues remaining, such Revenues shall then be used, first, for the payment of Junior Bonds or to meet any other obligations of the City which are or which shall become charges, liens or encumbrances upon the Revenues of the System; second, to provide adequate funds for improvements to the System and to build up proper reserves for depreciation and against contingencies; and third, as the City Council shall from time to time determine to be in the best interest of the City.

#### **Debt Service Reserve Fund**

The General Ordinance provides that the City, pursuant to an ordinance authorizing the issuance of a series of Bonds, may provide for the establishment of a debt service reserve fund (each, a "Debt Service Reserve Fund") to be used solely for the purpose of preventing a default in the payment of principal of or interest or premium, if any, on the Bonds of such series.

Whenever the aggregate value of cash and securities in a Debt Service Reserve Fund shall be less than the reserve fund requirement, if any, established with respect to such fund pursuant to a supplemental ordinance authorizing a series of Bonds ("Reserve Fund Requirement"), there shall be deposited in such Debt Service Reserve Fund that amount which, together with equal, successive, monthly deposits in the same amount, will restore the value of the cash and securities in such Debt Service Reserve Fund to the applicable Reserve Fund Requirement during the succeeding 12 months. "SUMMARY OF ORDINANCE – Funds Created Under General Bond Ordinance – *Debt Service Reserve Fund.*"

#### **Additional and Refunding Bonds**

The City may issue Additional Bonds on a parity (with respect to the pledge of and lien on Net Revenues) with the 2011A Bonds and the 2011B Bonds subject to certain conditions set forth in the General Ordinance, including, in the case of Additional Bonds issued other than for the purpose of refunding Bonds, the requirement that there shall be delivered a report, which report is not required to be based upon the latest audit of the City, from a firm of independent certified public accountants selected by the City (an "Accountant"), stating that the amount of the Net Revenues of the System for any consecutive 12-month period out of the last 24-month period ("Test Period") is not less than 130 percent of the sum of the highest combined interest and principal requirements in any fiscal year ("Maximum Debt Service") on the Bonds to be outstanding after the issuance of such Additional Bonds for any succeeding fiscal year, provided the amount of Net Revenues for such 12-month period may be adjusted by adding the following:

- (a) in case the rates and charges for the services furnished by the System shall have been revised and such revised rates and charges shall have gone into effect prior to the delivery of the Additional Bonds proposed to be issued, the additional amount of Net Revenues which would have been realized during the Test Period if such rates and charges had been in effect during such Test Period as determined by a Consulting Engineer (as defined in Appendix C) or an Accountant; and

- (b) in case an existing sewer system, existing water system or any other public utility system is to be acquired and combined or made a part of the System from the proceeds of the Additional Bonds proposed to be issued, the additional amount of Net Revenues which would have been realized during the Test Period if such existing system or systems to be acquired had been a part of the System during such Test Period (which computation of the additional amount of Net Revenues shall be based upon the method of computing Net Revenues under the General Ordinance and approved by a Consulting Engineer or an Accountant).

Without complying with the foregoing debt service coverage provisions, Additional Bonds may be issued for the purpose of refunding (including by purchase) bonds provided that the Debt Service on all Bonds to be outstanding after the issuance of the proposed series of refunding bonds shall not be greater than would have been the Debt Service on all Bonds not then refunded and the Bonds to be refunded. See "APPENDIX C – Summary of Certain Provisions of the Ordinance" under the heading "SUMMARY OF ORDINANCE – Additional Bonds –*Parity Obligations.*" The term "Debt Service" means, with respect to each series of Bonds and any particular fiscal year, the aggregate of the amounts to be paid or set aside (or estimated to be required to be paid or set aside) in the applicable Debt Service Fund in such fiscal year for the payment of the principal of, redemption premium, if any, and interest (to the extent not capitalized) on such series of Bonds.

### **Junior Bonds and Special Facilities Bonds**

The City may issue bonds secured by a pledge of Net Revenues junior and subordinate in all respects to the pledge securing the 2011A Bonds and the 2011B Bonds or any other obligation or form of indebtedness, including lease purchase obligations secured by a pledge of Net Revenues, after provision has been made for all payments required to be made with respect to the 2011A Bonds and the 2011B Bonds ("Junior Bonds"), in such amount as it may from time to time determine. The pledge of Net Revenues shall at all times be and remain subordinate and inferior in all respects to the pledge of Net Revenues securing the 2011A Bonds and the 2011B Bonds. Junior Bonds may be issued to secure funds to defray the cost of improving, extending, enlarging or repairing the System, including the acquisition of a system to be combined into the System, or to refund 2011A Bonds and the 2011B Bonds, Junior Bonds, or any notes, bonds, or other obligations issued to finance or to aid in financing the acquisition, construction or improvement of the System. See "APPENDIX C – Summary of Certain Provisions of the Ordinance" under the heading "SUMMARY OF ORDINANCE – Additional Bonds – *Junior Bonds.*"

The City may also enter contracts, leases or other agreements pursuant to which it will agree to construct, operate and pay the costs of Special Facilities which may or may not be discrete and separate units of the System. These Special Facilities may be financed through the issuance of Special Facilities Bonds, subject to certain conditions with respect to the ability of the Special Facilities to generate sufficient revenues to pay for such Special Facilities Bonds. See "APPENDIX C – Summary of Certain Provisions of the Ordinance" under the heading "SUMMARY OF ORDINANCE – Additional Bonds – *Special Facilities Bonds.*"

[REMAINDER OF PAGE INTENTIONALLY BLANK]

## SOURCES AND USES OF FUNDS

### 2011A Bonds

The proceeds of the sale of the 2011A Bonds are expected to be used substantially as follows:

<i>Estimated Sources of Funds</i>	
Principal Amount of 2011A Bonds and the 2011B Bonds	\$
[Plus][Less]: [Net] Original Issue [Premium][Discount]	
TOTAL SOURCES OF FUNDS	\$
 <i>Estimated Uses of Funds</i>	
Deposit to Construction Fund of 2011	\$
Costs of Issuance <sup>(1)</sup>	
TOTAL USES OF FUNDS	\$

<sup>(1)</sup>Includes Underwriters' Discount and certain legal, accounting and other financing expenses incurred by the City.

### 2011B Bonds

The proceeds of the sale of the 2011B Bonds are expected to be used substantially as follows:

<i>Estimated Sources of Funds</i>	
Principal Amount of 2011B Bonds	\$
TOTAL SOURCES OF FUNDS	\$
 <i>Estimated Uses of Funds</i>	
Deposit to Refunding Escrow	\$
Costs of Issuance <sup>(1)</sup>	
TOTAL USES OF FUNDS	\$

<sup>(1)</sup>Includes Underwriters' Discount and certain legal, accounting and other financing expenses incurred by the City.

## PLAN OF FINANCE: 2011A BONDS

An aggregate of \$[] of the proceeds of the 2011A Bonds will be deposited with Registrar/Paying Agent designated by the City into the Construction Fund of 2011 established pursuant to the Supplemental Ordinance. Moneys on deposit in the Construction Fund of 2011 will be used, as needed, to finance the costs of the 2011 Projects, including without limitation payment of engineering, legal and all other expenses incidental to the 2011 Projects. Prior to their use, all moneys in the Construction Fund of 2011 shall be invested and reinvested in authorized investments as provided in the Ordinance. All earnings therefrom shall be added to and become a part of the Construction Fund of 2011. Withdrawals from the Construction Fund of 2011 shall be made in the manner prescribed by the City.

The 2011 Projects involve ongoing capital improvements to the System. These capital improvements include improvements, extensions and enlargements to the System, including any one or more of the following: (a) Waterworks System (defined herein) rehabilitation and fire protection, (b) System expansions, (c) new water storage facilities, (d) water treatment plant upgrades, (e) sewer rehabilitation, (f) upgrades to the Metropolitan Plant (defined herein), and (g) any other matters with respect to the above improvements and such other improvements as the City may deem necessary or incidental to the System. Construction is expected to begin in 2011, and scheduled to be completed by or before 201[].

### Water Construction-In-Progress [to be updated]

Rehabilitation of Water Lines and Fire Protection Upgrades

System Wide Expansion

Installation of New Water Storage Facilities

Columbia Canal Water Treatment Plant Upgrades

**Sewer Construction-In-Progress [to be updated]**

Rehabilitation of Sewer Lines

System Wide Expansion

Metro Wastewater Treatment Plant Upgrades

**PLAN OF REFUNDING: 2011B BONDS**

To accomplish the refunding of the 2001 Bonds, a portion of the proceeds from the sale of the 2011B Bonds, together with other available amounts (collectively, "Escrow Funds"), will be deposited with [], as escrow agent ("Escrow Agent"), in trust pursuant to the terms and conditions of a Refunding Trust Agreement ("Escrow Agreement") between the City and the Escrow Agent. The Escrow Funds will be invested in U.S. government obligations in order to produce amounts sufficient to pay the scheduled principal and interest on the 2001 Bonds up to and including the redemption date thereof ( []). On depositing the Escrow Funds with the Escrow Agent pursuant to the Escrow Agreement, the 2001 Bonds will no longer be outstanding and will no longer be entitled to any lien, benefit or security (other than the Escrow Funds). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

**FINANCIAL FACTORS**

**Financial Statements**

The following table sets forth a summary of the revenues, expenses and change in fund balance for the City for the fiscal years ended June 30, 2006, through June 30, 2010, and unaudited figures for the fiscal year ended June 30, 2011. Except for the financial information presented for fiscal year 2011, this summary should be read in conjunction with the audited financial statements of the City for the applicable fiscal years, copies of which are available for inspection at the City. Included as Appendix A to this Official Statement is a portion of the Comprehensive Annual Financial Report of the City for Fiscal Year ended June 30, 2010. Copies of the City's entire Comprehensive Annual Financial Report for the same period and for prior fiscal years are available on the City's website at <http://www.columbiasc.net/Finance>, which is not intended to be an active hyperlink and is not incorporated by reference herein. The City's independent public accountant did not review this Private Placement Memorandum, nor did they perform any procedures related to any of the information contained in this Private Placement Memorandum.

