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"Authorized Denominations" means (a) with respect to the Series 1985 Bonds, the sum of \$5,000, and (b) with respect to any of the Additional Bonds, the sum of \$5,000 and any integral multiple thereof.

"Authorized Representative" shall mean any person or persons at the time designated to act on behalf of the Service Party or the Corporation by a written certificate, containing a specimen signature of such person or persons, which, in the case of the Service Party's representative, is signed on behalf of the Service Party by an officer of the general partner or designated representative of the Service Party and is furnished to the Corporation and the Trustee and, in the case of the Corporation's representative, is signed on behalf of the Corporation by an officer of the Corporation and is furnished to the Service Party and the Trustee.

"Base Fee" means the Base Service Fee as defined in the Service Agreement.

"Bond Counsel" means Independent Counsel whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"Bond Insurance Policy" means the Municipal Bond New Issue Insurance Policy issued by Bond Insurer with respect to the Series 1985 Bonds.

"Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, and any successor thereto.

"Bond Proceeds" means, as of any time, an amount equal to the sum of (i) the Principal Bond Proceeds plus (ii) the Project Fund Net Investment Income.

"Bond Year" means the period commencing on the day following the first Interest Payment Date of any calendar year and ending on the first Interest Payment Date of the following calendar year.

"Bondholder", "Holder of Bonds" or "Holder" means any Person, including the Bond Insurer, who shall be the registered owner of any Outstanding Bond or Bonds.

"Bonds" means all those issued hereunder.

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"Account" means any Account established under the Indenture.

"Act" means Act Number 84-314 adopted at the 1984 Regular Session of the Legislature of the State of Alabama.

"Act of Bankruptcy" when used with respect to the Service Party, means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against the Service Party under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

"Additional Bonds" means those authorized under the Indenture in Article VIII hereof.

"Additional Fee" means the sum of the Operating Fee and the Pass Through Costs.

"Affiliate" of any designated Person means any Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other, or holds or beneficially owns 5% or more of the equity interest in the other or 5% or more of any class of voting securities of the other. For this purpose "control" means the power, direct or indirect, of one Person to direct or cause direction of the management and policies of another, whether by contract, through voting securities or otherwise. Notwithstanding the foregoing, no Person shall be deemed to be an Affiliate of another solely by reason of such Person's being a participant in a joint venture, partnership, joint operating group or joint undivided ownership group.

"Assignment of Easements" means that certain Assignment of Easements from the City to the Service Party dated as of December 1, 1985, and any additional or supplemental document delivered to the Service Party pursuant to Section 3.03 of the Service Agreement.

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"Debt Service Requirement" means, as of any date of determination, and with respect to any Bond Year, an amount equal to the sum of (i) interest on the Bonds Outstanding payable during such Bond Year, and (ii) Principal Installments on the Bonds Outstanding payable during such Bond Year. Such interest and Principal Installments shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created pursuant to Section 10.4 hereof.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation, the maximum Principal Installment due and interest accruing with respect to the Bonds Outstanding during the then current or any succeeding Bond Year.

"Deficiency" means, with respect to any Fund or Account with respect to any calendar month, the amount by which the amount on deposit in such Fund or Account is less than the amount required by this Indenture to be on deposit in such Fund during such calendar month.

"Directors" means the Board of Directors of the Corporation.

"Eligible Investments" means, so long as otherwise permitted under the Act (a) (1) to the extent such deposit is fully insured by the federal entity described in clauses (i) or (ii) below, any time deposit with, or any certificate of deposit issued by, (i) any bank which is organized under the laws of the United States of America or any state thereof, has combined capital, surplus, and undivided profits of at least \$3,000,000, and deposits in which are insured by the Federal Deposit Insurance Corporation or any department, agency or instrumentality of the United States of America that may succeed to the functions of such corporation or (ii) any savings and loan association which is organized under the laws of the United States of America or any state thereof, has combined capital, surplus, and undivided profits of at least \$3,000,000, and deposits in which are insured by the Federal Savings and Loan Insurance Corporation or any department, agency or instrumentality of the United States of America that may succeed to the functions of such corporation, or (2) to the extent any time deposit or certificate of deposit with an entity described in clause (1) (i) or (ii) above is not fully insured by the federal entity described therein, any such deposit to the extent secured by securities of the type described in clauses (b), (c) and (d) below, but only so long as such securities are held by (i) the Trustee, (ii) any bank otherwise described in clause (1)(i) above, but with combined capital, surplus, and undivided profits of at least \$25,000,000 or (iii) any other bank approved in writing for such purpose by the Bond Insurer, and such securities have a Value of not less than 116% of the amount of the

"Business Day" means any day other than (i) a Saturday or a Sunday, (ii) a day on which banking institutions located in any of the cities in which the principal offices of the Trustee or Bond Insurer or its or their successors are located, are required or are authorized by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed.

"Capital Project" means improvements, renovations, extensions and additions to the Project (whether located or to be located on the Sites, on real property adjacent to the Sites or on real property subject or to be subject to the Indenture) that are properly chargeable to fixed capital account by generally accepted accounting principles.

"Capitalized Interest Period" means the period commencing the date of issuance of the Series 1985 Bonds and continuing until and including December 31, 1986.

"Certified User Charges" means, with respect to any period, the amount collected by the City pursuant to Section 1 of Article XI of the Sewer Use Ordinance as the basic monthly user charge for sewer services rendered in the City (excluding connection fees, impact fees and other similar non-recurring charges).

"City" means the City of Pelham, Alabama.

"Code" means the Internal Revenue Code of 1954, as amended.

"Consulting Engineer" means Post, Buckley, Schub & Jernigan, Inc., Consulting Engineer of Nashville, Tennessee.

"Corporation" means the party of the first part hereto and, subject to the provisions of Section 11.6 hereof, includes its successors and assigns and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Counsel" means an attorney or firm of attorneys duly admitted to practice before the highest court of one or more states of the United States of America or of the District of Columbia.

"Debt Service Fund" means the special trust fund so designated which is established pursuant to Section 10.3 hereof.

(a) the Service Party shall have fully satisfied or caused to be satisfied the requirements of clauses (i) through (viii) of Section 9.4 by delivering or causing to be delivered to the Trustee all certificates, opinions, surveys and other documents or instruments required thereby; and

(b) the Consulting Engineer shall have delivered to the Trustee the Phase A Final Completion Certificate, the Phase B Final Completion Certificate and the Phase C Final Completion Certificate, as respectively defined in the Service Agreement; and, in addition, a certificate or certificates, from an Authorized Representative of the Consulting Engineer, stating (i) that the New Plant has satisfied the Test Criteria (as defined in the Service Agreement), (ii) that the ADEM and any other discharge or other permits required for operation of the New Plant and the New System have been obtained and are in full force and effect, and, (iii) that Effluent (as defined in the Service Agreement) discharged from the New Plant, while the New Plant was operating on an ongoing basis, has satisfied the requirements of the ADEM permit for a period of at least twenty-one (21) consecutive days.

"Final Phase A/B Completion Date" means the date upon which all of the following shall have occurred.

(a) the Service Party shall have fully satisfied or caused to be satisfied the requirements of clause (i) through (viii) of Section 9.4 by delivering or causing to be delivered to the Trustee all certificates, opinions, surveys and other documents or instruments required thereby, except to the extent solely relating to Phase C (for example, the certificate described in Sections 9.4 (iii) could exclude violations relating solely to Phase C); and

(b) the Consulting Engineer shall have delivered to the Trustee the Phase A Final Completion Certificate and Phase B Final Completion Certificate, and a certificate or certificates, from an Authorized Representative of the Consulting Engineer, making the statements required pursuant to clauses (i), (ii) and (iii) of paragraph (b) of the above definition of Final Phase A/B/C Completion Date.

"Final Completion Date" means the earlier to occur of (i) both the Final Phase A/B Completion Date and the date on which the special mandatory redemption required pursuant to Section 7.2(d)(2) shall have been effected as therein provided, or (ii) the Final Phase A/B/C Completion Date.

deposit so secured; provided, however, that the Trustee shall liquidate such securities if, on any monthly valuation date, the Value of the securities shall fall to be at least 116% of the deposits so secured, which failure shall continue for the two business days next succeeding the date of such monthly valuation; (b) any debt securities that are direct, general obligations of the United States of America; (c) any debt securities the payment of the principal of and interest on which is unconditionally guaranteed by the United States of America; (d) any debt securities that are direct, general obligations of any of the following agencies or instrumentalities of the United States of America, the following: the Federal Housing Administration, the Export-Import Banks of the United States, the Federal Financing Bank, Federal Home Loan Banks (including any joint obligations of any two or more of the foregoing agencies), the Federal Home Loan Mortgage Corporation (including participation certificates of the last named agency), the Government National Mortgage Association (including participation certificates of the last named agency); (e) any debt securities that are direct, general obligations of the Federal National Mortgage Association; and (f) prime commercial paper or finance company paper which is rated not less than prime one or the equivalent thereof by Moody's Investors Service, Inc., or Standard & Poor's Corporation, or their successors.

"Equipment" means all equipment (as defined by the Alabama Uniform Commercial Code), whether now owned or hereafter acquired, to be used by the Service Party in the fulfillment of its obligations under the Service Agreement.

"Existing Plant" means the existing wastewater treatment plant located on the real property in Shelby County, Alabama, and described in the Existing Plant Lease.

"Existing Plant Site" means the real property located in Shelby County, Alabama, and described in the Existing Plant Lease.

"Existing System" has the meaning given in the Service Agreement.

"Event of Default" has the meaning given in Section 13.1 hereof.

"Federal Securities" means securities of the type referred to in clauses (b) and (c) of the definition of Eligible Investments.

"Final Phase A/B/C Completion Date" means the date upon which all of the following shall have occurred:

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"Insubstantial Amount" means an amount not in excess of the amount stated in the Representation and Agreements of the Service Party Associates delivered to the Trustee at the time of the delivery of the Series 1985 Bonds.

"Interest Payment Date" means the date upon which an interest payment on the Bonds becomes due and payable under the Indenture.

"Investment Earnings" means, with respect to any Fund, the income derived from the investment of the amounts in such Fund.

"Issuance Costs" means costs incurred by or on behalf of the Corporation in connection with the making of the loan by the Corporation to the Service Party, including without limitation, payment of financial, legal, accounting and appraisal fees, expenses and disbursements, the Corporation's actual out-of-pocket administrative expenses attributable to the issuance of the Bonds, the cost of printing, engraving and reproduction services, bond insurance premiums and expenses, underwriting commissions and fees, fees payable for liquidity credit facilities or letters of credit, the initial or acceptance fee of the Trustee, the fees and disbursements of the Trustee payable in accordance with the Indenture prior to the Final Acceptance Date, all other fees, charges and expenses incurred in connection with the authorization, preparation, sale, issuance and delivery of the Bonds (including all costs, fees, expenses and other amounts, other than interest, principal or prepayment premiums, if any, on the Bonds, which may be payable by the Corporation under any bond purchase agreement or agreements pursuant to which the Bonds are sold), the preparation and filing or recording of the Loan Agreement, the Indenture or any similar agreement with the Service Party (including any amendments or supplements thereto), and the preparation of any bond purchase agreement and other related documents entered into or prepared in connection with the financing of the Project.

"Loan Agreement" means that Loan Agreement entered into between the Service Party and the Corporation dated as of December 1, 1985.

"Loan Agreement Default" has the meaning given in the Loan Agreement.

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"Fiscal Agent" means the person designated by the Bond Insurer to act as its Fiscal Agent pursuant to Section 10.3(d) hereof.

"Fund" means any Fund established under this Indenture.

"Ground Leases" means the Site Lease and the Existing Plant Lease as defined in the Service Agreement.

"Guarantor" means The Parsons Corporation, a Delaware Corporation.

"Guaranty Agreement" means that certain guaranty agreement, dated as of December 1, 1985, among The Parsons Corporation, a Delaware corporation, as guarantor and the Trustee and the Corporation.

"Indenture" means these presents and every supplemental agreement with the Trustee in pursuance hereof.

"Independent Accountant" means an accountant or accounting firm not employed full-time by the Corporation, the Service Party or an affiliate of the Service Party.

"Independent Appraiser" means a person, firm or corporation not employed full time by the Corporation, the Service Party, or an Affiliate of the Service Party, regularly engaged in the business of appraising, buying or selling real or personal property (either as principal or agent) and otherwise competent, in the opinion of the Trustee, to determine the value of the property in question.

"Independent Architect" means an architect or architectural firm not employed full time by the Corporation, the Service Party or an Affiliate of the Service Party.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice before the highest court of one or more states of the United States of America or the District of Columbia and not employed full time by the Corporation, the Service Party, or an Affiliate of the Service Party.

"Independent Engineer" means an engineer or engineering firm not employed full time by the Corporation, the Service Party or an Affiliate of the Service Party, and acceptable to the Trustee and the Bond Insurer.

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"New System" has the meaning given in the Service Agreement.

"Newspaper" means a newspaper printed in the English language and published not less than six days during each calendar week in the locality specified, if there be any such; otherwise published not less than once during each calendar week.

"Note" has the meaning given in the Loan Agreement.

"O/M Agreement" has the meaning given in the Service Agreement.

"Operating Fee" has the meaning given in the Service Agreement.

"Opinion of Counsel" means an opinion or opinions in writing, signed by legal counsel who, unless otherwise specified, may be counsel to the Service Party, the Trustee or the Corporation. As to any factual matters involved in an opinion of counsel, such counsel may rely, to the extent that they deem such reliance proper, upon a certificate or certificates setting forth such matters which have been signed by an official, officer, general partner or authorized representative of a particular governmental authority, corporation, firm or other person or entity.

"Outstanding" or "outstanding" when used with reference to any of the Bonds, means, at any date as of which the amount of such Bonds outstanding is to be determined, the outstanding principal amount of all such Bonds which have been theretofore authenticated and delivered by the Trustee under the Indenture, except (i) those of such Bonds purchased for retirement which have been delivered to and cancelled by the Trustee, (ii) those of such Bonds cancelled by the Trustee because of payment at or after their respective maturities or redemption prior to their respective maturities, (iii) the outstanding principal amount of those of such Bonds for the payment or redemption of which provisions shall have been made with the Trustee as provided in Section 16.1 of the Indenture, and (iv) those of such Bonds in exchange for which, or in lieu of which, other Bonds have been authenticated and delivered under the Indenture. In determining whether the Holders of a requisite aggregate principal amount of outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned by the Service Party or any Affiliate thereof shall be disregarded and deemed not to be outstanding hereunder for the purpose of any such determination.

"Loan Payments" means all payments required to be made pursuant to the terms of the Loan Agreement.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation with the approval of the Service Party, by notice to the Service Party and the Trustee.

"Mortgage" has the meaning given in the Loan Agreement.

"Mortgaged Property" has the meaning given in the Loan Agreement.

"Nationally Recognized Bond Counsel" means Independent Counsel whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"Net Proceeds", when used with respect to any insurance or condemnation award, compensation or damages, means the gross amount from any such award, compensation or damages less all expenses (including attorneys' fees and any extraordinary expenses of the Corporation or the Trustee) incurred in the collection thereof.

"Net System Revenues" means, for any period, the gross revenues derived by the City from all charges and fees levied by it for the provision of sanitary sewer services in the City, less, for the same period, operating expenses, computed in accordance with generally accepted accounting principles, but not including, for any fiscal year of the City ending prior to September 30, 1990, any impact fees, connection charges or other similar non-recurring charges.

"New Date" means the date specified in Section 7.2(d) hereof.

"New Plant" has the meaning given in the Service Agreement.

"New Plant Site" means the real property located in Shelby County, Alabama, and described in the Site Lease.

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"Phase A" has the meaning given in the Service Agreement.

"Phase B" has the meaning given in the Service Agreement.

"Phase C" has the meaning given in the Service Agreement.

"Plants" means the New Plant and the Existing Plant, and all additions, replacements or extensions thereto which may be constructed by the Service Party at any future date and any equipment at any time acquired for use in connection therewith.

"Pledged Sources" has the meaning given in the Loan Agreement.

"Principal Bond Proceeds" means the amount received by the Corporation from the sale of the Series 1985 Bonds (excluding accrued interest and premium, if any), less the expenses of issuing the Series 1985 Bonds to the extent such expenses are deductible pursuant to Treasury Regulations Sections 1.103-8(a)(1)(i) in determining whether "substantially all" of the proceeds of bonds are to be applied for "Qualifying Expenditures" in accordance with Section 103(b)(4) of the Code and the Treasury Regulations issued thereunder.

"Principal Installment" for any Bond Year means, as of any date of calculation and with respect to the Bonds Outstanding as of such date, any principal due on the Bonds or any principal required to be redeemed prior to maturity under any Sinking Fund Redemption provision due during such Bond Year.

"Priority Moneys" means (a) moneys drawn under the Letter of Credit, or (b) moneys deposited which have been on deposit with the Trustee for at least 124 days during which and prior to which no Act of Bankruptcy with respect to the Service Party shall have occurred.

"Project" means the Plants, the Sites, the Equipment and the Sewer Transmission Lines, and shall include Phase A, Phase B and Phase C.

"Project Costs" shall have the meaning given in the Loan Agreement.

"Project Fund" means the Project Fund created pursuant to Section 9.2 hereof.

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"Overdue Interest" means interest due but not paid on the Interest Payment Date on which such interest is required to be paid.

"Overdue Interest Payment Date" means the date fixed by the Trustee, pursuant to the provisions of Section 5.2 hereof, for payment of Overdue Interest.

"Owner" means the Holder of a Bond.

"Pass Through Costs" has the meaning given in the Service Agreement.

"Payment Date" means each June 1, or December 1, commencing June 1, 1986.

"Period of Bond Insurer Disqualification" means any period of time during which (i) the Bond Insurance Policy shall not be in full force and effect; (ii) an event described in Section 13.1(A)(5) or (6) hereof shall exist with respect to Bond Insurer; or (iii) the Bond Insurer shall have failed to meet any payment obligation pursuant to the Bond Insurance Policy when due and shall not have cured such failure, provided that three (3) Business Days shall have elapsed after the Bond Insurer has been notified by the Trustee in writing of such failure.

"Permitted Encumbrances" means, as of any particular time, (a) liens for ad valorem taxes and special assessments not then delinquent, (b) the Service Agreement, the Ground Lease, the Assignment of Easements, the Mortgage, the Loan Agreement and the Indenture, (c) inchoate mechanics' and materialmen's liens, (d) utility, access, drainage and other easements and rights of way, restrictions and exceptions that an Independent Engineer certifies will not materially interfere with or impair the operations being conducted in or about the Project (or, if no operations are being conducted in or about the Project, the operations for which the Project was designed or last modified), (e) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title (including zoning and other similar restrictions and regulations) as customarily exist with respect to properties similar in character to the Project and as do not, in the Opinion of Counsel, in the aggregate materially impair the use of the property affected thereby for the purpose for which it was acquired or is held by the Corporation or the Service Party, and (f) with respect to the Sites, the easements and other exceptions referred to in Exhibit A hereto.

"Person" means an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

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"Reserve Fund" means the Debt Service Reserve Fund created in Section 10.4 hereof.

"Resolution" means a resolution duly adopted by the Directors.

"Revenues" means all Pledged Sources, and all other revenues, receipts, payments, proceeds, Investment Earnings, fees, charges, income or earnings received or to be received by the Corporation or the Trustee for the account of the Corporation or otherwise in respect of the Project or the financing thereof pursuant to the Loan Agreement, the Service Agreement, the Security Documents or this Indenture, all Loan Payments, and all rights to receive the same, whether in the form of accounts, general intangibles or other rights, and the proceeds of such rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and the proceeds of any insurance covering business interruption losses relating to the cessation or reduction of operation in whole or in part of the Plants.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the law of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the Service Party, by notice to the Trustee and the Service Party.

"Security Documents" means, collectively and severally, this Indenture, the Assignment of Easements, the Loan Agreement, the Bond Insurance Policy, the O/M Agreement, the Mortgage, the Ground Leases, the Letter of Credit, the Guaranty Agreement, the Note, and such other agreements, instruments or documents the rights of enforcement of which shall have been pledged and assigned to the Trustee pursuant to this Indenture or otherwise.

"1985 Security Documents" means the Bond Insurance Policy, the Guaranty Agreement, the O/M Agreement and the Letter of Credit.

"Series 1985 Bonds" means the \$16,000,000 Wastewater Treatment and Collection Revenue Bonds, Series 1985 (Parsons Pelham Associates, a California Limited Partnership Project) of the Corporation issued, executed, authenticated and delivered under this Indenture.

"Service Agreement" means that certain Service Agreement, dated as of December 1, 1985, among the Corporation, the City and the Service Party.

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"Project Fund Net Investment Income" means, as of any date of determination, the cumulative net income derived from the investment and reinvestment of Principal Bond Proceeds (including income derived from the investment and reinvestment of previously derived income), such net income with respect to any investment to be computed by adding to the total interest received with respect to any investment any gain or profit received as a result of purchase at a discount and subtracting therefrom accrued interest and premium, if any, paid as a part of the purchase price of any such investment.

"Qualifying Costs" means Project Costs that were incurred after October 1, 1985, to the extent such costs constitute expenditures for Qualifying Facilities.

"Qualifying Facilities" means property used for the collection, storage, treatment, utilization, processing or final disposal of sewage within the meaning of Section 103(b)(4)(E) of the Code.

"Rate Stabilization Fund" means the Rate Stabilization Fund created in Section 10.8 hereof.

"Rebate Account" means the special account required to be established in Section 9.8 hereof.

"Record Date" means the fifteenth day of the month next preceding any Interest Payment Date, or, if such day shall not be a Business Day, the next preceding Business Day.

"Redemption Date" means the date fixed for the redemption of Bonds in any notice of redemption.

"Redemption Fund" means the Project Redemption Fund created in Section 10.6 hereof.

"Redemption Price" means the price at which Bonds called for redemption may be redeemed pursuant to the provisions hereof.

"Renewal Fund" means the Project Renewal Fund created in Section 10.5 hereof.

"Replacement Fund" means the Repair and Replacement Fund created in Section 10.7 hereof.

"Trust Estate" means the trust estate granted to the Trustee in Granting Clauses I through V hereof.

"Value", as of any particular time of determination of any Fund or Account, means the value of any investments which shall be calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to Federal Securities the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;

(iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(iv) as to any investment not specified above: the value thereof established by any other manner deemed appropriate by the Trustee.

If more than one provision of this definition of "value" shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Section 1.2 Interpretation. (A) In this Indenture:

(1) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" means after, and the term "heretofore" means before, the date of execution of this Indenture.

"Service Party" means Parsons Pelham Associates, a California Limited Partnership, and subject to the provisions of Section 10.1 of the Loan Agreement, Section 21.02 of the Service Agreement and Section 12.5 hereof, includes its successors and assigns.

"Service Party Payment" means the payments required by the provisions of Section 4.1(E) of the Loan Agreement to be made by the Service Party in respect of Debt Service Requirements on the Series 1985 Bonds.

"Sewer Transmission Lines" means the Existing System and the New System.

"Sinking Fund Redemption" means (a) the provisions for mandatory redemption of Bonds pursuant to the provisions of Section 7.2(b) hereof, and (b) any redemption of Additional Bonds pursuant to any like provisions for mandatory redemption contained in any Supplemental Indenture.

"Sites" means the Existing Plant Site and the New Plant Site, being the real property described on Exhibit A hereto.

"State" means the State of Alabama.

"Supplemental Indenture" means an agreement supplemental hereto.

