

LEGAL NOTICE

STATE OF ALABAMA) IN THE CIRCUIT COURT IN AND FOR SAID COUNTY,
BALDWIN COUNTY) IN EQUITY -

THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, a public corporation organized in the State of Alabama, pursuant to authorization by the Town of Summerdale, a Municipality, et als, Petitioners vs the Taxpayers and Citizens of the Town of Summerdale, Alabama, Defendants.

TO THE TAXPAYERS AND CITIZENS OF SUMMERDALE, ALABAMA:

Notice is hereby given to you that a Petition has been filed in this Court under the provisions of Act No. 859 adopted by the 1953 Legislature of the State of Alabama, approved September 19, 1953, petitioning the Court to validate and confirm a proposed issue by the Water Works Board of the Town of Summerdale, Alabama, of \$335,000 principal amount of First Mortgage Water Revenue Bonds, the legality of all proceedings had or taken in connection therewith, the validity of the revenues and other means provided for the payment thereof, and the validity of all pledges of revenues and of all covenants and provisions contained in the authorizing resolution and the Mortgage and Indenture of Trust providing for and securing said Bonds, and the Court has issued an order against the Taxpayers and Citizens of Summerdale, Alabama, requiring them to show cause if any they have at a hearing of said Petition to be held at the County Court House of Baldwin County, Alabama, at Bay Minette, Alabama, on the 17th day of May, 1955, at 2:00 o'clock P M, why this court should not validate and confirm \$335,000 principal amount of First Mortgage Water Revenue Bonds to be dated April 1, 1955, to bear interest at the rate of 4-1/2% per annum, payable October 1, 1955, and semi-annually thereafter on the first day of April and the first day of October in each year until maturity proposed to be issued by the Water Works Board of the Town of Summerdale for the purpose of paying the cost of acquiring and constructing a Water System or Systems to provide a supply of water and the distribution

thereof in the Town of Summerdale, Alabama, and the surrounding territory and in the unincorporated area of Baldwin County, Alabama, known as Gulf Shores, the pledge to the payment of the principal of and interest on said Bonds of revenues to be derived from the operation of the water system or systems to be acquired from the proceeds of the sale of said Bonds, the validity of all the covenants, agreements and provisions set forth in the resolution, authorizing the issuance of said Bonds and the Mortgage and Indenture of Trust under which said Bonds are to be issued and secured, the validity of the pledge of the revenues referred to in the Petition of aforesaid water system or systems to the payment of the principal of and interest on said Bonds and to the various funds and accounts provided for and established under said Mortgage and Indenture of Trust, the validity of the covenants and provisions with respect to the maintenance of rates and charges and the other terms and provisions of the Mortgage and Indenture, the validity of the resolution establishing rates and charges for said water system or systems, the validity of the fire hydrant rental agreement between said Board and the Town of Summerdale, the validity of the franchise ordinance adopted by the Town of Summerdale and the validity of all other proceedings had or taken in connection with the above matters.

You are hereby required, at the time and place hereinabove set forth, to show cause, if any you have, why the said Bonds, all covenants and provisions contained in the Resolution authorizing the issuance of said Bonds including the Mortgage and Indenture of Trust under and pursuant to which said Bonds are to be issued and secured, the revenues and other means provided for their payment, and the pledges and other covenants and provisions for the benefit of said Bonds referred to in the Petition, should not be validated and confirmed.

Done this 19th day of April, 1955.

Rice L. Duck
Register of the Circuit Court of
Baldwin County, Alabama, in Equity.

THE WATER WORKS BOARD OF
THE TOWN OF SUMMERDALE,
ET. AL.,

Petitioners

VS:

THE TAXPAYERS AND CITIZENS
OF THE TOWN OF SUMMERDALE,
ALABAMA,

Defendants

IN THE CIRCUIT COURT IN AND
FOR BALDWIN COUNTY, ALABAMA
TWENTY-EIGHTH JUDICIAL CIRCUIT
IN EQUITY

NO. _____

TO THE HONORABLE JUDGE OF SAID COURT:

Comes Kenneth Cooper, the State Solicitor of Baldwin County, Alabama, in and for answer to the petition and amendment thereto filed in this cause, and respectfully shows:

1. That he, as State Solicitor of Baldwin County, Alabama, acknowledges due service of a copy of the petition in this cause and a copy of the order to show cause heretofore made and entered in this case by Honorable Herbert M. Hall, one of the judges of the Circuit Court of Baldwin County, Alabama on the 19th day of April, 1955. He also acknowledges due service of a copy of the amendment to the petition.

2. That a careful investigation has been made by the State Solicitor of the matters alleged in said petition as amended and it does not appear to him and he has no reason to believe that said petition as amended is in any way defective, insufficient or untrue; that he has also carefully examined Exhibit A thereto, the Certificate of Incorporation of The Water Works Board of the Town of Summerdale, Exhibit B thereto, the Resolution authorizing the execution of the Mortgage and Indenture of Trust and the issuance of Bonds thereto, including as part of said Exhibit said Mortgage and Indenture of Trust, Exhibit B1, the Resolution approving the revised maturity schedule and redemption provision, Exhibit C, the Resolution authorizing the filing of the validation petition, Exhibit D, the Rate Resolution, Exhibit E, the fire rental agreement

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and Exhibit F, the Franchise Ordinance referred to and attached to said petition and in the opinion of the State Solicitor, the said Board has the authority to issue its Bonds in the form and manner described in the petition as amended and annexed Exhibits, that all proceedings had and taken in connection with the issuance and sale of said Bonds are in all respects legal and valid, that the pledge of the revenues of the water system to the payment of the principal of and interest on the Bonds and the means provided for the payment of said Bonds are in all respects legal and valid and that all covenants, agreements and provisions contained in the said Mortgage and Indenture of Trust are in all respects legal and valid. It further appears that due and legal notice to the taxpayers and citizens has been given and published and that evidence of such publication has been duly filed.

3. That notwithstanding that the State Solicitor is unable to show any cause why the Petitioners should not have the relief prayed for, he respectfully asks this court to consider the facts alleged in said petition as amended and that this court determine the authority of The Water Works Board of the Town of Summerdale to issue the Bonds in the manner and form as prayed for by Petitioners, the legality of the means provided for their payment and of all proceedings had or taken in connection with the issuance of said Bonds.

All of which is respectfully submitted to the consideration of the court.

Kenneth Cooper

FILED

May 17, 1951
ALICE I. DUCK, Register

THE WATER WORKS BOARD OF
THE TOWN OF SUMMERDALE, ET AL.,

Petitioners,

VS.

THE TAX PAYERS AND CITIZENS OF
THE TOWN OF SUMMERDALE, ALABAMA,

Defendants.

IN THE
CIRCUIT COURT OF BALDWIN
COUNTY, ALABAMA.
TWENTY-EIGHTH JUDICIAL
CIRCUIT. IN EQUITY.

TESTIMONY TAKEN IN OPEN COURT ON MAY 17, 1955.

HON. C. G. CHASON, ATTORNEY AT LAW, FOLEY, ALABAMA, REPRESENT-
ING PETITIONER.

HON. KENNETH COOPER, CIRCUIT SOLICITOR, BALDWIN COUNTY, ALABAMA,
REPRESENTING DEFENDANTS.

WILLIAM C. MCPHERSON, A WITNESS FOR THE PETITIONER, BEING FIRST
DULY SWORN, TESTIFIED AS FOLLOWS:

Examination by Mr. Chason.

Q. You are Mr. William C. McPherson?

A. Yes sir.

Q. Mr. McPherson, are you acquainted with Mr. J. E. Brackman
and Mr. J. W. Wright?

A. Yes sir.

Q. Are they resident citizens and voters of Summerdale, Alabama?

A. They are.

Q. Did the three of you on the 8th day of February, 1955, file
execute and file in the probate Court of Baldwin County,
Alabama a certificate of incorporation of the THE WATER
WORKS BOARD OF THE TOWN OF SUMMERDALE?

A. We did.

A. Is a copy of your certificate of incorporation entered as
an exhibit in this bill of complaint filed in this cause
today?

A. Yes sir.

Q. Is that a correct copy?

A. It is.

Q. This certificate of incorporation was executed by the three of you and placed of record in this County?

A. Yes sir.

Q. I show you, Mr. McPherson, Exhibit B. of the Petition filed in this cause, which is a RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MORTGAGE AND INDENTURE OF TRUST ON AND RELATING TO THE WATER SYSTEM OF THE BOARD, THE ISSUANCE OF THE BONDS THEREUNDER AND THE SALE OF SAID BONDS. I will ask you if that is a true and correct copy of the Resolution adopted by the Water Works Board of the Town of Summerdale?

A. Yes sir, that is it.

Q. You and the other two gentlemen you just named are the members of the Water Works Board?

A. Yes sir.

Q. What is your position?

A. Chairman.

Q. You were regularly and duly elected by the Town Council of the town of Summerdale to this position?

A. Yes sir.

Q. I show you, Mr. McPherson, a resolution headed A Resolution of the Board of Directors of the Water Works Board of Summerdale, filed and marked Exhibit B-1 and ask you if that is a true and correct copy of a Resolution adopted by your Board?

A. That is.

Q. I show you a Resolution marked Exhibit C. headed: BE IT RESOLVED by the Board of Directors of the Water Works Board of the Town of Summerdale that a court proceeding be instituted for validation, and ask you if that is a true and correct copy of the Resolution adopted by your Board?

A. It is.

Q. I show you a Resolution of the Water Works Board of the Town of Summerdale marked Exhibit D, headed: A RESOLUTION FIXING

AND PRESCRIBING RATES AND CHARGES FOR SERVICES AND FACILITIES TO BE FURNISHED BY THE WATER SYSTEM OF THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE AND PROVIDING FOR THE COLLECTION OF SUCH CHARGES, and ask you if that is a true and correct copy of the Resolution of your Board?

A. Yes it is.

Q. I show you Exhibit E., which is headed AGREEMENT BETWEEN THE TOWN OF SUMMERDALE AND THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, providing for connections for water hydrants to be paid for by the town of Summerdale, and ask you if that is a true and correct copy of the Resolution Executed by your Board?

A. Yes sir.

Q. I show you Exhibit F. of the Petitioner, being a ORDINANCE GRANTING A FRANCHISE FOR THE OPERATION OF A WATER SYSTEM IN THE TOWN OF SUMMERDALE TO THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, and ask you if that is a true and correct copy of an ordinance adopted and delivered to the town of Summerdale?

A. It is.

Q. Your Board, I believe Mr. McPherson, is a Public Corporation, for the purpose of purchasing, constructing and operating a water works system within the town of Summerdale^{and} in the Community of Gulf Shores in Baldwin County, Alabama?

A. That is right.

Q. The Town of Summerdale is a Incorporated Municipality?

A. Yes sir.

Q. It is your understanding and believe is it not that the town of Summerdale has the authority to appoint such a board to own and operate such a water system both within and without the town of Summerdale?