**Statement of Revenues, Expenditures and Changes in Fund Balance  
For Fiscal Years Ended June 30, 2006-2010**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011†</u>
<b>Revenues</b>						
General property taxes	\$36,818,652	\$41,223,855	\$45,427,060	\$48,292,387	\$49,093,124	
License and permits	27,911,017	31,162,106	29,961,967	29,591,085	27,418,693	
Intergovernmental revenue	8,884,739	9,879,961	11,401,560	11,689,903	11,961,867	
Charges for services	6,612,746	6,859,711	7,200,753	7,166,064	9,286,402	
Fines and forfeitures	788,374	786,187	910,061	922,675	863,871	
Interest	128,819	833,745	801,145	228,742	189,166	
Other revenues	832,366	557,992	1,001,252	118,483	216,803	
Cost recovery fees	<u>3,200,000</u>	<u>3,200,000</u>	<u>2,735,000</u>	<u>2,270,000</u>	<u>0</u>	
<b>Total Revenues</b>	<b><u>\$85,176,713</u></b>	<b><u>\$94,503,557</u></b>	<b><u>\$99,438,798</u></b>	<b><u>\$100,279,339</u></b>	<b><u>\$99,029,926</u></b>	
<b>Expenditures</b>						
<b>Current</b>						
General Government	\$7,613,739	\$4,857,162	\$6,819,992	\$7,320,764	\$6,969,576	
Judicial	1,833,635	1,874,399	2,276,204	2,279,449	2,838,379	
Finance department	1,252,432	1,747,050	2,583,820	2,601,962	1,953,991	
Planning & development	3,093,611	3,249,126	4,311,401	4,027,245	3,898,246	
Public safety	37,555,878	42,204,031	56,266,643	54,072,869	48,395,803	
Parks and recreation	6,855,324	8,943,182	11,172,199	9,889,048	9,133,653	
Public services	16,387,591	17,068,283	21,299,917	19,489,714	17,039,160	
General services	5,181,242	3,221,626	3,873,214	3,847,700	3,537,722	
Community promotion	497,169	542,106	829,290	865,210	643,200	

Intergovernmental			6,462,450		
Nondepartmental	861,172	1,994,232	5,348,207	1,395,676	550,000
Principal payment on bonds		75,000			
<b>Total expenditures</b>	<b><u>\$81,131,793</u></b>	<b><u>\$85,776,197</u></b>	<b><u>\$121,243,337</u></b>	<b><u>\$105,789,637</u></b>	<b><u>\$94,959,730</u></b>
Excess (deficiency) of revenues over (under) expenditures	<b><u>\$ 4,044,920</u></b>	<b><u>\$8,727,360</u></b>	<b><u>\$(21,804,539)</u></b>	<b><u>\$(5,510,298)</u></b>	<b><u>\$ 4,070,196</u></b>
Other financing sources (uses):					
Operating transfers in	6,546,465	6,744,189	13,983,143	8,963,185	9,028,882
Operating transfers (out)	(3,914,433)	(14,942,142)	(11,895,783)	(11,707,683)	(6,223,077)
Sale of capital assets	<u>0</u>	<u>0</u>	<u>7,623,127</u>	<u>2,531,802</u>	<u>40,951</u>
Total other financing sources (uses):	<b><u>2,632,032</u></b>	<b><u>(8,197,953)</u></b>	<b><u>9,710,487</u></b>	<b><u>(212,696)</u></b>	<b><u>2,846,756</u></b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	<b><u>\$ 6,676,952</u></b>	<b><u>\$ 529,407</u></b>	<b><u>\$(12,094,052)</u></b>	<b><u>\$(5,722,994)</u></b>	<b><u>\$ 6,916,952</u></b>
Beginning fund balance	\$16,843,510	\$23,520,462	\$ 23,725,099	\$ 12,546,889	\$ 6,823,895
Prior period adjustment	<u>0</u>	<u>(324,770)</u>	<u>915,842</u>	<u>0</u>	<u>0</u>
Fund balance, end of year	<b><u>\$23,520,462</u></b>	<b><u>\$23,725,099</u></b>	<b><u>\$ 23,546,889</u></b>	<b><u>\$ 12,546,889</u></b>	<b><u>\$13,740,847</u></b>

†Not yet available.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

## Unaudited Results of Operation

The following table sets forth comparative summaries of revenues and expenses for the twelve-month period ended June 30, 2010, and 2011. These summaries have been compiled by the City from the unaudited results of operations and do not reflect end of year audit adjustments for accruals and reversals.

	<u>Twelve-Months Ended</u>		<u>Variance</u>
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	
<b>Operating Revenues</b>			
Charge for Services	\$ 71,927,999	\$ 72,928,745	\$ 1,000,746
Other Operating Revenue	181,434	191,926	10,492
<b>Total Operating Revenue</b>	<u>72,109,433</u>	<u>73,120,671</u>	<u>1,011,238</u>
<b>Operating Expenses</b>			
Personal Services	19,091,058	18,029,443	1,061,615
Materials and Supplies	4,988,586	4,390,792	597,794
Other Services and Charges	5,190,246	6,324,080	(1,133,834)
Heat, Light and Power	<u>3,926,857</u>	<u>3,719,942</u>	<u>206,915</u>
<b>Total Operating Expenses</b>	<u>33,196,747</u>	<u>32,464,257</u>	<u>732,490</u>
<b>Operating Income</b>	<u>38,912,686</u>	<u>40,656,414</u>	<u>1,743,728</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest Income	2,067,172	2,283,945	216,773
Other Non-operating Revenue	57,108	95,233	38,125
Gain (Loss) from Sale of Assets	0	0	0
Interest Expense	(4,541,032)	(4,166,555)	374,477
Community Promotions	(702,348)	(702,348)	0
Amortization of Bond Costs	<u>(103,934)</u>	<u>(145,685)</u>	<u>(41,751)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(3,223,034)</u>	<u>(2,635,410)</u>	<u>587,624</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>35,689,652</u>	<u>38,021,004</u>	<u>2,331,352</u>
<b>Operating Transfers</b>			
Operating Transfers (out)	(4,406,472)	(4,694,563)	288,091
<b>Total Operating Transfers In (out)</b>	(4,406,472)	(4,694,563)	288,091
<b>Capital Contributions</b>	\$ -	\$ -	\$ -
<b>Change in Net Assets</b>	31,283,180	33,326,441	n/a†
<b>Beginning Net Assets</b>	<u>472,135,333</u>	<u>498,073,807</u>	<u>n/a†</u>
<b>Ending Net Assets</b>	<u>\$503,418,513</u>	<u>\$531,400,248</u>	<u>n/a†</u>

Note: Totals may not sum due to rounding.

## Management's Discussion and Analysis

[To be provided]

## Historical Debt Service Coverage of the System

The following table sets forth the Revenues, Expenses of Operating and Maintaining the System, Net Revenues (as such terms are defined in the Ordinance), debt service requirements and debt service coverage of the System for the Fiscal Years ended June 30, 2002, through 2011.

Fiscal Year	Revenues	Expenses of Operating and Maintaining the System	Net Revenues	Debt Service Requirements	Debt Service Coverage
----------------	----------	--	--------------	------------------------------	--------------------------

2002	\$ 77,671,344	\$ 30,065,653	\$ 47,605,690	\$ 20,405,440	2.33
2003	78,738,660	34,344,036	44,394,624	20,095,478	2.21
2004	77,856,380	41,522,519	36,333,861	20,093,839	1.81
2005	78,864,065	44,812,297	34,051,768	20,087,283	1.70
2006	92,726,369	53,347,947	39,378,422	21,967,737	1.79
2007	101,657,410	53,436,775	48,220,635	17,164,584	2.81
2008	118,014,221	61,347,968	56,666,253	17,284,000	3.28
2009	110,181,495	57,712,813	52,468,682	17,290,983	3.03
2010					
2011†					

†Amounts are based on unaudited financial information.

### Projected Debt Service Requirements of the System

The following table sets forth the debt service requirements, beginning with Fiscal Year 2012, for the outstanding principal amount of the 1993 Bonds, the 2001 Bonds, the 2005 Bonds, the 2009 Bonds, the 2010 Bonds, the 2011A Bonds, and the 2011B Bonds.

Fiscal Year	2001 <sup>1</sup> Bonds	2005 Bonds	2009 Bonds <sup>‡</sup>	2010 Bonds <sup>‡</sup>	2011A Bonds and the 2011B Bonds			Total Debt Service
					Principal \$	Interest \$	Total \$	
2012	\$5,234,625	\$3,000,000	\$4,361,495	\$4,361,495				\$26,715,082
2013	5,231,625	3,000,000	4,359,626	4,359,626				18,748,501
2014	5,234,875	3,000,000	4,360,575	4,360,575				18,745,000
2015	5,238,625	3,000,000	4,360,575	4,360,575				18,745,300
2016	5,233,000	3,000,000	4,361,495	4,361,495				18,746,245
2017	5,232,750	3,000,000	4,359,626	4,359,626				18,749,876
2018	5,236,750	3,000,000	4,360,575	4,360,575				18,747,325
2019	5,234,250	3,000,000	4,360,575	4,360,575				18,747,775
2020		8,000,000	4,361,495	4,361,495				18,745,045
2021		7,750,000	4,359,626	4,359,626				18,745,926
2022		7,155,000	4,883,914	4,883,914				18,746,214
2023		7,157,250	4,880,945	4,880,945				18,747,995
2024		7,157,750	4,872,564	4,872,564				18,747,114
2025		7,156,000	4,870,360	4,870,360				18,749,160
2026		7,156,500	4,864,338	4,864,338				18,748,663
2027		7,213,500	4,801,232	4,801,232				18,749,432
2028		6,713,500	5,298,810	5,298,810				18,749,510
2029		6,708,500	5,287,130	5,287,130				18,748,230
2030		6,704,250	5,285,418	5,285,418				18,746,268
2031			11,963,405	11,963,405				18,746,505
2032			11,892,925	11,892,925				18,748,275
2033			11,816,620	11,816,620				18,747,220
2034			11,737,590	11,737,590				18,745,690
2035			11,657,366	11,657,366				18,745,366
2036			11,570,775	11,570,775				18,745,025
2037			11,486,158	11,486,158				18,746,408
2038			11,393,541	11,393,541				18,748,791
2039								18,748,000
2040								18,747,750
<b>Total</b>	<b>\$49,152,900</b>	<b>\$108,872,250</b>	<b>\$188,589,241</b>	<b>\$188,589,241</b>	<b>\$0*</b>	<b>\$</b>	<b>\$</b>	<b>\$596,095,164</b>

<sup>1</sup>The City expects to issue System revenue bonds during 2011 completely to refund the outstanding 2001 Bonds.

<sup>2</sup>Includes the final debt service payment of \$9,051,713 for the 1993 Bonds.

<sup>3</sup>Totals may not sum due to rounding.

<sup>4</sup>Debt Service for the 2009 Bonds has been calculated assuming a fixed interest rate of 4.354% per annum, which is the rate payable by the City under the Series 2009 Swap, plus annual costs associated with the initial credit facility and other ongoing fees.

## Projected Debt Service Coverage of the System

Debt service coverage as projected and prepared by the City for the Fiscal Years 2012 through 2016, is as set forth below. For purposes of this table, Net Revenues Available for Debt Service for each of such Fiscal Year is assumed to be equal to Net Revenues (unaudited) for the year ended June 30, 2011.

Fiscal Year	Net Revenues Available for Debt Service <sup>1</sup>	Existing Debt Service Requirements <sup>2</sup>	Projected 2011A Bonds and the 2011B Bonds Debt Service	Total Projected Debt Service Requirements	Coverage
2012					
2013					
2014					
2015					
2016					

<sup>1</sup>Net Revenues have been calculated consistent with the Ordinance utilizing unaudited financial information for the System for the Fiscal Year ended June 30, 2011. No growth assumed.

<sup>2</sup>Debt Service for the 2009 Bonds has been calculated assuming a fixed interest rate of 4.354% per annum, which is the rate payable by the City under the Series 2009 Swap, plus annual costs associated with the initial credit facility and other ongoing fees.

The figures set forth in the table above are estimates. The actual results of operations of the System will be dependent upon the amounts by which revenues and expenses increase or decrease. Revenues will be dependent upon the actual number of System customers, levels of customer usage, the rates charged by the City and other factors. Expenses will be dependent upon the actual levels of customer usage, the number of customers, rates, the cost of treating water and wastewater, future maintenance requirements, financing needs and other factors. Further, estimates of debt service take into account solely the 2011A Bonds, the 2011B Bonds, the 2010 Bonds, the 2009 Bonds, the 2005 Bonds, the 2001 Bonds, and the 1993 Bonds, and do not take into account future indebtedness. No assurance can be given that the estimates set forth above will be realized.

### Debt Structure

#### *1993 Bonds*

Pursuant to the General Ordinance and the First Supplemental Ordinance enacted by the City Council on May 21, 1993, the City issued the 1993 Bonds in the original principal amount of \$74,765,000 to advance refund prior bond issues. The 1993 Bonds are presently outstanding in the principal amount of \$8,590,000 and are scheduled to mature on February 1, 2012.

#### *2001 Bonds*

Pursuant to the General Ordinance and the Third Supplemental Ordinance enacted by the City Council on October 24, 2001, the City issued the 2001 Bonds in the original principal amount of \$41,500,000 to advance refund prior bond issues. The 2001 Bonds are presently outstanding in the principal amount of \$33,905,000. The City's anticipated refunding the 2001 Bonds during calendar year 2011.