"Title Insurance Policy" means that certain Title Insurance Policy issued and delivered to the Trustee at the time of the delivery of the Series 1985 Bonds and insuring the Project.

"Treasury Securities" means those securities described in clause (b) of the definition of Eligible Investments.

"Trustee" means the party of the second part hereto and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Trustee Funds" means the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Redemption Fund, the Renewal Fund and the Rate Stabilization Fund.

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possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

(C) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Corporation, the Trustee, the Bond Insurer, the Service Party, and the Holders of the Bonds any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the Trustee, the Holders of the Bonds and, where so provided, the Bond Insurer and the Service Party. The parties hereto declare that this Indenture is a third party beneficiary contract. Insofar as this Indenture bestows any rights, powers or privileges upon the Corporation, the Trustee, the Holders of the Bonds and, where so provided, the Bond Insurer and the Service Party, the parties hereto expressly agree that both the Bond Insurer and the Service Party, acting alone or together, may enforce this Indenture to the fullest extent.

(D) If any one or more of the covenants or agreements provided herein on the part of the Corporation or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements, shall be deemed separable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.

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(2) Words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(3) Any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(4) This Indenture shall be governed by and construed in accordance with the applicable laws of the State.

(5) If any clause, provision or Section of this Indenture shall be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or Section shall not affect any of the remaining provisions hereof.

(6) Notwithstanding any provisions hereof to the contrary, the Corporation shall not be obligated to make any payment hereunder in excess of the maximum amount which may lawfully be asserted as a defense in an action regarding the Loan Agreement or the Bonds based on any applicable usury statute.

(7) Reference to any provision of law, of any Security Document, or any other agreement shall mean as such provision of law, Security Document, or other agreement has been last amended or modified, unless expressly provided otherwise.

(8) The words "including" and "including without limitation" are intended to have the identical meaning herein.

(B) Whenever the Corporation is named or referred to, it shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Corporation contained in this Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Corporation, or of its successors and assigns, the

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(a) all rights of ingress and egress from time to time existing with respect to the Project;

(b) all contracts and agreements and all guarantees, warranties and sureties in the nature of construction, support service or facility or equipment maintenance agreements respecting the Project;

(c) all licenses, franchises, easements and permits pertaining to the Project;

(d) the Bond Insurance Policy; and

(e) all condemnation or similar awards with respect to all or any part of the Project and all such policies of insurance and coverages of insurance as may from time to time exist in satisfaction of any requirements of the Mortgage, the Service Agreement, the Loan Agreement or any other agreement relating to the hereinabove, naming the Corporation as a co-insured, additional insured, loss payee, or otherwise inuring to the Corporation's benefit.

III.

All Funds and Accounts, (other than any Rebate Account under Section 9.8 hereof and amounts on deposit in the Replacement Fund) including the investments thereof, if any, and moneys, securities and obligations therein (subject to disbursements from any such Fund or Account upon the conditions set forth in this Indenture);

IV.

All moneys and securities from time to time held by the Trustee under the terms of this Indenture and any and all other real or personal property or general intangibles of every name and nature concurrently herewith or from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Corporation or by anyone in its behalf, or with its written consent, to the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof; and

ARTICLE II
GRANTING CLAUSES

Section 2.1 The Corporation in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Series 1985 Bonds and any Additional Bonds by the Holders and owners thereof, and for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of, redemption premium, if applicable, and interest on the Series 1985 Bonds and any Additional Bonds according to their tenor and effect and all other amounts due in connection therewith and the performance and observance by the Corporation of all the covenants expressed or implied herein and in the Series 1985 Bonds and the Additional Bonds, does hereby grant, bargain, sell, convey, transfer, pledge and assign unto, and grant a security interest in and to the Trustee, and unto its respective successors in trust, and to their respective assigns, forever, for the securing of the performance of the obligations of the Corporation hereinafter set forth, the following (each defined term herein to have the meaning given in Article I hereof):

I.

All Revenues and all of the Corporation's or the Trustee's right, title and interest in and to the Mortgaged Property, the Security Documents, including, among others, the assignment of the Service Party's right, title, and interest in and to the Security Documents and the Revenues, and the lien, right, title and interest on, in and to the Project and the Sites created by the Mortgage, together with all Loan Payments, revenues and receipts payable or receivable under the Loan Agreement or any other of the Security Documents, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any of the moneys, income, revenues, issues and other amounts payable or receivable thereunder, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Corporation or any other Person is or may become entitled to do under the Mortgage, the Service Agreement, the Loan Agreement or any of the other Security Documents.

II.

All right, title and interest, if any, of the Corporation, whether determined or to be determined, under such arrangements, agreements, contracts, permits, licenses and regulatory enactments as may now or hereafter be in effect, respecting:

ARTICLE III

ISSUANCE OF BONDS IN SERIES

Section 3.1 Issuance of Bonds in Series. The Bonds may be issued in different series, and each Bond shall have an appropriate series designation. All Bonds issued hereunder shall be issued in Authorized Denominations. All the Bonds shall be equally and ratably secured by the Indenture and by the pledge herein contained, it being expressly understood and agreed that no Bonds issued hereunder shall be prior to any other Bonds thereafter issued hereunder, but shall be on a parity therewith, with respect both to the lien of the Indenture and to said pledge. All Bonds issued hereunder shall be registered as to both principal and interest on the registry books of the Trustee pertaining to the Bonds.

Section 3.2 General Provisions Respecting Bonds. Interest Rates. Each of the series of the Bonds shall bear such date or dates as shall be specified in the Indenture or Supplemental Indenture providing therefor and shall mature in accordance with the provisions of the Indenture or the Supplemental Indenture pursuant to which they are issued. In the event that all or any part of the Bonds of any series are (by the terms hereof or of any Supplemental Indenture) subject to Sinking Fund Redemption, such redemption shall be required to be effected on June or December in such years and amounts as shall be specified prior to the issuance of such series. Interest on the Bonds from their respective dates until their respective maturities shall be payable, at such per annum rate or rates as shall be fixed therefor prior to their issuance, on June 1 and December 1, commencing June 1, 1986. The principal of the Bonds shall be payable in lawful money of the United States of America at the principal office of the Trustee. Interest on the Bonds shall be paid by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Bonds; provided that the final payment of such interest shall be made only upon surrender of the appropriate Bond. In addition, the Corporation may, prior to the issuance of any series of Bonds hereunder, designate such other paying agent or agents for such series as it may deem desirable, and in the event of any such designation, the principal of and the premium, if any, on the Bonds of that series shall also be payable at the principal office of such other paying agent or agents, at the option of the respective Holders thereof. Except as otherwise provided herein or in any Supplemental Indenture, the Bonds shall be numbered in such manner as the officers of the Corporation may determine, such determination by said officers to be evidenced by their signing of the Bonds.

Section 3.3 Form of Bonds, Etc. The Series 1985 Bonds, the Trustee's Authentication Certificate applicable thereto and the Form of Assignment therefor shall be in substantially the form provided therefor in Article VII hereof. The Bonds of each series of Additional Bonds, the Trustee's Authentication Certificate applicable thereto and the Form of

V.

To the extent not covered hereinabove, all proceeds of any or all of the foregoing.

TO HAVE AND TO HOLD all and singular the trust estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors and assigns in trust forever to its and their own proper use;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Holders and owners of the Series 1985 Bonds and the Additional Bonds from time to time issued and to be issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Series 1985 Bonds or the Additional Bonds over any of the other Series 1985 Bonds or the Additional Bonds, except as otherwise may be provided in this Indenture;

PROVIDED, HOWEVER, that the holders of any Additional Bonds shall not be entitled to the protection afforded by the 1985 Security Documents;

PROVIDED FURTHER, HOWEVER, that if the Corporation, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, redemption premium, if applicable, and interest on, the Series 1985 Bonds and the Additional Bonds due or to become due thereon, and all other amounts due thereunder, at the times and in the manner mentioned in the Series 1985 Bonds and the Additional Bonds according to their tenor, and shall cause the payments to be made on the Series 1985 Bonds as required under Article XI hereof, or shall provide, as permitted hereby, for the payment thereof as provided in Section 16.1 hereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon the final payment thereof, all rights of the Holders of the Series 1985 Bonds and the Additional Bonds or the Trustee under this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture to be and remain in full force and effect.

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ARTICLE IV

EXECUTION AND AUTHENTICATION OF THE BONDS

Section 4.1 Execution of Bonds. The Bonds shall be executed by the Chairman or Vice-Chairman of the Directors and attested by the Secretary of the Corporation, and the seal of the Corporation shall be imprinted on each of the Bonds. The signature of the Chairman or Vice-Chairman of the Directors on the Bonds may be a facsimile of the signature of such Chairman or Vice-Chairman, and the seal of the Corporation imprinted on the Bonds may be a facsimile of such seal; provided, that the signatures of the Chairman or Vice-Chairman and the Secretary may each be facsimile signatures of such officers if there shall appear on each Bond a manually executed authentication certificate of the Trustee provided for in Section 4.2 hereof. Signatures on the Bonds by persons who were officers of the Corporation at the time such signatures were written or printed shall continue effective although such persons cease to be such officers prior to the authentication or the delivery of the Bonds.

Section 4.2 Authentication Certificate of Trustee. A duly executed authentication certificate by the Trustee in substantially the form hereinafter recited shall be endorsed on each of the Bonds and shall be essential to its validity. Such certificate shall be conclusive of the due issue of such Bond hereunder.

Section 4.3 Dating of and Accrual of Interest on Bonds. Except as provided in Article VII hereof with respect to the dating of the Series 1985 Bonds initially issued or in any similar provisions of any Supplemental Indenture with respect to any series of Additional Bonds, each Bond issued hereunder (including, without limitation, those issued pursuant to the provisions of Section 4.4, 5.1, 5.4 or 6.2 hereof) shall be dated and shall bear interest from the June 1 or December 1, as the case may be, next preceding the date of its authentication unless (1) such Bond is issued in exchange for any of the Series 1985 Bonds and such date of authentication is prior to June 1, 1986, in which case such Bond shall be dated the date of issuance of the Series 1985 Bonds, (2) such Bond is issued in exchange for any Additional Bonds dated the date of their issuance and such date of authentication is prior to the first interest payment date with respect thereto, in which case such Bond shall be dated the date of issuance of such series of Additional Bonds, (3) such date of authentication is a June 1 or December 1, in which event such Bond shall be dated and bear interest from the date of its authentication, or (4) at the time of such authentication the Corporation is in default in the payment of interest on the Bond in lieu of which such new Bond is issued, in which event such new Bond shall be dated and bear interest from the last interest payment date to which interest has previously been paid or made available for payment on the Bond in lieu of which such new Bond is issued. The preceding sentence shall be construed to the end that the issuance of a Bond shall not effect any gain or loss of interest to the Holder thereof.

Assignment therefor shall be in substantially the forms respectively provided therefor in the Supplemental Indenture providing therefor, which shall in general be similar to the forms applicable to the Series 1985 Bonds, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and such Supplemental Indenture.

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ARTICLE V

REGISTRATION, TRANSFERS
AND EXCHANGES OF THE BONDS

Section 5.1 Registration and Transfer of Bonds. The Trustee shall be the registrar and transfer agent of the Corporation and shall keep at its office proper registry and transfer books in which it will note the registration and transfer of such Bonds as are presented for those purposes, all in the manner and to the extent hereinafter specified.

All Bonds issued hereunder shall be registered as to both principal and interest by the Trustee as registrar and transfer agent for the Corporation and shall be transferable only on the transfer books of the Trustee. No transfer of a Bond shall be valid hereunder unless such Bond is presented at the office of the Trustee with written power to transfer signed by the registered Owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee, whereupon the Corporation shall execute, and the Trustee shall authenticate and deliver to the transferee, a new Bond, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Bond is registered on the books of the Trustee shall be the sole person to whom or on whose order payments on account of the principal thereof and of the interest (and premium, if any) thereon may be made.

The Trustee shall not be required to register or transfer any Bond during the period of fifteen days next preceding any interest payment date with respect thereto or during the period of fifteen days next preceding the thirty-day period immediately prior to June 1 or December 1; and if any Bond is duly called for redemption (in whole or in part), the Trustee shall not be required to register or transfer such Bond during the period of fifteen days next preceding the date fixed for its redemption.

Section 5.2 Persons to Whom Payment of Interest on Bonds is to be Made. Interest on the Bonds shall, except as provided either in the next succeeding paragraph of this Section 5.2 or in Section 5.9 hereof, be payable in lawful money of the United States of America by check or draft mailed by the Trustee to the lawful Holders of the Bonds on the Record Date at the address shown on the registry books of the Trustee pertaining to the Bonds. Each Holder of any of the Bonds takes it subject to all payments of interest in fact made with respect thereto.

Any provision hereof to the contrary notwithstanding, Overdue Interest shall not be payable to the Holder of the Bonds solely by reason of such Holder having been the Holder on the Interest Payment Date on which such interest became due and payable, but shall be payable by the Trustee as follows:

Section 4.4 Replacement of Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Corporation may execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Bond, such Bond is first surrendered to the Corporation and the Trustee, and (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished to the Corporation and the Trustee evidence of such loss, theft or destruction satisfactory to each of them, together with indemnity satisfactory to each of them; and provided, further, that the new Bond delivered in lieu thereof shall be issued in the denomination aggregating the unpaid principal balance of such mutilated, lost, stolen or destroyed Bond. The Corporation may charge the Holder with the expense of issuing any such new Bond.

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the registered Owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee.

The Trustee shall not be required to exchange any Bond or Bonds for other Bonds pursuant to the provisions of this Section 5.4 during the period of fifteen days next preceding the thirty-day period immediately prior to June 1 or December 1; and if any Bond shall be duly called for redemption (in whole or in part), the Trustee shall not be required so to exchange such Bond during the period of fifteen days next preceding the date fixed for such redemption.

Section 5.5 Expenses of Registration, Transfer and Exchange. The Corporation and the Trustee will charge the Service Party with their reasonable fees and expenses in connection with any transfer, registration or exchange of any of the Bonds (including, without limitation, the expenses of printing any new Bonds that may be necessitated by any transfer, registration or exchange). In every case involving any transfer, registration or exchange of any of the Bonds that is requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer, registration or exchange.

Section 5.6 Provisions Respecting Registration of Bonds to Comply with Provisions of Internal Revenue Code of 1954. The Corporation and the Trustee recognize that the provisions of the Code now require that the Bonds be in "registered form", and that, in general, each Bond must be registered as to both principal and interest and any transfer of any Bond must be effected only by the surrender of the old Bond and either by the reissuance of the old Bond to a new Holder or the issuance of a new Bond to a new Holder. The Trustee may rely upon an opinion of Nationally Recognized Bond Counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of Bonds. The provisions of this Indenture pertaining to transfer, exchange or reissuance of Bonds need not or shall not be followed if the Trustee receives an opinion of Nationally Recognized Bond Counsel that compliance with requirements in addition to or in lieu of the requirements of this Indenture pertaining to such transfer, exchange or reissuance is required or permitted under the provisions of the Code or under other applicable laws and regulations.

Section 5.7 Denominations and Registration of Bonds as Initially Issued. The Bonds of each maturity shall be initially issued in Authorized Denominations as requested by the purchaser and registered in the names of the persons specified by the initial purchaser of the Bonds from the Corporation. If, for any reason, the Trustee is unable to prepare or cause to be prepared Bonds in the Authorized Denominations requested by the purchaser and registered in the names of the persons specified by the purchaser, the Corporation may deliver one Bond for each maturity in the principal amount of such maturity, each registered in the name of the initial purchaser of the Bonds from the Corporation.

(a) Not less than ten (10) days following receipt by the Trustee of immediately available funds in an amount sufficient to enable the Trustee to pay all Overdue Interest, the Trustee shall fix an Overdue Interest Payment Date for payment of such Overdue Interest.

(b) Such Overdue Interest Payment Date fixed by the Trustee shall be a date not more than twenty (20) days following the expiration of the period described in the foregoing subparagraph (a).

(c) Overdue Interest shall be paid by check or draft mailed by the Trustee to the persons in whose names the Bonds were registered on the Overdue Interest Payment Date.

Payment of Overdue Interest in the manner prescribed in this paragraph to the persons in whose names the Bonds were registered on the Overdue Interest Payment Date shall fully discharge and satisfy all liability for the same.

Section 5.3 Persons Deemed Owners of Bonds. The Corporation, the Trustee and any institution at which the Bonds are or may be payable may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by any of them to the person in whose name a Bond is registered, shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 5.4 Exchange of Bonds. The Bonds of each series shall be freely exchangeable within the limits provided in the Indenture or Supplemental Indenture providing therefor; provided, however, that under no circumstances shall a Bond be issuable in exchange for two or more Bonds unless all the Bonds being so exchanged are of the same series, bear interest at the same rate and have the same stated maturity. Upon the request of a Holder of two or more Bonds, the Corporation shall execute, and the Trustee shall thereupon authenticate and deliver, upon surrender to the Trustee of such Bonds and in exchange therefor, a new Bond of like tenor as the Bonds so surrendered and in an authorized denomination aggregating the same principal amount as the Bonds so surrendered. Upon the request of the Holder of one Bond so authenticated and delivered in a denomination larger than \$5,000, the Corporation shall execute, and the Trustee shall thereupon authenticate and deliver, upon surrender to the Trustee of such Bond and in exchange therefor two or more Bonds of like tenor and aggregating the same principal amount as the then unpaid principal amount of the Bond so surrendered, all as may be requested by the person surrendering such Bond. Any Bonds surrendered for exchange pursuant to the provisions of this Section 5.4 shall be accompanied by a written power to transfer signed by

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(ii) shall provide (A) that, to the extent of the payment to the Holder of such Bond or Bonds of the Redemption Price of any portion thereof called for redemption, the Corporation and the Trustee shall be released from liability with respect to such Bond or Bonds and (B) that such Holder will indemnify and hold harmless the Corporation, the Trustee and the Service Party against any liability arising from the failure of such Holder to make any endorsement on such Bond or Bonds required by the preceding clause (i) or from an error or omission in such endorsement; and

(d) Such agreement shall provide that if moneys are on deposit in the Debt Service Fund, on or before any interest payment date or any date fixed for redemption, sufficient to pay the interest on the Bonds due on such interest payment date or the Redemption Price of any Bonds called for redemption on such date fixed for redemption, as the case may be, then the failure of the Holder of any such Bonds to receive in a timely manner any payment due such Holder on such interest payment date or date fixed for redemption, as the case may be, because of a mistake, delay or other failure in the implementation of the method of payment prescribed by such Holder in such agreement shall not constitute a default hereunder, provided such mistake, delay or other failure is not due to the negligence of the Corporation or the Service Party.

Section 5.8 Notations on Bonds by Trustee. The Trustee is hereby authorized to cause numbers or other notations to be printed or otherwise placed on the Bonds for the convenience of the Trustee in performing the registration and other duties imposed on it hereunder. Any such numbers or other notations that may appear on the Bonds and that are not specifically herein provided for shall be for the sole convenience of the Trustee and, insofar as the Corporation is concerned, should not be construed as conferring any rights on the Holders of the Bonds.

Section 5.9 Home Office Payment Agreements. Any provision hereof to the contrary notwithstanding, the Trustee will, at the request of the Holder of any Bond or Bonds, enter into a Home Office Payment Agreement with such Holder providing for the payment of the interest on such Bond or Bonds and the Redemption Price of any partial redemption of the principal thereof at a place and in a manner other than as provided in Section 7.1 hereof or in such Bond or Bonds, but any such agreement shall be subject to the following conditions:

(a) The terms and conditions of such agreement shall be satisfactory to the Trustee;

(b) The final payment of the principal of and the interest and premium (if any) on such Bond or Bonds shall be made only upon the surrender thereof to the Trustee;

(c) If such agreement provides for the partial redemption of the principal of such Bond or Bonds without the surrender thereof in exchange for one or more new Bonds in an aggregate principal amount equal to the unredeemed portion of such Bond or Bonds, then such agreement

(i) shall provide that the Holder of such Bond or Bonds will not sell, pledge, transfer or otherwise dispose of the same unless prior to the delivery thereof it shall (A) surrender the same to the Trustee in exchange for a new Bond or Bonds in an aggregate principal amount equal to the aggregate unpaid principal of such Bond or Bonds or (B) notify the Trustee in writing of such sale, pledge, transfer or other disposition and deliver to the Trustee a certificate certifying to the Trustee that endorsement has been made on such Bond or Bonds, or on a record of partial redemption appertaining to each such Bond and constituting a part thereof, of all portions of the principal of each such Bond which have been redeemed, and

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of) bearing a stated series designation or designations have been called for redemption in whole or in part and will become due and payable at the Redemption Price or Redemption Prices on a specified Redemption Date and that all interest thereon will cease after the Redemption Date. Except as hereinafter provided, such notice shall be so mailed not more than ninety (90) nor less than thirty (30) days prior to the Redemption Date. In the case of the redemption of Series 1985 Bonds pursuant to Section 7.2(b) or (f) hereof, such notice shall be so mailed not more than ninety (90) nor less than fifteen (15) days prior to the Redemption Date. In the case of redemption of Series 1985 Bonds pursuant to Section 7.2(d) or 7.2(f) hereof, the Trustee shall give such notice as is feasible under the circumstances so as to effect the redemption in question prior to the required redemption date. In the case of the redemption of any series of Additional Bonds, the Corporation may, in the Supplemental Indenture providing for their issuance, provide for a different minimum and maximum time period for the mailing of any such notice of redemption. The Holders of any Bonds may waive the requirements of this subsection with respect to the Bonds held by them without affecting the validity of the call for redemption of any other Bonds.

(d) Deposit. On or prior to the Redemption Date, the Corporation shall deposit or cause to be deposited with the Trustee the total Redemption Price of the Bonds so called for redemption and shall further furnish or cause to be furnished to the Trustee the following: (1) a certified copy of the Resolution required in subsection (a) of this section (if, under the circumstances, the adoption of any such Resolution is required), (2) appropriate affidavits showing compliance with the requirements of subsection (c) of this section; and (3) in the case of the redemption of any Bonds on a date when such Bonds may be redeemed only with funds from a specified source or when such redemption is made subject, by the terms of the Indenture or any Supplemental Indenture, to any other restriction or requirement, evidence satisfactory to the Trustee showing compliance with such restriction or requirement. Except for redemptions of Series 1985 Bonds pursuant to Sections 7.2(a), (b) or (e) hereof, none of the moneys held in either the Replacement Fund or the Rate Stabilization Fund may be used to effect any redemption of Series 1985 Bonds.

(e) Priority Moneys. Other than redemptions effected pursuant to any Sinking Fund Redemption provision hereof, redemption of the Series 1985 Bonds may be made only from Priority Moneys.

ARTICLE VI

**GENERAL PROVISIONS
RESPECTING REDEMPTION OF BONDS**

Section 6.1 Manner of Effecting Redemption of Bonds. Any redemption of any Bonds of any series shall be effected in the following manner:

(a) **Call.** The Directors shall, not less than sixty (60) days prior to the Redemption Date, adopt a Resolution containing the following: (1) a call for redemption, on a specified date when they are by their terms subject to redemption, of a stated principal amount of Bonds bearing a stated series designation or designations and (subject to the discretion of the Corporation) stated numbers; (2) unless all the Bonds then outstanding are to be redeemed (or unless a portion of all such outstanding Bonds are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), a statement that the Corporation is not in default under the Indenture; and (3) a summary of all applicable restrictions upon or conditions precedent to such redemption and the provisions made to comply therewith; provided, however, that it shall not be necessary for the Directors to adopt any such Resolution (i) in the case of any redemption of Series 1985 Bonds that are to be redeemed pursuant to the provisions of any optional redemption provision pursuant to Section 7.2(a) hereof; (ii) in the case of any redemption of Series 1985 Bonds that are to be redeemed pursuant to Section 7.2(c), (d) (e) or (f) , (iii) in the case of any redemption of Series 1985 Bonds that are to be redeemed pursuant to any Sinking Fund redemption provisions, or (iv) in the case of any redemption of Bonds of any series of Additional Bonds, if in the Supplemental Indenture providing for such series of Additional Bonds, the adoption of such Resolution is expressly stated to be unnecessary.