A. That is my understanding, yes.

Q. The Resolution referred to, I believe as Exhibit B. of the Petition heretofore filed authorizes the issuance of \$335,000.00 of First Mortgage Bonds - Revenue Bonds for the

purpose of purchasing and constructing this Water System, is that correct?

A. That is true.

Q. Inasmuch as the laws of the State provide for validation of a bond issue by a Court proceeding, is it correct that this proceeding is being held for the purpose of validating and showing the authority of the water works board to issue these bonds?

A. Yes sir.

Q. The Bonds are to be in such amounts and at such callable dates as appear in paragraphs 5 and 6 of the amended petition are they not, Mr. McPherson?

A. Yes sir.

Q. This Resolution authorizing the issuance of a Bond Indenture and incorporating a copy of the Bond indenture provides therein special funds which shall be set up for principal and interest retirement fund, does it not?

A. Yes sir.

Q. The Water Works Board has in its resolution agreed to follow the policies and principles as set out in this bond indenture for the establishment of certain funds?

A. Yes sir.

Q. I believe you have also agreed, Mr. McPherson, in one of the Resolutions to maintain such reasonable rates as will provide for the retirement of the bond indenture?

A. That is right.

Q. This mortgage indenture which has been adopted by the Board, Mr. McPherson, provides that your Board will govern the collection of all monies and sums due for water; given no free services and will provide proper monthly records and accounts for inspection of the Trustees and Bond Holders, is that right?

A. That is right.

Q. The Water Works Board of the Town of Summerdale has heretofore published a resolution fixing and establishing the rates which is known to the citizens who are to take water, is that correct?

A. Yes sir.

Q. I believe, Mr. McPherson, that this schedule of rates were read at a public meeting, after notice to all of the present subscribers of the Gulf Shore Water Works system and to the people of the Town of Summerdale, Alabama, either by letter from the Public Service Commission or published in the Foley Onlooker, and at a meeting held in Foley presided over by the Public Service Commission, and after the rates were discussed, there was no objection ?

A. That is right.

Q. At that meeting there were a number of citizens from Gulf Shores and Summerdale?

A. Yes sir.

Q. It is also correct that there were no objections made to the purchase of the Water Works Board of Gulf Shores by the Town of Summerdale?

A. There was not.

Q. The Town of Summerdale has granted to your Board a Franchise for the operation of the Water Works system in the Town of Summerdale?

A. Yes sir.

THE COURT: Is that in here?

MR. CHASON: Yes.

Q. In order that the Court will clearly understand, Mr. McPherson, the nature of the Water Works Board of which you are Chairman, is it not correct that this Board is operating as a Board only and holds title only so long as the Bond issue is paid, and at that time the facilities and properties revert to and become the property of the Town of Summerdale?

A. That is right.

ON CROSS EXAMINATION OF THIS WITNESS BY MR. COOPER:

Q. How long have you been a member of the Water Works Board of the town of Summerdale?

A. Only since the question has come up this year of securing a water system for Summerdale and Gulf Shores - just a matter of a few months.

Q. You say, I believe, there are two other members on this board besides yourself?

A. Yes sir.

Q. Have they served the same length of time as you have?

A. Yes sir.

Q. Mr. Chason has just shown you on direct examination a copy of his exhibit B-1, which is in reference to the Resolution of the Board of Directors which met on the 17th day of May to change certain provisions for the maturity of the bonds .

Was there a majority of the Board present?

A. All members were present.

Q. Now I believe you testified that there was a public meeting held in Foley approximately two months ago relative to this proposal whereby the Town of Summerdale was to buy the water works of Gulf Shores?

A. Yes sir.

Q. Where was this meeting held?

A. In the Town Hall in Foley.

Q. How many people were there from summerdale and how many from Gulf Shores?

A. All together I would say there were about 50 or 60 people there.

Q. There had been an advertisement of this meeting in the Foley Onlooker sometime prior to the date?

A. Yes sir.

Q. And the people concerned, that is those people at Gulf Shores and Summerdale were amply notified to be there?

A. Yes sir.

Q. I believe you stated some were sent letters by the Alabama

Public Service Commission?

A. Yes sir.

Q. Who conducted that meeting?

A. The Public Service Commission.

Q. Do you remember who the Chairman was?

A. Jack Owens I believe; I don't know the man personally.

Q. Were you present?

A. Yes sir I was there.

Q. Now you say that the Town of Summerdale has granted to the Waterworks Board a Franchise to operate the Water Works Board at Summerdale and Gulf Shores. How long is this Franchise good for?

A. I forget the number of years, but indefinite--

Q. Does it extend through the maturity date of the bonds you propose to sell in this particulare issue?

A. Yes sir, extends through the maturity date of the bonds.

Q. Suppose the people of Gulf Shores finds occasion to incorporate themselves and set up their own little system down there; ~~whzk~~ would your Water Works Board of the Town of Summerdale be protected in the property that it owns there?

A. Yes.

Q. Would they be able to meet their obligations?

A. Well, I think we would, yes.

Q. Do you know of any reason or have you any ground for believing that there may be any good cause as to why these bonds should not be issued as have been set forth in the petition?

A. No sir I don't.

Q. As far as you know, everything is proper and in order?

A. Yes sir. I think everyone in Gulf Shores and Summerdale are satisfied or they wouldn't be running over us to get this through.

Q. Have you had any complaint from any of the customers in Summerdale or Gulf Shores?

A. No sir.

Q. Not a single complaint?

A. No sir.

C E R T I F I C A T E:

I hereby certify that the foregoing, consisting of pages 1 to 8 both inclusive, correctly sets forth a true and correct transcript of the testimony as taken by me in open Court on this day before Hon. Hubert M. Hall, Judge of said Court.

This 17th day of May, 1955.

Louise Rose Dancy
Official Court Reporter

FILED

MAY 20 1955

ALICE I. BUCK, Register

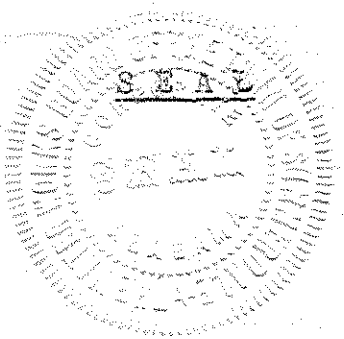
STATE OF ALABAMA)

BALDWIN COUNTY)

I, the undersigned duly elected, qualified and acting Secretary of The Water Works Board of the Town of Summerdale, Alabama, do hereby certify that attached hereto is a true and correct copy of a resolution which was duly adopted at a meeting of the Board of Directors of said Board duly held and conducted on the 17th day of May, 1955.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary under the duly adopted official corporate seal of The Water Works Board of the Town of Summerdale.

Mary E. Lee
Secretary



BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, as follows:

Section 1. That the Board of Directors of The Water Works Board of the Town of Summerdale, upon evidence duly submitted to and considered by it, hereby finds and determines as follows:

(a) That the resolution heretofore adopted by said Board on the 4th day of April, 1955, entitled, "A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MORTGAGE AND INDENTURE OF TRUST ON AND RELATING TO THE WATER SYSTEM OF THE BOARD, THE ISSUANCE OF BONDS THEREUNDER AND THE SALE OF SAID BONDS" provided that The Water Works Board of the Town of Summerdale did thereby authorize, adopt and approve a Mortgage and Indenture of Trust in substantially the form annexed to said resolution and did authorize the execution and delivery of the Bonds described therein.

(b) That in order to effect the sale of said First Mortgage Water Revenue Bonds described in said Mortgage and Indenture of Trust, it is necessary for the Board to effect a change as hereinafter provided in the maturity schedule of said Bonds as set forth in said Mortgage and Indenture of Trust.

(c) That said change in the maturity schedule also requires a change in redemption provisions, which provides that Bonds maturing in 1988 only are redeemable on April 1, 1960, or on any interest payment date thereafter, to and including October 1, 1964, from revenues from the water system.

(d) That aforesaid changes are within the authorization of the aforesaid resolution heretofore adopted by the Board of Directors.

Section 2. The Water Works Board of the Town of Summerdale does hereby adopt and approve the following revision in the maturity schedule and redemption provisions relative to its First Mortgage Water Revenue Bonds dated April 1, 1955, and does hereby authorize and direct the Chairman of its Board of Directors and its Secretary, in executing the Mortgage

and Indenture of Trust heretofore authorized by the aforesaid resolution to effect a change in the maturity schedule and redemption provisions to provide that the Bonds (without limitation as to particular Bonds) will also be redeemable at the option of the Board on April 1, 1960, or on any interest payment date thereafter to and including October 1, 1964, but solely from revenues from the water system, and that the Bonds shall mature in years and amounts as follows:

\$2,000 in each of the years 1958 to 1960, inclusive;
3,000 in each of the years 1961 and 1962;
4,000 in each of the years 1963 and 1964;
5,000 in each of the years 1965 and 1966;
6,000 in each of the years 1967 to 1970, inclusive;
7,000 in each of the years 1971 to 1974, inclusive;
8,000 in each of the years 1975 to 1978, inclusive;
9,000 in each of the years 1979 to 1981, inclusive;
10,000 in each of the years 1982 and 1983;
12,000 in each of the years 1984 and 1985;
13,000 in each of the years 1986 and 1987;
14,000 in each of the years 1988 and 1989;
15,000 in each of the years 1990 and 1991;
16,000 in each of the years 1992 and 1993;
17,000 in each of the years 1994 and 1995.

Section 3. That a certified copy of this resolution shall be presented at the validation hearing on said Bonds, scheduled for May 17, 1955. The officers of the Board are hereby authorized and directed to file such amendments or supplements to the validation petition as may in the opinion of counsel for the Board be necessary or desirable.

THE WATER WORKS BOARD OF THE
TOWN OF SUMMERDALE, et al

Petitioners

vs.