#### *2005 Bonds*

Pursuant to the General Ordinance and the Fourth Supplemental Ordinance enacted by the City Council on May 18, 2005, the City issued the 2005 Bonds in the original principal amount of \$60,000,000 to defray the costs of improvements to the System. The 2005 Bonds are presently outstanding in the principal amount of \$60,000,000.

#### *2009 Bonds*

Pursuant to the General Ordinance, the Fifth Supplemental Ordinance, enacted by the City Council on September 19, 2007, and the Seventh Supplemental Ordinance, enacted by the City Council on August 19, 2009, the City issued the 2009 Bonds in the original principal amount of \$81,860,000 to defray the costs of improvements to the System. The 2009 Bonds are presently outstanding in the principal amount of \$81,860,000.

## 2010 Bonds

Pursuant to the General Ordinance, the Fifth Supplemental Ordinance, enacted by the City Council on September 19, 2007, and the Sixth Supplemental Ordinance, enacted by the City Council on August 19, 2009, the City issued the 2010 Bonds in the original principal amount of \$105,000,000 to defray the costs of improvements to the System. The 2010 Bonds are presently outstanding in the principal amount of \$105,000,000.

### *Junior Lien Pledge*

The City's payment obligations under the Series 2009 Swap (defined herein), including any termination payment, if any, are secured by a pledge of Net Revenues junior and subordinate in all respects to the pledge hereof securing the Bonds. The Series 2009 Swap is secured by a pledge of Net Revenues of the System junior and subordinate in all respects to the pledge thereof securing the 2011A Bonds and the 2011B Bonds.

## THE CITY AND THE SYSTEM

### General Description

The System provides water treatment and distribution services through its waterworks system ("Waterworks System") to approximately 136,134 billed water accounts in the Columbia Metropolitan Statistical Area ("Columbia MSA"), including approximately 40,226 in-City customers and 95,908 out-of-City customers. The System provides sewer treatment and collection services through its sanitary sewer system ("Sanitary Sewer System") to approximately 69,559 billed sewer customers in the Columbia MSA, including approximately 32,585 in-City customers and 36,974 out-of-City customers. See "-Service Area" herein for further information on the territory served by the System.

### Administration of the City

The City is governed by a council-manager form of government. The Mayor and City Council, who are elected for four-year staggered terms, are vested with the legislative and policy-making powers of the City. Day-to-day activities are administered by a council-appointed City Manager who serves as the chief executive officer of the City and is responsible to the City Council for proper administration of all affairs of the City.

The present members of the City Council, their occupations and the dates on which they became members of the City Council are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Tenure Began</u>
Stephen K. Benjamin, Mayor	Attorney	July 1, 2010
Dr. Belinda F. Gergel, Mayor Pro-Tempore	Retired Educator	July 1, 2008
Sam Davis	S.C. Department of Disabilities and Special Needs	July 1, 1998
Tameika Isaac Devine	Attorney	July 1, 2002
Brian DeQuincey Newman	Attorney	July 29, 2010
Leona K. Plough	Self Employed	July 1, 2010
Daniel J. Rickenmann	Business Owner	July 1, 2004

Steven A. Gantt was appointed as City Manager in January 2010, having served as the Interim City Manager since March 2009. Mr. Gantt's employment contract with the City expires on June 30, 2012. Prior to his current position, he served as the Senior Assistant City Manager for Operations beginning in July 2002. Mr. Gantt graduated from Clemson University and later earned a Master's Degree in Public Administration from the University of South Carolina. Over the last 30 years, Mr. Gantt has held various managerial positions in both the private and public sectors including serving as the Executive Director of the Immo-Chapin Recreation Commission and the Special Projects Administrator of the City.

William H. Ellis, CPA was hired as the Deputy Finance Director – Controller in August 2008 and was named Finance Director in April 2010. Prior to his current position, he served as the Accounting Manager for South Carolina State University from August 2004 to August 2008. Mr. Ellis graduated from the University of South Carolina. Mr. Ellis has held various accounting positions in both the private and public sectors including serving as the Finance Director for Fairfield County School District and as Controller of Coker College.

Jeffery M. Palen was hired as the Treasurer in November 2008. Prior to his current position, he served as a hospital chief financial officer and as Controller with Health Management Associates dating back to December 2005. Mr. Palen graduated with a Master's Degree in Business Administration and Bachelor of Science in Business from the University of South Carolina. Mr. Palen has held various positions in both the private and public sectors, including serving as the Deputy Treasurer and the Deputy Auditor for Lexington County, South Carolina ("Lexington County").

For further information regarding the City and the Columbia MSA, see Appendix B attached hereto.

### **Administration of the System**

The System is administered by the City through the City Manager. Under the City Manager's direction, the financial operations of the System are administered by the Finance Director of the City. The Utilities Department operates the System's two water treatment plants, water storage and pumping stations, and the wastewater plant and sewer lift stations, and maintains all water distribution and treatment sewer collection mains. A total of approximately 500 persons are employed in managerial, clerical, maintenance and other capacities relating to the System.

The Director of Utilities and Engineering is Joseph D. Jaco, a registered professional engineer with over 19 years experience. Mr. Jaco was in private practice as an engineer prior to employment with the City in 2006. He first served as City Engineer from 2006 to 2010 and then as Director from 2010 to present.

Initial recommendations for expansion or renovation of the System are made by the Director of Utilities and Engineering. The recommendations are then reviewed by the City Manager and submitted to the City Council for review and approval as part of the budget process. Increases in rates for the System are always reviewed and adopted by the City Council prior to going into effect.

### **Service Area**

The service area of the Waterworks System includes all of the City of Columbia and portions of Richland County and Lexington County, and also includes the Towns of Forest Acres, Arcadia Lakes, Irmo, Chapin and the Fort Jackson Military Reservation ("Fort Jackson"). The service area of the Sanitary Sewer System includes all of the City of Columbia and portions of Richland County, including Fort Jackson, and portions of Lexington County and the City of West Columbia. The entire System covers approximately 848 square miles with a population of approximately 375,000 persons living within that area. The population in the overall service area of the System has generally been increasing since the 1950s due in large measure to the growth of the service area of the System outside of the City.

The City has exclusive rights to provide water and sewer services within the City limits and non-exclusive rights outside of the City limits. Both Richland County and Lexington County have the legal authority to provide water and sewer service within the unincorporated areas of those counties not presently served by municipalities or special purpose districts, but each has only provided services on a limited basis. Richland County currently provides water or sewer services only in small, isolated areas. Lexington County and several municipalities in Lexington County have formed a joint municipal water and sewer commission ("Commission") for the purpose of providing water and sewer services on an integrated, county-wide basis, but it is the City's understanding that neither the Commission nor Lexington County intends to provide water or sewer services in unincorporated areas of that county already being served by the City. Several municipalities in Richland and Lexington Counties currently provide water or sewer services to residents within those municipalities. One large special purpose district, East Richland County Public Service District, provides sewer services to a portion of Richland County (including certain of the incorporated municipalities therein, *e.g.*, Forest Acres and Arcadia Lakes).

Service to areas outside of the City limits currently accounts for approximately 73% of the revenues of the Waterworks System and 58% of the revenues of the Sanitary Sewer System of the City. The water rates outside the City are 1.5 times as inside the City rates and the sewer rates outside the City are 1.8 times as inside the City rates. Because the City already has an extensive water and sewer system in place in large areas of both Richland and Lexington Counties, and because it can offer services to prospective new customers at competitive rates, the City believes that it can continue enlarging the size of its service area in the unincorporated areas of Richland and Lexington Counties.

### *Ten Largest Customers*

The following table sets forth the ten largest water and sewer customers, by total revenue, for Fiscal Year ended

June 30, 2011.

Customer	Meters	Consumption (ft <sup>3</sup> )	Revenue		Total
			Water	Sewer	
State of South Carolina	460	873,892	\$1,750,452	\$2,211,738	\$3,962,191
IBP Columbia Cooked Meats	3	159,395	87,286	744,714	832,000
Fort Jackson	9	950,078	757,710	419	758,129
Palmetto Baptist Medical Center	13	119,489	195,297	291,170	486,467
Pepsi Bottling Group Inc. US Site	2	177,955	270,242	178,070	448,312
Shaw Industries Group Inc.	3	182,029	444,238	0	444,238
Palmetto Health Richland	34	89,903	143,457	247,787	391,245
WJBD Veterans Hospital	3	81,339	129,402	198,699	328,101
Town of Chapin Utilities Department	7	119,999	289,596	0	289,596
REA Contracting LLC	3	99,000	150,021	0	150,021

## Waterworks System

### General

The sources of raw water for the Waterworks System are the Broad River, via the Columbia Canal (which has an average flow of 3,000 cfs (cubic feet per second)) and Lake Murray. The City has purchased rights to raw water under contracts with South Carolina Electric & Gas Company ("SCE&G"), which owns these water rights. The contract, with respect to water from Lake Murray, is for a term that is coterminous with SCE&G's license to operate its Saluda Hydro Station and provides for up to 75 million gallons per day ("MGD"). In 2002, the City acquired the Columbia Hydro Station and the Columbia Canal.

The water treatment plant located on the Columbia Canal ("Columbia Plant") will have a total raw water pumping capacity of 125 MGD in 2012 with a reliable capacity of 85 MGD. The Columbia Plant was originally constructed in 1906 and expanded in 1916, 1942, 1954, 1958, 1968 and 2006. The Columbia Plant has a rated capacity for treatment of raw water of 84 MGD. The Columbia Plant is currently producing an average flow of approximately 34 MGD with a maximum demand of 60 MGD. The total finished water pumping capacity will be 121 MGD in 2012. The Columbia Plant generally serves the area south of Interstate 20 and east of the Broad River. A major building renovation and filter upgrade was completed in 1998. Raw water and high service pumping improvements will be completed in 2012.

The water treatment plant on Lake Murray ("Lake Murray Plant") has a raw water pumping capacity of 105 MGD. The Lake Murray Plant, which was completed in 1983, has been expanded to increase high service (finished water) pumping capacity from 40 MGD to 105 MGD and water treatment capacity from 30 MGD to 75 MGD. The Lake Murray Plant generally serves the area north of Interstate 20 and west of the Broad River. The average treatment and pumping rate at the Lake Murray Plant is 31 MGD. An expansion was completed in 2006 to increase its capacity to 75 MGD.

The City believes that the water sources provided by the Broad River and Lake Murray are adequate to provide ample water to meet the current and foreseeable needs of the System, and that the Columbia Plant and the Lake Murray Plant will be adequate to continue to meet water treatment needs of the System for at least the next 15 years.

Approximately 2,400 miles of predominantly ductile and plastic pipelines, ranging in size from 4-inch to 54-inch diameters, comprise the Waterworks System's distribution network. Approximately 55% of the pipelines have been installed within the last 20 years through both expansion and upgrade of the System. The City places considerable emphasis on replacing smaller and deteriorated water mains and installing additional fire hydrants for optimal fire protection, the costs of which are paid from System Revenues and from the proceeds of revenue bonds of the System. The City maintains two 3-MG storage reservoirs for finished water at the Canal Plant, two 5-MG storage reservoirs at the Lake Murray Plant and 27 other storage tanks with an aggregate storage capacity of 50 MG.

The City owns all of the pipes, storage tanks, pumping stations and water treatment facilities that it uses to distribute water to customers. The pipes and all other parts of the water delivery system are expected to have at least a 75-year useful life. Existing pipes are typically installed in rights-of-way owned by the City, Richland or Lexington County or the State, with new lines being placed in exclusive easements. The City owns in fee simple the land on which the Columbia Plant and Lake Murray Plant are located and most of the land on which pump stations and storage tanks are located.

The City maintains an ongoing program of upgrading, modernization and providing rehabilitation of the Waterworks System, the costs of which are paid from System Revenues and from the proceeds of revenue bonds of the System. See "Capital Expenditures" herein.