(b) **Selection by Trustee of Bonds to be Redeemed in the event of a Partial Redemption.** In the event of the redemption by the Corporation of less than all those of the Bonds of a particular series, the Trustee shall select the principal portion of the Bonds to be redeemed by lot.

(c) **Notice by Registered or Certified Mail.** The Corporation (or the Trustee on its behalf) shall cause to be forwarded by United States Registered or Certified Mail to the registered Owner thereof, at the address of such registered Owner as such address appears on the registry books of the Trustee pertaining to the registration of the Bonds, a notice stating the following: that Bonds (or principal portions there-

ARTICLE VII

THE SERIES 1985 BONDS

Section 7.1 (a) Issuance of Bonds. There is hereby authorized to be issued under the Indenture a series of Bonds designated Wastewater Treatment and Collection Revenue Bonds, Series 1985 (Parsons Pelham Associates, a California Limited Partnership Project) limited in aggregate principal amount to \$16,000,000.

(b) Provisions Respecting Maturities and Interest Rates of Series 1985 Bonds. None of the Series 1985 Bonds or any of the Additional Bonds shall bear interest at a variable or fluctuating rate. The Series 1985 Bonds shall be dated December 1, 1985, shall bear interest from such date at the per annum rates of interest set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months, payable on June 1, 1986, and on each June 1 and December 1 thereafter, and shall mature and become in the following years and amounts:

<u>Year of Maturity (December 1)</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>
December 1, 1992	\$ 1,465,000	7.875%
December 1, 1997	1,880,000	8.825
December 1, 2011	12,655,000	9.250

Section 7.2. Redemption Provisions. (a) Optional Redemption. Those of the Series 1985 Bonds having a stated maturity in 1996 or thereafter shall be subject to redemption and payment, at the option of the Corporation, as a whole or in part on December 1, 1995, and on any Interest Payment Date thereafter (in inverse order of their maturities, and if less than all the principal of the Series 1985 Bonds of a single maturity are to be redeemed, the principal of such Series 1985 Bonds to be redeemed shall be selected by the Trustee by lot), at and for the following respective Redemption Prices with respect to each such Series 1985 Bond redeemed (expressed in percentages of the principal amount thereof) plus accrued interest to the Redemption Date:

<u>Redemption Date</u>	<u>Redemption Price</u>
If on December 1, 1995	103%
If in 1996	102
If in 1997	101
If in 1998, or thereafter	100

In no event shall the Trustee effect any optional redemption pursuant to this paragraph (a) except to the extent of the sufficiency of Priority Moneys available therefor.

(b) Scheduled Sinking Fund Redemption. The Series 1985 Bonds shall be subject to redemption and payment, and the Corporation shall redeem and pay such Bond in accordance with the schedule hereinafter set forth, at and for a Redemption Price, with respect to each such Bond redeemed, equal to the principal amount thereof plus accrued interest thereon to the Redemption Date (with those to be redeemed to be selected by the Trustee by lot), but only in the following aggregate principal amounts on December 1 in the following years and only out of moneys on deposit in the Principal Account.

1992: With Respect to the Series 1985 Bonds Maturing December 1,

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>Required to Redeemed</u>
1987	\$200,000
1988	215,000
1989	235,000
1990	250,000
1991	275,000
1992 (final maturity)	290,000

1997: With Respect to the Series 1985 Bonds Maturing December 1,

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>Required to Redeemed</u>
1993	\$315,000
1994	345,000
1995	375,000
1996	405,000
1997 (final maturity)	440,000

2011: With Respect to the Series 1985 Bonds Maturing December 1,

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<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>Required to Redeemed</u>
1998	\$ 475,000
1999	520,000
2000	570,000
2001	625,000
2002	680,000
2003	745,000
2004	810,000
2005	890,000
2006	970,000
2007	1,060,000
2008	1,155,000
2009	1,265,000
2010	1,380,000
2011 (final maturity)	1,510,000

(c) Mandatory Redemption. The Series 1985 Bonds are subject to mandatory redemption prior to maturity without premium and on any date, but only upon the occurrence of either of the following:

(1) in the event that Bond Proceeds remain on deposit in the Project Fund following the Final Completion Date, such redemption to be in the amount of the Bond Proceeds remaining; or

(2) in the event any moneys are deposited in the Redemption Fund pursuant to Section 10.5(d) hereof, to the extent of any such moneys so deposited.

(d) Special Mandatory Redemption. The Series 1985 Bonds are subject to mandatory redemption, without premium, but only upon the occurrence of either of the following:

(i) as a whole only in the event that the Final Phase A/B Completion Date shall not have occurred on or before December 31, 1987, or, if the conditions hereinafter specified are satisfied, the New Date (as hereinafter defined);

(ii) in the amount of \$440,000, in the event that, on or before December 31, 1987 (or, if the conditions hereinafter specified are satisfied, the New Date), the Final Phase A/B Completion Date shall have occurred, but the Final Phase A/B/C Completion Date shall not have occurred.

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The Trustee shall call Series 1985 Bonds for redemption required by this subsection (d) promptly after December 31, 1987 (or, if the conditions hereinafter specified are satisfied, the New Date), such redemption to be scheduled for the last Business Day in January, 1988 (or if the December 31, 1987, is extended to the New Date as herein provided, the earliest practicable Business Day of the month following the month in which the New Date occurs, considering the requirements for mailing of notice of redemption but not later than the last Business Day in such month). Such redemption shall be effected by applying funds drawn on the Letter of Credit, as hereinafter required, which draw shall be made no later than the sixth (6th) Business Day preceding the scheduled date for the redemption in question and only if such funds drawn on the Letter of Credit are for any reason insufficient to effect the redemption in question shall other sources of funds be used to effect the redemption in question. If such funds so drawn are insufficient for such purposes, then such redemption shall be effected as follows:

(X) for a redemption described in clause (i) of this subsection, by applying, first, funds in the Debt Service Reserve Fund; second, funds provided pursuant to Section 2(c) of the Guaranty Agreement or Section 4.3(B) of the Loan Agreement; and third, any other funds available hereunder or under the Loan Agreement; and

(Y) for a redemption described in clause (ii) of this subsection, by applying, first, funds provided pursuant to Section 2(d) of the Guaranty Agreement or Section 4.3(B) of the Loan Agreement, and second, but only with the prior consent of the Bond Insurer, any other funds available hereunder or under the Loan Agreement.

Notwithstanding the foregoing provisions of this Section 7.2(d), the December 31, 1987 date specified in clause (i) and clause (ii) of this Section 7.2(d) may be extended to the date specified in the following paragraph (A) (the "New Date") if, on or before December 15, 1987, all of the following conditions are satisfied:

(A) the City and the Service Party shall have delivered to the Trustee, the Corporation and the Bond Insurer a certificate of Authorized Representatives of the City and the Service Party specifying a new date (the "New Date") to which the December 31, 1987 date shall be extended and stating that the Mandatory Completion Date has been extended to a day on or after the New Date.

(B) the Service Party shall have paid or caused to be paid into the Base Service Account of the Revenue Fund, in

Priority Moneys, amounts sufficient to pay the interest and principal due on the Bonds on each of the then next succeeding Interest Payment Dates and Principal Payment Dates, respectively, which are scheduled to occur on or before the New Date or, in addition to the provisions of (C) below, the Letter of Credit shall be increased in an amount equal to such amounts, and

(C) the terms and provisions of the Letter of Credit shall have been modified or amended in a manner approved by the City, the Corporation, the Bond Insurer and the Service Party, so as to provide equivalent coverage as to a redemption after the New Date that the Letter of Credit presently provides as to a redemption after December 31, 1987.

(e) Special Optional Redemption. The Series 1985 Bonds shall be subject to redemption prior to maturity as a whole only on any Interest Payment Date at and for a Redemption Price of one hundred percent (100%) of the principal amount thereof, together with interest accrued thereon to the date of redemption, upon the occurrence of any of the following:

(i) the exercise of the option granted to the City pursuant to the provisions of Section 10 and Section 12 of the Service Agreement; or

(ii) if all or any part of the Project is damaged or destroyed by fire or casualty or taken by eminent domain and the parties to the Service Agreement elect not to restore the Project.

(f) Special Service Party Payment Redemption.

(i) the Corporation and the Trustee recognize that the Letter of Credit has been provided in amounts sufficient to provide for, among other things, all Service Party Payments.

(ii) In the event that on or prior to the thirtieth (30th) day prior to the stated expiration date of the Letter of Credit delivered at the time of the delivery of the Series 1985 Bonds, or on or prior to the thirtieth (30th) day prior to the stated expiration date of any extension of such letter of credit or any replacement or substitute Letter of Credit permitted under this subsection (f), the Trustee shall not have received

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either an extension of the Letter of Credit or a substitute or replacement Letter of Credit, in either case for a period of at least thirteen (13) months, and accompanied in either case by a written approval of the Bond Insurer as to the extended, substituted or replacement Letter of Credit, then the Trustee shall, on the first Business Day following said thirtieth (30th) day preceding such stated expiration date, draw the full amount of the Letter of Credit for deposit in the Redemption Fund.

(iii) In the event that, at any time, the issuer of the Letter of Credit shall notify the Trustee that the Letter of Credit shall be cancelled, terminated or otherwise caused to expire prior to its stated expiration date, then, on the next Business Day after receipt of such notice, the Trustee shall draw the full amount of the Letter of Credit for deposit in the Redemption Fund.

(iv) The Series 1985 Bonds are subject to mandatory redemption prior to maturity without premium if the Letter of Credit is drawn upon pursuant to clause (ii) or clause (iii) of this subsection (f), as follows:

(A) if the draw occurs on or before the Final Completion Date, the Trustee shall call all Series 1985 Bonds for redemption on or before the last Business Day of the month following the month in which such draw occurs, using funds in the same order as for a redemption pursuant to Section 7.2(d)(i); and

(B) if the draw occurs after the Final Completion Date, the funds so drawn down shall be held in the Redemption Fund and, no earlier than October 1, 1995, the Trustee shall call for a partial redemption of Series 1985 Bonds, such redemption to occur on December 1, 1995 equal in principal amount to the funds in the Redemption Account (including Investment Earnings) on the date of the call for such redemption, less the amount of the Service Party Payment payable during November, 1995.

Section 7.3 Form of Series 1985 Bonds. The Series 1985 Bonds, the Trustee's Authentication Certificate applicable thereto and the Form of Assignment therefor shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

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(Form of Series 1985 Bond)

UNITED STATES OF AMERICA

STATE OF ALABAMA

THE GOVERNMENTAL UTILITY SERVICES
CORPORATION OF THE CITY OF PELHAM
WASTEWATER TREATMENT AND COLLECTION REVENUE BOND
SERIES 1985
(PARSONS PELHAM ASSOCIATES, A CALIFORNIA
LIMITED PARTNERSHIP PROJECT)

[here insert interest rate] %Due [here insert maturity date]

Subject to prior payment and other provisions as herein stated

For value received, THE GOVERNMENTAL UTILITY SERVICES CORPORATION OF THE CITY OF PELHAM, a public corporation and instrumentality of the State of Alabama (herein called the "Corporation"), will pay, solely out of the sources hereinafter referred to, to

or registered assigns, the principal sum of _____
DOLLARS on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above, computed on the basis of twelve consecutive 30 day months), payable on June 1, 1986, and semiannually thereafter on each June 1 and December 1 until and at the maturity hereof. The principal of and premium (if any) on this bond are payable only upon presentation and surrender of this bond at the principal corporate trust office of AmSouth Bank, N.A., Alabama, or its successor as trustee under the Indenture hereinafter referred to. Interest on this Bond is payable by check or draft mailed by the Trustee to the registered holder hereof at the address shown on the registry books of the Trustee pertaining to the Bonds.

The principal of this bond is payable in lawful money of the United States of America at the principal corporate trust office of AmSouth Bank, N.A., Birmingham, Alabama, or its successor as trustee under the Indenture hereinafter referred to, and the interest on this bond shall (except for the final payment of such interest which shall be made only upon the surrender of this bond) be remitted, by the trustee hereinafter referred to,

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by check or draft mailed to the then registered holder hereof at the address shown on the registry books of the said trustee provided, however, that the said Trustee will, at the request of the holder hereof, enter into a special payment agreement with such holder providing for the payment of the interest hereon and the redemption price of any partial redemption of the principal of this bond at a place and in a manner other than as described above, but such special payment agreement shall be subject to the terms and conditions specified in the said Indenture. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited for that purpose with the said trustee at the rate of interest borne by this bond.

This bond is one of a duly authorized issue of bonds (herein called "the Bonds") issuable in series, designated Wastewater Treatment and Collection Revenue Bonds, Series 1985 (Parsons Pelham Associates, a California Limited Partnership Project) limited in aggregate principal amount to \$16,000,000. The Bonds are being issued to provide funds to the Corporation to enable it to loan certain of the said proceeds to Parsons Pelham Associates, a California Limited Partnership, ("the Service Party") to enable the Service Party to construct certain sewage treatment facilities and related lines and equipment ("the Project") in the City of Pelham and the surrounding area. The proceeds of the sale of the Series 1985 Bonds will be lent to the Service Party pursuant to a Loan Agreement, dated as of December 1, 1985 ("the Loan Agreement"), between the Corporation and the Service Party, and the Service Party's obligations under the Loan Agreement will be further evidenced by the Service Party's execution and issuance of a note ("the Note") in an amount equal to the aggregate principal amount of the Bonds, and secured by, in part, a Mortgage and Security Agreement dated as of December 1, 1985 (the "Mortgage") from the Service Party for the benefit of the Corporation.

The Series 1985 Bonds are issued under and pursuant to the constitution and laws of the State, a resolution of the Board of Directors of the Corporation, and a Trust Indenture dated as of December 1, 1985 (which Trust Indenture, together with all supplemental indentures hereafter entered into in conformity with the terms and provisions thereof, is hereinafter referred to collectively as the "Indenture") made and entered into by and between the Corporation and AmSouth Bank, N.A., as trustee (said bank and any successor thereto under the Indenture being referred to herein as the "Trustee"), and, except as set forth in the Indenture, are equally and ratably secured with all other bonds as may hereafter be issued under the Indenture, and are entitled to the protection of the Indenture. The principal of and interest on the Series 1985 Bonds are payable solely out of the amount received by the Corporation pursuant to the Loan Agreement and, to the extent specified in the Indenture, out of the moneys on deposit in the special funds created by the Indenture. The Series 1985 Bonds are not general obligations of the Corporation, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the

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Corporation. The Series 1985 Bonds are not obligations or debts of the State of Alabama or the City of Pelham, Alabama, or of any municipality or any county in the State of Alabama, nor are the faith and credit of said state or any county or municipality therein pledged for payment thereof. The Corporation has no taxing power, and the Holder of this Bond shall not have the right to compel any exercise of any ad valorem taxing power of the State of Alabama, the City of Pelham, or any political subdivision thereof.

The Series 1985 Bonds are guaranteed as to the payment of principal and interest when due, to the extent that sufficient funds for such payment have not been provided, pursuant to a municipal bond insurance policy (the "Municipal Bond Insurance Policy") issued by Financial Guaranty Insurance Company, a New York Stock Insurance Company ("Bond Insurer"). The Municipal Bond Insurance Policy insures payment only on stated maturity dates or on any mandatory sinking fund redemption date (in the case of principal) and on stated dates for payment (in the case of interest), but will not insure payment on acceleration, as a result of a call for redemption or as a result of any other advancement of maturity, nor will it insure the payment of any redemption premium. The Municipal Bond Insurance Policy will further not insure against nonpayment of principal or interest caused by the insolvency or negligence of the Trustee or any Paying Agent. Payment of principal of and interest on the Series 1985 Bonds may require surrender of the Series 1985 Bonds (together with a written instrument of transfer) by the Holder thereof. It is provided in the Indenture that for so long as certain conditions with respect to Bond Insurer and its Municipal Bond Insurance Policy shall exist, the Bond Insurer shall be deemed to be the Holder of the Series 1985 Bonds for certain purposes including the giving of any approval or consent (with certain enumerated exceptions set forth in the Indenture) to amendments to the Indenture and the other basic financing documents.

Reference is hereby made to the Indenture for a description of the Project, the nature and extent of the security afforded thereby, the rights and duties of the Corporation and the Trustee with respect thereto and the rights of the holders of the Bonds. The Indenture provides, inter alia, (1) that in the event of default by the Corporation in the manner and for the time therein provided, the Trustee may declare the principal of this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, and (2) that all remedies thereunder are vested exclusively in the Trustee for the equal and pro rata benefit of all the holders of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the holders of not less than twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds, accompanied by indemnity satisfactory to the Trustee, in which event the holders of not less than twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds may thereupon so act in the name and behalf of the Trustee or may so act in their own name in lieu of action by or in the name and behalf of the Trustee, but that otherwise no holder of any of the Bonds

shall have the right to enforce any remedy thereunder, and then only for the equal and pro rata benefit of the holders of all the Bonds. The Indenture also provides that the Corporation and the Trustee, with the written consent of the holders of not less than 66 2/3% in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any Indenture supplemental thereto, provided that no such amendment shall (a) without the consent of the holder of each bond affected, reduce the principal of, the rate of interest on, or the premium (if any) payable on redemption of, any bond, or (b) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, create a lien or charge on the Project or the revenues and receipts therefrom ranking prior to the lien and charge thereon contained in the Indenture, effect a preference or priority of any bond over any other bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The series of bonds of which this is one is designated Series 1985 (herein called "the Series 1985 Bonds") and is authorized to be issued in the aggregate principal amount of \$16,000,000. The Series 1985 Bonds are subject to redemption prior to their respective maturities as follows:

(a) Optional Redemption. Those of the Series 1985 Bonds having a stated maturity in 1996 or thereafter shall be subject to redemption and payment, at the option of the Corporation, as a whole or in part on December 1, 1995, and on any Interest Payment Date thereafter (in inverse order of their maturities, and if less than all the principal of the Series 1985 Bonds of a single maturity are to be redeemed, the principal of such Series 1985 Bonds to be redeemed shall be selected by the Trustee by lot), at and for the following respective Redemption Prices with respect to each such Series 1985 Bond redeemed (expressed in percentages of the principal amount thereof) plus accrued interest to the Redemption Date:

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<u>Redemption Date</u>	<u>Redemption Price</u>
If on December 1, 1995	103%
If in 1996	102
If in 1997	101
If in 1998, or thereafter	100

In no event shall the Trustee effect any optional redemption pursuant to this paragraph (a) except to the extent of the sufficiency of Priority Moneys available therefor.

(b) Scheduled Sinking Fund Redemption. The Series 1985 Bonds shall also be subject to scheduled redemption and payment, and the Corporation shall redeem and pay such Bond in accordance with a schedule set forth in the Indenture, at and for a Redemption Price, with respect to each such Bond redeemed, equal to the principal amount thereof plus accrued interest thereon to the Redemption Date (with those to be redeemed to be selected by the Trustee by lot), but only in the principal amounts, at the times and in the manner provided in the Indenture and only out of moneys on deposit in the Principal Account.

(c) Mandatory Redemption. The Series 1985 Bonds are subject to mandatory redemption prior to maturity without premium and on any date, but only upon the occurrence of either of the following:

(1) in the event that Bond Proceeds remain on deposit in the Project Fund following the Final Completion Date, such redemption to be in the amount of the Bond Proceeds remaining; or

(2) in the event any moneys are deposited in the Redemption Fund pursuant to Section 10.5(d) hereof, to the extent of any such moneys so deposited.

(d) Special Mandatory Redemption. The Series 1985 Bonds are subject to mandatory redemption, without premium, but only upon the occurrence of either of the following:

(i) as a whole only in the event that the Final Phase A/B Completion Date shall not have occurred on or before December 31, 1987, or, if the conditions hereinafter specified are satisfied, the New Date (as hereinafter defined);

(ii) in the amount of \$440,000, in the event that, on or before December 31, 1987 (or, if the conditions hereinafter specified are satisfied, the New Date), the Final Phase A/B Completion Date shall have occurred, but the Final Phase A/B/C Completion Date shall not have occurred.

The Indenture requires the Trustee to call Series 1985 Bonds for redemption referred to by this special mandatory redemption provision promptly after December 31, 1987 (or, if the conditions hereinafter specified are satisfied, the New Date), such redemption to be scheduled for the last Business Day in January, 1988 (or if the December 31, 1987 is extended to the New Date as herein provided, the earliest practicable Business Day of the month following the month in which the New Date occurs, considering the requirements for mailing such redemption). Such redemption shall be effected by applying funds drawn on the Letter of

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Credit (as defined in the Indenture), as hereinafter required, and only if such funds drawn on the Letter of Credit are for any reason insufficient to effect the redemption in question shall other sources of funds required by the Indenture to be used to effect the redemption in question. If such funds so drawn are insufficient for such purposes, then such redemption shall be effected as follows:

(X) for a redemption described in clause (i) of this subsection, by applying, first, funds in the Debt Service Reserve Fund; second, funds provided by the Guaranty agreement or the Loan Agreement; and third, any other funds available hereunder or under the Loan Agreement; and

(Y) for a redemption described in clause (ii) of this subsection, by applying, first, funds provided pursuant to the Guaranty Agreement or the Loan Agreement, and second, but only with the prior consent of the Bond Insurer, any other funds available hereunder or under the Loan Agreement.

Notwithstanding the foregoing provisions set forth in this special mandatory redemption provision, the December 31, 1987 date specified in clause (i) and clause (ii) above may be extended to the date specified in the following paragraph (A) (the "New Date") if, on or before December 15, 1987, all of the following conditions are satisfied:

(A) the City and the Service Party shall have delivered to the Trustee, the Corporation and the Bond Insurer a certificate of Authorized Representatives of the City and the Service Party specifying a new date (the "New Date") to which the December 31, 1987 date shall be extended and stating that the Mandatory Completion Date has been extended to a day on or after the New Date.

(b) the Service Party shall have paid or caused to be paid into the Base Service Account of the Revenue Fund, in Priority Moneys, amounts sufficient to pay the interest and principal due on the Bonds on each of the then next succeeding Interest Payment Dates and Principal Payment Dates, respectively, which are scheduled to occur on or before the New Date, and

(C) the terms and provisions of the Letter of Credit shall have been modified or amended in a manner approved by the City, the Corporation, the Bond Insurer and the Service Party, so as to provide equivalent coverage as to a redemption after the New Date that the Letter of Credit presently provides as to a redemption after December 31, 1987.

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(e) Special Optional Redemption. The Series 1985 Bonds shall be subject to redemption prior to maturity as a whole only on any Interest Payment Date at and for a Redemption Price of one hundred percent (100%) of the principal amount thereof, together with interest accrued thereon to the date of redemption, upon the occurrence of any of the following:

(i) the exercise of the option granted to the City pursuant to the provisions of the Service Agreement; or

(ii) if all or any part of the Project is damaged or destroyed by fire or casualty or taken by eminent domain and the parties to the Service Agreement elect not to restore the Project.

(f) Special Service Party Payment Redemption.