THE TAXPAYERS AND CITIZENS
OF THE TOWN OF SUMMERDALE

Defendants

IN THE CIRCUIT COURT

IN AND FOR BALDWIN COUNTY, ALABAMA,

TWENTY-EIGHTH JUDICIAL CIRCUIT,

IN EQUITY

NO. _____

TO THE HONORABLE JUDGES OF SAID COURT:

Petitioners respectfully allege and show to the Court the following:

1. Petitioners hereby amend paragraph 5 of the Petition heretofore filed herein to read as follows:

"5. The Bonds to be issued by the Board are designated First Mortgage Water Revenue Bonds, are dated April 1, 1955, are to be issued in the principal amount of \$335,000, are to bear interest at the rate of 4-1/2% per annum, payable October 1, 1955, and semi-annually thereafter on April 1 and October 1 in each year, and are to mature, subject to prior redemption, in amounts and dates as follows:

\$2,000 in each of the years 1958 to 1960, inclusive;
3,000 in each of the years 1961 and 1962;
4,000 in each of the years 1963 and 1964;
5,000 in each of the years 1965 and 1966;
6,000 in each of the years 1967 to 1970, inclusive;
7,000 in each of the years 1971 to 1974, inclusive;
8,000 in each of the years 1975 to 1978, inclusive;
9,000 in each of the years 1979 to 1981, inclusive;
10,000 in each of the years 1982 and 1983;
12,000 in each of the years 1984 and 1985;
13,000 in each of the years 1986 and 1987;
14,000 in each of the years 1988 and 1989;
15,000 in each of the years 1990 and 1991;
16,000 in each of the years 1992 and 1993;
17,000 in each of the years 1994 and 1995. "

2. Petitioners hereby amend paragraph 6 of the Petition heretofore filed herein to read as follows:

"6. The Bonds maturing in 1966 and thereafter are redeemable at the option of the Board on April 1, 1965, or any interest payment date thereafter. The Bonds which mature in 1961 and thereafter are also redeemable at the option of the Board on April 1, 1960, or on any interest payment date thereafter to and including October 1, 1964, solely from the revenues from the Water System hereinafter referred to. The Board must redeem such of the Bonds as are subject to redemption whenever revenues of said Water System required by the Mortgage to be devoted to that purpose are available, subject to the terms and conditions set forth in the Mortgage."

3. Petitioners further allege that their governing body has heretofore, to-wit, on the 17th day of May, 1955, adopted a resolution, a copy of which is annexed hereto as Exhibit B-1, adopting and approving a revision of the maturity schedule and redemption provisions of its First Mortgage Water Revenue Bonds dated April 1, 1955. Said revised maturity schedule and redemption provisions are hereinabove set forth.


WHEREFORE, Petitioners pray that this Court order, adjudge and decree that the proceedings heretofore had in connection with the authorization, issuance and sale by the Board of its First Mortgage Water Revenue Bonds, and all covenants and agreements on the part of the Board contained in said proceedings, be validated and confirmed.

Petitioners further pray that the Court will enter such other and further order or orders in the premises as to the Court may seem just and proper.



Cecil Chason

Dumas, O'Neal & Hayes

By 

Solicitors for Petitioners

THE WATER WORKS BOARD OF
the Town of Summerdale,
et al,

Petitioners

VS:

THE TAXPAYERS AND CITIZENS OF
THE TOWN OF SUMMERDALE,
ALABAMA,

Defendants

IN THE CIRCUIT COURT IN AND
FOR BALDWIN COUNTY, ALABAMA,

TWENTY-EIGHTH JUDICIAL CIRCUIT,

IN EQUITY

NO. _____

O R D E R

The Petition filed in this cause on the 19 day of April, 1955, being presented to the Court, it is hereby ordered by the Court as follows:

That the Petition be and hereby is set for hearing at the County Court House in Bay Minette, Alabama, on the 17 day of May, 1955, at 2 o'clock P. M.

An order is hereby made and issued against the Taxpayers and Citizens of Summerdale, Alabama, requiring them to show cause if any they may have at the time and place set for hearing the Petition in this cause why this court should not validate and confirm \$335,000 principal amount of First Mortgage Water Revenue Bonds to be dated April 1, 1955, to bear interest at the rate of 4-1/2% per annum, payable October 1, 1955, and semi-annually thereafter on the first day of April and the first day of October in each year until maturity proposed to be issued by the Water Works Board of the Town of Summerdale for the purpose of paying the cost of acquiring and constructing a water system or systems to provide a supply of water and the distribution thereof in the Town of Summerdale, Alabama, and the surrounding territory and in the unincorporated area of Baldwin County, Alabama, known as Gulf Shores, the pledge to the payment of the principal of and interest on said Bonds of revenues to be derived from the operation of the water system or systems to be acquired from the proceeds of the sale of said Bonds, the

validity of all the covenants, agreements and provisions set forth in the resolution authorizing the issuance of said Bonds and the Mortgage and Indenture of Trust under which said Bonds are to be issued and secured, the validity of the pledge of the revenues referred to in the Petition of afore-said water system or systems to the payment of the principal of and interest on said Bonds and to the various funds and accounts provided for and established under said Mortgage and Indenture of Trust, the validity of the covenants and provisions with respect to the maintenance^{of}/rates and charges and the other terms and provisions of the Mortgage and Indenture, the validity of the resolution establishing rates and charges for said water system or systems, the validity of the fire hydrant rental agreement between said Board and the Town of Summerdale, the validity of the franchise ordinance adopted by the Town of Summerdale and the validity of all other proceedings had or taken in connection with the above matters.

It is ordered that a copy of said Petition and this order be served on Honorable Kenneth Cooper, as Solicitor of the Circuit Court of Baldwin County, Alabama, he being by virtue of his office the State Solicitor for the County in which this proceeding is pending and in which the Town of Summerdale is situated, at least 18 days before the date herein fixed for the hearing of said Petition.

It is ordered by the Court that the Register shall publish in The Onlooker, Foley, Ala., which the Court hereby finds and determines to be a newspaper published in the State of Alabama and of general circulation in Summerdale, Alabama, and Baldwin County, Alabama, there being no newspaper published in the Town of Summerdale, once a week for three consecutive weeks before the date herein fixed for said hearing of said Petition, a notice addressed to the Taxpayers and Citizens of Summerdale, Alabama, requiring them at the time and place specified in this order providing for the hearing of this cause, to show cause, if any they have, why

said Bonds, the revenues and other means provided for their payment and the pledge and other covenants and provisions provided for the benefit of said Bonds referred to in the Petition, should not be validated and confirmed by decree of this Court.

It is further ordered that the first publication of said Notice shall not be less than 18 days before the date herein fixed for the hearing of this cause and said Petition.

Hubert M. Hall
Circuit Judge, in Equity Sitting

ECOM 017 JAN 153

THE WATER WORKS BOARD OF
THE TOWN OF SUMMERDALE, a
public corporation organized
in the State of Alabama
pursuant to authorization
by the Town of Summerdale,
Alabama, a Municipality,
and William C. McPherson,
J. E. Brackman and J. W.
Wright, as Members of the
Board of Directors of the
Water Works Board of the
Town of Summerdale,

Petitioners

VS:

THE TAXPAYERS AND CITIZENS
OF THE TOWN OF SUMMERDALE,
ALABAMA,

Defendants

IN THE CIRCUIT COURT IN AND
FOR BALDWIN COUNTY, ALABAMA
TWENTH-EIGHTH JUDICIAL CIRCUIT,
IN EQUITY

NO. 3510

TO THE HONORABLE JUDGES OF SAID COURT:

Petitioners respectfully allege and show to the Court the
following facts:

1. This petition is filed under and pursuant to the
provision of Act No. 859 adopted by the 1953 Legislature of
the State of Alabama, approved September 19, 1953, General Acts
of 1953 page 1148 et seq. The individual petitioners are all
over age of 21 years and are residents, qualified electors,
taxpayers and owners of property in the Town of Summerdale,
Baldwin County, Alabama. The Water Works Board of the Town of
Summerdale (herein called the Board) is a public corporation
organized in this state under the provisions of Act No. 175
adopted at the 1951 regular Session of the Legislature of
Alabama, approved June 29, 1951, General Acts of 1951 pp 416
etc., pursuant to authorization of the Town of Summerdale, a
Municipality of this State. A true and correct copy of the
Certificate of Incorporation of said Board heretofore filed
for a record and recorded in the Office of the Judge of Probate
of Baldwin County is annexed hereto as Exhibit A and made a part
hereof. The Petitioners, William C. McPherson, J. E. Brackman and

BOOK 017 PAGE 154

J. W. Wright, are the members of the Board of Directors of the Board duly elected as such by the governing body of the Town of Summerdale and said persons as members of the Board of Directors of said Board constitute the governing body of the Board.

2. The Defendants are the taxpayers and citizens of Summerdale, Alabama.

3. The governing body of the Board has heretofore adopted a resolution authorizing the issuance and sale of \$335,000 principal amount of its first Mortgage Water Revenue Bonds, under and pursuant to a Mortgage and Indenture of Trust (herein called the Mortgage) and providing for the payment, terms, conditions, form, date, maturities and the sale and delivery thereof and other matters in connection therewith, a true and corrected copy of which Resolution together with the Mortgage, is annexed hereto as Exhibit B and made a part hereof.

4. The governing body of the Board desires, before the issuance of such obligations, to determine its authority to issue such obligations and the legality of all proceedings had or taken in connection therewith, the validity of the revenues or means provided for payment thereof, and the validity of all pledges of revenues and of all covenants and provisions contained in such resolution, including the Mortgage (Exhibit B) and has duly authorized the filing of this Petition by the adoption of a resolution, a true and correct copy of which is annexed hereto as Exhibit C and made a part hereof.

5. The Bonds to be issued by the Board pursuant the aforesaid Resolution (Exhibit B, hereto) are designated First Mortgage Water Revenue Bonds, are dated April 1, 1955, are to be issued in the principal amount of \$335,000, are to bear interest at the rate of 4-1/2% per annum payable October 1, 1955, and semi-annually thereafter on April 1 and October 1 in each year and are to mature, subject to prior redemption, in amounts and dates as follows:

\$2,000 in each of the years 1958 to 1960 inclusive;
3,000 in each of the years 1961 and 1962
4,000 in each of the years 1963 to 1966, inclusive;
5,000 in each of the years 1967 to 1970, inclusive;
6,000 in each of the years 1971 to 1974, inclusive;
7,000 in each of the years 1975 to 1982, inclusive;
8,000 in each of the years 1983 to 1987, inclusive;
167,000 in the year 1988

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6. The Bonds maturing in 1966 and thereafter are redeemable at the option of the Board on April 1, 1965, or any interest payment date thereafter. Bonds which mature in 1988 are also redeemable at the option of the Board on April 1, 1960, or on any interest payment date thereafter to and including October 1, 1964, solely from the revenues from the Water System hereinafter referred to. The Board must redeem such of the Bonds as are subject to redemption whenever revenues of said Water System required by the Mortgage to be devoted to that purpose are available subject to the terms and conditions set forth in the Mortgage.

7. The principal of and interest on the Bonds are payable at the office of the TRUSTEE IN ANY MEMBER BANK OF
~~ANY~~ FEDERAL DEPOSIT INS. CORP. IN THE STATE OF ALA.

8. The Bonds are to be issued for the purpose of paying the cost of acquiring and constructing a Water System or Systems to provide a supply of water and the distribution thereof in the Town of Summerdale, Alabama, and the territory surrounding said town and in the unincorporated area of Baldwin County, Alabama, known as Gulf Shores (herein called the Water System). The principal of and interest on the Bonds are payable solely from the revenues from the Water System. The Mortgage constitutes a closed first lien on the Water System and a sufficient amount of the gross revenues and income therefrom after the deduction of only the reasonable expenses incurred for the operation, maintenance and repairs thereof for the equal and ratable security of all the Bonds but the Mortgage does not authorize or permit a foreclosure of said System. Under and pursuant to the Mortgage there is created a special fund known as the Bond Principal and Interest Retirement Fund which is required by the Mortgage

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to be held in Trust and applied to the payment of the principal of and interest on said Bonds as they respectively mature and come due. The Board has pledged to said Bond Principal and Interest Retirement Fund for such purposes a sufficient amount of gross revenues and income from said system after the deduction therefrom of only the reasonable expenses incurred for the operation, maintenance and repairs thereof as provided in the Mortgage.