*Operations*

The total number of customers of the Waterworks System has grown by more than 27% over the past ten years (for which information is available). The major part of the growth has occurred as a result of new out-of-City customers being added. Information on revenues is set forth for both the Waterworks System and Sanitary Sewer System on a combined basis in "FINANCIAL FACTORS." The table below shows the number of water customers during the past ten Fiscal Years (for which information is available):

Number of Billed Customers on Waterworks System			
<u>Fiscal Year</u>	<u>In-City</u>	<u>Out-of-City</u>	<u>Total</u>
2001	32,167	72,589	105,756
2002	34,178	74,496	108,674
2003	34,897	78,002	112,899
2004	35,436	79,375	114,811
2005	36,943	83,450	120,394
2006	37,396	86,784	124,180
2007	38,442	88,755	127,196
2008	39,332	92,897	132,229
2009	39,799	93,850	133,649
2010	39,671	94,803	134,474

*Special Contracts*

The City has entered into contracts with Fort Jackson and the Town of Chapin ("Chapin") to provide water service. The contract with Fort Jackson, which was entered into as of March 25, 1987, provides that the City will be paid at rates subject to renegotiation upon the request of either party with reasonable cause. A 16% rate increase went into effect for water service provided to Fort Jackson on January 1, 1994. A 16% rate increase went into effect for water service provided to Fort Jackson in July 2003.

The City's contract with Chapin, which was entered into on June 29, 1988, provided for the acquisition of the entire water system of Chapin and provided for the City to enjoy the exclusive right to furnish water to Chapin for a period of 30 years. Chapin customers are charged the normal out-of-City rates.

*Waterworks System Rates*

Information on rates and fees of the Waterworks System is set forth in "-Water and Sewer Rates and Fees" herein.

*Federal and State Requirements*

The City currently holds a license from the South Carolina Department of Health and Environmental Control ("DHEC") to operate a water treatment and distribution system. The Waterworks System currently meets all federal and State requirements in regard to quality of water. See "Environmental Matters – General."

**Sanitary Sewer System**

The City's Sanitary Sewer System consists of over 1,100 miles of sewer lines ranging in diameter from 4 inches to 60 inches, approximately 70 sewage lift stations and a central treatment facility known as the Metropolitan Wastewater Treatment Plant ("Metro WWTP"). The Metro WWTP, a biological oxidation extended aeration treatment facility located on the Congaree River three miles south of the City, was originally constructed in 1970 and expanded in 1982 to 40 MGD and again in 1998 to 60 MGD. Currently the average daily flow to the Metro WWTP is about 40 MGD. Approximately five percent of the flow to the Metro WWTP is industrial. The City expects that the Metro WWTP, as expanded and upgraded, will be adequate to provide sewage treatment for the Sanitary Sewer System through the year 2015.

The City owns all of the sewer lines, lift stations and treatment facilities of the Sanitary Sewer System. The sewer

lines are expected to have at least a 50-75 year useful life, with proper maintenance. The sewage lift stations are continually being rehabilitated and most stations are expected to have a useful life of at least 15 years at construction or after rehabilitation is completed. Existing sewer lines are typically installed in rights-of-way owned by the City, Richland or Lexington County or the State, with new lines being placed in exclusive easements when possible. The City owns in fee simple the land on which the Metro WWTP and all sewage lift stations are located.

The City maintains an ongoing program of upgrading, rehabilitating, and modernization of the Sanitary Sewer System, the costs of which are paid from System Revenues and from the proceeds of revenue bonds of the System. See "Capital Expenditures" herein.

*Operations*

The total number of customers of the Sanitary Sewer System has grown by more than 19% over the past ten Fiscal Years (for which information is available). The major part of the growth has occurred as a result of new out-of-City customers being added. Information on revenues is set forth for both the Sanitary Sewer System and the Waterworks System on a combined basis in "FINANCIAL FACTORS." The table below shows the number of customers of the Sanitary Sewer System over the past ten Fiscal Years (for which information is available).

**Number of Billed Customers on Sanitary Sewer System**

<u>Fiscal Year</u>	<u>In-City</u>	<u>Out-of-City</u>	<u>Total</u>
2001	28,624	29,244	57,868
2002	29,230	29,829	59,059
2003	29,744	30,817	60,561
2004	30,235	31,188	61,423
2005	31,114	32,137	63,253
2006	31,110	32,932	64,042
2007	31,820	34,028	65,848
2008	32,280	35,506	67,786
2009	32,503	36,004	68,507
2010	32,500	36,722	69,222

*Special Contracts*

The City entered into a contract with the City of West Columbia in 1975 and with Fort Jackson in 1967. The parties agreed to contribute financially to the construction, operation, maintenance, supervision and repair of certain components of the Sanitary Sewer System. The City assumed responsibility for the operation of these components, in return for which the City is paid a base monthly charge plus various other charges based on gallons of sewage discharged.

*Sanitary Sewer System Rates*

Information on rates and fees of the Sanitary Sewer System is set forth in "Water and Sewer Rates and Fees" herein. The most recent rate increase became effective July 1, 2011.

*Federal and State Requirements*

The Sanitary Sewer System currently holds a license from DHEC to operate a sewage treatment system. The Sanitary Sewer System currently meets all federal and State requirements in regard to sewage treatment. See "Environmental Matters – General."

**Water and Sewer Rates and Fees**

*General*

The rates charged by the City for water and sewer service are not subject to approval by any federal or State regulatory body. The City's rates, as increased effective July 1, 2011, are set forth below. The average monthly water and sewer bill, based upon water usage of 800 cubic feet, for an in-City user based on such revised rates, is \$42.00 and for an out-of-City user is \$72.86. The City has regularly increased rates as necessary, and effected rate increases—nine separate times in the last 15 years, most recently in 2010 and 2011—to provide sufficient revenues for payment of projected

increased costs of operation, expansion of the System, increases in debt service and to maintain required debt service coverage ratios. See "Historical Debt Service Coverage of the System" and "Projected Debt Service Coverage of the System."

#### Water Rates

<u>Monthly Water Use (in cubic feet)</u>	<u>Meter Size</u>	<u>Monthly Water Service Rates</u>	
		<u>In-City</u>	<u>Out-of-City</u>
Minimum 300	¾"	\$5.84	\$9.45
	1"	9.74	15.76
	1 ½"	13.66	22.08
	2"	21.42	34.66
	3"	37.03	59.90
	4"	68.20	110.30
	6"	146.16	236.40
		<u>Additional Rates (per 100 cubic feet)<sup>1</sup></u>	
		<u>In-City</u>	<u>Out-of-City</u>
Next 9,700		\$1.83	\$ 2.97
Next 90,000		1.71	2.77
Over 100,000		1.63	2.65

<sup>1</sup>Applicable to all residential and commercial users and all industrial users where monthly consumption is less than 1,000 cubic feet.

#### Commercial Sewer Rates

<u>Monthly Water Use (in cubic feet)</u>	<u>Commercial Monthly Water Service Rates (In-City)</u>	<u>Commercial Monthly Water Service Rates (Out-of-City)</u>
	<u>Meter Size (see above)</u>	<u>Meter Size (see above)</u>
Minimum 100		
Additional Rates (per 100 cubic feet)		
Next 9,700	\$1.74	\$2.84
9,701- 90,000	1.63	2.65
Over 90,000	1.55	2.51

#### Sewer Rates

<u>Consumption (in cubic feet)</u>	<u>Monthly Sewer Service Rates</u>	
	<u>In-City</u>	<u>Out-of-City</u>
300	\$ 13.36	\$ 24.01
500	18.82	33.83
700	24.28	43.65
1,100	35.20	63.29
1,900	57.04	102.57
3,500	100.72	181.13
7,500	204.75	368.25
10,800	294.84	530.28
20,900	570.57	1,026.19
<u>Monthly Water Use (in cubic feet)</u>	<u>Monthly Sewer Service Rates</u>	
	<u>In-City</u>	<u>Out-of-City</u>
Base	\$5.17	\$9.28
For each additional 100 cubic feet add	2.73	4.91

Maximum sewer service rates on single-family residences during the months of April through October are based on a use of 1,400 cubic feet of water and during the months of November through March are based on actual usage. Sewer rates for apartment buildings and trailer parks are the base rate per dwelling unit plus the rate per 100 cubic feet reflected by water consumption. Sewer rates for hotels, motels, dormitories and rooming houses are one-half of the base rate plus the rate per 100 cubic feet reflected by water consumption.

*Comparison of Water Rates in the Columbia MSA*

Currently, there are six providers of water in the Columbia area: Lexington Water System, Carolina Water Service, Midlands Utilities, the City of Columbia, the City of West Columbia and the City of Cayce. The chart below compares current average monthly water bills for each of the three largest providers of water service.

<u>Company/Municipality</u>	<u>Average Monthly Water Bill<sup>†</sup></u>	
	(in-city)	(out-of-city)
City of Columbia	\$ 13.16	\$ 21.33
City of West Columbia	24.30	40.10
City of Cayce	26.97	53.94

<sup>†</sup>Based on 5,250 gallons of water

*Water and Sewer Tap Fees*

The City charges new customers to the Waterworks System a tap fee that ranges from \$2,512.00 for a ¾-inch meter to \$8,490.00 for a 2-inch meter. The City charges new customers to the Sanitary Sewer System a tap fee of \$3,940.00 for each tap. Water and sewer tap fees generated a total of \$2,333,686 in revenues for the System in Fiscal Year 2011.

*Sewer Plant Expansion Fees*

The City began charging new customers of the Sanitary Sewer System a sewer plant expansion fee on October 1, 1987. The fee is intended to provide an additional source of moneys for upgrading and expansion of the Metro WWTP. Sanitary Sewer System plant expansion fees generated a total of \$1,219,970.22 in revenues in Fiscal Year 2011.

**Water and Sewer Billing and Collection Policies**

New or transferring account fees are charged to customers (new and existing) with request for service. Bills are mailed to customers on a periodic basis throughout the month and are payable upon receipt. Customers receiving both water and sewer services receive combined bills for these services. Water or sewer service accounts two months in arrears are terminated for non-payment. Advance notice of 10 days is given prior to such action.

**Capital Expenditures**

The City has expanded and improved the System with proceeds of revenue bonds and Revenues of the System. During Fiscal Years 2007 through 2011, the City allocated a total of \$217,669,509 from Revenues for System expansion and improvement, including \$20,018,107 expended in Fiscal Year 2011 for maintenance improvements (\$7,809,378 for the Waterworks System and \$12,208,729 for the Sanitary Sewer System). The following table shows the amounts allocated from System Revenues for capital improvements, including cash-funded projects that fall outside the City's Capital Improvements Program, undertaken during Fiscal Years 2007 through 2011.

Fiscal Year Ended June 30	Capital Improvements Financed from System Revenues
2007	\$37,798,928
2008	33,112,622
2009	33,112,622
2010	34,211,680
2011	59,415,550
TOTAL	\$197,651,402

The City's ongoing plan for capital expenditures is structured as a series of five-year Capital Improvements Programs. The City's Capital Improvements Program for Fiscal Years 2012 through 2016 projects expenditures of approximately \$478,261,426 for engineering, storage tanks, water plant additions, increased sewer capacity, lines, pump stations, easements and land. The City expects to pay for its Capital Improvements Program with a combination of Revenues of the System and proceeds of bonds.