(i) In the event that the Trustee shall not have received, on or prior to the thirtieth (30th) day prior to the stated expiration date of the Letter of Credit delivered at the time of the delivery of the Series 1985 Bonds, or on or prior to the thirtieth (30th) day prior to the stated expiration date of any replacement or substitute Letter of Credit permitted under this subsection (f), either an extension of the Letter of Credit or a substitute or replacement Letter of Credit, in either case for a period of at least thirteen (13) months, and accompanied in either case by a written approval of the Bond Insurer as to the extended, substituted or replacement Letter of Credit, then the Trustee shall, on the first Business Day following said thirtieth (30th) day preceding such stated expiration date, draw the full amount of the Letter of Credit for deposit in the Redemption Fund.

(ii) In the event that, at any time, the issuer of the Letter of Credit shall notify the Trustee that the Letter of Credit shall be cancelled, terminated or caused to expire prior to its stated expiration date, then, on the next Business Day after receipt of such notice, the Trustee shall draw the full amount of the Letter of Credit for deposit in the Redemption Fund.

(iii) The Series 1985 Bonds are subject to mandatory redemption prior to maturity without premium if the Letter of Credit is drawn upon pursuant to clause (i) or clause (ii) of this subsection (f), as follows:

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(A) If the draw occurs on or before the Final Completion Date, the Trustee shall call all Series 1985 Bonds for redemption on the last Business Day of the month following the month in which such draw occurs, using funds in the same order as for a redemption pursuant to paragraph (d)(i) above; and

(B) If the draw occurs after the Final Completion Date, the funds so drawn down shall be held in the Redemption Fund and, no earlier than October 1, 1995, the Trustee shall call for a partial redemption of Series 1985 Bonds, such redemption to occur on December 1, 1995 equal in principal amount to the funds in the Redemption Account (including Investment Earnings) on the date of the call for such redemption, less the amount of the Service Party Payment payable during November, 1995.

Unless waived by the holder of this bond, the Indenture requires written notice of the call for redemption of this bond (or portion of the principal thereof) to be forwarded by United States registered or certified mail to the registered owner of such bond, (a) not less than thirty (30) nor more than ninety (90) days prior to the date fixed for redemption in the case of any redemption pursuant to subparagraph (1) above, and (b) not less than fifteen (15) nor more than ninety (90) days prior to the date fixed for redemption in the case of any redemption pursuant to subparagraph (2) above except where shorter notice may be given under the Indenture. In the event that less than all of the Series 1985 Bonds are to be redeemed, the Trustee shall, by lot, select that portion of the principal of the Series 1985 Bonds to be redeemed and prepaid. In the event that less than all the outstanding principal of a bond issued in a principal amount of more than \$5,000 is to be redeemed, there shall be issued to the registered holder thereof, upon the surrender of such bond to the Trustee, a new bond of even tenor therewith except in a principal amount equal to the unredeemed portion of the bond so surrendered, all as shall be requested by the registered holder of the bond to be partially redeemed.

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It is hereby expressly declared, and the holder hereof by acceptance of this bond hereby consents, that this bond shall not have or be entitled to any priority over the bonds of any other series hereafter issued under the Indenture, either with respect to said pledge of said revenues and receipts or with respect to the lien of the Indenture, and that any series of bonds hereafter issued under the Indenture shall be on a parity, with respect to said pledge and lien, with the bonds of all series theretofore issued under the Indenture.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Series 1985 Bonds are issuable as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Provision is made in the Indenture (i) for the exchange of two or more bonds in the denomination of \$5,000 each and having the same stated maturity for a single bond aggregating the same principal amount as those surrendered and (ii) for the exchange of a single bond in a denomination of more than \$5,000 for a like principal amount of bonds in the denomination of \$5,000 each or any integral multiple thereof, all as may be requested by the holder surrendering the bond or bonds to be so exchanged and upon the terms and conditions specified in the Indenture; provided that such exchanges may be made only with respect to Series 1985 Bonds of the same maturity and interest rate.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the books of the Trustee and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new bond of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly provided in the Indenture.

The Trustee shall not be required so to register, transfer or exchange this bond during the period of fifteen (15) days next preceding any interest payment date with respect thereto or during the period of fifteen days next preceding the thirty-day period immediately prior to June 1 or December 1; and in the event this bond (or any portion of the principal hereof) is duly called for redemption, the Trustee shall not be required so to transfer or exchange it during the period of fifteen days next preceding the date fixed for such redemption.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

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IN WITNESS WHEREOF, the Corporation has caused this bond to be executed in its name and behalf by a facsimile of the signature of the Chairman of its Board of Directors, has caused its corporate seal to be hereunto imprinted, has caused this bond to be attested by a facsimile signature of its Secretary, and has caused this bond to be dated _____

THE GOVERNMENTAL UTILITY SERVICES
CORPORATION OF THE CITY OF PELHAM

By _____
Chairman of its Board of Directors

Attest:

Secretary

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(Form of Trustee's Authentication Certificate)

The within bond is one of those described in the within mentioned Trust Indenture.

AmSouth Bank, N.A.
Trustee

By _____
Its Authorized Officer

(Form of Assignment)

For value received, _____ hereby
sell(s), assign(s) and transfer(s) unto _____
the within bond and hereby irrevocably constitute(s) and appoint(s) _____
attorney, with full power of substitution in the premises, to
transfer this bond on the books of the within mentioned Trustee.

DATED this _____ day of _____.

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature Guaranteed:

(Bank, Trust Service Party or Firm)

By _____
Authorized Officer

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STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to The Governmental Utility Services Corporation of the City of Pelham (Alabama) Wastewater Treatment and Collection Revenue Bonds, Series 1985 (Parsons Pelham Associates, a California Limited Partnership Project) (the "Bonds"), such policy being on file at the principal office of the Trustee, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders that portion of the principal of and interest on the Bonds which is then due for payment and which the Issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or on any mandatory sinking fund redemption date, but not any earlier date on which the payment of principal on the Bonds is due by reason of acceleration, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder, the Trustee or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such non-payment, whichever is later, will make a deposit of funds, in an account with Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer, the Service Party, the Guarantor, the City, or any Affiliate of any of the foregoing (as such terms are defined in the bond documentation), who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

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Section 7.4 Execution and Delivery of the Series 1985 Bonds. The Series 1985 Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee upon receipt by the Trustee of an order signed on behalf of the Corporation by the Chairman or Vice-Chairman of the Directors, requesting such authentication and delivery and designating the person to receive the same or any part thereof.

Section 7.5 Application of Series 1985 Bond Proceeds. Upon the receipt by the Trustee of the original proceeds of the sale of the Series 1985 Bonds, including the accrued interest, if any, from the date of the Series 1985 Bonds to the date of delivery thereof, the Trustee shall

(a) deposit any accrued interest on the Series 1985 Bonds in the Interest Account of the Debt Service Fund,

(b) pay that portion of the Issuance Costs, if any, incurred in connection with the delivery of the Series 1985 Bonds that are to be paid prior to the deposit into the Project Fund in accordance with subparagraph (5) hereof,

(c) deposit the sum of \$1,358,017.00, representing a portion of capitalized interest on the Series 1985 Bonds during the Capitalized Interest Period, in the Capitalized Interest Account of the Debt Service Fund,

(d) deposit the sum of \$1,550,391.00 in the Debt Service Reserve Fund,

(e) deposit the sum of \$171,000 into the Debt Coverage Account of the Rate Stabilization Fund and the sum of \$259,000 into the Debt Subsidy Account of the Rate Stabilization Fund; and

(f) deposit the sum of \$20,000 into the Repair and Replacement Fund; and

(g) deposit the balance of the proceeds of the Series 1985 Bonds into the Project Fund.

In making the deposits and payments set forth in this Section 7.5, the Trustee shall be entitled to rely conclusively upon the certificate itemizing such deposits and payments which shall be signed by an Authorized Repre-

representative of the Corporation and the Service Party, and which shall be delivered to the Trustee on or before the date of delivery of the Bonds.

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ARTICLE VIII

ADDITIONAL BONDS

Section 8.1 Additional Bonds - In General. So long as the Security Documents are in effect and an Event of Default shall not exist and be continuing hereunder, one or more series of Additional Bonds on a parity with the Series 1985 Bonds (except with respect to the protection provided by the 1985 Security Documents) may be issued in such principal amounts, at such maturities and interest rates, with such provisions for redemption, and upon such other terms and conditions, in each case not inconsistent with this Indenture, as shall be specified in the Supplemental Indenture authorizing such Additional Bonds, and in each case as authorized by resolution of the Corporation and thereupon authenticated and delivered upon original issuance for the purposes of providing a Capital Project or Capital Projects, providing for the completion of any Capital Project, acquiring any real property (or interests in real property), providing additional funds for the Debt Service Reserve Fund, providing for capitalized interest on the Bonds during the estimated period of construction of the Project or a Capital Project or refunding Outstanding Bonds, under the conditions stated in, and upon compliance with the provisions of, this Indenture with respect to the terms upon which Bonds may be issued and delivered; provided, however, that any construction the costs of which are to be financed in whole or in part from the proceeds of Bonds shall be located on or at either or both of the Plant Sites or at a site subject to the Mortgage.

Prior to the delivery of any series of Additional Bonds, the Corporation shall, in addition to the requirements of this Section 8.1, execute or cause to be executed and delivered to the Trustee such other and further instruments of conveyance as the Corporation shall in its sole discretion deem necessary. Prior to the issuance of a series of Additional Bonds and the execution and delivery of a Supplemental Indenture in connection therewith, the Corporation and the Service Party shall enter into an amendment (i) to the Loan Agreement which shall provide, among other things, that the amounts payable under the Loan Agreement shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith, (ii) to the Mortgage to provide for such series of Additional Bonds to be secured thereunder and to include any additional sites, and (iii) to the Service Agreement which shall provide for such increase, if any, in the Base Fee to the extent required in connection with the issuance of such Additional Bonds.

Each series of Additional Bonds issued pursuant to this Section shall be equally and ratably secured under the Indenture with the Series 1985 Bonds (except for the protection provided by the 1985 Security Documents) and all other series of Additional Bonds, if any, issued pursuant to this Section, without preference, priority or distinction of any Bond over any

Section 8.2 Conditions Precedent to Issuance of Additional Bonds. The Bonds of each such series of Additional Bonds shall be executed in the form and manner set forth in this Indenture, shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of such series of Additional Bonds, including the interest, if any, accrued on such series of Additional Bonds to the date of delivery, such Bonds shall be delivered by the Trustee to or upon the order of the purchasers thereof, but only upon receipt by the Trustee of:

(1) A written request from an Authorized Representative of the Service Party to the Corporation to issue such series of Bonds;

(2) A certified copy of the resolution of the Corporation authorizing the issuance of such Bonds, providing the terms thereof and providing for the sale thereof to the purchaser or purchasers thereof and further authorizing the execution and delivery of the supplement to, or modification or amendment of, each of the Loan Agreement, the Service Agreement and this Indenture required to provide for such Bonds thereunder and hereunder;

(3) An original, executed counterpart of such Supplemental Indenture and amendment to the Loan Agreement, the Service Agreement and the Mortgage expressly providing that, to the extent applicable, for all purposes of such Supplemental Indenture, the Loan Agreement and the Mortgage, the Plants referred to therein and the premises financed thereunder shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Series 1985 Bonds now being issued and any Additional Bonds theretofore issued;

(4) A request and authorization to the Trustee on behalf of the Corporation to authenticate and deliver such Bonds to the purchaser or purchasers therein identified upon payment to the Trustee, for the account of the Corporation, of a sum specified in such request and authorization, plus any accrued interest on such Bonds to the date of such delivery, the proceeds of such payment to be retained by the Trustee and deposited as set forth in the Supplemental Indenture providing for such series of Additional Bonds;

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(5) A certificate of an Authorized Representative of each of the Service Party and the Corporation to the effect that, on the date of delivery of such Bonds, to the knowledge of each such person, there exists no Event of Default or event which, upon notice or lapse of time or both would constitute an Event of Default or Loan Agreement Default;

(6) Either of the following: (a) A certificate by an Independent Accountant certifying that the amount of the Net System Revenues received by the City during its fiscal year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 120% of the maximum Debt Service Requirement during the then current or any then succeeding Bond Year with respect to the Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; or (b) A Resolution or Resolutions adopted after the commencement of the fiscal year of the City next preceding the issuance of the then proposed Additional Bonds, establishing a revised schedule of rates for services furnished by the sewer system or the addition of new customers to the sewer system, or any combination thereof, accompanied by a certificate by an Independent Engineer stating that if the revised schedule or schedules of rates set forth in the said Resolution or Resolutions had been in effect or the new customers had been charged for services, or any contractor thereof, throughout the fiscal year next preceding the date of issuance of the Additional Bonds then proposed to be issued, the amount of the Net System Revenues during such fiscal year would have been not less than 120% of the maximum Debt Service Requirement during the then current or any then succeeding Bond Year with respect to the Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; provided, that each such certificate by an Independent Engineer shall be accompanied by and shall recite that it is based, inter alia, upon an examination of the said Independent Engineer of a certificate by an Independent Accountant certifying the amount of the Net System Revenues referable to the said fiscal year;

(7) Evidence that the amount on deposit in the Debt Service Reserve Fund immediately following the issuance of the Additional Bonds shall be at least equal to the Debt Service Reserve Fund Requirement giving effect to the issuance of such Additional Bonds;

(8) A written opinion of Nationally Recognized Bond Counsel to the effect that the issuance of such Bonds has been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, that the issuance of such Addi-

tional Bonds will not impair the exemption from Federal income taxation of any Bonds Outstanding on the date of issuance of such Additional Bonds and to such other matters as may reasonably be requested by the Trustee; and

(9) The Opinion of Counsel required pursuant to Section 15.2 hereof.

Section 8.3 Consent of Bond Insurer. In addition to the requirements of this Article VIII, the issuance of Additional Bonds shall be subject to the prior written consent of the Bond Insurer, (a) which consent may be withheld at the Bond Insurer's sole discretion if the proceeds of the Additional Bonds are to be used for or in connection with the initial construction of the Project, or if the Additional Bonds are to be issued prior to the Final Completion Date, or if the aggregate principal amount of all Additional Bonds outstanding (including the Additional Bonds proposed to be issued) would exceed \$3,000,000, and (b) which consent shall otherwise not be unreasonably withheld or delayed provided that the terms of the Additional Bonds are consistent with the terms of this Article 8 and will not materially adversely affect the security (including that provided hereunder to the Bond Insurer as subrogee of the Holders of the Series 1985 Bonds or that directly provided to the Bond Insurer hereunder or under the Security Documents) for repayment of the Series 1985 Bonds in accordance with the terms hereof. In the event of a dispute as to whether the Bond Insurer is entitled to withhold or has delayed its consent as aforesaid, the sole remedy of the other parties hereto and any other interested Persons shall be an action for a declaratory judgment, and in no event shall the Bond Insurer be liable for any damages to any such party or other Person for such failure or delay to grant its consent. The Bond Insurer shall be entitled to reimbursement from the Service Party for its reasonable costs and expenses incurred (including reasonable attorneys' fees and disbursements) in connection with any request for its consent as aforesaid or any dispute with respect thereto.

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ARTICLE IX

**AGREEMENTS RESPECTING
CONSTRUCTION OF PROJECT**

Section 9.1 Concerning Construction of Plants. The Corporation agrees that it will take all such actions available to it and shall exercise all remedies conferred upon it by the Loan Agreement to cause the Project to be acquired and construction commenced as soon as may be practicable following the issuance of the Series 1985 Bonds. The Corporation shall establish with the Trustee the Project Fund provided for in Section 9.2 hereof for the purpose of providing for the disbursement of the funds lent to the Service Party by the Corporation.

Section 9.2 Project Fund. There is hereby created a special trust fund, the name of which shall be the "Project Fund," for the purpose of providing funds for payment of Project Costs. The Trustee shall be and remain the depository, custodian and disbursing agent for the Project Fund.

Section 9.3 Disbursements from Project Fund. The Trustee is hereby authorized to disburse from the Construction Account of the Project Fund amounts required for the payment of Qualifying Costs upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Service Party and, if the requisition is in payment of Issuance Costs, an approval of the Corporation shall be endorsed on such requisition. Such requisition shall

- (i) state the requisition number,
- (ii) specify the nature of each item and certify the same to be correct and proper under this Section 9.3 and that such item has been properly paid or incurred as an item of Qualifying Costs,
- (iii) certify that none of the items for which the requisition is made has formed the basis for any disbursement theretofore made from the Project Fund,
- (iv) certify that the item of cost was not incurred or paid prior to October 1, 1985, (or such other date with respect to any Capital Projects located at the Sites as shall constitute "other similar official action" within the meaning of the regulations under Section 103 of the Code, as set forth in an opinion delivered to the Corporation and the Trustee by Nationally Recognized Bond Counsel selected by the Corporation),
- (v) certify that the payee and amount stated with respect to each item in the requisition are correct and that such item is due and owing,

(vi) certify that such item is a proper charge under this Section 9.3 against the Project Fund,

(vii) specify the name and address of the Person to whom payment is due or has been made,

(viii) certify that no Event of Default shall exist and be continuing under any of the Security Documents, or to the knowledge of such Authorized Representative, any condition, event or act which, with notice or lapse of time or both would constitute such an Event of Default,

(ix) certify that such Authorized Representative has no knowledge of any vendor's lien, mechanic's lien or security interest which should be satisfied or discharged before the payment as requisitioned is made or which will not be discharged by such payment,

(x) if the payment is a reimbursement to the Service Party for costs or expenses of the Service Party incurred by reason of work performed by officers or supervisory employees of the Service Party or any Affiliate, certify that such officers or supervisory employees were specifically employed for such purpose and that the amount to be paid does not exceed the actual cost thereof to the Service Party and that such costs or expenses are to be treated by the Service Party on its books as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis,

(xi) if such requisition is or will be for an item of equipment forming a part of the Project, certify that upon payment of the cost thereof the Service Party will be the owner thereof and that such item of equipment forming a part of the Project will be subject to the Loan Agreement and the lien and security interest created by the Mortgage and assigned pursuant to this Indenture,

(xii) certify that such item of cost is or will be chargeable to the capital account of the Project for Federal income tax purposes, or would be so chargeable either with an election by the Service Party or but for the election of the Service Party to deduct the amount of such item,

(xiii) certify that, to date, less than the Insubstantial Amount has been used for payment of costs other than Qualifying Costs,

(xiv) certify that the item of cost has been properly incurred consistent with the terms and provisions of the Service Agreement,

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(xv) certify that each item of cost constitutes Qualifying Costs, and

(xvi) be accompanied by an endorsement of the Title Insurance Policy, which shall be effective as of the date of disbursement, certifying that no liens or exceptions, other than those set forth in such Title Insurance Policy or Permitted Encumbrances, exist with respect to the Project;

provided, that in the event that the Trustee shall not have received evidence of the filing of Internal Revenue Form 8038 on or prior to March 30, 1986, and one sent then commencing March 31, 1986), the Trustee shall not permit any withdrawal from the Project Fund until it shall have been furnished with evidence of the filing with the Internal Revenue Service of said Form 8038; provided, further that there may be withdrawn from the Project Fund without the certifications required by the foregoing clauses (ii), (iv), (x), (xii) and (xv) from time to time amounts not constituting Qualifying Costs if (a) the amount then requested to be paid for other than Qualifying Costs, when added to all other amounts theretofore paid out of the Project Fund for other than Qualifying Costs, does not exceed the Insubstantial Amount, and (b) the Service Party certifies that the amount requested to be withdrawn is in payment of costs of constructing facilities for the collection, treatment, and disposal of sewage, wastewater, industrial effluent or other fluid waste, as defined in the Act. Each requisition shall be accompanied by appropriate bills or invoices, but only for each item whose cost exceeds \$5,000. The Trustee shall be entitled to rely conclusively on such requisition and the Trustee need not examine or verify any bills or invoices. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom and, after completion of the Project, shall file an accounting thereof with the Corporation and the Service Party.

Section 9.4 Evidence of Completion of Project. Completion of the Project shall be evidenced by the delivery to the Trustee of the Phase A Final Completion Certificate, the Phase B Final Completion Certificate and the Phase C Final Completion Certificate and of the following:

(i) a certificate of an Authorized Representative of the Service Party that the Project has been Finally Completed in all respects in accordance with the Service Agreement and that all variances, permits, licenses, approvals or certificates required by law from appropriate governmental authorities, in connection with the completion and initial operation of the Project, have been obtained;

(ii) an as-built and foundation survey by a licensed surveyor certified to the Service Party, the Corporation and the Trustee which survey shall (A) locate the buildings, structures and improvements constructed as part of the Project on the Sites without any encroachment by any said building,

structure or improvement, (B) show the location of all Project buildings, structures and improvements on the Sites with lot and building lines in compliance with applicable zoning requirements (or private restrictions, if applicable), (C) indicate all easements, rights of way and rights of others of record with respect to the Project Sites, and (D) be read into the title policy described below (which title policy shall not except visible and apparent easements as may not be shown on such survey);

(iii) a certificate of an Authorized Representative of the Service Party that the Project is not subject to violations of which the Service Party has received notice;

(iv) a certificate of an Authorized Representative of the Service Party that all costs of acquisition, construction, equipping and installation of the Project have been paid in full, which certificate shall have attached releases and waivers of mechanics' liens by any Affiliate of the Service Party who supplied work, labor, services, materials or supplies in connection with the acquisition, construction, equipping and installation of the Project and an affidavit by an Authorized Representative of the Service Party that all contractors, subcontractors, materialmen and suppliers have been paid in full; provided, however, that such affidavit need not certify as to full payment of any disputed amounts claimed by any such contractors, subcontractors, materialmen and suppliers (other than the Affiliate) so long as the Authorized Representative of the Service Party furnishes satisfactory evidence that execution or levy by any such parties has been, and remains during the pendency of such dispute, fully bonded and stayed as permitted by applicable Alabama law;

(v) a certificate of an Authorized Representative of the Service Party that the New System was built within and consistent with the terms of the easements theretofore obtained;

(vi) evidence (consisting of either (A) a title search of a title insurance company or (B) a certificate of an Authorized Representative of the Service Party to the effect that the Service Party has neither taken any action nor failed to take any action which would result in any lien, encroachment or exception as does not appear in such search) showing that the Project is free and clear of all liens, encroachments or exceptions other than (A) such as were shown on the title policy delivered to the Trustee at the date of delivery of the Series 1985 Bonds, (B) utility easements to service the Project, and (C) Permitted Encumbrances; and

(vii) an Opinion of Counsel addressed to the Corporation and the Trustee to the effect that the Mortgage consti-

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tutes a valid first mortgage lien and a valid first perfected security interest in the Project and valid first assignment of the Revenues (subject only to Permitted Encumbrances), and accompanied by an endorsement of the Title Insurance Policy to such effect, that this Indenture constitutes a valid pledge and assignment of such mortgage and lien and security interest, and that the Project as completed is adequately described for such purposes in this Indenture, the Mortgage and the Loan Agreement.

Upon the Final Completion Date, the Trustee shall transfer the balance of any amounts remaining in the Project Fund to the Redemption Fund. The Trustee shall promptly notify the Corporation and the Service Party of any amounts so deposited in the Redemption Fund.

In the event the Corporation shall, pursuant to the applicable provisions of the Indenture, be required to or shall elect to cause all the Bonds Outstanding to be redeemed prior to the satisfaction of the requirements set forth in Article XVI of this Indenture, the balance in the Project Fund shall be deposited in the Redemption Fund. In the event the Trustee, with the consent of the Bond Insurer, as hereinafter provided, elects to accelerate Loan Payments due under the Loan Agreement with respect to the Bonds upon the occurrence of a Loan Agreement Default thereunder, the balance in the Project Fund shall be applied as provided in Article XIII hereof.