9. The Board has covenanted and agreed in the Mortgage to fix, publish and maintain such reasonable rates for services furnished by the Water System at such level as to produce revenues sufficient to provide for the payment of the expenses of administration and operation and such expenses for the maintenance of the Water System as are necessary to preserve the same in good repair and working order, to maintain the payments required by the Mortgage to be made into an Operation and Maintenance Fund, to provide for the payment of the interest upon and the principal of the Bonds as and when the same become due and payable and for a reasonable reserve to assure against possible default in such payment, to maintain the payments required by the Mortgage to be made in the Bond Principal and Interest Retirement Fund and in the Reserve Fund, and to build up and maintain a reserve for improvements, betterments, and extensions to the Water System other than those necessary to maintain the same in good repair and working order and to maintain the payments required by the Mortgage to be made into the Extension Fund. In addition, the Board covenants in the Mortgage that the rates for services furnished by the Water System will be maintained at such level as to produce net revenues (after the payment of expenses of administration, operation and maintenance) during each thirty-six consecutive months equal to at least 150% of the amount required to pay principal of and interest on such of the Bonds then outstanding as shall become due and payable during such 36 months period. If such rates do not produce revenues sufficient for all of the aforesaid purposes

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the Board covenants and agrees in the Mortgage to alter and amend such rates to the reasonable extent necessary to produce revenues sufficient for all such purposes and will publish and maintain such amended or altered rates. The Board further covenants in the Mortgage that the rates set forth in the Schedule of Rates in effect as of the date of the Mortgage will not be reduced unless and until the monies on deposit in the funds and accounts established thereunder equal or exceed the respective amounts required to be accumulated and maintained therein and then only in the event (1) there is no default in any provision of the Mortgage including payments of the required amounts currently to be paid into the several funds provided in the Mortgage and (2) such proposed reduction of rates will not violate any other provision of the Mortgage including the foregoing provisions herein referred to.

10. The Mortgage contains other covenants and agreements by the Board with respect to the operation of the Water System and the collection and disposition of revenues, insurance and fidelity bonds, no free service, books, records and accounts, monthly statements and annual audits, inspection of the system and other provisions, all of which provisions as set forth in Exhibit B hereto are incorporated by reference as if fully set forth herein.

11. The governing body of the Board has heretofore duly adopted and published a resolution fixing and charging rates and fees for the services and facilities of the Water System, a true and correct copy of which resolution is annexed hereto as Exhibit D and made a part hereof.

12. That the Board and the Town of Summerdale have duly entered into a fire hydrant rental agreement, a true and correct copy of which Agreement is annexed hereto as Exhibit E and made a part hereof.

13. The governing body of the Town of Summerdale has heretofore duly adopted and published an ordinance granting a

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franchise to the Board for the operation of a Water System in the town of Summerdale, a true and correct copy of which is annexed hereto as Exhibit F and made a part hereof.

WHEREFORE, your Petitioner prays:

1. The taxpayers and citizens of Summerdale, Alabama, be made parties defendant hereto and that they be given notice of this petition as required by law and the rules of this Court.
2. That the Judge of this Court, upon the presentation and filing of this Petition, issue an order against the taxpayers and citizens of Summerdale, Alabama, requiring them to show cause, at a time and place to be designated in said order which time shall be not less than 20 days, nor more than 40 days after the issuance of such order and which place shall be within the County in which this petition is filed, why said First Mortgage Water Revenue Bonds should not be validated and confirmed.
3. That a copy of this Petition and said order be served on the State Solicitor of Baldwin County, Alabama, at least 18 days before the day fixed for the hearing in and by such order.
4. That the Register of this Court, as provided in the aforesaid Act No. 859 of 1953, be ordered to publish in a newspaper published within the State and having a general circulation in the Town of Summerdale, (there being no newspaper published in said Town), once each week for at least three weeks before the hearing, the first publication to be at least 18 days before such hearing, a notice addressed to the Taxpayers and Citizens of the Town of Summerdale requiring them, at the time and place specified in the order providing for the hearing of this cause, to show cause, if any they have, why said First Mortgage Water Revenue Bonds, the revenues and other means provided for their payment and the pledges and other covenants and provisions provided for the benefit of said Bonds referred to in this Petition, should not be validated and confirmed.

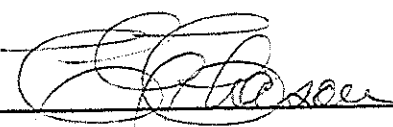
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5. That upon hearing this Petition, this Court will render a decree finding and determining that the Board has the authority to issue the First Mortgage Water Revenue Bonds dated April 1, 1955; that all proceedings had and taken in connection with the issuance and sale of said Bonds are in all respects legal and valid; that the pledge of the revenues of the Water System to the payment of the principal of and interest on said Bonds and the means provided for the payment of said Bonds are in all respects legal and valid; that all covenants, agreements and provisions contained in the Mortgage were and are in all respects legal and valid.

6. That this Court will find and determine that the Board has the authority to issue and sell said Bonds in the form and manner prescribed in the authorizing Resolution and the Mortgage.

7. That the Court order, adjudge and decree that the proceedings heretofore had in connection with the authorization, issuance and sale by the Board of said Bonds and all covenants and agreements on the part of the Board contained in said authorizing resolution and Mortgage be validated and confirmed.

The Petitioners pray that the Court will enter such other and further order or orders in the premises as to the Court may seem just and proper.



and

DUMAS, O'NEAL AND HAYES

By 

Solicitors for the Petitioners

CERTIFICATE OF INCORPORATION
OF
THE WATER WORKS BOARD OF THE
TOWN OF SUMMERDALE

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The undersigned William C. McPherson, J. E. Brackman,
and J. W. Wright, each of whom is over the age of twenty-
one years and each of whom is a qualified elector of and owner of
property in the Town of Summerdale in Baldwin County, Alabama,
desiring to organize a body corporate under the laws of Alabama
and particularly Act No. 175, General Laws of Alabama, approved
June 29, 1951 (General Acts of 1951, pp. 416 et seq.), and being
all of the incorporators of the corporation hereby organized, do
make, sign and file this certificate of incorporation as follows:

(1) The name of the corporation is and shall be

THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE

(2) The location of the principal office of the corporation
shall be in the Town of Summerdale, in Baldwin County, in the State
of Alabama, and the post office address of the corporation shall be
Summerdale, Alabama.

(3) The period for the duration of the corporation shall be
perpetual, unless sooner terminated as provided by law.

(4) The objects for which the corporation is organized are
to acquire, construct, operate, maintain, improve and extend a
water system either wholly within or partly within and partly without
the corporate limits of the Town of Summerdale, and also to acquire,
construct, operate, maintain, improve and extend a water system
located in the unincorporated area of Baldwin County known as Gulf
Shores, whether said Gulf Shores system be a separate system or a
part of another system owned and operated by the Board, together
with all appurtenances thereto and all property used or useful in

EXHIBIT A

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connection therewith, including franchises. In furtherance of the said objects, the corporation shall have all powers conferred on corporations of like nature by the Laws of Alabama under which the corporation is organized and any amendments thereof and supplementary thereto and all other powers conferred upon corporations generally by the laws of Alabama.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto subscribed their signatures, this 8th day of February, 1955.

s/ William C. McPherson

s/ J. E. Brackman

s/ J. W. Wright

STATE OF ALABAMA)

BALDWIN COUNTY)

I, the undersigned Notary Public in and for said County, in said State, hereby certify that William C. McPherson, J. E. Brackman, and J. W. Wright, whose names are signed to the foregoing Certificate of Incorporation and who are known to me, acknowledged before me on this day that, being informed of the contents of the Certificate of Incorporation, they executed the same voluntarily on the day the same bears date.

Given under my hand and seal of office, this 8th day of February, 1955.

s/ C. G. Chason
Notary Public

(Notary Seal affixed)

NOTARIAL SEAL

My commission expires:

4-29-58

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY
OF A MORTGAGE AND INDENTURE OF TRUST ON AND RELATING
TO THE WATER SYSTEM OF THE BOARD, THE ISSUANCE OF
BONDS THEREUNDER AND THE SALE OF SAID BONDS

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BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WATER WORKS
BOARD OF THE TOWN OF SUMMERDALE, as follows:

Section 1. That The Water Works Board of the Town of
Summerdale hereby authorizes, adopts and approves the Mortgage and
Indenture of Trust on and relating to the water system described
in said Mortgage and Indenture of Trust, in substantially the
following form; that the Chairman of the Board of Directors is
hereby authorized and directed, in the name and on behalf of the
Board, to execute, acknowledge and deliver and cause to be filed
for record in the office of the Judge of Probate of Baldwin County,
Alabama, a Mortgage and Indenture of Trust in substantially the
following form, and the Secretary is hereby authorized and directed
to affix thereto the seal of the Board and to attest the same:

STATE OF ALABAMA)

BALDWIN COUNTY)

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MORTGAGE AND INDENTURE OF TRUST (herein called the "Mortgage"), dated as of April 1, 1955, by and between THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, a public corporation organized under the laws of Alabama and particularly under Act No. 175, adopted at the 1951 regular session of the Legislature of Alabama, approved June 29, 1951 (herein called the "Board"), party of the first part, and
a corporation organized and existing under the national banking laws of the United States of America, authorized by law to accept and execute trusts, and having its principal office in the City of
, Alabama, as Trustee (herein called the "Trustee"), party of the second part.