A summary of the Capital Improvements Program for the Fiscal Years 2012 through 2016 is as follows:

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2012	\$ 49,207,000	\$ 35,657,140	\$ 84,864,140
2013	62,898,352	58,740,990	121,639,342
2014	59,981,781	12,650,000	72,631,781
2015	43,636,326	28,176,760	71,813,086
2016	<u>61,690,202</u>	<u>65,622,875</u>	<u>127,313,077</u>
TOTAL	\$ 277,413,661	\$ 200,847,765	\$ 478,261,426

Of the total set forth above, the City expects the following amounts to be paid from System Revenues. The balance will be paid from the proceeds of Bonds as necessary:

<u>Fiscal Year</u>	<u>Total Costs Paid from System Revenues</u>
2012	\$18,947,088
2013	15,886,015
2014	15,136,133
2015	14,117,538
2016	<u>18,752,787</u>
TOTAL	\$ 82,839,561

## Environmental Matters

### *General*

Operation of the System is subject to regulation by certain federal, State and local authorities. Federal and State standards and procedures that currently regulate and control operation of the System may change from time to time as a result of continuing legislative, regulatory and judicial action. Therefore, there is no assurance that the facilities comprising the System currently in operation, under construction or contemplated will always remain subject to the regulations currently in effect, or will always be in compliance with future regulations.

An inability to comply with various governmental regulations and standards could result in reduced operating levels or complete shutdown of such facilities not in compliance. Furthermore, compliance with such governmental regulations and standards may substantially increase capital and operating costs.

### *Permits and Ordinances*

Except as provided below, the System is in compliance with all regulatory requirements of the United States Environmental Protection Agency ("EPA") and DHEC, and the requirements and conditions of all permits required to operate the System are in order. The City currently either has the following permits in effect or expects to make the following permit applications:

<u>Permit</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Description</u>
EPA Water Pollution Control Permit #SC0020940	September 1, 2006	August 31, 2014	Authorization to discharge wastewater in accordance with the National Pollutant Discharge Elimination System into waters of the Congaree River
Air Quality Control Permit #1900-0021	April 30, 2009	March 31, 2019	Authorization to operate incinerators for wastewater sludge disposal
Annual Operating Permit, System #401001	Permitted annually	July 1, 2012	Authorization to operate a water treatment plant
S.C. Water Resources Commission, Interbasin Transfer Permit 1013-IB	August 29, 2008	August 29, 2028	Authorization to transfer water between river basins in South Carolina

The City has had a Wastewater Services Ordinance in place since March 19, 1974. Subsequent revisions to this ordinance have been made to reflect changes in federal, State and local standards. The City has operated an Industrial Pretreatment Program pursuant to the Federal General Pretreatment Regulations and approved by DHEC since October 1, 1984. The City includes the City of West Columbia under this program pursuant to an interjurisdictional agreement executed January 8, 1986. Six categorical and eleven significant non-categorical industries are currently regulated under this program.

The City is permitted under a storm water group permit for the Metro WWTP.

#### *2010 Events*

On May 20, 2010, the City received a letter ("Letter") from the EPA, Region 4, which provided the following information.

On April 14, 2009, the EPA, Region 4, issued a Notice of Violation to the City for effluent limit violations of the City's permit #SC0020940 issued under the National Pollutant Discharge Elimination System ("NPDES") and the Clean Water Act ("CWA").

Since then, EPA reviewed information submitted by the City in response to EPA's requests made under the CWA, and other information submitted by the City relating to the compliance status of the wastewater system. EPA found the City's Section 308 responses to be incomplete. To the extent that incompleteness was due to the City's lack of access to certain responsive documents at the time of the response, as those documents were in EPA and DHEC's possession, EPA requested that the City promptly respond to the missing items as the City gained access to the information.

EPA's review of the City's responses resulted in EPA's purportedly identifying numerous violations of the CWA, including the frequent occurrence of sanitary sewer overflows from the City's sanitary sewer system over a certain time period, which overflows the City continues to report to EPA on a routine basis.

EPA also identified additional purported effluent limit violations of the NPDES permit and violations of NPDES permit requirements related to the City's implementation of the approved industrial pretreatment program. EPA's position is that these violations are subject to an enforcement action pursuant to the CWA, which provides for the issuance of administrative compliance orders, administrative actions to assess penalties, the initiation of civil judicial or criminal actions, or a combination of each of these options.

EPA referred this matter to the U.S. Department of Justice of civil enforcement and informed the City of its preference to negotiate a resolution of this matter. The negotiations between the City and EPA, currently underway, are subject to a confidentiality agreement and cannot be disclosed. A resolution may potentially be memorialized in a Consent Decree entered in federal court and enforceable as a Court Order.

The City is, and was even prior to the recent enforcement action undertaking a program of capital improvements designed, in part, to address concerns of the EPA and plans to diligently pursue resolution of the issues raised in the Letter.

The Consent Decree or any other outcome of the enforcement negotiations and proceedings may potentially require payment of both substantial civil penalties, as well as the actual costs of improvements to the System required by any Consent Decree or Administrative Order. The City is unable at this time to quantify the magnitude of these potential penalties and costs, but does not presently expect payment to have a materially adverse impact on the financial condition of the System or the City.

#### **Fringe Benefits, Retirement and Health Insurance and Other Post-Employment Benefits**

All eligible full-time City employees are required to participate in a pension plan. All firemen and law enforcement officers must belong to the South Carolina Police Officers' Retirement System ("PORS"). All other eligible employees must belong to the South Carolina Retirement System ("Retirement System") and are covered by its pension plan. The Retirement System is a cost-sharing, multiple-employer, defined benefit pension plan. The Retirement System provides both retirement and death benefits on an employee and employer contribution basis.

Member employees currently contribute 6.5% of their annual compensation. Employer contribution for the Retirement System is 9.24% and for the PORS is 11.13%. Total employer retirement contributions to the Retirement

System and the PORS paid on behalf of all City employees totaled \$8,787,523 (unaudited) for the Fiscal Year ended June 30, 2011.

The City has paid all required contributions for fringe benefits and insurance as they come due and there are no liabilities for underfunding of such benefits.

The City provides post-employment health care benefits to all employees who retire from the City under early or regular retirement and have been employed by the City for 20 years or more. Currently, 662 retirees meet those requirements. The City pays all premiums for all qualifying retirees. For the Fiscal Year ended June 30, 2010, premiums totaled \$478,940 [why not 2011 unaudited here?].

In June 2004, the Governmental Accounting Standards Board ("GASB") approved the final set of accounting standards applicable to Other Post-Employment Benefits ("OPEB"), which are non-pension benefits provided after a person leaves employment. The standards are explained in GASB Statement Nos. 43 and 45. The new GASB accounting standards were implemented and took effect with respect to the City's financial statements during the Fiscal Year ended June 30, 2009. In anticipation of that effective date, the City engaged the services of an actuarial firm to make a determination of the City's OPEB liability that would be recognized for the Fiscal Year ended June 30, 2009.

A report was issued by AON Consulting on October 9, 2009 ("2009 Report") that identified an Unfunded Actuarial Liability of \$161,846,704 on July 1, 2008. The Annual Required Contribution ("ARC") was determined to be \$15,431,034 per year. The City is not currently funding the ARC in the amount suggested in the 2009 Report. For the past three Fiscal Years, the City has made deposits prescribed by a report issued by AON Consulting on April 20, 2006 ("2006 Report"). The disparity between the ARC described in the 2006 Report and the 2009 Report is largely due to unforeseen increases in benefits costs. The deposits are made to a restricted account. The amounts in the account are set aside and designated to offset the City's OPEB liability. Amounts in the account, however, may be accessed by a super-majority vote of the City Council and may be used for general purposes of the City. As of June 30, 2010, the City's net OPEB liability, after taking into account these deposits, was \$27,855,546.

#### **Liability Insurance**

Subject to specific immunity set forth in the South Carolina Tort Claims Act, the City, like other local governments, is liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate for torts. There are no limits in actual damages for recoveries under 42 U.S.C. §1983. No punitive or exemplary damages are permitted under the South Carolina Tort Claims Act or the Federal Civil Rights Act. The City currently self-insures against tort liability under the South Carolina Tort Claims Act.

#### **INTEREST RATE SWAPS AND OTHER OBLIGATIONS**

The City has entered into an ISDA Master Agreement and an accompanying schedule (collectively, "Master Agreement") with JPMorgan Chase Bank, N.A. (in such capacity, "Counterparty"), all effective on or prior to the date hereof, to establish the general terms under which various interest rate swap and other derivative transactions may be entered between such parties.

#### **The Series 2009 Swap**

On September 20, 2007, and pursuant to the written confirmation to the Master Agreement dated such date between the City and the Counterparty, the City entered into a "fixed payor" interest rate swap agreement with the Counterparty ("Series 2009 Swap") to enable the City to synthetically hedge a portion of its variable rate interest exposure relative to the Bonds during the term of the Series 2009 Swap. The Series 2009 Swap obligates the City to pay the Counterparty a fixed rate, based on a notional amount equal to the initial par amount of the 2009 Bonds, as reduced based on mandatory sinking fund redemptions scheduled therefor. The goal of the Series 2009 Swap is to reduce the City's variable rate exposure under the 2009 Bonds and convert much of its variable rate exposure during the term of the Series 2009 Swap to a hedged fixed rate (subject to applicable basis risks associated with the actual correlation of such variable rate index with the actual variable rate of such Bonds). The Series 2009 Swap will expire in accordance with its terms (unless earlier terminated) on February 1, 2038, which is a date coterminous with the final maturity date of the 2009 Bonds.

Under certain circumstances, some of which may be beyond the control of the City, the Series 2009 Swap is subject

to termination prior to the scheduled termination date, including upon the occurrence of certain events of default. Such events of default include without limitation (i) failure to pay or deliver any payment required to be made under the Master Agreement, (ii) breach of Master Agreement, (iii) credit support default, (iv) misrepresentation, (v) default under a specified derivative transaction, (vi) cross default, (vii) bankruptcy and (viii) merger of party or any guarantor of such party without assumption of such party's obligations by the resulting entity.

In addition to the foregoing, the Counterparty has the right, but is not required, to terminate the Series 2009 Swap in the event that the rating of the long-term unsecured debt (without credit or structural enhancement) of the City is withdrawn, suspended for more than 30 days or reduced below "BBB" by Standard & Poor's or "Baa2" by Moody's. Correspondingly, the City has the right, but is not required, to terminate the Series 2009 Swap in the event that the rating of the long-term unsecured debt (without credit or structural enhancement) of the Counterparty is withdrawn, suspended for more than 30 days or reduced below "BBB" by Standard & Poor's or "Baa2" by Moody's.

In the event of an early termination of the Series 2009 Swap, the City may owe a termination payment to the Counterparty or, conversely, the Counterparty may owe a termination payment to the City. Such a termination payment generally would be based upon the market value of the Series 2009 Swap on the date of termination. For example, if the Series 2009 Swap was terminated, the City's termination payment to the Counterparty, based on market rates, as of September [], 2011, would have been approximately \$[] . Any such amount that may be owed in the future by the City with respect to the Series 2009 Swap may be substantial, and could adversely affect the City's ability to pay debt service on the Bonds. Such termination payments are secured by a pledge of Net Revenues junior and subordinate to the pledge of Net Revenues securing the Bonds and all parity debt.

In addition, a partial termination of the Series 2009 Swap could occur to the extent that any Bonds are redeemed pursuant to an optional redemption. If such an optional redemption occurs, a termination payment related to the portion of the Series 2009 Swap terminated may be owed to either the City or the Counterparty, depending on market conditions at that time. Moreover, the Series 2009 Swap can be terminated upon mutual agreement of the Counterparty and the City. There is no guarantee the Series 2009 Swap will be outstanding for its stated term.

The payment obligations of the City under the Series 2009 Swap will not alter or affect the obligation of the City to pay or make payments with respect to the principal of, redemption price of and interest on the 2009 Bonds. The Counterparty has no obligation to make payments directly to the holders of the 2009 Bonds. The holders of the 2009 Bonds have no contractual or other rights or claims against the Counterparty for payment of the 2009 Bonds. The Series 2009 Swap does not provide a source of security or other credit for the 2009 Bonds.