The Trustee shall furnish to the Corporation and the Service Party commencing on January, 1986, and monthly thereafter until the Final Completion Date, a written statement of disbursements from each Account of the Project Fund covering the preceding calendar month and enumerating, among other things, item, cost, amount disbursed, date of disbursement, the Person to whom payment was made and a schedule of the Eligible Investments in which amounts in the separate Accounts in the Project Fund were invested, and the balance of the amounts remaining at the end of such month in each Account of the Project Fund.

Section 9.5 Trustee Protected in Project Fund Payments. Additional Evidence May Be Required. The Trustee shall be fully protected in making withdrawals and payments out of the Project Fund for the purposes specified in Section 9.2 hereof upon presentation to it of the respective requisitions, payment requests, endorsements, approvals and certificates provided for in said section, but the Trustee may in its discretion and shall, when requested in writing so to do by the Holders of not less than a majority of the Bonds then outstanding, require as a condition precedent to any withdrawal or disbursement from the Project Fund such additional evidence as it may reasonably deem appropriate respecting the application of any moneys previously disbursed from the Project Fund or as to the correctness of any estimate or bill presented to it for payment pursuant to the provisions of said Section 9.2.

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Section 9.6 Security for Project Fund Moneys. The moneys at any time on deposit in the Project Fund shall be and at all times remain impressed with a trust for the purposes specified in Section 9.2 hereof. The Trustee shall at all times keep the moneys on deposit in the Project Fund continuously secured, for the benefit of the Corporation and the Holders of the Bonds, either

(a) by holding on deposit, as collateral security, Federal Securities, or other marketable securities eligible as security for the deposit of trust funds under regulation of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the Project Fund, or

(b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable law and regulation, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for the Trustee so to secure any portion of the moneys on deposit in the Project Fund that is insured by the Federal Deposit Insurance Corporation or other agency of the United States of America that may succeed to its functions; and provided, further, that it shall not be necessary for the Trustee so to secure any portion of the moneys on deposit in the Project Fund that is at the time invested in Eligible Investments pursuant to the provisions of the next succeeding Section 9.7 hereof.

Section 9.7 Investment of Project Fund Moneys. As promptly as practicable following the issuance and sale of the Bonds and from time to time thereafter, the Trustee will request an Authorized Representative of the Service Party to furnish to it a written certificate stating what portions (if any) of the moneys on deposit in the Project Fund will not be needed during the then ensuing thirty (30) days for payment of any Project Costs and stating further the approximate dates that such presently unneeded moneys will be needed for such purpose. Promptly after receipt of each such certificate, the Trustee will, to the extent practicable, cause the Project Fund moneys certified in said certificate as not to be needed during the then ensuing thirty (30) days for said purpose, to be invested in accordance with written instructions furnished by an Authorized Representative of the Service Party in any Eligible Investments having stated maturities in such amounts and at such times, prior to or corresponding with the dates and amounts specified in said certificates, as to make available from the Project Fund cash moneys sufficient to meet the needs of the Project Fund as specified in said certificate. In the event of any such

investment, the securities and certificates in which such moneys are so invested, together with all income derived therefrom, shall become a part of the Project Fund to the same extent as if they were moneys originally deposited therein. The Trustee may from time to time sell or otherwise convert any such securities or certificates into cash if in its sole discretion it deems such conversion is necessary or desirable or if such sale or conversion is necessary to provide for payment of request presented to it pursuant to the provisions of Section 9.2 hereof, whereupon the net proceeds from such sale or conversion shall become a part of the Project Fund. The Trustee shall be fully protected in making any such investment, sale or conversion in accordance with the provisions of this section. In any determination of the amount of moneys at any time forming a part of the Project Fund, all such securities and all such certificates in which any portion of the Project Fund is at the time so invested shall be included therein at their value.

Section 9.8 Agreement Respecting Non-Arbitrage. In order that there will be no investment of moneys in any Fund or Account that would result in any of the Bonds being considered "arbitrage bonds" within the meaning of Section 103(c) of the Code, in the event the Service Party is of the opinion that it is necessary to restrict the yield on the investment of any moneys paid to or held by the Trustee in either of said funds in order to avoid any of the Bonds being considered "arbitrage bonds" within the meaning of said Section 103(c), an Authorized Representative of the Service Party may issue to the Trustee a written certificate to such effect together with written instructions respecting investment of moneys in either or both of said funds, in which event the Trustee shall follow the written directions of an Authorized Representative of the Service Party. The Trustee shall not be responsible for (i) determining that any investment of moneys in the Project Fund or the Bond Fund complies with the limitations imposed by Section 103(c) of the Code, including, without limitation, the provisions of Section 103(c)(6) of the Code relating to the limitation on the amount invested in nonpurpose obligations with a yield higher than the yield on the Bonds, or (ii) calculating the amount of, or making payment of, any rebate due to the United States of America. The Trustee shall establish a special Rebate Account, into which the Service Party shall pay any amounts required to be rebated to the United States of America, and from which the Trustee shall promptly remit any amounts so deposited to the United States of America.

ARTICLE X

**APPLICATION OF REVENUES
AND CREATION OF SPECIAL FUNDS**

Section 10.1. Creation of Funds and Accounts. The Corporation hereby establishes and creates the following special trust Funds and Accounts within such Funds:

- (1) Project Fund
- (2) Revenue Fund
 - (a) Base Fee Account
 - (b) Additional Fee Account
 - (c) Service Party Payment Account
- (3) Debt Service Fund
 - (a) Capitalized Interest Account
 - (b) Interest Account
 - (c) Principal Account
- (4) Debt Service Reserve Fund
- (5) Renewal Fund
- (6) Redemption Fund
- (7) Repair and Replacement Fund
- (8) Rate Stabilization Fund
 - (a) Debt Coverage Account
 - (b) Debt Subsidy Account

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All moneys and investments deposited with the Trustee shall be held in trust and applied only in accordance with this Indenture and shall be trust funds for the purposes of this Indenture. The Trustee may establish such sub-Funds or sub-Accounts with respect to each series of Bonds as it shall determine to be necessary or desirable.

Section 10.2 Revenue Fund. There is hereby created a special trust fund, the full name of which shall be the "Revenue Fund", for the purpose of providing for payment of the principal of and interest on the Bonds and for making the payments into the other special funds herein provided for. The Revenue Fund shall be maintained until the principal of

and the interest on the Bonds shall have been paid in full. The Trustee shall be and remain the depository, custodian and disbursing agent for the Revenue Fund. All Revenues shall be paid to the Trustee and, except as expressly provided herein, deposited by the Trustee as received unto the Revenue Fund. The Revenue Fund shall consist of three separate accounts, designated the Base Fee Account and the Additional Fee Account and the Service Party Payment Account. Payments shall be made into the respective accounts to the extent and in the order and manner herein provided.

(1) Base Fee Account. There is hereby created a special account forming a part of the Revenue Fund, the full name of which shall be the Base Fee Account. There shall be deposited into the Base Fee Account that portion of the Revenues (a) constituting the Base Fee or any interim charges pursuant to Section 7.03 of the Service Agreement, (b) consisting of payments pursuant to either or both of Section 11(c) of the O/M Agreement, and Section 2(e) of the Guaranty Agreement and (c) consisting of the proceeds of any insurance covering business interruption losses resulting to the cessation or reduction of operation in whole or in part of the Project, or that portion of funds in the Debt Stabilization Account of the Rate Stabilization Fund as the City shall designate by notice to the Trustee as provided in Section 10.8. A "Deficiency" shall exist in the Base Fee Account if, as of the 20th day of any calendar month after the last day of the Capitalized Interest Period, there has not been deposited in the Base Fee Account an amount equal to the full scheduled Base Fee payable by the City under the Service Agreement for that month and all prior months commencing after the last day of the Capitalized Interest Period. On or before the 6th Business Day preceding each Payment Date, moneys on deposit in the Base Fee Account shall be transferred into the following funds and in the following order to the extent of the sufficiency thereof:

(i) into the Interest Account of the Debt Service Fund, an amount equal to the interest due on the Bonds on the then next succeeding Interest Payment Date;

(ii) if the next succeeding Interest Payment Date is also a Principal Payment Date, into the Principal Account of the Debt Service Fund, an amount equal to the Principal Payment on the Bonds on the then next succeeding Principal Payment Date;

(iii) into the Interest Account and the Principal Account, in that order, an amount equal to any Deficiency therein;

(iv) into the Debt Service Reserve Fund, an amount equal to any Deficiency in the Debt Service Reserve Fund; and

(v) into the Additional Fee Account, the balance.

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(2) Additional Fee Account. There is hereby created a special account forming a part of the Revenue Fund, the full name of which shall be the Additional Fee Account. There shall be transferred into the Additional Fee Account that portion of the Revenues (a) constituting the Additional Fee, or (b) described in Section 7.07 or Section 11.02 of the Service Agreement or that portion of funds in the Debt Subsidy Account of the Rate Stabilization Fund as the City shall designate by notice to the Trustee as provided in Section 10.8. During the Capitalized Interest Period, moneys on deposit in the Additional Fee Account shall be transferred to the Service Party on demand, so long as an Event of Default shall not have occurred and be continuing hereunder. From the Capitalized Interest Period until the Final Completion Date, moneys on deposit in the Additional Fee Account, shall be transferred to the Service Party on demand, so long as an Event of Default shall not have occurred and be continuing hereunder and the Letter of Credit includes an amount sufficient to pay the Debt Service Requirements for the remainder of the then current Bond Year and, under the terms hereof, the Trustee is entitled to draw such amount on the Letter of Credit to pay such Debt Service Requirements. In any other situation, on the twenty-fourth (24th) of each month, moneys on deposit in the Additional Fee Account shall be transferred to the following funds and in the following order, to the extent of the sufficiency thereof:

- (i) into the Base Fee Account, to the extent of any Deficiency therein;
- (ii) into the Service Party Payment Account, to the extent of any Deficiency therein;
- (iii) into the Debt Service Reserve Fund, an amount equal to any Deficiency in the Debt Service Reserve Fund; and
- (iv) to the Service Party, the balance.

(3) Service Party Payment Account. There is hereby created a special account forming a part of the Revenue Fund, the full name of which shall be the Service Party Payment Account. There shall be transferred into the Service Party Payment Account (a) that portion of Revenues consisting of the Service Party Payment, (b) that portion of Revenues consisting of amounts drawn on the Letter of Credit pursuant to Section 10.3(e) hereof, and (c) that portion of Revenues consisting of amounts paid or caused to be paid by the Guarantor pursuant to Section 2(a) of the Guaranty Agreement. A "Deficiency" shall exist in the Service Party Payment Account if, as of the 20th day of each month preceding each Payment Date occurring after the last day of the Capitalized Interest Period, there has not been deposited in the Service Party Payment Account an amount equal to the full Service Party Payment required to be made during such month. On or before the sixth Business Day preceding each Payment Date, moneys on deposit in the Service Party Payment Account shall be transferred, after transfers from the Base Fee Account, to the following funds and in the following order, to the extent of the sufficiency thereof:

(i) into the Interest Account of the Debt Service Fund, an amount equal to the difference between (x) the interest due on the Bonds on the next succeeding Interest Payment Date and (y) the transfer from the Base Fee Account relating to such payments;

(ii) if the next succeeding Payment Date is a Principal Payment Date, into the Principal Account of the Debt Service Fund, an amount equal to the difference between (x) the principal due on the Bonds on the then next succeeding Principal Payment Date, and (y) the transfers from the Base Fee Account relating to such payment;

(iii) into the Interest Account and the Principal Account, in that order, an amount equal to any Deficiency therein;

(iv) into the Debt Service Reserve Fund, an amount equal to any Deficiency in the Debt Service Reserve Fund; and

(v) into the Additional Fee Account, the balance.

Section 10.3 Debt Service Fund. There is hereby created a special trust fund, the full name of which shall be the "Debt Service Fund". The Debt Service Fund shall consist of three separate accounts, designated the Capitalized Interest Account, the Interest Account, and the Principal Account, each of which shall form a part of the Debt Service Fund.

(a) Capitalized Interest Account. There is hereby created a separate account forming a part of the Debt Service Fund, the full name of which shall be the "Capitalized Interest Account". Contemporaneously with the issuance of the Series 1985 Bonds, there shall be deposited in the Capitalized Interest Account the amounts required to be deposited therein pursuant to the provisions of Section 7.5(c) hereof. The Trustee shall apply the amount in the Capitalized Interest Account to the payment of the interest on the Bonds as the same shall become due during the Capitalized Interest Period or thereafter until the Final Completion Date. On or prior to each Interest Payment Date on the Bonds, the Trustee shall transfer from the Capitalized Interest Account to the Interest Account an amount sufficient to cause the balance in the Interest Account to be sufficient to pay the interest on the Bonds becoming due on such Interest Payment Date. Upon the satisfaction of the requirements set forth in Section 9.4 of this Indenture, the Trustee shall transfer any balance remaining in the Capitalized Interest Account to the Redemption Fund.

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(b) Interest Account. There is hereby created a separate account forming a part of the Debt Service Fund, the full name of which shall be the Interest Account. On or before the 6th Business Day preceding each Interest Payment Date, commencing with the month and day during which the Series 1985 Bonds are issued, the Trustee will transfer into the Interest Account of the Debt Service Fund, out of moneys on Deposit in the Revenue Fund, to the extent and in the order therein provided, the amounts described in Section 10.2, equal to the entire interest payment on the Bonds on said Interest Payment Date. Moneys on deposit in the Interest Account shall be used solely for the purpose of paying interest on the Bonds, as the same becomes due and payable.

(c) Principal Account. There is hereby created a separate account forming a part of the Debt Service Fund, the full name of which shall be the Principal Account. On or before the 6th Business Day preceding each Principal Payment Date, commencing with the month and day which the Series 1985 Bonds are issued, the Trustee shall transfer into the Principal Account of the Debt Service Fund, out of moneys on Deposit in the Revenue Fund, to the extent and in the order therein provided, the amounts described in Section 10.2, an equal to the entire principal installment, if any, due with respect to the Bonds on said Principal Payment Date. Moneys on deposit in the Principal Account shall be used solely for the purpose of paying principal on the Bonds, as the same becomes due and payable.

(d) There shall be credited on the amounts provided to be paid into the Interest Account, the amount transferred therein from the Capitalized Interest Account.

(e) If, at any time a Deficiency shall exist in the Service Party Payment Account, as described in Section 10.2(3), then the Trustee shall immediately draw on the Letter of Credit, for deposit in the Service Party Payment Account, in an amount equal to such Deficiency in the Service Party Payment Account, or, if a draw has been made on the Letter of Credit pursuant to Section 7.2(f), the Trustee shall immediately withdraw from the Redemption Fund, for deposit in the Service Party Payment Account, an amount equal to such Deficiency on the Service Party Payment Account.

(f) If, on any Interest Payment Date after the Final Completion Date, the amount in the Interest Account of the Debt Service Fund (after first crediting amounts transferred from the Revenue Fund pursuant to Section 10.2 and from the Capitalized Interest Account pursuant to Section 10.3(a)), shall be less than the amount of interest then due and payable on the Bonds, or if any Principal Payment Date on the Bonds after the Final Completion Date, the amount in the Principal Account (after first crediting amounts transferred to the Principal Account from the Revenue Fund pursuant to Section 10.2), then the Trustee shall forthwith transfer from the Revenue Fund and the Debt Service Reserve Fund, in that order, an amount equal to such Deficiency.

(g) If, on the sixth (6th) Business Day prior to any Interest Payment Date on or before the Final Completion Date, the amount in the Interest Account of the Debt Service Fund (after first crediting amounts transferred from the Revenue Fund pursuant to Section 10.2 and from the Capitalized Interest Account pursuant to Section 10.3(a)) shall be less than the amount of interest to become due and payable on such Interest Payment Date, or if on any Principal Payment Date on the Bonds occurring on or before the Final Completion Date, the amount in the Principal Account (after first crediting amounts transferred to the Principal Account from the Revenue Fund pursuant to Section 10.2, then the Trustee shall immediately draw on the Letter of Credit in an amount equal to such Deficiency for deposit in the Interest Account or the Principal Account, as the case may be.

(h) Concerning the Bond Insurance Policy. As long as the Bond Insurance Policy shall be in full force and effect, the Corporation and the Trustee agree to comply with the following provisions (so long as no Period of Bond Insurer Disqualification shall exist):

(1) If, on the fifth Business Day next preceding any Interest Payment Date or any Principal Payment Date, there is not on deposit, in the aggregate, in the Debt Service Fund, the Debt Service Reserve Fund and all of the other Funds or Accounts intended to be available for payment of the principal of and interest on the Bonds, sufficient moneys available to pay all principal of and interest on the Series 1985 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer and the Bond Insurer's Fiscal Agent of the amount of such deficiency;

(2) If, by the third Business Day next preceding said Interest Payment Date or said Principal Payment Date, the Trustee has not notified the Bond Insurer that the amount of such deficiency has been provided by the Corporation, the Trustee shall make available, at the office of the Trustee, to the Bond Insurer and to the Fiscal Agent the registration books of the Corporation maintained by the Trustee;

(3) the Trustee shall, at the office of the Trustee, provide the Bond Insurer with a list of the Holders 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 and its Fiscal Agent (i) to mail checks or drafts to Holders entitled to receive full or partial interest payments from the Bond Insurer, and (ii) to pay principal of the Series 1985 Bonds surrendered to the Fiscal Agent by the Holders entitled to receive full or partial principal payments from the Bond Insurer;

(4) the Trustee shall, at the time it provides notice to the Bond Insurer pursuant to subsection (1) above, notify Holders entitled to receive the payment of principal of or interest on the Series 1985 Bonds from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due, (iii) that, except as provided in subsection (5) below, in the event that any Holder is entitled to receive full payment of principal from the Bond Insurer, such Holder must tender his Series 1985 Bond with the instrument of transfer in the form provided on the Series 1985 Bond executed in the name of the Bond Insurer, and (iv) that, except as provided in subsection (5) below, in the event that part of the principal due to any Holder is available in the Principal Account, and such Holder is entitled to receive the balance remaining of principal due from the Bond Insurer, such Holder must tender his Series 1985 Bond for payment first to the Trustee, which shall note on such Series 1985 Bond the portion of principal paid by the Trustee, and then, with the form of transfer executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Holder;

(5) in the event that the Trustee has notice that any payment of principal of or interest on a Series 1985 Bond has been recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer pursuant to subsection (1) above, notify all Holders that in the event that any Holder's payment is so recovered, such Holder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 1985 Bonds which have been made by the Trustee and subsequently recovered from Holders, and the dates on which such payments were made; and

(6) the Bond Insurer shall, to the extent it makes payment of principal of or interest on Series 1985 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 subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holders of the Series 1985 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee

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shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Holders of such Series 1985 Bonds. Payment by the Bond Insurer of any interest on, principal of or Redemption Price of any Bond shall not constitute payment by the Corporation thereof for any reason whatsoever, and shall not relieve or excuse the Corporation of any failure to make such payment, nor prevent the occurrence of any Event of Default.

Section 10.4 Reserve Fund. There is hereby created a special trust fund, the full name of which shall be the "Debt Service Reserve Fund" or "Reserve Fund." Contemporaneously with the delivery of the Indenture, there shall be transferred to the Reserve Fund the amounts required to be transferred thereto or paid therein pursuant to the provisions of Section 7.5(d) hereof.

The moneys forming a part of the Reserve Fund shall be held as a reserve or cushion for payment of the principal of and interest on the Bonds, but shall be used for such purpose only when necessary to prevent a default in the payment of such principal and interest. In the event that after the Final Completion Date the moneys on deposit in the Debt Service Fund are insufficient on any Interest Payment Date to pay the interest and the principal, if any, maturing with respect to the Bonds on that date, then and then only, and after transfer into the Debt Service Fund of amounts from the Revenue Fund, the Rate Stabilization Fund or (as to interest only) the Capitalized Interest Account, moneys shall be transferred from the Reserve Fund to the Debt Service Fund for payment of interest, or principal, or both, on the Bonds as to which there would otherwise be a default; provided, that until the Final Completion Date, no moneys may be transferred from the Reserve Fund for any reason other than for redemption of Series 1985 Bonds pursuant to Section 7.2(d)(i).

If, on the third Business Day of any month following the month during which the Final Completion Date occurs, there is no Deficiency in the Base Fee Account, The Service Party Payment Account, the Interest Account or the Principal Account and there is on deposit in the Reserve Fund an amount in excess of the then applicable Maximum Debt Service Reserve Fund Requirement, the Trustee shall transfer from the Reserve Fund to the Project Fund (until the completion of the Project shall have been certified pursuant to the provisions of Section 9.4) and thereafter to the Service Party, such amount as will result in there being on deposit in the Reserve Fund only an amount equal to the then applicable Maximum Debt Service Reserve Fund Requirement.

Section 10.5 Renewal Fund. (a) Deposits. There is hereby created a Special Fund, the full name of which shall be the "Project Renewal Fund". The Net Proceeds resulting from any damage, destruction

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or condemnation of the Project (as described in Sections 8.1 and 8.2 of the Loan Agreement) shall be promptly deposited by the Trustee in and credited to the Renewal Fund, except that any Net Proceeds derived from insurance covering business interruption losses relating to the cessation or reduction of operation in whole or in part of the Project shall be deposited in and credited to the Revenue Fund.

In the event of damage, destruction or condemnation of the Project, and the Service Party shall have so directed the Trustee in writing within ninety (90) days of the occurrence of such damage, destruction or condemnation of the Project, the Trustee shall at the direction of the Service Party, transfer the amounts deposited in the Renewal Fund to the Redemption Fund. If, on the other hand, (i) the Service Party shall not have timely directed the Trustee to effect such transfer from the Renewal Fund, or (ii) the Service Party shall have notified the Trustee of its intent to rebuild, replace, repair and restore the Project, the Trustee shall apply the amounts on deposit in the Renewal Fund to the rebuilding, replacement, repair and restoration of the Project.

If an Event of Default shall exist and be continuing at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund, the Trustee shall apply such Net Proceeds in accordance with Section 13 hereof.

(b) Disbursements from Renewal Fund. The Trustee is hereby authorized to apply the amounts in the Renewal Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of the Service Party or the Corporation) of the costs required for the rebuilding, replacement, repair and restoration of the Project. The Trustee is further authorized and directed to issue its checks for each disbursement from the Renewal Fund upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Service Party. Each such requisition shall be accompanied by appropriate bills or invoices or other evidences for any item therein costing in excess of \$5,000. Such requisition shall

(i) state the requisition number;

(ii) specify the nature of each item and certify the same to be correct and proper under this Section and that such item has been properly paid or incurred as a cost of the Project;

(iii) certify that none of the items for which the requisition is made has formed the basis for any disbursement theretofore made from the Renewal Fund;

(iv) certify that the payee and amount stated with respect to each item in the requisition are correct and that such item is due and owing;

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(v) specify the name and address of the Person to whom payment is due or has been made;

(vi) certify that no Event of Default shall exist and be continuing under any of the Security Documents, or any condition, event or act which, with notice or lapse of time or both would constitute such an Event of Default;

(vii) certify that such Authorized Representative of the Service Party has no knowledge of any vendor's lien, mechanic's lien or security interest which should be satisfied or discharged before the payment as requisitioned is made or which will not be discharged by such payment;

(viii) be accompanied by an endorsement of the Title Insurance Policy, which shall be effective as of the date of disbursement, certifying that no liens or exceptions, other than those set forth in such Title Insurance Policy or Permitted Encumbrances, exist with respect to the Project, and

(ix) if the payment is a reimbursement to the Service Party for costs or expenses of the Service Party incurred by reason of work performed by officers or supervisory employees of the Service Party or any Affiliate, certify that such payment is permitted under Section 4.2 or 4.3 of the Loan Agreement, that such officers or supervisory employees were specifically employed for such purpose and that the amount to be paid does not exceed the actual cost thereof to the Service Party.