WHEREAS, the Board desires to acquire and construct a water system or systems and the other property used or useful in connection therewith, as hereinafter described (herein called the "System"), and in order to secure funds for such purposes has determined to issue its revenue bonds as in this Mortgage provided, which bonds are to be known as its First Mortgage Water Revenue Bonds (herein called the "Bonds"), limited in aggregate principal amount to Three Hundred Thirty-Five Thousand Dollars (\$335,000); and

WHEREAS, the Board desires to secure the Bonds in the manner provided in this Mortgage; and

WHEREAS, the Board has represented and hereby does represent that it has full power and authority to issue and sell the Bonds, to acquire, enlarge, improve, add to and extend and to operate the System and to mortgage and convey the System as herein provided, and to pledge the revenues and income therefrom as security for the Bonds, and that its Board of Directors has taken all action required by law to authorize its officers to execute, acknowledge and deliver this Mortgage and to execute and issue the Bonds; and

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WHEREAS, the Bonds to be issued hereunder, the coupons to be attached thereto, the Trustee's authentication certificate and the form of registration to be printed on the reverse of the Bonds are to be substantially in the following forms, respectively, with appropriate omissions, insertions and variations permitted or authorized as hereinafter provided:

(Form of Bond)

UNITED STATES OF AMERICA
 STATE OF ALABAMA
 BALDWIN COUNTY
 THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE
 FIRST MORTGAGE WATER REVENUE BOND

No. _____

\$1,000

THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, Baldwin County, Alabama (herein called the "Board"), a public corporation organized under the laws of Alabama and particularly under Act No. 175, adopted at the 1951 regular session of the Legislature of Alabama, approved June 29, 1951, General Acts of 1951, pp. 416 et seq., for value received, hereby promises to pay, solely from the Bond Principal and Interest Retirement Fund, hereinafter described, to bearer or, if registered as hereinafter provided, to the registered holder hereof, on April 1, 19____, the sum of

ONE THOUSAND DOLLARS (\$ 1,000)

and to pay solely from said Fund interest on said sum at the rate of four and one-half per cent ($4\frac{1}{2}\%$) per annum, payable on October 1, 1955, and semi-annually thereafter on the first day of April and the first day of October in each year from the date hereof until maturity, upon the presentation and surrender, as they severally mature, of the coupons therefor attached hereto. Both the principal of and interest on this Bond are payable in lawful money of the United States of America at the principal office of

This Bond is one of an issue aggregating Three Hundred Thirty-Five Thousand Dollars (\$335,000), of like date and tenor except as to numbers, maturity dates and redemption provisions, authorized under and pursuant to and all equally secured by a Mortgage and Indenture of Trust, dated as of April 1, 1955 (hereinafter called the "Mortgage"), executed and delivered by the Board to

(herein called the "Trustee"), for the purpose of paying the cost of acquiring and constructing a water system or systems to provide a supply of water and the distribution thereof in the Town of Summerdale, Alabama, and the territory surrounding said Town and in the unincorporated area of Baldwin County, Alabama, known as Gulf Shores (herein sometimes called the "water system").

The principal of and interest on the Bonds are payable solely out of the revenues from the water system of the Board. The Mortgage constitutes a closed first lien on said water system and a sufficient amount of the gross revenues and income therefrom after the deduction of only the reasonable expenses incurred for the operation, maintenance and repair thereof for the equal and ratable security of all of the said Bonds, but the Mortgage does not authorize or permit a foreclosure of said system. Under and pursuant to the Mortgage, there has been created a special fund known as the Bond Principal and Interest Retirement Fund, which is required by the Mortgage to be held in trust by the Trustee and applied to the payment of the principal of and interest on said Bonds as they respectively mature and come due. The Board has pledged to said Bond Principal and Interest Retirement Fund for such purposes a sufficient amount of the gross revenues and income from said system, after the deduction therefrom of only the reasonable expenses incurred for the operation, maintenance and repair thereof as provided in the Mortgage. The Board has covenanted and agreed and hereby does covenant and agree to fix and maintain and

alter from time to time, if and to the reasonable extent necessary, rates at such a level as to produce income sufficient (a) to pay the reasonable and necessary expenses incurred for the operation, maintenance and repair of said system; (b) to provide for payments into said Bond Principal and Interest Retirement Fund of amounts sufficient for the payment of the principal of and interest on said Bonds as they respectively mature and come due; (c) to provide a Principal and Interest Reserve Fund to protect against the possibility of any deficiency in revenues in future years; and (d) to provide an Extension and Replacement Fund for unusual improvements and extensions. The Board has also covenanted and agreed and hereby covenants and agrees that it will apply the gross revenues and income from said system to such purposes. Reference is hereby made to the Mortgage for a description of the property thereby mortgaged and the revenue thereby pledged, the nature and extent of the security and a statement of the rights of the bearer hereof with respect thereto. Each holder hereof, by the acceptance of this Bond, consents to all of the provisions of the Mortgage.

The Bonds of this issue of Bonds which mature in 1966 and thereafter are redeemable at the option of the Board on April 1, 1965, or on any interest payment date thereafter. The Bonds which mature in 1988 are also redeemable, at the option of the Board, on April 1, 1960, or on any interest payment date thereafter to and including October 1, 1964, but solely from revenues from the water system. The Board must redeem such of the Bonds as are subject to redemption, as hereinabove provided, whenever revenues of the water system required to be devoted to that purpose are available, subject to the terms and conditions set forth in the Mortgage. Any redemption may be in whole or in part, but, if in part, shall be in the inverse order of maturities and identification numbers, latest maturities and highest numbers first, and shall be at a redemption price equal to the par value thereof plus accrued interest thereon to the redemption date, plus a redemption premium

of twelve months' interest thereon computed at the rate which the Bonds to be redeemed would bear on the redemption date, as therein specified, if the option had not been exercised. Thirty days' notice of the intended redemption shall be given by registered mail to the registered holder hereof at the address of such holder as shown on the books of the Bond Registrar hereinafter referred to. If any Bond, when called for redemption, is not then registered as to principal, notice of such intended redemption shall be given by publication, not more than sixty days and not less than thirty days prior to the proposed redemption date, at least once in a daily newspaper published and of general circulation in the City of Birmingham, Alabama, and in a financial newspaper or journal published in the City of New York, New York. If any of said Bonds so redeemable shall have been called for redemption as herein provided, interest shall cease to accrue from and after the date fixed for redemption, unless default shall be made in the payment of the redemption price thereof.

In the event of any default by the Board in the payment of principal of or interest on this or the other Bonds of this issue or any other default as provided in the Mortgage, the Trustee may declare the principal of this Bond and interest accrued thereon immediately due and payable, whereupon this Bond and such interest shall become immediately due and payable and the holder hereof shall be entitled to all remedies and rights set forth in the Mortgage.

This Bond is exempt from all taxation under the laws of the State of Alabama. This and the other Bonds of this issue do not constitute an obligation or indebtedness of the Town of Summerdale. Said Town shall not be liable for any debt or obligation evidenced hereby. This and the other Bonds of this issue are not debts of the Board but are obligations in accordance with their respective terms and the terms of the Mortgage.

This Bond is fully negotiable but may be registered at any time prior to maturity as to principal only in the name of the holder of the Bond on the books to be kept for that purpose by the Trustee, which has been designated as Bond Registrar, such registration to be noted hereon, and thereafter no transfer of this Bond shall be valid unless made on said books and similarly noted hereon, but this Bond may be discharged from registration by being in like manner transferred to bearer and thereupon transferability by delivery shall be restored, but this Bond may again from time to time be registered or transferred to bearer as before. Registration, however, shall not affect the negotiability of the coupons hereto attached, and such coupons shall continue transferable by delivery merely.

It is hereby certified, recited and declared that all acts, conditions and things required to happen, exist or be performed precedent to and in the issuance of this Bond and in the execution and delivery of the Mortgage have happened, do exist and have been performed as so required.

IN WITNESS WHEREOF, THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE has caused this Bond to be executed in its name and on its behalf by the Chairman of its Board of Directors and its corporate seal to be hereunto affixed and attested by its Secretary and the coupons hereunto annexed to be executed with the facsimile signature of the Chairman of its Board of Directors, who, by signing this Bond, adopts as and for his own proper signature the facsimile signature appearing on each of said coupons, and has caused this Bond to be dated April 1, 1955.

THE WATER WORKS BOARD OF
THE TOWN OF SUMMERDALE

By William C. McPherson
Chairman of its Board of Directors

S E A L

Attest:

Mary E. Hill
Secretary

(Form of Coupon)

No. _____

\$ _____

On April (October) 1, 19____, *(unless the Bond hereinafter mentioned shall have been called for prior redemption and payment of the redemption price duly made or provided for) THE WATER WORKS BOARD OF THE TOWN OF SUMMERDALE, Baldwin County, Alabama, will pay to the bearer at the principal office of

in the City of _____

the sum of _____

DOLLARS (\$ _____)

in lawful money of the United States of America, but solely from the Bond Principal and Interest Retirement Fund provided therefor, which sum will on said date be six months' interest then due on its First Mortgage Water Revenue Bond, dated April 1, 1955, No. _____.

THE WATER WORKS BOARD OF
THE TOWN OF SUMMERDALE

By William C. McPherson
Chairman of its Board of Directors

*NOTE: The parenthetical clause "(unless the Bond hereinafter mentioned shall have been called for prior redemption and payment of the redemption price duly made or provided for)", is to be inserted only in coupons coming due on October 1, 1960, and thereafter of Bonds maturing in 1988, and in coupons coming due on October 1, 1965, and thereafter, of all Bonds.

(Form of Trustee's Authentication Certificate)

This bond is one of the bonds described in the within mentioned Mortgage.

as Trustee

By _____
Authorized Officer

(Form of Registration to be printed on Back of Each of the Bonds)

Date of Registration:	In Whose Name Registered:	Registrar:
_____	_____	The _____ Bank
_____	_____	By: _____
_____	_____	Authorized Officer
_____	_____	_____

WHEREAS, all things necessary to make the Bonds, when executed by the Board and authenticated by the Trustee and delivered, the valid, binding and legal obligations of the Board and to constitute this Mortgage a valid, binding and legal first mortgage, pledge and deed of trust for the security of the Bonds in accordance with its terms, have been done or performed or have happened, and the execution, issuance and delivery of the Bonds and the execution and delivery of this Mortgage have been in all respects duly authorized; and

WHEREAS, the Trustee has duly accepted the trust created by this Mortgage and, as evidence thereof, has joined in the execution hereof;

NOW, THEREFORE, THIS MORTGAGE WITNESSETH:

That, in consideration of the premises and the sum of Ten Dollars (\$10) to it in hand paid by the Trustee at or before the execution and delivery hereof, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on all of the Bonds, all according to the true intent and meaning hereof, and to secure the performance and observance of all the covenants and conditions therein and herein contained, and for other good and valuable considerations, the receipt whereof is hereby acknowledged, the Board has executed and delivered this Mortgage, and has granted, bargained, sold, assigned, transferred, conveyed, warranted, mortgaged, pledged and set over, and by these presents does grant, bargain, sell, assign, transfer, convey, warrant, mortgage, pledge and set over unto the Trustee, and to its successor or successors in trust and to its or their assigns forever, with covenants of general warranty and against all encumbrances, all of the following property, revenues and income:

All of the water system in the Town of Summerdale and surrounding territory acquired and constructed by the Board with the proceeds of the Bonds, including all lands, leases, buildings,

franchises, easements, rights-of-way, privileges, appurtenances, wells, storage tanks, pipe lines, valves, meters, hydrants, pumps, apparatus, equipment, fixtures, appliances, machinery, hardware, repair supplies, trucks, maintenance and repair equipment, contracts, and all other property, real, personal or mixed, now owned by the Board or hereafter acquired by it by construction or otherwise and used in connection with said water system, including all extensions, improvements, enlargements, additions and new connections thereto;

All of the water system in the unincorporated area of Baldwin County, Alabama, known as Gulf Shores, acquired by the Board by construction or otherwise and used in connection with said water system, including, without limiting the generality of the foregoing, the following specific properties:

Lot 11, Block 2, Unit 1 of Gulf Shores, Alabama, as shown on a map recorded in Map Book 1, Page 148, in the office of the Judge of Probate of Baldwin County;

The east 35 feet of Lot 9 and all of Lots 10 and 11 in Block 15, Unit 3 of Gulf Shores, Alabama, as shown on a map recorded in Map Book 3, Page 9, in the office of the Judge of Probate of Baldwin County, Alabama;

Lot 30, Block 2, Unit 2 of Gulf Shores, Alabama, as shown on a map recorded in Map Book 1, Page 116, in the office of the Judge of Probate of Baldwin County;

The following tanks:

- 2 each 5' dia. x 24' long steel tanks
- 2 each 3' dia. x 14' long steel tanks
- 1 each 16' dia. x 16' high cypress tank on 22' tower

The following motors and pumps:

- 1 - 10 HP electric motor and pump
- 1 - 5 HP electric motor and 3" vertical well pump
- 1 - 5 HP electric motor and centrifugal pump
- 1 - 3 HP electric motor and pump
- 1 - 2 HP electric motor and 1" centrifugal pump
- 1 - 2 HP electric motor and pump
- 1 - 4 HP gasoline motor and pump
- 1 - Chemical feed pump

The following wells:

3 shallow wells (2" inner casing)
1 shallow well (4" inner casing)
Cawthon well (79' deep with 4" inner casing)

A Ford pickup truck and an electric Myer bulldozer;

Concrete block warehouse, 12' x 18'.