#### **Additional Derivative Agreements**

In addition to the Series 2009 Swap, the City may in the future enter into one or more additional interest rate swap or other derivative transactions, whether pursuant to the Master Agreement or otherwise and whether with the Counterparty or one or more other swap counterparties, to the extent not prohibited by the Ordinance. The extent or effect of any such additional transactions cannot be known as of the date of this Official Statement.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the 2011A Bonds and the 2011B Bonds upon an event of default under the Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Ordinance, the 2011A Bonds and the 2011B Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2011A Bonds and the 2011B Bonds (including Co-Bond Counsel's approving opinions) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits enacted before or after such delivery.

### **LEGAL MATTERS**

#### **Litigation**

No litigation, to the knowledge of the City, is threatened in any court to restrain or enjoin the issuance or delivery of the 2011A Bonds or the 2011B Bonds or the collection, payment or receipt of the moneys pledged or to be pledged to

pay the principal of, premium, if any, and interest on the 2011A Bonds and the 2011B Bonds or, in any way contesting or affecting the validity of the 2011A Bonds and the 2011B Bonds or the General Ordinance or Supplemental Ordinance, the power to collect, pay or receive the moneys with which to pay the 2011A Bonds and the 2011B Bonds or the organization or the powers of the City, including the power to operate the System and to collect revenues therefrom.

### **United States Bankruptcy Code**

The undertakings of the City should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. 901, *et seq.*, as amended ("Bankruptcy Code"), and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; provides that the plan must be accepted in writing by or on behalf of creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

### **Other Legal Matters**

Certain legal matters incident to the authorization, issuance and sale of the 2011A Bonds and the 2011B Bonds are subject to the approval of the legality of issuance thereof by McNair Law Firm, P.A., Columbia, South Carolina, and Johnson, Toal & Battiste, P.A., Columbia, South Carolina, as Co-Bond Counsel. The proposed forms of the opinions of Co-Bond Counsel to be delivered when the 2011A Bonds and the 2011B Bonds are issued are set forth in Appendix D hereto. Certain matters will be passed upon for the Underwriters by Parker Poe Adams & Bernstein LLP, Columbia, South Carolina, and The Starkes Law Firm, P.A., Columbia, South Carolina, as Underwriters' Counsel. Certain legal matters will be passed upon on behalf of the City by its counsel, Kenneth E. Gaines, Esquire, Columbia, South Carolina.

From time to time, Parker Poe Adams & Bernstein LLP serves as Bond Counsel to the City and, from time to time, Parker Poe Adams & Bernstein LLP and The Starkes Law Firm, P.A. have represented either of the Underwriters as counsel in other financing transactions. Neither the City nor either Underwriter has conditioned the future employment of any of these firms in connection with any proposed financing issues for the City or either Underwriter on the successful execution and delivery of the 2011A Bonds and the 2011B Bonds.

### **TAX EXEMPTION AND OTHER TAX MATTERS**

In the opinion of McNair Law Firm, P.A., Columbia, South Carolina, as Co-Bond Counsel, to be delivered on the date of issuance of the 2011A Bonds and the 2011B Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the 2011A Bonds and the 2011B Bonds is excludable from gross income of the recipients thereof for federal income tax purposes. Co-Bond Counsel is further of the opinion that interest on the 2011A Bonds and the 2011B Bonds is not a specific preference item for purposes of the federal alternative minimum tax, nor is it included in adjusted current earnings when calculating corporate alternative minimum tax. Co-Bond Counsel has expressed no opinion regarding other federal tax law consequences arising with respect to the 2011A Bonds and the 2011B Bonds.

The Internal Revenue Code of 1986, as amended ("Code"), including the Treasury Regulations promulgated thereunder, imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2011A Bonds and the 2011B Bonds. The City has covenanted to comply with certain covenants, restrictions, conditions and requirements designed to ensure that interest on the 2011A Bonds and the 2011B Bonds will not become includable in gross income. Failure to comply with these covenants could cause interest on the 2011A Bonds and the 2011B Bonds to be included in gross income for federal

income tax purposes retroactive to the date of issuance of the 2011A Bonds and the 2011B Bonds. The opinion of McNair Law Firm, as Co-Bond Counsel, assumes the accuracy of certain representations of the City with respect to the investment and use of proceeds of the 2011A Bonds and the 2011B Bonds and compliance by the City with certain covenants.

Although McNair Law Firm, as Co-Bond Counsel, is of the opinion that interest on the 2011A Bonds and the 2011B Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the 2011A Bonds and the 2011B Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the 2011A Bonds and the 2011B Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property and casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the 2011A Bonds and the 2011B Bonds.

#### **[Original Issue Discount**

##### *2011A Bonds*

Certain of the 2011A Bonds have been sold at initial public offering prices which are less than the amount payable at maturity ("Discount Bonds"). An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and, to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on the 2011A Bonds.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of such corporation. Consequently, an owner of any Discount Bond that is a corporation should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Owners who may acquire 2011A Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such 2011A Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.

##### *2011B Bonds*

Certain of the 2011B Bonds have been sold at initial public offering prices which are less than the amount payable at maturity ("Discount Bonds"). An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and, to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on the 2011B Bonds.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of such corporation. Consequently, an owner of any Discount Bond that is a corporation should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Owners who may acquire 2011B Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such 2011B Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.]

## **[Original Issue Premium**

### *2011A Bonds*

Certain of the 2011A Bonds and the 2011B Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity ("Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2011A Bonds and the 2011B Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2011A Bonds and the 2011B Bonds.

### *2011B Bonds*

Certain of the 2011B Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity ("Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2011B Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2011B Bonds.]

## **State Tax Law Matters**

Co-Bond Counsel is of the opinion that under present laws of the State, interest on the 2011A Bonds and the 2011B Bonds will be excluded from South Carolina taxation, except estate, transfer and certain franchise taxes. Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4½% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term "entire net income" include income derived from any source whatsoever, including interest on obligations of any state and any political subdivision thereof. Interest on the 2011A Bonds and the 2011B Bonds will be included in such computations.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The Arbitrage Group, LLC, an independent consultant, will verify the accuracy of (i) the mathematical computations concerning the adequacy of the Refunding Trust Fund, as established by the Escrow Agreement, to pay the principal of and interest on the 2001 Bonds up to and including the redemption date thereof, and (ii) the mathematical computations of the yield on the 2011B Bonds and used in part by Co-Bond Counsel in concluding that interest on the 2011B Bonds is excluded from gross income for federal income tax purposes under presently existing law, including the "arbitrage" regulations promulgated and proposed under Section 148 of the Code and certain rulings and official interpretation of law by the Internal Revenue Service. These verifications will be based on information supplied by the Underwriters.

## **FINANCIAL ADVISOR**

Merchant Capital, L.L.C., Columbia, South Carolina, has served as Financial Advisor to the City in connection with the offer and sale of the 2011A Bonds and the 2011B Bonds. As such, it has participated in the preparation of and review of the various financing documents related to the 2011A Bonds and the 2011B Bonds. The Financial Advisor will be paid from the proceeds of the 2011A Bonds and the 2011B Bonds.

## **CONTINUING DISCLOSURE**

The City has covenanted, so long as required, pursuant to Section 11-1-85, Code of Laws of South Carolina 1976, as amended, to file with a central repository for availability in the secondary bond market, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of revenues of the City or the City's tax base.

Pursuant to the Disclosure Dissemination Agent Agreement entered into by the City with Digital Assurance Certification, L.L.C. ("DAC") in connection with the issuance of the 2011A Bonds and the 2011B Bonds ("Continuing Disclosure Agreement"), the City will covenant for the benefit of the registered owners and the "Beneficial Owners" (as defined in the Continuing Disclosure Agreement) of the 2011A Bonds and the 2011B Bonds, to provide certain financial information and operating data relating to the City by no later than seven months after the end of each of the City's Fiscal Years, commencing with the report for the Fiscal Year ending June 30, 2011 ("Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2011A Bonds and the 2011B Bonds, if material in accordance with Rule 15c-12(b)(5) under the Securities Exchange Act of 1934, as amended. The Annual Report will be filed on behalf of the City by DAC, as dissemination agent, with the Municipal Securities Rulemaking Board ("MSRB"). The notices of such material events will be filed on behalf of the City by DAC with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in Appendix E. These covenants have been made in order to assist the original purchaser of the 2011A Bonds and the 2011B Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

As provided in the Continuing Disclosure Agreement, if the City fails to comply with any provision of the Continuing Disclosure Agreement, any registered owner or "Holder" of the 2011A Bonds and the 2011B Bonds may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the City to comply with its continuing disclosure obligations under the Continuing Disclosure Agreement. "Beneficial Owner" is defined in the Continuing Disclosure Agreement to mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2011A Bonds and the 2011B Bonds (including persons holding 2011A Bonds and the 2011B Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2011A Bonds and the 2011B Bonds for federal income tax purposes. If any person seeks to cause the City to comply with its continuing disclosure obligations under the Continuing Disclosure Agreement, it is the responsibility of such person to demonstrate that it is a "Holder" within the meaning of the Continuing Disclosure Agreement.

The City is in compliance with all of its current continuing disclosure obligations.

## MISCELLANEOUS

### Ratings

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the 2011A Bonds and the 2011B Bonds their municipal bond ratings of "[ ]" and "[ ]", respectively. Such ratings reflect only the views of Moody's and S&P and an explanation of the significance of such ratings may be obtained from Moody's at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and for S&P at: Standard & Poor's Corporation, 55 Water Street, 38th Floor, New York, New York 10041. The City has furnished to Moody's and S&P certain information and materials respecting the City and the 2011A Bonds and the 2011B Bonds. Generally, Moody's and S&P base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that it may not be revised downward or withdrawn entirely by Moody's or S&P, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2011A Bonds and the 2011B Bonds.

### Underwriting

The 2011A Bonds and the 2011B Bonds are being purchased for reoffering by Morgan Keegan & Company, Inc., on behalf of itself and as representative of Terminus Securities, LLC (collectively, "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2011A Bonds and the 2011B Bonds at a purchase price of \$[ ] (which reflects a [net] original issue [premium][discount] of \$[ ] less Underwriters' Discount of \$[ ]).

The Underwriters may offer and sell the 2011A Bonds and the 2011B Bonds to certain dealers and others at a price

lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

### **Concluding Statement**

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2011A Bonds and the 2011B Bonds and the determinations of the City Council relating thereto are qualified in their entirety by reference to the definitive forms of the 2011A Bonds and the 2011B Bonds and the Ordinance and to such determinations. All such summaries, explanations and references are further qualified in their entirety by reference to the exercise of sovereign police powers of the State and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Certain of the information set forth in the Official Statement and in the appendices hereto has been obtained from sources other than the City that are believed to be reliable but is not guaranteed as to accuracy or completeness.

The agreement between the City and the holders of the 2011A Bonds and the 2011B Bonds is fully set forth in the Ordinance and neither any advertisement for the 2011A Bonds and the 2011B Bonds nor this Official Statement is to be construed as constituting an agreement with the holders of the 2011A Bonds and the 2011B Bonds.

Anyone having questions should direct them to William H. Ellis, Finance Director, City of Columbia, 1136 Washington Street – Fourth Floor, Columbia, South Carolina 29201, and telephone (803) 545-3406.

The delivery of this Official Statement and its use in connection with the sale of the 2011A Bonds and the 2011B Bonds has been duly authorized by the City.

CITY OF COLUMBIA, SOUTH CAROLINA

---

Stephen K. Benjamin, Mayor

**APPENDIX A**

**PORTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2010**

**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF COLUMBIA**

## GENERAL INFORMATION REGARDING THE CITY OF COLUMBIA

### Population

The population of the City, Lexington County, Richland County and the Columbia Metropolitan Statistical Area ("Columbia MSA") for the preceding four decades and a 2010 estimate is set forth in the following table:

<u>Year</u>	<u>City</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>Columbia MSA</u>
1970	113,542	89,012	233,868	322,880
1980	101,229	140,353	269,735	410,088
1990	110,734	167,611	285,720	453,932
2000	116,278	216,014	320,677	536,691
2010†	129,272	262,391	384,504	767,598

Source: U.S. Department of Commerce, Bureau of the Census.