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If the Service Agreement is no longer in effect, the requirements of this Section 10.5(b) shall be reasonably and appropriately adjusted by the Corporation and the Trustee to reflect whether the Service Party or a replacement operator (as described in Section 12.2 of Service Agreement) is operating the Project. The Trustee shall be entitled to rely conclusively on any such requisition and the Trustee need not examine or verify any bill or invoice. The Trustee shall keep and maintain adequate records pertaining to the Renewal Fund and all disbursements therefrom and after completion of the restoration of the Project or the Capital Project shall file an accounting thereof with the Corporation and the Service Party.

(c) Completion. The date of completion of the restoration of the Project shall be evidenced to the Corporation and the Trustee by a certificate of an Authorized Representative of the Service Party, accompanied by a certificate of the City, that the restoration has been completed in accordance with the provisions of the Service Agreement stating

(i) the date of such completion;

(ii) that all labor, services, machinery, equipment, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for;

(iii) that the Project has been restored to substantially its condition immediately prior to the damage, destruction or condemnation of the Project with such changes as may be agreed upon between the Service Party and the City;

(iv) that the Service Party has good and valid title to all property constituting part of the restored Project and all property of the Project is subject to the Loan Agreement and the Mortgage and the lien and security interest of the Mortgage;

(v) that there are no mechanics' or similar liens on the Project for labor and materials supplied in connection with the restoration of the Project; and

(vi) that the restored Project is ready for use and operation of its intended purposes.

Notwithstanding the foregoing, such certificate shall state (i) that it is given without prejudice to any rights of the Service Party or the Corporation against third parties which exist at the date of such certificate or which may subsequently come into being, (ii) that it is given only for the purposes of this Section and (iii) that no Person other than the Corporation or the Trustee may benefit therefrom. Such certificate shall be accompanied by (i) a certificate of occupancy, if required, and any and all permissions, licenses or consents required of governmental authorities for the occupancy, operation and use of the Project for the purposes contemplated by the Loan Agreement and this Indenture; and (ii) an Opinion of Counsel addressed to the Corporation and the Trustee to the effect that the Mortgage constitutes a valid first mortgage lien and valid first perfected security interest in the Project (subject only to Permitted Encumbrances), that this Indenture constitutes a valid pledge and assignment of such mortgage lien and security interest, and the Project as restored is adequately described for such purposes in the Loan Agreement, the Mortgage and this Indenture.

(d) Disposition of Surplus. Any surplus remaining in the Renewal Fund after the completion of the rebuilding, replacement, repair and restoration of the Project shall be transferred by the Trustee to the Redemption Fund, but the excess, if any, of such amount as will be sufficient to discharge and satisfy this Indenture and pay all Bonds as provided in Section 16.1 hereof shall be paid over to the Service Party free and clear of any pledge or lien hereunder. If amounts in the Renewal Fund are insufficient for the rebuilding, replacement, repair and restoration of the Project, then the amount of such deficiency shall be paid as provided in the Service Agreement.

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Section 10.6 Redemption Fund. There is hereby created a special fund, the full name of which shall be the "Project Redemption Fund". Payments shall be made into the Redemption Fund in accordance with the provisions of the Indenture. Amounts on deposit in the Redemption Account shall be applied, as promptly practicable to the redemption of Bonds. Until a draw on the Letter of Credit pursuant to Section 7.2(f), Investment Earnings on amounts in the Redemption Fund not required to be retained therein for redemption of Bonds shall be deposited into the Base Fee Account, and from and after a draw on the Letter of Credit pursuant to Section 7.2(f), any Investment Earnings on amounts in the Redemption Fund shall be retained therein. Any amounts deposited into the Redemption Fund from Bond Proceeds remaining on deposit in the Project Fund and not used to redeem Series 1985 Bonds (as a result of such amount being in excess of \$200,000) shall be held therein and invested at a yield rate not in excess of the yield on the Series 1985 Bonds and applied in redemption of Series 1985 Bonds on December 1, 1995.

Section 10.7 Repair and Replacement Fund. (a) There is hereby created a special fund, the full name of which shall be the "Repair and Replacement Fund". Contemporaneously with the delivery of the Series 1985 Bonds, there shall be deposited into the Repair and Replacement Fund the amount of \$20,000.

(b) The Trustee is hereby authorized to apply the amounts in the Replacement Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of the Service Party or the Corporation) of the costs required for the replacement, repair and restoration of the Equipment. The Trustee is further authorized and directed to issue its checks for each disbursement from the Replacement Fund upon a requisition submitted to the Trustee and signed by an Authorized Representative of both the City and the Service Party. Each such requisition shall be accompanied by appropriate bills or invoices or other evidences. Such requisition shall

(i) state the requisition number;

(ii) specify the nature of each item of Equipment and certify the same to be correct and proper under this Section and that such item has been properly paid or incurred as a cost of the Project;

(iii) certify that none of the items for which the requisition is made has formed the basis for any disbursement theretofore made from the Replacement Fund;

(iv) certify that the payee and amount stated with respect to each item in the requisition are correct and that such item is due and owing;

(v) specify the name and address of the Person to whom payment is due or has been made;

(vi) certify that no Event of Default shall exist and be continuing under any of the Security Documents, or any condition, event or act which, with notice or lapse of time or both would constitute such an Event of Default;

(vii) certify that such Authorized Representative of the Service Party has no knowledge of any vendor's lien, mechanic's lien or security interest which should be satisfied or discharged before the payment as requisitioned is made or which will not be discharged by such payment; and

(viii) certify that the purchase price, separately and severally for each item of Equipment noted under clause (ii) above, exceeds \$5,000.

If the Service Agreement is no longer in effect, the requirements of this Section 10.7(b) shall be reasonably and appropriately adjusted by the Corporation and the Trustee. The Trustee shall be entitled to rely conclusively on any such requisition and the Trustee need not examine or verify any bill or invoice. The Trustee shall keep and maintain adequate records pertaining to the Replacement Fund and all disbursements therefrom and after completion of the restoration of the Project or the Capital Project shall file an accounting thereof with the City and the Service Party.

(c) Any surplus remaining in the Replacement Fund after the satisfaction of this Indenture pursuant to Article XVI hereof shall be transferred by the Trustee to the City.

(d) At any time and from time to time, whenever the amount on deposit in the Replacement Fund shall be less than the aggregate amount required to be on deposit therein, the Trustee will transfer from the Debt Subsidy Account of the Rate Stabilization Fund an amount equal to such Deficiency.

(e) If the Trustee shall receive a notice, signed by an Authorized Representative of the Service Party and the City, that the amounts on deposit in the Wastewater Facility Repair and Replacement Fund to be maintained by the City pursuant to Section 8.01 of the Service Agreement are at least equal to 2% of Certified User Charges then the Trustee will promptly transfer all amounts in the Repair and Replacement Fund either to the Debt Subsidy Account of the Rate Stabilization Fund, as specified in such notice, and this Section 10.7 and all references to this Section 10.7 or the Repair and Replacement Fund shall be deemed deleted.

Section 10.8 Rate Stabilization Fund. There is hereby created a special fund, the full name of which shall be the "Rate Stabilization Fund".

The Rate Stabilization Fund shall consist of two separate accounts, designated the Debt Coverage Account and the Debt Subsidy Account. Contemporaneously with the delivery of the Series 1985 Bonds, there shall be deposited into the Rate Stabilization Fund the amount required to be deposited therein pursuant to Section 4.1(F) of the Loan Agreement. There shall be further periodically deposited to the Rate Stabilization Fund the amounts required to be deposited therein pursuant to Section 19.03(b) of the Service Agreement. All amounts deposited in the Rate Stabilization Fund, except contemporaneously with the delivery of the Series 1985 Bonds, shall be deposited in the Debt Subsidy Account, except to the extent required to cure any Deficiency in the Debt Coverage Account, in which event the next sums deposited in the Rate Stabilization Fund, until such Deficiency is cured, shall be deposited in the Debt Coverage Account. No amounts may be withdrawn from the Debt Coverage Account until all amounts in the Debt Subsidy Account have been withdrawn as herein provided. Amounts in the Rate Stabilization Fund shall be withdrawn by the Trustee as provided in Section 10.3.

(a) There is hereby created a special account forming a part of the Rate Stabilization Fund, the full name of which shall be the "Debt Coverage Account." Contemporaneously with the delivery of the Series 1985 Bonds, the sum of \$171,000 shall, pursuant to Section 4.1(F) of the Loan Agreement, be deposited into the Debt Coverage Account. Whenever the amount on deposit in the Debt Coverage Account is less than twenty percent (20%) of the maximum Debt Service Reserve Fund Requirement, a Deficiency shall exist with respect to the Debt Coverage Account. Upon the request of the the City, the Trustee shall, on any date on or after the Final Completion Date, withdraw moneys on deposit in the Debt Coverage Account, for deposit in the Debt Subsidy Account, if (a) no Deficiency exists on the date of such withdrawal, or will be created by such withdrawal, (b) the amounts on deposit in the Debt Service Reserve Fund (but not in excess of the Maximum Debt Service Reserve Fund Requirement) and the Debt Subsidy Account, on the date of such withdrawal, are sufficient to pay all scheduled interest and principal payable on or after such date on the Series 1985 Bonds and any Additional Bonds, or (c) such withdrawal is consented to in writing, subject to Section 11.11, by the Holders of not less than 50%, in aggregate principal amount of the Bonds Outstanding.

Upon the presentation to the Trustee of the Certificate complying with the preceding paragraph, the Trustee shall remit the amount requested to be withdrawn directly to the City.

(b) Debt Subsidy Account. There is hereby created a special fund, the full name of which shall be the "Debt Subsidy Account". Contemporaneously with the delivery of the Series 1985 Bonds, there shall be deposited into the Debt Subsidy Account the sum of \$259,000 pursuant to Section 4.1(F) of the Loan Agreement. There shall be deposited into the Debt Subsidy Account from time to time the amounts required to be deposited therein pursuant to Section 19.03(b) of the Service Agreement.

On any date or after the Final Completion Date, the City may furnish to the Trustee a certificate of an Authorized Representative of the City, requesting that the Trustee transfer a specified amount or amounts, on a specified date or dates (which date or dates must be at least three days after the date of such certificate), from the Debt Subsidy Account to the Base Fee Account or the Additional Fee Account, as specified in said certificate. In such event, the Trustee shall transfer to the Base Fee Account or the Additional Fee, as appropriate, on each date so specified the amount so specified.

In the event that the Bonds are paid or deemed to be paid within the meaning of Section 16.1 of the Indenture, then any amounts remaining on deposit in the Debt Subsidy Account shall be paid to the City.

Section 10.9 Security for Trustee Funds. The moneys at any time on deposit in the Trustee Funds shall be and at all times remain public funds impressed with a trust for the purposes for which said account and funds are respectively created. The depository for each such account and fund shall at all times keep the moneys on deposit in the account, fund or funds for which it is depository continuously secured, for the benefit of the Corporation and the Holders of the Bonds, either

(a) by holding on deposit, as collateral security, Federal Securities, or other marketable securities eligible as security for the deposit of trust funds under regulation of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the account or fund being secured, or

(b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable laws and regulations, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided however, that it shall not be necessary for any such depository so to secure any portion of the moneys on deposit in any such account or fund that is insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions or that is invested in Eligible Investments.

Section 10.10 Investment of Trustee Funds. (a) The Trustee shall, to the extent practicable, cause all moneys on deposit in the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Renewal

Fund, the Redemption Fund and the Rate Stabilization Fund to be kept continuously invested, subject to the following conditions:

(1) Moneys in the Revenue Fund may be invested only in Federal Securities having stated maturities, or being redeemable at the option of the holder at a stated price, not later than the last Business Day of the then current Month.

(2) Moneys in the Capitalized Interest Account may be invested only in Federal Securities having such stated maturities, or being redeemable at the option of the holder at a stated price, as will assure the availability of cash in the Capitalized Interest Account sufficient to make the transfers therefrom to the Interest Account required by the provisions of subsection (a) of Section 10.3 hereof, at the times and to the extent there provided.

(3) Moneys in the Interest Account and the Principal Account may be invested only in Federal Securities having such stated maturities, or being redeemable at the option of the holder at a stated price, as will assure the availability of cash in the Interest Account and the Principal Account sufficient to pay, on a timely basis, the interest and principal for the payment of which moneys so invested were paid into the Interest Account or the Principal Account, as the case may be. (The following example is given by way of explanation of the requirements of the foregoing provision: If there is during any Bond Year on deposit in the Principal Account an amount less than sufficient to pay the principal maturing with respect to the Bonds during such Bond Year, such amount may be invested only in Federal Securities maturing (or redeemable at the option of the holder at a stated price) not later than December 1 in such Bond Year and only under circumstances as will result in a net realization from such investment of at least the net cost thereof.)

(4) Moneys on deposit in the Debt Service Reserve Fund may be invested only in Federal Securities having stated maturities, or being redeemable at the option of the holder at a stated price and time, prior to the Final Completion Date, not later than December 31, 1987, and thereafter not later than ten (10) years after the date of the investment thereof or the date of the last maturity of the Bonds outstanding hereunder on the date of such investment, whichever is earlier.

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(5) Moneys forming a part of the Redemption Fund and the Rate Stabilization Fund shall be invested in Eligible Investments having stated maturities, or being redeemable at the option of the holder at stated prices, not later than three (3) years after the date of investment; provided, that moneys on deposit in the Redemption Fund shall not be invested in Eligible Investments having a stated maturity beyond the date on which such funds would be needed to be applied pursuant to Section 10.3(e), assuming that no Service Party Payments were made by the obligor thereof, or are expected to be needed for redemption of Bonds.

(b) The Trustee may at any time and from time to time, as in its sole discretion it deems desirable, cause any securities or certificates forming a part of any such account or fund to be sold or otherwise converted into cash, and under the following circumstances shall cause such securities or certificates to be so sold or converted into cash:

(1) Federal Securities forming a part of the Capitalized Interest Account shall be sold or otherwise converted into cash if and to the extent such sale or conversion is necessary to provide funds to make a transfer of cash from the Capitalized Interest Account to the Interest Account required by the provisions of subsection (b) of Section 10.3(b) hereof;

(2) Federal Securities forming a part of the Interest Account or the Principal Account shall be sold or so converted into cash if and to the extent such sale or conversion is necessary to prevent a default in the payment of any maturing installment of interest or principal, respectively, on the Bonds or any such principal required to be redeemed by any Sinking Fund Redemption provision;

(3) securities or certificates forming a part of the Debt Service Reserve Fund or the Redemption Fund shall be so sold or converted into cash if and to the extent such sale or conversion is necessary to obtain moneys to prevent a default in payment of any Principal Installment or interest on the Bonds;

(4) securities or certificates forming a part of the Redemption Fund shall be so sold or converted into cash if and to the extent such sale or conversion is necessary to obtain moneys to effect any required or optional redemption of Bonds prior to maturity; and

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(5) securities or certificates forming a part of the Redemption Fund shall be so sold or converted into cash if and to the extent necessary and permitted hereby to prevent a default in payment of the Redemption Price of any Bond duly called for redemption pursuant to the provisions hereof.

The Trustee shall be fully protected in making any investment, sale or conversion in accordance with the provisions of this section.

The Trustee and the Corporation shall be fully protected in making any investment, sale or conversion in accordance with the provisions of this section, and in the event any moneys in the Debt Service Fund, the Reserve Fund or the Renewal Fund shall be invested as authorized in this section, it shall not be necessary for the depository therefor to secure any such investment (in any case where security for such moneys might otherwise be required) so long as such moneys shall remain so invested. In any determination of the amount of moneys at any time forming a part of the Debt Service Reserve Fund or the Rate Stabilization Fund, all such securities in which any portion thereof is at the time so invested shall be included in the fund from which moneys were used to make such investment at their Value. In any determination of the amount of moneys at any time forming a part of the Debt Service Fund, all such securities in which any portion thereof is at the time so invested shall be included at their then face value.

(c) Investment Earnings shall be treated as follows:

(i) Investment Earnings on the Rate Stabilization Fund shall be retained in the Rate Stabilization Fund;

(ii) Investment Earnings on the Repair and Replacement Fund shall be retained in the Repair and Replacement Fund;

(iii) Investment Earnings in Debt Service Reserve Fund shall be held or transferred as provided in Section 10.4;

(iv) Investment Earnings on the Principal Account, the Interest Account or the Revenue Fund shall, on the next Business Day after each Interest Payment Date occurring on or after the Final Completion Date, be transferred, first, to the Debt Service Fund, to the extent of any Deficiency therein; second, to the Debt Service Reserve Fund, to the extent of any Deficiency therein; and, third, to the Additional Fee Account, the balance;

(v) Interest Earnings on the Capitalized Interest Account shall be held or transferred as provided in Section 10.3(a); and

(vi) Interest Earnings on the Project Fund, the Renewal Fund and the Redemption Fund shall be held or transferred as provided in Sections 9.4, 10.6, and 10.5, respectively.

Section 10.11 Depository for Trustee Funds. The Trustee shall at all times be the depository, custodian and disbursing agent for the Trustee Funds and all moneys herein required to be paid therein shall be remitted to the Trustee.

Section 10.12 Letter of Credit. The Trustee shall notify the Corporation, the Service Party and the Bond Insurer of any notice received by the Trustee from the issuer of the Letter of Credit.

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ARTICLE XI

PARTICULAR COVENANTS OF THE CORPORATION

Section 11.1 Payment of the Bonds. The Corporation will pay or will cause to be paid, solely out of the sources specified herein and in the Loan Agreement, the principal of, the premium (if any) and the interest on the Bonds as specified therein, and it will otherwise perform all obligations that, either expressly or by reasonable implication, are imposed on it in the Indenture, and it will not default hereunder.

Section 11.2 Priority of Pledge. The pledge and agreement herein made shall be prior and superior to any pledge thereof hereafter made for the benefit of any other securities hereafter issued or any contract hereafter made by the Corporation. In the event the Corporation should hereafter make any contract or issue any other securities payable, in whole or in part, out of the sources specified herein, the Corporation will, in the proceedings under which any such securities or contract are hereafter authorized, recognize the priority of the said pledge made herein for the benefit of the Bonds.

Section 11.3 Concerning the Loan Agreement. The Corporation will perform and observe, or cause to be performed and observed, all agreements, covenants, terms and conditions required to be observed and performed by it in the Loan Agreement. Without relieving the Corporation from the consequences hereunder of any default in connection therewith, the Trustee (on behalf of the Corporation) may perform and observe, or cause to be performed and observed, any such agreement, covenant, term or condition, all to the end that the Corporation's rights under the Loan Agreement may be unimpaired and free from default.

The Corporation will promptly notify the Trustee and the Bond Insurer in writing of (a) the occurrence of any Loan Agreement Default, provided that the Corporation has knowledge of such default, and (b) the giving of any notice of default under the Loan Agreement. The Corporation will also promptly notify the Trustee and the Bond Insurer in writing if, to the knowledge of the Corporation, the Service Party fails to perform or observe any of the agreements or covenants on its part contained in the Loan Agreement. In the event of any such occurrence of an event of default, any such giving of notice of default or any such failure, whether notice thereof is given to the Trustee by the Corporation, as aforesaid, or whether the Trustee independently has knowledge thereof, the Trustee will promptly give written notice thereof to the Service Party and shall in such notice expressly require the Service Party to perform or observe the agreement or covenant with respect to which the Service Party is delinquent, all to the end that if the Service Party does not perform or observe such agreement or covenant (or cause such agreement or covenant to be performed or observed) in the manner and within the time provided by the Loan Agreement, a default may be declared thereunder without delay.

So long as the Loan Agreement shall remain in effect the Corporation will cause the Revenues payable thereunder to be paid to the Trustee as provided in the Loan Agreement. The Corporation will not cancel, terminate or modify, or consent to the cancellation, termination or modification of, the Loan Agreement (except as is specifically provided, authorized or contemplated therein or herein) unless and until the principal of and the interest on the Bonds shall have been paid in full or provision for such payment, as specified in Section 16.1 hereof, shall have been made; provided, however, that with the written consent of the Trustee and the Bond Insurer, the Corporation may terminate the Loan Agreement under those provisions thereof authorizing such termination upon default of the Service Party. In the event of any such default, the Corporation will exhaust or cause to be exhausted, as promptly as may be practicable, all legal remedies that it may have against either the City to obtain compliance with the Service Agreement, or the Service Party to obtain compliance with the Loan Agreement and the Service Agreement, including observance of all agreements and covenants on the part of the Service Party and the City therein contained, but will not effect termination of the Loan Agreement without the aforesaid consent of the Trustee and the Bond Insurer.

Section 11.4 Maintenance, Repairs, Changes, Alterations, Taxes and Other Charges. The Corporation will continuously maintain the New Plant, the Equipment, the Sewer Transmission Lines and any improvements located on the Sites in good repair and operating condition (reasonable wear and tear excepted), making from time to time all necessary and proper renewals thereof and repairs and replacements thereto; or it will cause the New Plant, the Equipment, the Sewer Transmission Lines and said improvements to be so maintained and such repairs and replacements to be so made. Without the prior written consent of the Trustee, the Corporation will not itself make, or permit to be made, any change or alteration in the New Plant or the other buildings and improvements situated on the Sites other than those permitted or contemplated by the Service Agreement.

The Corporation will pay, or will cause to be paid, (a) all taxes and governmental charges of any kind whatsoever that may be lawfully assessed or levied against or with respect to the Project or any part thereof including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the Project (or the receipts, income or profits of the Corporation therefrom) which, if not paid, would become a lien on the Trust Estate, (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Corporation shall be obligated to pay, or cause to be paid, only such installments as come due while any part of the principal of and the interest on the Bonds remains outstanding and unpaid.

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Section 11.5 Warranty of Title. The Corporation warrants its title to the property described and mortgaged in Section 2.1 hereof as being free and clear of every lien, encumbrance, trust or charge prior hereto, other than Permitted Encumbrances; warrants that it has power and authority to subject the said property to the lien hereof and that it has done so hereby; and warrants that it will forever warrant and defend the title to the said property and to the Trustee against the lawful claims of all persons whomsoever, except those claiming under Permitted Encumbrances.

Section 11.6 Sale of Project Prohibited Except under Certain Conditions. The Corporation will not hereafter sell or otherwise dispose of its mortgagee interest in the whole or any integral part of the Project until the principal of and the interest on all the Bonds have been paid in full, or unless and until provision for such payment has been made. If the laws of Alabama at the time shall permit such action to be taken, nothing contained in this Section shall prevent the consolidation of the Corporation with, or the merger of the Corporation into, any public corporation having corporate authority to carry on the business of owning and leasing the Project and whose property and income are not subject to Federal or Alabama taxation, or the transfer by the Corporation of the Project as an entirety to the City or to another public corporation whose property and income are not subject to Federal or Alabama taxation; provided that upon any such consolidation, merger or transfer the due and punctual payment of the principal of and the interest on the Bonds according to their tenor and the due and punctual performance and observance of all the agreements and conditions of the Indenture to be kept and performed by the Corporation shall be expressly assumed in writing by the corporation resulting from such consolidation or surviving such merger or to which the Project shall be transferred as an entirety; and provided, further, that such consolidation, merger or transfer shall not cause or result in any mortgage or other lien being affixed to or imposed on or becoming a lien on the Project or the revenues therefrom that will be prior to or on a parity with the lien of the Indenture or the pledge herein made for the benefit of the Bonds or in the interest income on the Bonds becoming subject to Federal or Alabama income taxation. Nothing contained herein shall, however, be construed to prevent the Corporation from granting, subject to the lien of the Indenture, the easements and other rights referred to in Section 12.2 of the Loan Agreement.