All pipe, meters, materials and equipment in stock;

All of the gross revenues and income derived from said water systems and subsequent enlargements, extensions, improvements and additions thereto, after the deduction therefrom of the amount of the reasonable expenses incurred for the operation, maintenance and repair thereof;

(All property, real, personal or mixed, mortgaged hereby or agreed or intended so to be, including, unless the context otherwise requires, property acquired by the Board after the execution of this Mortgage, provided that such property is appurtenant to, forms a part of, or is used in connection with said water systems, is hereinafter sometimes referred to as the "Mortgaged Property". All of the revenues and income derived from said water systems and subsequent improvements and additions thereto, pledged hereby or agreed or intended so to be, are hereinafter sometimes referred to as the "Pledged Revenues").

TO HAVE AND TO HOLD, all and singular the said property, revenues and income, hereby conveyed, assigned or pledged or agreed or intended so to be, including property acquired after the execution of this Mortgage, to the Trustee, its successor and successors in trust and its and their assigns forever.

IN TRUST, NEVERTHELESS, under and subject to the terms, provisions and conditions hereinafter set forth, for the equal and ratable benefit and security of all and singular the present and future holders of the Bonds and coupons issued under this Mortgage, without preference, priority or distinction of any one of the Bonds over any other of the Bonds by reason of priority in

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the issue, sale or negotiation thereof, or otherwise, and for securing the observance or performance of all of the terms, provisions and conditions of this Mortgage.

PROVIDED, HOWEVER, that these presents are upon the condition that, if the Board, its successor or assigns, shall pay or cause to be paid to the holder of the Bonds, the principal and interest to become due in respect thereof at the time and in the manner stipulated therein and herein and shall keep, perform and observe all and singular the covenants and agreements in the Bonds and this Mortgage expressed to be kept, performed and observed by or on the part of the Board, then this Mortgage and the estate and rights hereby granted shall cease, determine and be void, otherwise to be and remain in full force and effect.

The terms and conditions upon which the Bonds and coupons for interest are to be issued, authenticated, delivered, secured and accepted by all persons who from time to time shall be or become the holders thereof, and the trusts and conditions upon which the Mortgaged Property and the Pledged Revenues are to be held and disposed of, which said trusts and conditions the Trustee hereby accepts, are, and the respective parties hereto covenant and agree as follows:

ARTICLE I

GENERAL PROVISIONS REGARDING THE BONDS

Section 1. The Bonds. The Bonds which may be issued and secured under this Mortgage are limited to an aggregate principal amount of Three Hundred Thirty-Five Thousand Dollars (\$335,000) (exclusive of Bonds issued in substitution for any of the Bonds destroyed, stolen or lost). The Bonds shall be designated First Mortgage Water Revenue Bonds, shall be dated April 1, 1955, shall be in the denomination of \$1,000 each, shall be numbered consecutively from 1 to 335, inclusive, in the order of maturities, and shall mature serially in the following amounts on the first day

of April in each of the following years, respectively:

\$2,000 in each of the years 1958 to 1960, inclusive;
3,000 in each of the years 1961 and 1962;
4,000 in each of the years 1963 to 1966, inclusive;
5,000 in each of the years 1967 to 1970, inclusive;
6,000 in each of the years 1971 to 1974, inclusive;
7,000 in each of the years 1975 to 1982, inclusive;
8,000 in each of the years 1983 to 1987, inclusive;
167,000 in the year 1988.

The Bonds shall bear interest at the rate of $4\frac{1}{2}\%$ per annum until maturity and at the rate of 6% per annum from and after their respective maturities. Interest on the Bonds shall be payable on October 1, 1955, and semi-annually thereafter on April 1 and October 1 in each year, but only upon the presentation and surrender of the respective coupons for such interest. The Bonds shall be payable as to both principal and interest in lawful money of the United States of America at the principal office of

in the City of

Section 2. Remittances. The Board agrees with the holders of the Bonds and the coupons and with the above named Banks that it will pay all charges for exchange, fees or expenses which may be made by said Banks in the making of remittances in bankable funds of the principal of and interest on any of the Bonds and the coupons at par. All such costs, fees and expenses shall be paid by the Board as part of the expenses of operating the System.

Section 3. Bond Form. The form of the Bonds and coupons, the Trustee's authentication certificate, and the registration thereof, shall be substantially in the respective forms thereof set forth in the recital to this Mortgage.

Section 4. Execution and Authentication. The Bonds shall be executed for and on behalf of the Board with the manual signature of the Chairman of its Board of Directors and sealed with its corporate seal and be attested by its Secretary. The interest coupons attached to each of the Bonds shall be executed with the facsimile

signature of the Chairman, who, by the execution of each of the Bonds, shall adopt as and for his own signature the facsimile thereof appearing on each of said coupons. In the event that any of the officers whose signatures appear on any of the Bonds or coupons or who shall have sealed any of the Bonds, shall cease to be such officers before the authentication and delivery of the Bonds, such Bonds may, upon the request of the Board, be authenticated and delivered, as herein provided, as though the persons who signed and sealed such Bonds and coupons had not ceased to be such officers of the Board. None of the Bonds shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless there shall be endorsed thereon a certificate of authentication in substantially the form hereinabove mentioned, duly executed by the Trustee; and such certificate of the Trustee upon any Bond executed on behalf of the Board shall be conclusive evidence and the only evidence that the Bond so authenticated has been duly issued under this Mortgage and that the holder thereof is entitled to the benefit of this Mortgage.

Section 5. Registration of Bonds. The Bonds shall be payable to bearer and shall have all of the qualities and incidents of negotiable instruments under the law merchant and Title 39 of the Alabama Code of 1940, provided, however, they shall not be construed as containing an unconditional promise to pay, and provided further that any of the Bonds may be registered at any time prior to maturity as to principal in the name of the holder of the Bond on the books to be kept for that purpose by the Bond Registrar. Such registration shall be noted on the reverse of the Bonds by the Bond Registrar, and thereafter the principal of such registered Bonds shall be payable only to the registered holder, his legal representative or assigns. Such registered Bonds shall be transferable to another registered holder or back to bearer only upon presentation of the same to the Registrar together with a legal assignment thereof duly acknowledged or proved. Registration

of any of the Bonds shall not affect the negotiability of the coupons thereunto attached, and such coupons shall continue transferable by delivery merely. The Trustee is hereby designated the Bond Registrar, and by accepting the trusts provided in this Mortgage shall consent and agree to keep and maintain proper registry books for recording accurately all bond registrations and to make accurate notations of such registration on the reverse of the Bonds, authenticated in each instance by the signature of a duly authorized officer of the Trustee.

Section 6. Lost, Mutilated or Destroyed Bonds or Coupons.

In case any of the Bonds or any of the coupons appurtenant thereto shall be or become mutilated, destroyed, stolen or lost, then upon the surrender of such mutilated Bond or coupon to the Trustee, or the presentation to the Board and to the Trustee of evidence satisfactory to them, respectively, of the destruction, theft or loss of such Bond or coupon and that the claimant was the true owner thereof at the time of such event and, in any event, upon being furnished with indemnity satisfactory to them respectively and upon the payment of all necessary expenses incurred by the Board and the Trustee in investigating said claim and in issuing a new Bond or coupon, the Board shall issue and the Trustee shall thereafter authenticate and deliver to or upon the order of such claimant, a Bond or coupon of like tenor, date, principal amount and maturity as the Bond or coupon so mutilated, destroyed, stolen or lost, with such notations thereon as the Board and the Trustee shall determine. The Trustee shall forthwith cremate any mutilated Bond or coupons so surrendered and deliver a certificate of cremation to the Board.

Section 7. Temporary Bonds. Until Bonds in definitive form are ready for delivery, the Board may execute and, upon its request in writing, the Trustee shall authenticate and deliver, in lieu of any thereof and subject to the same provisions, limitations and conditions, one or more Bonds in temporary form, printed, lithographed or typewritten, substantially of the tenor of the Bonds in

lieu of which they are issued, without coupons, and with such omissions, insertions and variations as may be appropriate. The Board shall, without unreasonable delay, at its own expense, prepare, execute and deliver to the Trustee definitive Bonds with coupons attached; and thereupon upon the presentation and surrender of Bonds in temporary form, the Trustee shall authenticate and deliver, in exchange therefor, Bonds in definitive form for the same principal amount in the aggregate as the Bonds in temporary form so surrendered. All Bonds in temporary form so surrendered shall be cancelled forthwith by the Trustee and thereafter cremated. Until exchanged for Bonds in definitive form, the Bonds in temporary form shall in all respects be entitled to the same benefits of this Mortgage and shall have the same standing hereunder as the Bonds in definitive form. Interest on the Bonds in temporary form, when and as payable, shall be paid upon the presentation thereof, and endorsement of such payment shall be made thereon.