†Estimated.

### Per Capita Income

The following table shows the per capita income in Lexington County, Richland County and the State for the past six calendar years, for which information is available:

<u>Year</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>State</u>
2005	\$32,863	\$32,187	\$29,226
2006	34,719	34,413	30,925
2007	35,987	35,538	32,107
2008	36,797	36,824	32,947
2009	35,773	36,302	32,338
2010	N/A	N/A	33,163

Source: Division of Research and Statistical Services of the South Carolina State Budget and Control Board

### Median Family Income

Median family income statistics are available only as combined figures for the Columbia MSA made up of Lexington, Richland, Calhoun, Fairfield, and Saluda counties. The median family income for the Columbia MSA for the last five calendar years, for which information is available, is shown in the following table. Median family income figures for the State and United States are shown for comparison purposes.

<u>Year</u>	<u>Columbia MSA</u>	<u>State</u>	<u>United States</u>
2006	\$58,900	\$52,900	\$59,600
2007	58,200	50,800	59,000
2008	59,200	52,900	61,500
2009	62,100	59,663	64,000
2010	62,400	55,700	64,400

Source: U.S. Department of Housing and Urban Development.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

## Unemployment Rate

The average unemployment rates in the City, Lexington County, Richland County, the State and the United States for each of the last five calendar years, for which information is available, is set forth in the following table:

Year	City	Lexington County	Richland County	State	United States
2006	9.2%	4.6%	5.8%	6.1%	4.6%
2007	8.4	4.1	5.2	5.5	4.6
2008	10.0	4.9	6.1	9.2	5.8
2009	9.4	8.1	9.3	11.8	9.3
2010	10.0†	8.1†	9.6†	10.9	9.6

† Annualized.

Source: South Carolina Department of Employment and Workforce and U.S. Department of Labor

The monthly unemployment rates in the City, Lexington County, Richland County, the State and the United States for the last 12 months, for which information is available, is set forth in the following table:

Month	City	Lexington County	Richland County	State	United States
May 2011	9.0%	8.0%	9.4%	10.0%	9.1%
April 2011	8.1	7.3	8.2	9.8	9.0
March 2011	8.0	7.1	8.3	9.9	8.8
February 2011	8.5	7.5	8.6	10.2	8.9
January 2011	8.3	7.3	8.3	10.5	9.0
December 2010	9.5	8.1	9.3	10.9	9.4
November 2010	9.1	8.0	9.3	10.9	9.8
October 2010	8.7	7.6	9.0	10.9	9.7
September 2010	8.9	7.8	9.1	10.9	9.6
August 2010	9.9	8.6	10.5	11.0	9.6
July 2010	9.4	8.2	9.9	11.0	9.5
June 2010	9.3	7.9	9.9	11.0	9.5
May 2010	8.8	7.5	9.3	11.2	9.6
April 2010	8.3	7.3	8.5	11.3	9.8

Source: United States, Bureau of Labor Statistics.

## Retail Sales

The following table shows retail sales of businesses located in Lexington County, Richland County and the City for the last six calendar years, for which information is available:

Year Ended December 31	Lexington County	Richland County	City
2005	\$7,941,097,688	\$10,054,367,554	\$4,420,351,186
2006	8,652,898,289	10,776,563,595	3,492,752,016
2007	9,555,498,270	10,875,923,391	3,650,573,665
2008	9,682,514,053	10,815,456,663	3,066,062,824
2009	8,725,938,765	9,711,230,968	†
2010	8,185,948,522	†	†

Source: DOR

† Information not yet available.

Note: The State imposed a 5% sales tax on all retail sales until October 2006 when the food tax was lowered to 3%. In June 2007, the sales tax was raised to 6% for all other retail sales and remained at 3% for food items. Then, in November 2007, the food tax was eliminated.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

## Construction Activity

The growth of the Columbia MSA is reflected in the following table showing the number of new commercial and residential units constructed in the City and the approximate cost of those units in the last six fiscal years for which information is available:

Fiscal Year Ended <u>June 30</u>	<u>Commercial</u>		<u>Residential</u>	
	Number of <u>Units</u>	Estimated <u>Commercial Costs</u>	Number of <u>Units</u>	Estimated <u>Residential Costs</u>
2010	N/A	\$ 19,787,832	310	\$ 32,840,575
2009	32	115,323,008	783	76,178,625
2008	60	117,112,809	708	81,871,255
2007	51	88,313,998	727	123,084,665
2006	78	95,097,082	690	128,125,979
2005	24	34,381,801	600	96,693,294

## Commerce and Industry

The following table shows the ten largest industrial employers within the Columbia MSA, the type of business and their approximate number of employees:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Michelin North America Inc.	Radial automobile passenger tires	1,800
Amick Farms	Processed Poultry	1,500
Westinghouse Electric Corp.	Nuclear fuel assemblies	1,200
CSC Corporation	Computer technology	1,100
Square D Co./Schneider Electric	Industrial electrical controls	755
Target Corporation	Home goods distribution	700
International Paper	Fine paper	699
Shaw	Manufacture staple fiber	500
SYSCO	Food service distribution	420
Trane	HVAC Components	416

Source: Central Carolina Economic Development Alliance, February 2010

The following table shows the largest non-industrial employers (other than the governmental entities described under "Government Employers" below) located within the Columbia MSA, the type of business and their approximate number of employees for 2009:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Palmetto Health	Health Care	7,457
Blue Cross & Blue Shield of SC	Insurance	6,744
Lexington Medical Center	Health Care	5,011
SCANA & SCE&G	Public Utility	3,241
AT&T	Public Utility	2,852
Dorn VA Medical Center	Health Care	1,883
United Parcel Service	Distribution	1,800
Verizon	Customer Care Center	1,539
Providence Hospital	Health Care	1,236

Source: Central Carolina Economic Development Alliance, February 2010

[REMAINDER OF PAGE INTENTIONALLY BLANK]

## Government Employers

Governmental entities are the largest employers in the Columbia MSA. As the table under the heading "Columbia MSA Labor Force Estimate" indicates, such governmental entities have historically provided a stable employment base. These entities include the State government, local governments (including the City), Fort Jackson, other federal government entities and local school districts. The table shown below provides a breakdown on employment by these entities for the Columbia MSA for the fiscal year 2009:

<u>Name</u>	<u>Approximate Number of Employees</u>
State Government	32,287
Fort Jackson	22,400† (5,200 civilian)
Federal Government	9,920
University of South Carolina	4,755
Lexington County School Districts	7,412
Local Government	36,796
Richland County School District #1	4,199

Source: Central Carolina Economic Development Alliance, February 2010

† Approximate number representing 2004 data.

## Facilities Located in the Columbia MSA

*Transportation.* Interstate highways 20, 26, 77 and a network of U.S. and S.C. highways traverse the Columbia MSA. Rail service is provided by Southern Railway and CSX Transportation. Passenger service is available through Amtrak via "The Silver Star." Nationwide freight service is available through approximately 50 motor freight lines regularly serving the City area. Intercity bus service is provided by Continental Trailways.

The Columbia Metropolitan Airport ("Airport"), located in the unincorporated area of Lexington County, and approximately six miles southwest of the City's central business district, is comprised of two runways, associated taxiways, an air traffic control tower, aviation fuel storage facilities, aircraft parking aprons, a passenger terminal building, air cargo buildings, general aviation hangars and terminals, support facilities for the U.S. Army Reserve, the aeronautical facilities of the South Carolina Aeronautics Commission, roads, grounds and public parking facilities; all of which are located on approximately 2,600 acres. Air operations are conducted on an 8,600-foot x 150-foot runway and an 8,000-foot x 150-foot runway. The passenger terminal features a two-level concourse for common-use gates; a central food court within easy view of all gates; and a covered walkway between the terminal and parking lot. The FAA Southern Region Airports Division awarded the Airport the 2005 Air Carrier Airport Safety Award. The Airport has hired and maintained a competent, trained staff of Airport rescue firefighters, maintenance technicians and operations coordinators.

The passenger airlines which currently serve the Airport are: American Eagle, Continental Airlines, Delta Air Lines, United Express and US Airways which provide nonstop departures to the connecting hub airports in Atlanta, Charlotte, Chicago, Dallas/Fort Worth, Detroit, Houston, New York, Philadelphia, and Washington, DC. The major air cargo companies serving the Airport include Airborne Express, Emery Worldwide, Federal Express, and UPS.

In 1994, UPS selected the Airport as the site of its southeastern region Air/Ground Hub and Sortation Station for both its Next Day Air and Second Day Air package delivery services. Using its own funds, UPS constructed a package sortation building encompassing approximately 281,000 square feet on a 35-acre site near the Airport, which it purchased from the Airport. UPS is also leasing from the Airport a 35,000 square foot office building on a nine-acre site in CAE Park which houses the 200-person staff that reconciles and administers UPS' system-wide COD delivery services. UPS is operating with a minimum of 20 daily jet freighter arrivals and 10 daily flights at the Airport.

In 2010, Atlantic Southeast Airlines, a wholly owned subsidiary of SkyWest, Inc., cut the ribbon on its regional jet maintenance facility at the Airport. The Airport is Atlantic Southeast's primary overnight maintenance base for its regional jet fleet serving United Express, and the airline has invested significantly in refurbishing an existing facility that can accommodate up to three aircraft at a time. Atlantic Southeast brought more than 75 jobs to the Columbia area

when it began performing overnight maintenance at the Airport in 2009; refurbishments to its permanent hangar facility took place in 2010.

The Jim Hamilton-L.B. Owens Airport, with a 4999-foot by 75-foot runway with a 400-foot stopway, is located in the southeast section of the City and is used by private and other small aircraft.

*Medical and Health Services.* There are seven hospitals located within the Columbia MSA, two of which are federal facilities (William J. Dorn Veterans Hospital and Moncrief Army Hospital). Furthermore, there are five psychiatric hospitals and approximately 100 licensed nursing homes and community residential care facilities in the Columbia MSA. In January 2006, Palmetto Health Heart Hospital located at the Richland County campus opened its doors, becoming the most advanced, state-of-the-art cardiac care facility in the area. Serving patients from the midlands and all over central South Carolina, the \$80 million, 200,000 square-foot hospital is the State's only freestanding facility dedicated entirely to the prevention, diagnosis and treatment of cardiovascular diseases. Built specifically to meet the needs of the patients, there is a fluid transition between heart procedures and patient rooms. This unique building offers patients and visitors a comfortable and soothing experience complete with waterfalls and landscaped courtyards, and a view of the outside from each of the patient rooms. Attached to the Heart Hospital is a 100,000 square-foot medical office building which enables physicians and clinical staff to spend more time caring for the patients. To provide an unparalleled level of individualized care for residents of South Carolina, the hospital includes: 124 private inpatient beds; Cardiovascular Intensive Care Unit; Critical Care Unit; Cardiac Diagnosis; Cardiac Cath and Electrophysiology labs; Cardiac Rehabilitation Program; Pulmonary Rehabilitation Program; Telemetry Units; labs and diagnostic test areas; landscaped atriums; 700-car parking garage; gift shop; and specialty coffee cart. Recently, Palmetto Health completed several renovation projects at its Baptist and Richland Memorial campuses.

*Financial Institutions.* The Columbia MSA serves as the chief financial center of the State and, as such, is served by approximately 180 branches of commercial banks. As of June 30, 2010, commercial banks in Richland County and Lexington County reported deposits of approximately \$12.64 billion. The counties are also served by 13 branches of savings institutions with reported deposits of approximately \$212,000,000.