Section 11.7 Freedom of Project from Prior Liens. Payment of Charges. The Corporation shall not create or suffer to be created any mortgage, encumbrance, lien or charge upon or pledge of the Revenues or the Project or other income or amounts pledged to the payment of the Bonds pursuant to this Indenture, except the lien, charge and pledge created by this Indenture, the Loan Agreement, the Mortgage and the Bonds and Permitted Encumbrances. The Corporation shall not incur any indebtedness or issue any evidence of indebtedness, other than the Bonds, secured by a lien on or pledge of such Revenues or other income or mortgage upon the Project or any part thereof. The Corporation further covenants and agrees not to sell, convey, transfer, mortgage or encumber its mortgagee interest in the Project or any part thereof except as specifically permitted by this Indenture, so long as any of the Bonds are Outstanding.

The Corporation will discharge, pay or satisfactorily provide to the Trustee, or cause to be discharged, paid or provided, all liabilities, expenses and advances reasonably incurred, disbursed or made by the Trustee in the execution of the trusts hereby created (including the reasonable compensation and expenses and disbursements of its counsel and of all other persons not regularly in its employ), and it will from time to time pay to the Trustee, or cause to be paid, reasonable compensation for its services hereunder. All such liabilities, expenses, advances and compensation shall be secured hereby, shall be entitled to priority of payment over the principal of and the interest on the Bonds and shall bear interest until paid at the rate of ten per cent (10%) per annum from and after thirty (30) days after the respective dates on which the Trustee makes demand for the payment thereof.

Section 11.8 Rights Under Loan Agreement and Mortgage. It is understood and agreed that the Corporation has financed the Project by making a loan to the Service Party under the Loan Agreement. The Loan Agreement, originals or duly executed counterparts of which have been filed with the Trustee, sets forth the covenants and obligations of the Corporation and the Service Party, including provisions that subsequent to the issuance of the Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, the Loan Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with this Indenture, and reference is hereby made to the same for a detailed statement of the covenants and obligations of the Service Party thereunder. The Trustee agrees to enforce the Security Documents on behalf of any Holder, subject to Section 11.11 hereof, or the Bond Insurer, and to enforce all covenants and obligations of the Service Party under the Loan Agreement and the Mortgage and it is agreed that the Trustee may, and is hereby granted the right to, enforce all rights of the Corporation and all obligations of the Service Party under and pursuant to the Loan Agreement and the Mortgage. Nothing in this Section shall permit any reduction in the payments required to be made by the Service Party under or pursuant to the Loan Agreement or any alteration in the terms of payment thereof. All covenants and agreements on the part of the Corporation shall be for the benefit of the Holders from time to time of the Bonds and may be enforced in the manner provided by Article XIII hereof on behalf of such Holders by the Trustee.

Section 11.9 Inspections. The Corporation will permit the Trustee and the Bond Insurer, and their duly authorized agents, and the Holder of any Bond to inspect, at any reasonable time, any and every part of the Project and will permit the Trustee and the Bond Insurer, and their duly authorized agents, and the Holder of any Bond to inspect, at any reasonable time, the books and records of the Corporation pertaining to the Project. The Corporation will assist in furnishing facilities for any such inspection.

Section 11.10 Recordation. Further Assurances. The Corporation will file the Indenture, the Mortgage, UCC-1's and all Supplemental

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Indentures hereafter executed, in such public office or offices in which said documents are required by law to be filed in order to constitute constructive notice thereof and to preserve and protect fully the rights and security afforded thereby to the Trustee and the Holders of the Bonds. In addition, the Corporation (a) will, upon reasonable request, execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purpose of the Indenture, and in particular (without in any way limiting the generality of the foregoing) to make subject to the lien hereof any property hereafter acquired as a part of the Project and to transfer to any successor trustee or trustees the assets, powers, instruments and funds held in trust hereunder and to confirm the lien of the Indenture with respect to any bonds issued hereunder, and (b) will take all actions that at the time and from time to time may be necessary (or, in the opinion of the Trustee, may be necessary) to perfect, preserve, protect and secure the interests of the Corporation and the Trustee, or either, in and to the Project, including, without limitation, the filing of all financing and continuation statements that may at the time be required under the Alabama Uniform Commercial Code.

No failure to request such further instruments or further acts shall be deemed a waiver of any right to the execution and delivery of such instruments or the doing of such acts or be deemed to affect the interpretation of any provisions of the Indenture.

Section 11.11 Consent of Bond Insurer where Bondholder Consent Required. For so long as no Period of Bond Insurer Disqualification shall exist and whether or not an express reference is made to this Section, the Bond Insurer shall be deemed to be the sole Holder of the Series 1985 Bonds: (i) at all times for the purposes of Section 11.8 hereof or for the purpose of consenting to the execution and delivery of a Supplemental Indenture or any amendment, change or modification of any other Security Document as provided in Articles XII or XV hereof or the initiation by Bondholders of any action to be undertaken by the Trustee at the Bondholders' request, which under this Indenture (or under any such other Security Document) requires the written approval or consent of or can be initiated by the Holders of a stated percentage in aggregate principal amount of the Series 1985 Bonds at the time Outstanding and (ii) following an Event of Default for all other purposes. Notwithstanding the foregoing, the Bond Insurer shall not be deemed to be the sole Holder of the Series 1985 Bonds, but its consent shall nonetheless be required, with respect to any such Supplemental Indenture or amendment, change or modification to any other Security Document which would have the effect of (i) changing the terms of redemption or maturity of the principal or the interest on any Outstanding Series 1985 Bonds or the rate of interest thereon, or (ii) creating a lien upon or pledge of Revenues ranking prior to the lien or pledge created by this Indenture, or (iii) giving any Series 1985 Bond or Bonds a preference or priority over any other Series 1985 Bond or Bonds (except as permitted in this Indenture), or (iv) reducing the aggregate principal amount of Series 1985 Bonds required for any such approval or consent.

ARTICLE XII

AMENDMENTS OF OTHER SECURITY DOCUMENTS

Section 12.1 Rights of Service Party. Anything herein to the contrary notwithstanding, any Supplemental Indenture under Article XV hereof which affects any rights, powers and authority of the Service Party under the Loan Agreement or under this Indenture or requires a revision of the Loan Agreement shall not become effective unless and until the Service Party shall have given its written consent signed by its duly Authorized Representative to such Supplemental Indenture.

Section 12.2 Amendments of Loan Agreement Not Requiring Consent of Bondholders. The Corporation and the Trustee may, without the consent of or notice to the Bondholders (but only after receiving the prior written consent of the Bond Insurer), consent to any amendment, change or modification of the Loan Agreement for the purpose of curing any ambiguity or formal defect therein or which, in the judgment of the Trustee is not materially to the prejudice of the Trustee, the Bond Insurer, or the Holders of the Bonds. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this Section.

Section 12.3 Amendments of Loan Agreement Requiring Consent of Bondholders. Except as provided in Section 12.2 hereof and subject to Section 11.11 hereof, the Corporation and the Trustee shall not consent to any amendment, change or modification of the Loan Agreement without mailing of notice to the Holders and the Bond Insurer and the written approval or consent of the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds at the time Outstanding, and of the Bond Insurer, given and procured as in Section 15.3 hereof provided. This Section 12.3 shall not be construed as permitting any reductions or postponements in the amounts payable by the Service Party under the Loan Agreement and designated for the purpose of making payments on account of any series of Bonds without the prior written consent of the Holders of one hundred percent (100%) in aggregate principal amount of the Bonds Outstanding of the series affected. If at any time under this Section 12.3 the Service Party shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in Article XV hereof with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

Section 12.4 Amendments of Service Agreement Not Requiring Consent. The Corporation and the Trustee may, without the consent

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of or notice to the Bondholders (but only with the consent of the Bond Insurer), consent to any amendment, change or modification of the Service Agreement as may be required (i) for the purpose of curing any ambiguity or formal defect, or (ii) in connection with any other change therein which in the judgment of the Trustee is not materially to the prejudice of the Trustee or the Holders of the Bonds. The Trustee, shall have no liability to any Holder of Bonds for any action taken by it in good faith pursuant to this Section.

Section 12.5 Amendments of Service Agreement Requiring Consent of Holders of Bonds. Except as provided in Section 12.4 hereof and subject to Section 11.11 hereof, the Corporation and the Trustee shall not consent to any amendment, change or modification of the Service Agreement, without mailing of notice to the Holders and the Bond Insurer and the written approval or consent of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding, given and procured as set forth in Section 15.3 hereof. If at any time under this indenture any proposed amendment, change or modification shall be requested by the Corporation or the Service Party, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in Section 15.3 hereof with respect to Supplemental Indentures to the Holders of Bonds and the Bond Insurer. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Holders of the Bonds.

Section 12.6 Amendments of Other Security Documents Not Requiring Consent. The Corporation and the Trustee may, without the consent of or notice to the Bondholders (but only with the consent of the Bond Insurer), consent to any amendment, change or modification of the other Security Documents (not otherwise referred to in Sections 12.2 through 12.5 hereof) as may be required (i) for the purpose of curing any ambiguity or formal defect, or (ii) in connection with any change therein which in the judgment of the Trustee is not materially to the prejudice of the Trustee or the Holders of the Bonds. The Trustee shall have no liability to any Holder of Bonds or any other Person for any action taken by it in good faith pursuant to this Section.

Section 12.7 Amendments of Other Security Documents Requiring Consent of Holders of Bonds. Except as provided in Section 12.6 hereof and subject to Section 11.11 hereof, the Corporation and the Trustee shall not consent to any amendment, change or modification of the other Security Documents, without mailing of notice to the Holders and the Bond Insurer and the written approval or consent of the Holders of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds at the time Outstanding, given and procured as set forth in Section 15.3 hereof. If at any time any proposed amendment, change or modification shall be requested by the Service Party, the Trustee shall cause

notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in Section 15.3 hereof with respect to Supplemental Indentures to the Holders of Bonds and the Bond Insurer. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Holders of the Bonds.

Section 12.8 Amendments to Security Documents with Respect to Additional Bonds. No consent of the Bond Insurer (except as provided in Section 8.3 hereof) or the Holders of any Outstanding Bonds shall be required to effect any amendment or supplement to any Security Document to the extent necessary to provide for the issuance of Additional Bonds as permitted in Sections 8.2 and 8.3 hereof.

Section 12.9 Concerning the Bond Insurer. The Bond Insurer shall be entitled to reimbursement from the Service Party for its reasonable costs and expenses incurred (including reasonable attorney's fees and disbursements) in connection with any request for its consent pursuant to this Article XII or Article XV.

ARTICLE XIII

EVENTS OF DEFAULT AND
REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 13.1 Events of Default Defined. (A) Any of the following shall constitute an "Event of Default" hereunder by the Corporation:

(1) Failure by the Corporation to duly and punctually pay or cause to be paid the interest on any Bond when the same shall become due and payable and the continuation of such failure for five (5) days;

(2) Failure by the Corporation to duly and punctually pay or cause to be paid the principal or Redemption Price of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption therefor or otherwise;

(3) Failure of the Corporation to observe or perform any covenant, condition or agreement in the Bonds or hereunder on its part to be performed (except as set forth in Section 13.1(A)(1) or (2) hereof) and (a) the continuance of such failure for a period of sixty (60) days after written notice of default given by the Trustee to the Corporation, the Bond Insurer and the Service Party or by the Bond Insurer or, subject to Section 11.11 hereof, the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, to the Trustee, the Bond Insurer, the Corporation and the Service Party, or (b) if by reason of the nature of such failure the same cannot be remedied within the said sixty (60) days, the Corporation or the Service Party fails to proceed with diligence, as determined by the Trustee, after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

(4) Any termination of the Service Agreement by the Service Party or the Corporation or the O/M Agreement by any party thereto;

(5) The Corporation shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a

substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing;

(6) A proceeding or case shall be commenced, without the application or consent of the Corporation, in any court of competent jurisdiction, seeking: (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts; (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Corporation, or of all or any substantial part of their respective assets; or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days, or any order for relief against the Corporation, shall be entered in an involuntary case under such Bankruptcy Code;

(7) The occurrence and continuance of a Loan Agreement Default;

(8) The occurrence and continuance of a default under the Guaranty Agreement or under Section 11(c) of the O/M Agreement; and

(9) Except for a full draw under or a permitted discharge of the Letter of Credit as provided in Section 7.2(f) hereof, any of the Security Documents shall cease to be in full force and effect.

(B) Upon the occurrence and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, the Trustee shall (by notice in writing to the Corporation and to the Service Party), or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding (by

notice in writing to the Corporation, the Trustee and the Service Party), may, but in each case only with the prior written consent of the Bond Insurer for so long as no Period of Bond Insurer Disqualification shall exist, declare the principal of all the Bonds (and all principal installments of Loan Payments under the Loan Agreement) and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Indenture or in any of the Bonds contained to the contrary notwithstanding; provided, however, that if there shall occur an Event of Default under Section 13.1(A)(5) or (6) hereof, and the prior written consent of the Bond Insurer shall have been obtained for so long as no Period of Bond Insurer Disqualification shall exist, the unpaid principal of all the Bonds (and all principal installments of Loan Payments under the Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

(C) The right of the Trustee or of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding to make any declaration authorized under Section 13.1(B) hereof, however, is subject to the condition that if, at any time before such declaration, all overdue installments of interest upon the Bonds and the principal of all Bonds which shall have matured by their terms, and the unpaid Redemption Price of the Bonds or portions thereof to be redeemed in the case of an Event of Default under Section 13.1(A)(2) hereof, together with the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Corporation or provision satisfactory to the Trustee shall have been made for such payment, and all Events of Defaults have been otherwise remedied, cured or satisfied, and the Loan Agreement shall not have been terminated and the Project shall not have been sold, let or otherwise encumbered following foreclosure as provided in this Article, then in every such case any such Event of Default and its consequences shall, ipso facto, be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Pursuant to the Loan Agreement the Corporation has granted to the Service Party full authority for the account of the Corporation to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Service Party to constitute a default hereunder, in the name and stead of the Corporation with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Service Party as performance by the Corporation.

Section 13.2 Foreclosure and Enforcement of Remedies. (A) Upon the happening and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal

amount of the Bonds Outstanding, shall proceed, but in each case only with the prior written consent of the Bond Insurer for so long as no Period of Bond Insurer Disqualification shall exist, to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds, this Indenture and any other Security Documents, and under any agreement executed in connection with the foregoing, forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in this Indenture or in any other Security Document or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under this Indenture or under any other Security Document.

(B) In addition to any rights or remedies available to Trustee hereunder or elsewhere, upon the occurrence and continuance of an Event of Default, and provided the prior written consent of the Bond Insurer shall have been obtained for so long as no Period of Bond Insurer Disqualification shall exist, the Trustee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against the Project, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as the Trustee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of the Trustee: (i) enter into or upon the Project, either personally or by its agents, nominees or attorneys, and dispossess the Corporation and the Service Party and their respective agents and servants therefrom, and thereupon the Trustee may (1) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Project and conduct the business thereat; (2) complete any construction, rebuilding or repairing of the Project in such manner and form as the Trustee deems advisable; (3) make alterations, additions, renewals, replacements and improvements to or on the Project; (4) exercise all rights and powers of the Corporation with respect to the Project, whether in the name of the Corporation or otherwise, including, without limitation, the right to make, cancel, enforce or modify leases, obtain and evict tenants, and demand, sue for, collect and receive all earnings, revenues, rents, issues, profits and other income of the Project and every part thereof; and (5) apply the receipts from the Project to the payment of the Bonds after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments, insurance and other charges in connection with the Project as well as just and reasonable compensation for the services of the Trustee, its counsel, agents and employees; or (ii) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of the mortgage lien assigned pursuant to this Indenture for the portion of the Bonds then due and payable, subject to the continuing lien of this Indenture for the balance of the Bonds not then due and payable; or (iii) institute proceedings to foreclose the lien of this Indenture against all or, from time to time, against

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any part of the Project and to have the same sold under the judgment or decree of a court of competent jurisdiction to the highest bidder, at public or private sale, subject to statutory and other legal requirements, if any, including all right, title and interest, claim and demand therein and thereto and all right of redemption thereof; or (iv) sell, assign, lease or transfer the Project or any part thereof and all estate, claim, demand, right, title and interest of the Service Party or the Corporation therein and right of redemption thereof, pursuant to power of sale or otherwise, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law for such price and form of consideration as the Trustee may determine or as may be required by law; or (v) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein; or (vi) apply for the appointment of a trustee, receiver, liquidator or conservator of the Project; or (vii) exercise all of the rights of a secured creditor under the Alabama Uniform Commercial Code; or (viii) pursue such other remedies as the Trustee may have under the Act or other provisions of applicable law.

(C) In the enforcement of any right or remedy under this Indenture, under any other Security Document or under the Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Corporation for principal, Redemption Price, interest or otherwise under any of the provisions of this Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the applicable rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under this Indenture, under any other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Corporation, but solely as provided in this Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect (but solely from the moneys pledged therefor) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Service Party, the Corporation, the Bond Insurer, or any other Person who at any time may be a party to any of the Security Documents, or their creditors or property.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claims of any Holder in any such proceeding.

Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings

to enforce the rights of the Trustee and of the Bondholders under this Indenture or under any other Security Document, the Trustee shall be entitled, but only with the prior written consent of the Bond Insurer for so long as no Period of Bond Insurer Disqualification shall exist, to the appointment of a receiver to administer the Project on behalf of the Corporation, with power to charge and collect amounts sufficient to provide for the payment of the amounts specified in Section 13.2(C) hereof and for the payment of operating expenses, and to apply the income and revenue in conformity with the Act and this Indenture.

(D) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, but only with the prior written consent of the Bond Insurer for so long as no Period of Bond Insurer Disqualification shall exist, or by the Bond Insurer so long as no Period of Bond Insurer Disqualification shall exist, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Indenture or under any other Security Document by any acts which may be unlawful or in violation of this Indenture or of such other Security Document or of any resolution or ordinance authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders, and, for so long as no Period of Bond Insurer Disqualification shall exist, of the Bond Insurer; but no such request shall be otherwise than in accordance with the provisions of law and of this Indenture or be unduly prejudicial to the interests of the Trustee or the Holders of Bonds not making such request.

Regardless of the happening of an Event of Default, or a failure of the Bond Insurer to pay a proper claim in accordance with the Bond Insurance Policy, neither the Trustee, the Bond Insurer nor any Holders of Bonds shall have any recourse under this Indenture or otherwise to the general credit of the Corporation. The obligations of the Corporation under this Indenture shall be obligations with recourse only to the Project, the Revenues derived from the Project, and the Trust Estate.

Section 13.3 Application of Revenues and Other Moneys After Default. (A) After the occurrence and during the continuance of an Event of Default, the Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, but only with the prior written consent of the Bond Insurer for so long as no Period of Bond Insurer Disqualification shall exist, or by the Bond Insurer so long as no Period of Bond Insurer Disqualification shall exist, and furnished with reasonable security and indemnity, may elect to operate and maintain, or cause the operation and maintenance of, the Project, and may utilize all Revenues and other amounts so available for such purpose.

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(B) Subject to Paragraph (A) above, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article or under any other Security Document (other than the 1985 Security Documents, any amounts received with respect to which shall be paid solely to the Holders of the Series 1985 Bonds in the order set forth in this Section) shall, together with all other moneys, securities and obligations held by the Trustee in all Funds and Accounts under this Indenture which have been pledged to the payment of the Bonds, and after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and all sums due to the Trustee pursuant to the provisions hereof, be deposited in a special trust fund held by the Trustee and be applied as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installments, to the Persons entitled thereto, without any discrimination or preference; and

SECOND To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if applicable, of any of the Bonds or principal installments which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or preference.

(2) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon the Bonds and if applicable to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of

interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(3) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article XIII, then, subject to the provisions of Section 13.3(B)(2) hereof which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of Section 13.3(B)(1) hereof.

(C) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application. The Trustee shall fix the date (which shall be an Interest Payment Date on the Bonds unless it shall deem another date more suitable) upon which such application shall be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bonds until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(D) Whenever all Bonds and interest thereon and all other amounts due under this Indenture and the Loan Agreement have been paid under the provisions of this Section and all expenses and charges of the Trustee and Paying Agents have been paid, any balance remaining in the Funds and Accounts hereunder shall be paid to the Service Party; provided, however, that any balances remaining in either the Replacement Fund or the Rate Stabilization Fund shall be paid to the City.

Section 13.4 Actions by Trustee. All rights of action under this Indenture, under any of the other Security Documents or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the bonds, and any recovery of judgment, subject to the provisions of Section 13.3 hereof, shall be for the equal benefit of the Holders of the Outstanding Bonds.

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Section 13.5 Majority Bondholders Control Proceedings. Subject to the provisions of Section 11.11 hereof, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for any other proceedings hereunder; but such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture, and shall not be unduly prejudicial to the rights of Holders not joining therein.

Section 13.6 Individual Bondholder Action Restricted. (A) Unless otherwise provided in any such document, and subject to Section 11.11 hereof, no Holder of the Bonds shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Indenture or of any other Security Document or the execution of any trust under this Indenture or for any remedy under this Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default, as provided in this Article, and the Holders of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture and by the other Security Documents or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, and the Bond Insurer shall have consented to such action for so long as no Period of Bond Insurer Disqualification shall exist, it being understood and intended that no Holder of any Bond shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by this Indenture, or to enforce any right under this Indenture or under any other Security Document, except in the manner therein or herein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture or of any other Security Document shall be instituted, had and maintained in the manner provided in this Indenture and in each other Security Document and for the equal benefit of all Holders of the Outstanding Bonds.

(B) Nothing herein or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of and interest on any Bond at and after the maturity thereof, or the obligation of the Corporation to pay the principal or Redemption Price, if applicable, of and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner herein and in such Bonds expressed.

Section 13.7 Effect of Discontinuance of Proceedings. In case any proceeding taken by the Trustee on account of any Event of Default shall have been dismissed, discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Corporation, the Trustee, the Bond Insurer and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceedings had been taken.

Section 13.8 Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee, the Bond Insurer or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 13.9 Delay or Omission. No delay or omission of the Trustee, the Bond Insurer or of the Holder of any Bond to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Article to the Trustee, the Bond Insurer and the Holder of any Bond, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee, the Bond Insurer or by the Bondholders.

Section 13.10 Notice of Default. The Trustee shall promptly mail, by certified or registered mail, to the Corporation, the Bond Insurer, and the Service Party and to each Bondholder by first class mail, postage prepaid, written notice of the occurrence of any Event of Default of which it has knowledge. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by this Section.