ARTICLE II

DELIVERY OF THE BONDS AND DISPOSITION OF THE PROCEEDS OF THE SALE THEREOF

Section 1. Sale and Delivery of Bonds; Disposition of Proceeds. Upon the execution and delivery of this Mortgage, the Board shall execute and deliver to the Trustee for authentication all of the Bonds or one or more Bonds in temporary form as aforesaid and said Trustee shall authenticate said Bonds with all unmatured coupons thereunto attached and deliver them, upon the order of the Board, to the purchaser or purchasers thereof upon the payment by such purchaser or purchasers to the Treasurer of the Board of the purchase price thereof. The Bonds may be executed by the Board and authenticated by said Trustee and delivered prior to any recordation of this Mortgage. The receipt of the Treasurer shall be full acquittal to such purchaser or purchasers for the purchase price of the Bonds and such purchaser or purchasers shall be under no obligation to see to the application thereof. Nevertheless, the

Treasurer of the Board shall hold the proceeds from the sale of the Bonds in trust and shall dispose of the same only as provided in this Mortgage. The amount received as accrued interest on the Bonds will be deposited by the Treasurer in the Bond Principal and Interest Retirement Fund hereinafter provided for. The Treasurer shall next set aside the sum of \$15,075 to pay interest on the Bonds during the estimated period of construction of the System and for six months thereafter, and shall deposit the same in the aforesaid Bond Principal and Interest Retirement Fund. The Treasurer shall next pay an amount sufficient to acquire the existing water system serving the unincorporated area in Baldwin County known as Gulf Shores. The balance of said proceeds shall be deposited by the Treasurer with the Trustee and held by the Trustee as depository and not as Trustee in a special account to be known as the Construction Fund and withdrawn as hereinafter provided by the Board only for the purposes of (1) paying the cost of acquiring and constructing the other facilities of the proposed system to serve Summerdale and the surrounding territory, including the purchase of all rights-of-way and land, and all engineering, legal, financing and other expenses incident to the construction of the proposed System and the issuance of the Bonds and the Trustee's acceptance fee, and (2) of paying the expenses of operation of the System until such time as the revenue derived from such operation is sufficient for such purpose. Pending the withdrawal of moneys held in the Construction Fund for the purposes hereinbefore described, the moneys held in said Fund are hereby pledged for the security of the payment of the principal of and interest on the Bonds and shall at all times be subject to the lien of such pledge.

Section 2. Withdrawals from Construction Fund. The Board may, from time to time during the construction of the System, withdraw moneys from the Construction Fund, but only upon receipt by the Trustee from the Board of a check or other order of the Board duly executed by a member of the Board of Directors of the Board

and its Treasurer or Secretary and upon delivery to the Trustee of (1) a certificate by a member of the Board of Directors that neither the Board nor any of its officers, members of the Board of Directors of the Board or any of the employees of the Board or of the Town of Summerdale has received or will receive any discount, rebate, commission, fee, proceeds from insurance, or other abatement in connection with any such expenditures or indebtedness except as expressly set forth therein; that no default exists in any of the provisions of the Bonds or of this Mortgage; and that there are no mechanics' or materialmen's liens, chattel mortgages, conditional sales or other title retention agreements or notices of any requirement of governmental or other authority accrued, pending or filed in connection with the construction or purchase of the System or of equipment, material or supplies for the System or in any matter concerning the System (except inchoate liens for labor or material supplied, payment for which will be made from such withdrawals or which are not yet due or payable) other than such as may be specified in said certificate; and (2) a certificate by the engineers who have been retained by the Board to supervise the acquisition and construction of the System, approving such withdrawal and stating:

(a) That such expenditure or indebtedness has not formed the basis of any previous withdrawal;

(b) That the amount which will remain in the Construction Fund after such withdrawal will be sufficient to pay all construction costs in connection with the completion of the proposed System.

(c) The purposes, in reasonable detail, for which such expenditures will be made and that such purpose or purposes are included within the purposes for which money may be withdrawn from the Construction Fund under the provisions of this Mortgage.

In addition to the data aforesaid, the Trustee may require, as a condition precedent to such payments, further evidence as to

the application of any moneys previously disbursed by it, or as to the correctness of any statement contained in any certificate. Upon the written request of the holders of twenty per cent (20%) of the Bonds then outstanding, said Bank shall require such evidence. The Trustee shall, however, be under no duty to require such evidence unless so requested. The Trustee shall also not be liable for any misapplication of moneys in the Construction Fund if disbursed pursuant to the provisions of this Section 2 of Article II of this Mortgage and without knowledge or reason to believe that such disbursement constitutes a misapplication of funds.

Section 3. Whenever the engineers who have been retained by the Board to supervise the acquisition and construction of the System shall have filed with the Trustee a certificate that such acquisition and construction has been completed in accordance with plans and specifications previously approved; that such completed System has been tested and approved by them; and that all expenses of purchasing and constructing the System and all other obligations incurred by the Board in connection with such purchase and construction have been paid in full, any funds then remaining in the Construction Fund shall be transferred to the Reserve Fund hereinafter provided for, or upon the written order of the Board, to the Extension Fund hereinafter provided for. Thereupon, the Trustee shall notify the engineers and the original purchasers of the Bonds that such transfer has been made and of the amount so transferred. The Trustee shall also notify the engineers and the original purchasers of the Bonds if, upon receipt of the aforesaid certificate of completion, there are no funds then remaining in the Construction Fund.

ARTICLE III

THE BUDGET FOR THE SYSTEM

Section 1. Fiscal Year; the Budget. The System shall be operated on the basis of a fiscal year to be fixed by the Board of

Directors of the Board. Prior to the beginning of each fiscal year, the Board shall cause to be prepared and approved by its Directors an annual budget for the System. Said budget shall include the following:

- (a) The estimated gross revenues and income to be derived from the System during such fiscal year;
- (b) An estimated sum sufficient to provide for the payment of all expenses of administration and operation and such expenses for maintenance as may be necessary to preserve the System in good repair and working order for such fiscal year, which shall not be less than the amounts required by this Mortgage to be paid into the Operation and Maintenance Fund;
- (c) The sum required for the payment of the principal of and interest on the Bonds maturing and coming due during such fiscal year, which will not be less than the amount required by this Mortgage to be paid into the Bond Principal and Interest Retirement Fund in such fiscal year;
- (d) A sum sufficient to provide a reasonable reserve to meet any possible deficiencies in revenues necessary to pay principal and interest on the Bonds maturing in future years, which sum shall not be less than the amounts required by this Mortgage to be paid into the Principal and Interest Reserve Fund in such fiscal year;
- (e) A sum sufficient to build up and maintain a reserve for improvements, betterments and extensions of the System, other than those necessary to maintain the same in good repair and working order for such fiscal year, which shall not be less than the amounts required by this Mortgage to be paid into the Extension and Replacement Fund in such fiscal year.

Such budget may be amended or revised by the Board in accordance with changed circumstances and conditions at any time during such fiscal year. The Board shall cause to be submitted copies of each such budget or any amendment or revision thereof promptly to the Trustee.

ARTICLE IV

COLLECTION AND DISPOSITION OF REVENUES

Section 1. Collection of Revenues and Deposit in Gross Revenue Account. The Treasurer of the Board shall collect all water service charges and other obligations due to the Board promptly when due and shall deposit the same and all other revenues and

income from the System in a special account designated and established as the Gross Revenue Account in a bank which is a member of the Federal Deposit Insurance Corporation. Such funds so collected and so deposited shall be held in trust subject to transfer by the Trustee into the Funds or for the uses hereinafter provided. All such transfers by the Trustee shall be made at par. All charges for exchange, fees or expenses which may be made by the bank in which the Gross Revenue Account is held or by the Trustee in effecting such transfers shall be paid by the Board as part of the expenses of operating the System.

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Section 2. Operation and Maintenance Fund. There is hereby established the Operation and Maintenance Fund, which shall be opened and maintained by the Board in a bank which is a member of the Federal Deposit Insurance Corporation and applied solely as hereinafter provided. As of the first day of each month during each fiscal year and not later than the twentieth day of such month, the Trustee shall transfer into the Operation and Maintenance Fund from the Gross Revenue Account one-twelfth ($1/12$) of the estimated expenses for the operation, maintenance and repair of the System in the budget for such fiscal year. Such budget estimate may be revised from time to time and any overdraft in the Operation and Maintenance Fund shall promptly be paid from the Gross Revenue Account; but in no event shall payments or transfers to the Operation and Maintenance Fund exceed the reasonable and necessary expenses of operation, maintenance and repair of the System. The reasonable and necessary expenses of operation, maintenance and repair shall be paid as incurred or accrued, by the Treasurer from the Operation and Maintenance Fund, and the bank in which such Fund shall be deposited shall discharge its obligation and liability by honoring a draft drawn by the Treasurer on such Fund if it has no reason to believe that such draft is for some purpose other than the reasonable and necessary expenses of operation, maintenance and repairs of the System, to the extent of the face amount of such draft. The reasonable expense of operation, maintenance and

repair of the System shall include the cost of procuring the insurance required by this Mortgage, engineering fee, legal fees and accountant's fees for services rendered, and the reasonable compensation of the Trustee for services performed hereunder.

Section 3. Bond and Interest Retirement Fund. There is hereby established the Bond Principal and Interest Retirement Fund (herein called the Bond and Interest Fund) which shall be held in trust by the Trustee and applied solely for the payment of the principal of and interest on the Bonds as they respectively mature and become due and to the payment of any redemption premium on any Bonds redeemed under the provisions of this Mortgage. The Treasurer shall transfer to the Trustee for the account of the Bond and Interest Fund from the Gross Revenue Account the following:

- (a) On the twentieth day of each month, beginning with the month in which interest on the Bonds shall last be paid from the proceeds of the sale thereof, a sum equal to one-sixth ($1/6$) of the next succeeding interest payment on the Bonds;
- (b) On the twentieth day of each month, beginning April 20, 1957, a sum equal to one-twelfth ($1/12$) of the principal of the Bonds maturing on the next succeeding April 1st;
- (c) All sums which should theretofore have been paid into said Bond and Interest Fund and which have not been so paid.

Section 4. Principal and Interest Reserve Fund. There is hereby established a special trust fund which shall be designated the Principal and Interest Reserve Fund (hereinafter referred to as the Reserve Fund), which shall be held in trust by the Trustee and which shall be continued until the principal of and interest on the Bonds shall have been paid in full. On the twentieth day of each month, beginning April 20, 1957, the Trustee shall transfer from the Gross Revenue Account into the Reserve Fund the sum of Three Hundred Twenty-five Dollars (\$325.00), provided, however, that whenever and so long as the money held in the Reserve Fund shall equal the sum of Eighteen Thousand, Nine Hundred Fifteen Dollars (\$18,915), no further payments or transfers need be made

to such Fund. The moneys held in the Reserve Fund shall be used solely for the payment of the principal of and interest on the Bonds as they respectively mature and become due, but only in the event that, at the time of any principal or interest payment date, the money then held in the Bond and Interest Fund shall be insufficient for such purpose. If, in any fiscal year, the payments or transfers to the Reserve Fund shall be less than the amount herein prescribed, the required payment for the next succeeding month shall be increased by the amount of such deficiency. If at any time the amounts held in the Bond and Interest Fund and in the Reserve Fund, in the aggregate, equal the amount required to effect the redemption of all outstanding Bonds on the earliest date at which they may be redeemed in accordance with the Mortgage and to pay all interest which may accrue thereon on or prior to such date, and the Board shall have taken appropriate action to redeem all such Bonds on such date, the moneys held in the Reserve Fund may be applied to the redemption of such Bonds and to the payment of such interest and, when such redemption has been effected, no further payments into the Reserve Fund need be made.