*Utilities.* Electricity for industrial, residential and commercial consumption is provided by SCE&G, Tri-County Cooperative, Inc., Mid-Carolina Electric Cooperative, Inc. and Fairfield Electric Cooperative, Inc. Natural gas is provided by SCE&G. Water and sewer service is provided by the City inside the City limits, as well as to portions of Richland and Lexington Counties.

*Recreation.* The Columbia MSA offers many opportunities for recreation and leisure activities. There are more than 70 local cultural organizations encompassing all facets of artistic endeavors and performing arts. There are 12 art and historical museums in the area. The Riverbanks Zoological Park, ranked among the top ten zoos in the nation, is home for more than 2,000 animals housed within naturalistic exhibits and a botanical garden. The University of South Carolina and other area universities and colleges offer a wide range of sports activities for both spectators and participants. Lake Murray, a 50,000-acre man-made lake with more than 500 miles of shoreline, includes limitless opportunities for fishing, camping, boating, sailing and skiing, as well as residential sites for single-family and multi-family development.

*Public Schools.* There were approximately 46,137 pupils enrolled in public schools in Richland County and 51,494 enrolled in the public school system in Lexington County for the 2010-2011 school year. All public schools are fully accredited and all teachers fully certified by the South Carolina Department of Education.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

*Higher Education.* There are eight main institutions of higher education in the Columbia MSA, the largest being the main campus of the University of South Carolina with a present enrollment of 29,599. The table below lists these institutions and their current enrollment:

<u>College/University</u>	<u>Enrollment</u>
University of South Carolina (Columbia Campus)	29,599
Midlands Technical College	12,078
Benedict College	3,137
Columbia College	1,367
South University	1,546
Columbia International University	1,201
Allen University	848

Source: South Carolina Commission on Higher Education

Midlands Technical College (“MTC”) is one of 16 technical colleges and technical education centers that make up the South Carolina Technical Education System. With three campuses located within the Columbia MSA, the MTC program serves approximately 12,078 students.

In 2004, the City, in cooperation with Richland County and Lexington County, constructed a 142,000 square-foot, state-of-the-art convention center complex in the downtown “Vista” area at a cost of \$40 million. The convention center is complemented by a 300-room, full service Hilton Convention Center Hotel, along with an adjacent 800-car parking garage serving the hotel, convention center, and area businesses. Other major projects in the Vista area include renovation of the historic South Carolina Dispensary Warehouse for reuse as a Publix grocery store, and development of Canal Front Park along the Columbia Canal. New residential projects in the Vista include Justice Square Town Homes, a 12-unit residential project. In addition, Renaissance Plaza Apartments provides live/work residential units, with 17 small storefronts and professional offices and 55 condominiums, completed in 2007. The CanalSide development consists of 25 acres and 750 total units of single family attached, detached and multi-family residential options, a central park area, open space adjacent to the Congaree River and Columbia Canal, and a limited amount of complementary retail and commercial space. In addition to the above, many businesses, including restaurants, hotels, a bank, retail stores, apartments and other office buildings have been or are currently under development in the Vista area.

*Military.* Fort Jackson, located within the city limits of Columbia, was established in 1917 and designated as a permanent post of the United States Army in 1940. Fort Jackson, which covers 82 square miles within the City, is the largest and most active Initial Entry Training Center in the U.S. Army training in excess of 50,000 basic training and advanced individual training soldiers every year. There are more than 3,900 active duty soldiers and their 14,000 family members who are assigned to the installation and make this area their home. Fort Jackson employs almost 5,200 civilians and provides services for more than 36,000 retirees and their family members. An additional 12,000 students annually attend courses at the Solder Support Institute, Chaplain Center and School and Drill Sergeant School.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE**

**APPENDIX D**  
**FORMS OF OPINIONS OF CO-BOND COUNSEL**

**APPENDIX E**

**FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT**

## FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement ("Disclosure Agreement"), dated as of [], is executed and delivered by the City of Columbia, South Carolina ("Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent ("Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (defined below) of the Bonds (defined below) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

**SECTION 1. Definitions.** Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (defined below). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Finance Director or his designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer

virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“Official Statement” means that Official Statement prepared by the Issuer in connection with its [] as listed on Appendix A.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, []. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the

Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
  - 1. "Principal and interest payment delinquencies;"
  - 2. "Non-Payment related defaults, if material;"
  - 3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
  - 4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
  - 5. "Substitution of credit or liquidity providers, or their failure to perform;"
  - 6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
  - 7. "Modifications to rights of securities holders, if material;"
  - 8. "Bond calls, if material;"
  - 9. "Defeasances;"
  - 10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
  - 11. "Rating changes;"
  - 12. "Tender offers;"
  - 13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
  - 14. "Merger, consolidation, or acquisition of the obligated person, if material;" and
  - 15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement as follows:

- (1) The financial statements of the Issuer for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- (2) Financial and operating data for each fiscal year which shall consist of the operating data generally consistent with the information contained in the tables in the Official Statement under the caption "[ ]."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

#### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

**SECTION 5. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**SECTION 6. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

**SECTION 7. Voluntary Reports.**

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure

Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

**SECTION 8. Termination of Reporting Obligation.** The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

**SECTION 9. Disclosure Dissemination Agent.** The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

**SECTION 10. Remedies in Event of Default.** In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated in this Disclosure Agreement.

**SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.**

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the

contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY OF COLUMBIA, SOUTH CAROLINA, as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A  
NAME AND CUSIP NUMBERS OF BONDS**

<b>Name of Issuer</b>	<b>City of Columbia, South Carolina</b>
<b>Obligated Person(s)</b>	<b>Same</b>
<b>Name of Bond Issue:</b>	
<b>Date of Issuance:</b>	
<b>Date of Official Statement:</b>	
<b>CUSIP Number:</b>	

**EXHIBIT B  
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer                      City of Columbia, South Carolina  
Obligated Person(s)                Same  
Name of Bond Issue:                []  
Date of Issuance:  
Date of Official Statement:

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of [], between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by: [].

Dated: []

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent,  
on behalf of the Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

cc:        Issuer  
            Obligated Person

**EXHIBIT C-1  
EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

\_\_\_\_\_ Description of Notice Events (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.

390 N. Orange Avenue

Suite 1750

Orlando, FL 32801

407-515-1100

**EXHIBIT C-1  
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Event Disclosure (Check One):

1.  "amendment to continuing disclosure undertaking;"
2.  "change in obligated person;"
3.  "notice to investors pursuant to bond documents;"
4.  "certain communications from the Internal Revenue Service;"
5.  "secondary market purchases;"
6.  "bid for auction rate or other securities;"
7.  "capital or other financing plan;"
8.  "litigation/enforcement action;"
9.  "change of tender agent, remarketing agent, or other on-going party;"
10.  "derivative or other similar transaction;" and
11.  "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

**EXHIBIT C-1  
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Financial Disclosure (Check One):

1.  "quarterly/monthly financial information;"
2.  "change in fiscal year/timing of annual disclosure;"
3.  "change in accounting standard;"
4.  "interim/additional financial information/operating data;"
5.  "budget;"
6.  "investment/debt/financial policy;"
7.  "information provided to rating agency, credit/liquidity provider or other third party;"
8.  "consultant reports;" and
9.  "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (“Disclosure Agreement”), dated as of \_\_\_\_\_, is executed and delivered by the City of Columbia, South Carolina (“Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (“Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (defined below) of the Bonds (defined below) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (defined below). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report,

Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Finance Director or his designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“Official Statement” means that Official Statement prepared by the Issuer in connection with

its \$ \_\_\_\_\_ Waterworks and Sewer System Revenue Bonds, Series \_\_\_\_\_ as listed on Appendix A.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

**SECTION 2. Provision of Annual Reports.**

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, \_\_\_\_\_. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
  1. "Principal and interest payment delinquencies;"
  2. "Non-Payment related defaults, if material;"
  3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
  4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
  5. "Substitution of credit or liquidity providers, or their failure to perform;"
  6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
  7. "Modifications to rights of securities holders, if material;"
  8. "Bond calls, if material;"
  9. "Defeasances;"
  10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
  11. "Rating changes;"
  12. "Tender offers;"

13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
  14. "Merger, consolidation, or acquisition of the obligated person, if material;"  
and
  15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
  2. "change in obligated person;"
  3. "notice to investors pursuant to bond documents;"
  4. "certain communications from the Internal Revenue Service;"
  5. "secondary market purchases;"
  6. "bid for auction rate or other securities;"
  7. "capital or other financing plan;"
  8. "litigation/enforcement action;"
  9. "change of tender agent, remarketing agent, or other on-going party;"
  10. "derivative or other similar transaction;" and
  11. "other event-based disclosures;"
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"

2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement as follows:

- (1) The financial statements of the Issuer for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- (2) Financial and operating data for each fiscal year which shall consist of the operating data generally consistent with the information contained in the tables in the Official Statement under the caption "THE CITY AND THE SYSTEM."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

#### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

**SECTION 5. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by

reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**SECTION 6. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

**SECTION 7. Voluntary Reports.**

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

**SECTION 8. Termination of Reporting Obligation.** The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

**SECTION 9. Disclosure Dissemination Agent.** The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

**SECTION 10. Remedies in Event of Default.** In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated in this Disclosure Agreement.

**SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.**

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver

the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

**SECTION 12. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a

notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

City of Columbia, South Carolina, as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**  
**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer	City of Columbia, South Carolina
Obligated Person(s)	same
Name of Bond Issue:	\$_____ Waterworks and Sewer System Revenue Bonds, Series _____
Date of Issuance:	_____, ____
Date of Official Statement	_____, ____
CUSIP Number:	_____



**EXHIBIT C-1  
EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_  
Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_  
or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_  
Number of pages of attached material event notice: \_\_\_\_\_

\_\_\_\_ Description of Notice Events (Check One):

1.  "Principal and interest payment delinquencies;"
2.  "Non-Payment related defaults, if material;"
3.  "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.  "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.  "Substitution of credit or liquidity providers, or their failure to perform;"
6.  "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.  "Modifications to rights of securities holders, if material;"
8.  "Bond calls, if material;"
9.  "Defeasances;"
10.  "Release, substitution, or sale of property securing repayment of the securities, if material;"
11.  "Rating changes;"
12.  "Tender offers;"
13.  "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14.  "Merger, consolidation, or acquisition of the obligated person, if material;"  
and
15.  "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

---

---

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

**EXHIBIT C-1  
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_  
Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_  
or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_  
Number of pages of attached material event notice: \_\_\_\_\_

\_\_\_\_ Description of Voluntary Event Disclosure (Check One):

1.  "amendment to continuing disclosure undertaking;"
2.  "change in obligated person;"
3.  "notice to investors pursuant to bond documents;"
4.  "certain communications from the Internal Revenue Service;"
5.  "secondary market purchases;"
6.  "bid for auction rate or other securities;"
7.  "capital or other financing plan;"
8.  "litigation/enforcement action;"
9.  "change of tender agent, remarketing agent, or other on-going party;"
10.  "derivative or other similar transaction;" and
11.  "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

---

---

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

**EXHIBIT C-1  
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: \_\_\_\_\_

Issuer's Six-Digit CUSIP Number: \_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates: \_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

\_\_\_\_\_  
Description of Voluntary Financial Disclosure (Check One):

- 1. \_\_\_\_\_ "quarterly/monthly financial information;"
- 2. \_\_\_\_\_ "change in fiscal year/timing of annual disclosure;"
- 3. \_\_\_\_\_ "change in accounting standard;"
- 4. \_\_\_\_\_ "interim/additional financial information/operating data;"
- 5. \_\_\_\_\_ "budget;"
- 6. \_\_\_\_\_ "investment/debt/financial policy;"
- 7. \_\_\_\_\_ "information provided to rating agency, credit/liquidity provider or other third party;"
- 8. \_\_\_\_\_ "consultant reports;" and
- 9. \_\_\_\_\_ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

---

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100