Section 13.11 Waivers of Default. Subject to Section 11.11 hereof, the Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration upon the written request the Holders of in excess of fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding; except that there shall not be waived without the consent of the Bond Insurer (for so long as no Period of Bond Insurer Disqualification shall exist) and the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided

for, and in a case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been dismissed, discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Corporation, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver, dismissal, discontinuance, abandonment, determination or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

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ARTICLE XIV
CONCERNING THE TRUSTEE

Section 14.1 Acceptance of Trusts. The Trustee accepts the trusts hereby created and agrees to perform the duties herein required of it, either expressly or by reasonable implication, subject, however, to the following conditions:

(a) It shall not be liable hereunder except for its non-compliance with the provisions hereof, its willful misconduct or its negligence.

(b) It may execute any of the trusts and powers conferred on it hereunder or perform any duty hereunder either directly or through agents and attorneys in fact who are not regularly in its employ and who are selected by it with reasonable care.

(c) It may consult Counsel on any matters connected herewith and shall not be answerable for any action taken or failure to take any action in good faith on the advice of Counsel, provided that its action or inaction is not contrary to any express provision hereof.

(d) It need not recognize a Holder of a Bond or Bonds as such without the satisfactory establishment of his title to such Bond or Bonds.

(e) It shall not be answerable for any action taken in good faith on any notice, request, consent, certificate or other paper or document which it believes to be genuine and signed or acknowledged by the proper party.

(f) It shall not notice any item of default, except an event of default described in clauses (1) and (2) of Section 13.1(A) hereof, unless requested so to do by the Holders of at least twenty-five per cent (25%) of the then outstanding Bonds.

(g) In the event of default by the Corporation hereunder, the Trustee need not exercise any of its rights or powers specified in Section 13.2 hereof or take any action under said Section 13.2 unless requested in writing so to do by

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the Holders of twenty-five per cent (25%) of the then outstanding Bonds; it may exercise any such rights or powers or take any such action, if it thinks advisable, without any such request; it shall do so when so requested; provided that the furnishing of indemnity, satisfactory to the Trustee, against its prospective liabilities and expenses by the Holders requesting any action by the Trustee under said Section 13.2 shall be a condition precedent to the duty of the Trustee to take or continue any action under said Section 13.2 which in the opinion of the Trustee would involve it in any such liabilities or expenses. Whenever it has a choice of remedies under said Section 13.2 or a discretion as to details in the exercise of its powers thereunder, it must follow any specific directions given by the Holders of a majority of the Bonds at the time outstanding, anything therein or herein to the contrary notwithstanding.

(h) It shall be entitled to reasonable compensation for its services hereunder, and it shall pay the fees and charges of any co-paying agent for any of the Bonds (for which it shall be entitled to reimbursement from the Corporation).

(i) Any action taken by the Trustee at the request of, and with the consent of the Holder of a Bond will bind all subsequent Holders of the same Bond and any Bond issued hereunder in lieu thereof.

(j) It may be the Holder of Bonds as if not Trustee hereunder.

(k) It shall not be liable for the proper application of any moneys other than those that may be paid to or deposited with it.

(l) It shall not unreasonably delay any consent or approval required of it under the provisions hereof or of the Loan Agreement.

(m) All moneys received by the Trustee to be held by it hereunder shall be held as trust funds until disbursed in the manner herein provided therefor. The Trustee shall not be liable to pay or allow interest thereon or otherwise to invest any such moneys except as specifically required herein.

(n) It may make any investments permitted hereby through its own Trust Investment Department, and any certificate of deposit issued by it hereunder shall be deemed investments and not deposits.

(o) It shall, upon reasonable request, advise the Corporation or the Service Party of the amount at the time on deposit in any of the Funds herein created.

(p) It shall, upon reasonable request, issue to the Corporation or the Service Party certificates indicating whether the Trustee has sent or received any written notice of any Event of Default.

(q) The recitals of fact herein and in the Bonds are statements by the Corporation and not by the Trustee, and the Trustee is in no way responsible for the validity or security of the Bonds, the existence of any part of the Project, the value thereof, the title of the Corporation thereto, the security afforded hereby or the validity or priority of the lien hereof.

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Section 14.2 Trustee Authorized to Pay Certain Charges. Without relieving the Corporation from the consequences of any default in connection therewith, the Trustee may pay any charge which the failure of the Corporation to pay has made or will make an encumbrance or lien prior hereto on the Project, and in the event the Service Party shall fail to take out insurance on the Project to the extent required by the Loan Agreement, the Trustee may take out any such insurance on the Project that the Service Party has failed to furnish or cause to be furnished and may pay the premiums thereon; provided that in each case (a) the Trustee first gives to the Corporation such notice as is reasonable under the circumstances of the Corporation's failure to pay such charge or the Service Party's failure to take out or cause to be taken out such insurance, and (b) the Corporation does not within such time thereafter as the Trustee deems reasonable under the circumstances pay such charge or the Service Party fails to take out such insurance. The Trustee, however, shall not be required to pay any such charge or take out any such insurance, and it shall not be liable in any manner for any failure to do so. All sums expended by the Trustee under the provisions of this section shall be secured by the Indenture, shall bear interest at the rate of ten per cent (10%) per annum from the date of payment thereof, and shall be entitled to priority of payment over the principal of or the interest on any of the Bonds. The Corporation will reimburse the Trustee on demand for all sums so expended by the Trustee on behalf of the Corporation, together with interest at said rate.

Section 14.3 Trustee May File Claims. The Trustee may at any time file a claim in its own name or for the benefit of the Holders of

the Bonds in any court proceeding where any such claim may be permitted or required, whether such proceeding be by way of reorganization, bankruptcy, receivership or of any other nature. The Holders of the Bonds do hereby constitute and appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of filing any such claim, but such authorization shall not include the power to agree to accept new securities of any nature in lieu of the Bonds or to alter the terms of the Bonds.

Section 14.4 Resignation and Discharge of Trustee. The Trustee may resign and be discharged of the trusts hereby created upon written notice specifying the effective date of such resignation, such notice to be given by United States registered or certified mail to the Corporation, the Bond Insurer and the Service Party and by United States first class mail, postage prepaid, to the registered Owner of each Bond at the address of such registered Owner as such address appears on the registry books of the Trustee. The effective date of the resignation shall be at least thirty (30) days after such notice to the Corporation, the Service Party, the Bond Insurer and the Holders of the Bonds unless it be coincident with the appointment by the Holders of the Bonds of a successor Trustee as herein provided. The Trustee may at any time be removed by a written instrument signed by the Holders of a majority in principal amount of the Bonds then outstanding or, so long as no Event of Default shall have occurred and be continuing, by the Corporation at the request of the Service Party by notice given as hereinabove provided in this Section 14.4. If the Trustee shall resign or be removed, it shall be reimbursed for all its proper prior expenses reasonable under the circumstances. Any removal of the Trustee by the Service Party under this Section 14.4 shall not become effective until a successor Trustee shall have been appointed pursuant to Section 14.5 hereof, and such successor Trustee shall have executed and delivered the instrument described in Section 14.6 hereof.

Section 14.5 Appointment of Successor Trustee. If the Trustee resign, be removed, be placed by a court or governmental authority under the control of a receiver or other public officer or otherwise become incapable of acting, a successor may be appointed, by a written instrument signed by the Holders of a majority in principal amount of the Bonds then outstanding (which instrument shall be filed for record in the office of the Judge of Probate of the county in which the Project is located) and in the interim by an instrument executed by the Corporation, such interim successor Trustee to be immediately and ipso facto superseded by the one appointed as above by the said Holders. The Corporation shall advertise such interim appointment, in the event such is made, one time in a Newspaper published in the City of Birmingham, Alabama, and when the appointment of a successor Trustee, as selected by the Holders of a majority in principal amount of the Bonds then outstanding, becomes effective, the Corporation shall advertise that fact one time in a Newspaper published in the City of Birmingham, Alabama. Any successor Trustee shall be a bank or trust company authorized to administer trusts and having, at the time of its acceptance of such appointment, combined capital surplus and undivided profits of at least \$50,000,000.

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Section 14.6 Concerning Any Successor Trustee. Any successor Trustee shall execute and deliver to the Corporation an instrument accepting the trusts and shall thereupon ipso facto succeed to all the estate and title of the retiring Trustee to the Project and to its rights, powers and responsibilities hereunder. The Corporation will, upon request of the successor Trustee, execute and deliver to it any instrument reasonably requested in further assurance thereof. Any such instrument so executed shall be filed for record in the office of the Judge of Probate of the county in which the Project is located. Any successor Trustee may effectively adopt the authentication certificate of a predecessor Trustee on Bonds already authenticated and not delivered, and may so deliver them; and it may effectively authenticate Bonds in its own name.

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ARTICLE XV

AMENDMENTS OF INDENTURE

Section 15.1 Limitation on Modifications. This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article.

Section 15.2 Supplemental Indentures Without Bondholders' Consent. The Corporation may, at the direction of the Service Party, from time to time and at any time, execute Supplemental Indentures with the Trustee without consent of or notice to the Bondholders for any of the following purposes:

(1) To cure any formal defect, omission or ambiguity in this Indenture or in any description of property subject to the lien hereof, if such action is not adverse to the interests of the Bondholders; or

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders or the Holders of any series of Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(3) To add to the covenants and agreements of the Corporation in this Indenture, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(4) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture, of the properties of the Project, or Revenues or other income from or in connection with the Project or of any other moneys, securities or funds, or to subject to the lien or pledge of this Indenture additional revenues, properties or collateral; or

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(6) To authorize the issuance of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with this Indenture and, in connection therewith, to create such additional funds and accounts, and to effect such amendments of the Indenture as may be necessary for such issuance; or

(7) To agree to deletion of section 4.1(A)(3)(ii) of the Loan Agreement provided, the Bond Insurer gives its written consent thereto.

Before the Corporation shall execute any Supplemental Indenture pursuant to this Section, there shall have been (i) filed with the Trustee an Opinion of Counsel who is satisfactory to the Trustee stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that upon execution and delivery it will be valid and binding upon the Corporation in accordance with its terms, and (ii) except during a Period of Bond Insurer Disqualification, the written consent of the Bond Insurer.

Section 15.3 Supplemental Indentures With Bondholders' Consent. Subject to the terms and provisions contained in this Article and not otherwise, and except as provided in Section 11.11 hereof, written approval or consent of the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall be required for the execution by the Corporation of any Supplemental Indenture as shall be deemed necessary or desirable by the Corporation, acting at the direction of the Service Party, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein. Nothing herein contained shall permit, or be construed as permitting, (1) a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding Bonds, a change in the method of determining the rate of interest on any Bond or in the terms of redemption or maturity of the principal of or the interest on any outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment of any of the foregoing, without the consent of the Holder of such Bond, (2) the creating of a lien upon or a pledge of revenues or rental income from or in connection with the Project ranking prior to or on a parity with the lien or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Bonds, (3) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (4) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (5) a modification, amendment or deletion with respect to any of the terms set forth in this Section 15.3, without, in the case of items (2) through and including (5) of this Section 15.3, the written consent of one hundred per centum (100%) of the Holders of the Outstanding Bonds.

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If at any time the Corporation shall determine to execute any Supplemental Indenture for any of the purposes of this Section, it shall cause notice of the proposed Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Bondholders and the Bond Insurer. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

Subject to the provisions of Section 11.11 hereof, within one year after the date of such notice, the Corporation may execute such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Corporation (i) the written consents of the Holders of not less than 66 2/3% or 100% as the case may be, in aggregate principal amount of the Bonds then Outstanding; and (ii) an Opinion of Counsel who is satisfactory to the Trustee stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Corporation in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with this Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

Subject to the provisions of Section 11.11 hereof, if the Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Corporation, the Trustee, the Bond Insurer, the Service Party and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under this Indenture, subject in all respects to such modifications and amendments.

Section 15.4 Supplemental Indenture Part of this Indenture.
Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provisions authorized to be contained therein shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes. The Trustee shall execute any Supplemental Indenture executed in accordance with the provisions of Section 15.2 or 15.3 hereof.

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ARTICLE XVI

PAYMENT AND CANCELLATION OF THE
BONDS AND SATISFACTION OF THE INDENTURE

Section 16.1 Satisfaction of Indenture. Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee hereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture and shall execute and deliver to the Corporation such deeds and instruments as shall be requisite to satisfy of record the lien hereof and to reconvey and transfer the Project to the Corporation. For purposes of the Indenture, any of the Bonds shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal and interest) due or to be due thereon until and at maturity, and, further, any of the Bonds shall also be deemed to have been paid when the Corporation shall have deposited with the Trustee the following:

(a) the applicable Redemption Price of such Bond, including the interest that will mature thereon to a date on which it may, under the terms of the Indenture, be redeemed,

(b) a certified copy of the Resolution required in Section 6.1 of the Indenture (if, under the terms of said Section 6.1, the adoption of such a Resolution is required), and

(c) either (i) evidence satisfactory to the Trustee that notice of redemption of such Bond has been given as provided in Article VI hereof, or (ii) irrevocable powers authorizing the Trustee to give such redemption notice.

In addition, any of the Bonds shall, for all purposes of the Indenture, be deemed fully paid if there shall be filed with the Trustee each of the following:

(1) a trust agreement between the Corporation and the Trustee making provision for the retirement of such Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Bonds (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturi-

ties and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (A) Federal Securities which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of such Bonds, or (B) both cash and such securities which together will produce funds sufficient for such purpose, or (C) cash sufficient for such purpose;

(2) a certified copy of a Resolution calling for redemption those of such Bonds that, according to said trust agreement, are to be redeemed prior to their respective maturities; and

(3) evidence that notice of such redemption has been given pursuant to the requirement of Article VI hereof or that irrevocable powers for the giving of such redemption notice have been conferred on the Trustee.

In the event that the principal and Redemption Price, if applicable, and interest due on the Series 1985 Bonds shall be paid in whole by the Bond Insurer pursuant to the Bond Insurance Policy, the assignment and pledge of the Trust Estate of this Indenture and all covenants, agreements and other obligations of the Corporation to the Holders of the Series 1985 Bonds shall continue to exist and the Bond Insurer shall be subrogated to the rights of such Holders, and the Bond Insurer shall become the Holder and owner of any Bond or installment of interest paid by it.

Section 16.2 Cancellation of Paid Bonds. When and as the Bonds are paid, those so paid shall be forthwith cancelled by the Trustee and delivered to the Corporation. Likewise all mutilated Bonds replaced by new Bonds shall forthwith be cancelled by the Trustee and delivered to the Corporation. At the request of the Corporation, the Trustee shall, in lieu of delivering any such cancelled Bonds to the Corporation, cause such Bonds to be destroyed and deliver to the Corporation a certificate stating that such Bonds have been destroyed by the Trustee. The Trustee shall deliver to the Service Party a certificate of cancellation in respect of all Bonds so cancelled.

Section 16.3 Payment of Funds. Upon satisfaction and discharge of the lien of the Indenture, the Trustee shall pay over to the Service Party all balances remaining in any of the funds hereunder except such amounts as are required for such satisfaction and discharge.

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ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.1 Disclaimer of General Liability. It is hereby expressly made a condition of this Indenture that any agreements, covenants or representations herein contained or contained in the Bonds do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the Corporation, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Corporation shall arise therefrom. Nothing contained in this section, however, shall relieve the Corporation from the observance and performance of the several covenants and agreements on its part herein contained.

Section 17.2 Retention of Moneys for Payment of Bonds. Should any Bond not be presented for payment when due, whether by maturity or otherwise, or should any check or draft mailed or otherwise delivered by the Trustee to the Holder of a Bond not be presented to the Trustee for payment, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, retain from any moneys transferred to it for the purpose of paying principal or interest so due, for the benefit of the Holder or Holders of the Bonds with respect to which such principal or interest is due, a sum of money sufficient to pay such Bond or to pay the interest represented by such check or draft, as the case may be, when the same are presented for payment (upon which sum the Trustee shall not be required to pay interest). All liability of the Corporation to the Holder or Holders of the Bonds with respect to which such principal or interest is due, and all rights of such Holder or Holders against the Corporation under the Bonds or under the Indenture shall thereupon cease and determine, and the sole right of such Holder or Holders shall thereafter be against such deposit. If any Bond or any check or draft issued to the Holder of a Bond shall not be presented for payment within a period of five (5) years following the date when such Bond becomes due, whether by maturity or otherwise, or the date when such check or draft was issued, as the case may be, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, return to the Corporation any moneys theretofore held by it for payment of such principal or interest, as the case may be, and such Bond or the interest represented by such check or draft shall (subject to the defense of any applicable statute of limitation) thereafter be an unsecured obligation of the Corporation.

Section 17.3 Form of Requests, etc., by Bondholders. Any request, direction or other instrument required to be signed or executed by Holders of the Bonds may be in any number of concurrent instruments of similar tenor, signed, or executed in person or by agent appointed in writing. Such signature or execution may be proved by the certificate of a notary public or other officer at the time authorized to take acknowledgments to

deeds to be recorded in Alabama, stating that the signer was known to him and acknowledged to him the execution thereof.

Section 17.4 Limitation of Rights. Nothing herein or in the Bonds shall confer any right on anyone other than the Corporation, the Trustee, the Service Party, the Bond Insurer and the Holders of the Bonds.

Section 17.5 Indemnity Agreements. In the event that the Holder of a Bond is a bank, trust company, insurance company, pension fund or similar financial institution, an indemnity agreement of such Holder shall be sufficient and satisfactory indemnity for all purposes of the Indenture.

Section 17.6 Indenture Governed by Alabama Law. It is the intention of the parties hereto that the Indenture shall in all respects be governed by the laws of the State of Alabama.

Section 17.7 Notices. All notices, demands, requests and other communications hereunder shall be deemed sufficient and properly given if in writing and delivered in person to the following addresses or sent by United States certified or registered mail, postage prepaid with return receipt requested, at such addresses; provided that if such notices, demands, requests or other communications are sent by mail, they shall be deemed as given on the third day following such mailing which is not a Saturday, Sunday or day on which United States mail is not delivered:

(a) If to the Corporations:

The Governmental Utility Services Corporation
of the City of Pelham
c/o City Hall
Pelham, Alabama

(b) If to the Service Party:

Parsons Pelham Associates
100 West Walnut Street
Pasadena, California 91124
Attention: President
Parsons Municipal Services, Inc.

(c) If to the Trustee:

AmSouth Bank, N.A.
P. O. Box 11426
Birmingham, Alabama 35202
Attention: Corporate Trust Administration

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(d) If to the Bond Insurer:

Financial Guaranty Insurance Company
175 Water Street
New York, New York 10038
Attention: President

Any of the above-mentioned parties may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. The Trustee and the Corporation will send a copy of each notice that either thereof gives to the other pursuant to the provisions hereof to the Service Party (so long as no default under the Loan Agreement shall have occurred and be continuing) and to the Bond Insurer (for so long as no Period of Bond Insurer Disqualification shall exist); provided, however, that the failure of either the Corporation or the Trustee to send a copy of any such notice to the Service Party shall not invalidate such notice or render it ineffective unless notice to the Service Party is otherwise expressly required herein. Any notice hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed on behalf of such party by a duly authorized officer or employee.

Section 17.8 Payments on Saturdays, Sundays and Holidays. Whenever the date fixed for the payment of the principal or redemption price of or the interest on any Bonds falls on a Saturday, Sunday, legal holiday or any day on which banking institutions in the city of payment are authorized by law to close and are so closed, then the payment of principal, redemption price or interest need not be made on such date, but may be made on the next succeeding regular business day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

Section 17.9 Binding Effect. This Indenture shall inure to the benefit of, and shall be binding upon, the Corporation, the Trustee, and their respective successors and assigns.

Section 17.10 Severability. In the event any provision or any part of a provision of this Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision or part of a provision hereof.

Section 17.11 Article and Section Captions. The article and section headings and captions contained herein are included for convenience only and shall not be considered a part hereof or affect in any manner the construction or interpretation hereof.

IN WITNESS WHEREOF, the Corporation has caused this Indenture to be executed in its corporate name and behalf by the Chairman of the Directors, has caused its corporate seal to be hereunto affixed and has caused this Indenture to be attested by its Secretary, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its corporate name and behalf, has caused its corporate seal to be hereunto affixed and has caused this Indenture to be attested, by its duly authorized officers, in seven (7) counterparts, each of which shall be deemed an original, and the Corporation and the Trustee have caused this Indenture to be dated as of December 1, 1985, although actually executed on December 13th, 1985

THE GOVERNMENTAL UTILITY SERVICES CORPORATION OF THE CITY OF PELHAM

By John L. [Signature]
Its Chairman

Attest:

[Signature]
Its Secretary

AMSOUTH BANK, N.A.

By A. [Signature]
Its VICE PRESIDENT AND CORPORATE TRUST OFFICER

Attest:

[Signature]
Its ASSISTANT VICE PRESIDENT AND CORPORATE TRUST OFFICER

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STATE OF ALABAMA)

COUNTY OF Jefferson)

I, Joan R Ferguson, a Notary Public in and for said county in said state, hereby certify that John E Lee, whose name as Chairman of the Board of Directors of THE GOVERNMENTAL UTILITY SERVICES CORPORATION OF THE CITY OF PELHAM, a public corporation under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this 13th day of December, 1985.

(NOTARIAL SEAL)

Joan R Ferguson
Notary Public
My Commission Expires October 14, 1987
My commission expires: _____

EXHIBIT A

LEGAL DESCRIPTION:

A parcel of land located in the Northeast 1/4 of the Southwest 1/4 and the Southeast 1/4 of the Northwest 1/4, both in Section 14, Township 20 South, Range 3 West, Shelby County, Alabama, more particularly described as follows: Commence at the Southwest corner of the Northwest 1/4 of the Southeast 1/4 of said Section; thence in a Northerly directions, along the West line of said 1/4-1/4 Section a distance of 536.56 feet to a point on the Northwest right-of-way line of Parker Drive (extended); thence 41 deg. 28 min. 50 sec. right in a Northeasterly direction along said right-of-way line of Seaboard Coast Line Railroad; thence 90 deg. left, in a Northwesterly direction along said right-of-way line, a distance of 108.0 feet to the beginning of a curve to the left, said curve having a radius of 2774.63 feet and a central angle of 4 deg. 12 min.; thence along arc of said curve, in a Northwesterly direction along said right-of-way line, a distance of 203.39 feet to end of said curve; thence continue in a Northwesterly direction, along said right-of-way line, a distance of 381.84 feet; thence 85 deg. 48 min. left, in a Southwesterly direction along the Northwest property line of Weyerhaeuser Company (extended), a distance of 624.42 feet; thence 90 deg. right, in a Northwesterly direction, a distance of 110.0 feet to the point of beginning; thence 90 deg. left, in a Southwesterly direction, a distance of 410 feet, more or less, to the centerline of Buck Creek; thence in a Northwesterly direction, along the centerline of said Buck Creek, a distance of 1125 feet, more or less, to the intersection of said centerline and the West line of the Southeast 1/4 of the Northwest 1/4 of said Section 14; thence in a Northerly direction, along said West line a distance of 162 feet, more or less, to the intersection of said West line and the South right-of-way line of said Seaboard Coast Line Railroad; thence in a Southeasterly direction, along said right-of-way line, a distance of 1182 feet, more or less; thence in a Southwesterly direction, 250.0 feet Northwest of and parallel to the Northwest property line of Weyerhasuser Company, a distance of 593 feet, more or less; thence 90 deg. left, in a Southeasterly direction, a distance of 140.0 feet to the point of beginning. Said parcel contains 13.00 acres, more or less, and is subject to easements and rights of way of record.

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STATE OF ALA. SHELBY CO.
I CERTIFY THIS
INSTRUMENT WAS FILED

1985 DEC 13 PM 4:56

Thomas A. Swindley, Jr.
JUDGE OF PROBATE

Rec. 30250
Ind. 100
30350