Section 5. Extension and Replacement Fund. There is hereby established the Extension and Replacement Fund (herein called the Extension Fund), which shall be held in trust by the Trustee and applied solely as hereinafter provided. On the twentieth day of each month, beginning April 20, 1957, the Treasurer shall transfer Five Hundred Dollars (\$500.00) from the Gross Revenue Account into the Extension Fund; provided that whenever and so long as the moneys held in the Extension Fund shall equal Thirty Thousand Dollars (\$30,000), no further transfers need be made thereto. The moneys in the Extension Fund shall be used only (1) upon the order of the Board, authorized by its Board of Directors and signed by the officer so authorized, for the payment of the reasonable cost of such replacements, renewals, extensions, improvements and new connections as shall have been approved in advance

by the Board and such extraordinary expenditures for repairs or maintenance not ordinarily provided for from the Operation and Maintenance Fund as are approved and authorized by the Board of Directors of the Board, or (2) upon the order of the Trustee solely for the payment of the principal of and interest on the Bonds, but only in the event that, at the time of any principal or interest payment, the moneys in the Bond and Interest Fund and in the Reserve Fund are insufficient for such purpose. If, after any moneys are so expended from the Extension Fund, the amount therein is less than the Thirty Thousand Dollars (\$30,000), the aforesaid monthly payments shall be resumed and shall be continued until the moneys held in said Fund shall again equal or exceed Thirty Thousand Dollars (\$30,000). In the event of the withdrawal of any funds to pay for the cost of replacements, renewals, extensions, improvements and new connections, including the use of pipe of a larger size than two inches, the Board shall also file with the Trustee, prior to withdrawing any funds, a certificate of an independent engineer or engineering firm or corporation having a reputation for skill and experience in the design, construction and operation of water systems, acceptable to the Trustee, stating (1) that the replacements, renewals, extensions, improvements or new connections are needed to supply water to prospective customers desiring the same or to make improvements to the water system which are of a nature customarily chargeable to capital account by good accounting practice and are needed for the safe, efficient and economical operation of the System, (2) the estimate of such engineer as to the cost to the Board of such replacements, renewals, extensions, improvements and new connections, and (3) that the cost to the Board of such replacements, renewals, extensions, improvements and new connections will represent the reasonable value thereof. In the event such certificate shall state that the extensions, improvements and/or new connections are needed to supply water to prospective customers, the certificate shall also state

(a) the estimated period of usefulness of said extensions, improvements and/or new connections, (b) the estimated revenues to be derived from said extensions, improvements and/or new connections for each year during the estimated period of usefulness thereof, (c) the amount required to pay the cost of such extensions, improvements and/or new connections in equal annual installments during the estimated period of their usefulness, together with interest on the unpaid balance thereof at the rate of $4\frac{1}{2}\%$ per annum, and (d) the estimated annual revenues as aforesaid equal or exceed one and one-half times the estimated annual installments required to pay the cost thereof, with interest, as aforesaid.

Section 6. Remaining Revenues; Surplus Fund. The term "Remaining Revenues", as used in this section of this Mortgage, means any revenues of the System remaining after the payment of the required sums into the special funds as provided in the foregoing sections of this Mortgage, and after setting apart a reserve of such revenues in an amount which, when added to the gross revenues and income reasonably expected to be derived from the System during the then ensuing six months' period, shall be sufficient to make the aforesaid payments into the aforesaid special funds during the said six months' period. Fifty per cent of any remaining revenues as of the first day of September and as of the first day of March in each year shall be transferred by the Trustee into the Reserve Fund and the balance of said remaining revenues into the Extension Fund. Whenever and so long as the amount in said Reserve Fund shall equal Eighteen Thousand, Nine Hundred Fifteen Dollars (\$18,915), and the amount in the Extension Fund shall equal Thirty Thousand Dollars (\$30,000), all of the remaining revenues shall be transferred by the Trustee for the account of a special trust fund, which is hereby established and designated the Surplus Fund. The money on deposit in the Surplus Fund shall be held in trust by the Trustee and shall either be applied to the purchase or redemption of all or any part of the Bonds prior to

their respective maturities (including expenses incident to such redemption) as provided in this Mortgage.

Section 7. Investment of Reserve and Extension Funds:
Collateral Security for all Funds. The Board may cause any of the monies on deposit in the Reserve Fund and the Extension Fund to be invested or reinvested in securities which are direct and general obligations of the United States of America or as are unconditionally guaranteed by the United States of America as to both principal and interest, provided, however, any investments or reinvestments of monies shall be limited to such of the above-described obligations as mature within twelve months after the date of purchase or are subject to redemption at the option of the holder. All interest received and all profits realized on account of any such investments or reinvestments shall be added to and become a part of the special fund to which they belong. All such securities shall be credited to the special fund to which they belong at the then market value of such securities. The money on deposit in each of said special funds not invested as aforesaid and all monies on deposit in the Construction Fund, in the Gross Revenue Account, in the Operation and Maintenance Fund, in the Bond and Interest Fund and in the Surplus Fund shall at all times be collaterally secured by a deposit of bonds which are either direct and general obligations of or are unconditionally guaranteed as to both principal and interest by the United States of America and having a market value at least equal to the amount by which the monies on deposit in each of said special funds or in said account shall exceed \$10,000.

Section 8. Disposition of Unexpended Balances After Maturity of all Bonds. In the event there has been no default in the payment of the principal of or interest on the Bonds, any unclaimed balance in the Bond and Interest Fund, in the Reserve Fund and in the Extension Fund remaining ten years after the last maturity date of the Bonds will be transmitted by the Trustee to the Board or to its successor in interest and all rights of the holders of the Bonds and coupons in and to said Funds shall thereupon cease.

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ARTICLE V

REDEMPTION OF BONDS

Section 1. Mandatory Provisions. The Bonds shall be redeemable at the time or times, in the manner, at the redemption price, subject to the terms and conditions and upon the notice provided in the form of the Bond set forth in the preamble of this Mortgage. Whenever there is on deposit in the Surplus Fund an amount sufficient to redeem \$2,000 principal amount or more of Bonds, the Trustee shall notify the Board and the Board shall, and whenever monies of any amount are on deposit in said fund, the Board may in its discretion, take all steps necessary to effect the redemption of such of the Bonds as are then subject to redemption and the redemption price of which is not in excess of the amount available therefor in the Surplus Fund or to purchase Bonds for retirement at a price which is not in excess of the amount available therefor in the Surplus Fund, such purchase to be made in the open market, without public notice of tender or otherwise, but at a price not exceeding the amount payable if such Bond or Bonds so purchased had been called for redemption.

Section 2. Notice of Redemption. The published notice of any intended redemption shall state the number or numbers of the Bond or Bonds which have been called for redemption, shall state that the Bond or Bonds bearing such number or numbers will become due and payable on the date specified at the redemption price and shall state that all interest thereon will cease after such date. All of the Bonds called for redemption shall become due and payable at the redemption price and on the redemption date specified in such notice, anything herein or therein to the contrary notwithstanding, and the holders thereof shall then and there surrender them for redemption. Notice of redemption having been given as required in the Mortgage and funds for the payment of the redemption price having been set aside and made available for the payment of such redemption price, each of the Bonds so called for redemption shall cease to bear interest from and after the date fixed for redemption and shall no longer be entitled to the benefit of the lien hereof, unless default shall be made in the payment of the redemption price.

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ARTICLE VI

PARTICULAR COVENANTS BY THE BOARD

The Board, for itself, its successors and assigns, covenants and agrees as follows:

Section 1. Title to Mortgaged Property. That the Board has title in fee simple to and the beneficial interest in and is lawfully possessed of the System and the Mortgaged Property and has the rightful power and lawful authority to mortgage the same. The Board will warrant and defend the title thereto and every part thereof to the Trustee, its successors and assigns, for the benefit of the holders for the time being of the Bonds and coupons, against the claims and demands of all persons whomsoever. All of the Mortgaged Property now owned or hereafter acquired by the Board is free and clear of and from all and any liens and encumbrances of every nature and kind, and will be so kept except as herein otherwise permitted, and the Board will at all times maintain and preserve the lien and rank of this Mortgage as herein provided.

Section 2. Title to Pledged Revenues. That the Board has legal title to and the beneficial interest in the Pledged Revenues and the rightful power and the lawful authority to pledge the same. The Board will warrant and defend such pledge to the Trustee, its successors and assigns, for the benefit of the holders for the time being of the Bonds and coupons, against the claims and demands of all persons whomsoever. The Pledged Revenues will be kept free and clear of and from any and all liens and encumbrances of every nature and kind except as herein otherwise provided. The Board will at all times maintain and preserve the lien and rank of this Mortgage as a first and prior lien upon the Pledged Revenues.

Section 3. Further Assurances. The Board covenants that it will at any time or times do, execute, acknowledge and deliver, and cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, assignments, pledges,

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transfers and assurances in law as the Trustee shall reasonably require for the better assuring, assigning, transferring, pledging and confirming unto the Trustee, all and singular, the property and rights herein assigned, transferred and pledged or intended so to be, and that it will cause this Mortgage and any and all additional instruments executed pursuant to the provisions hereof at all times to be kept recorded and filed in such public offices as may be necessary or required by law in order fully to preserve, continue and protect the security of the Bonds and the rights and remedies of the Trustee, and that it will fully comply with all the requirements of any and every recording law or any other law affecting the due recording and filing of this Mortgage or of any such additional instruments.

Section 4. Prohibition of Mortgages or Sales of System or Pledging of Revenues. That the Board will not mortgage, pledge or otherwise encumber the Mortgaged Property or any part thereof or the Pledged Revenues or any part thereof, unless such encumbrance is junior, secondary and subject in all respects to all obligations set forth in this Mortgage. The Board will not sell, lease or in any manner dispose of any part of the System necessary to its continued maintenance and operation on a revenue producing and self-liquidating basis except as is expressly permitted by this Mortgage.

Section 5. No Extension of Time for Payment of Bonds. That the Board will not directly or indirectly extend or consent to the extension of the time of payment of any of the Bonds or coupons by purchase, funding or refunding of such Bonds or coupons or by any other arrangement, unless consented to by the holders of all outstanding Bonds.

Section 6. Acquisition of System. That the Board will commence and complete the acquisition of facilities for which Bonds are issued under this Mortgage with all reasonable dispatch and that all monies derived from the sale of the Bonds shall be used solely for the purposes for which the same are authorized in this Mortgage and not otherwise.

Section 7. Insurance; Fidelity Bonds. That until all principal of and interest on the Bonds have been paid, the Board will at all times insure and keep insured with responsible insurers all properties of the System which are of the character usually insured by owners similarly situated to an amount equal to the full insurable value of such property, and that the proceeds of all such insurance policies shall be available for and shall to the extent necessary be applied to the repair and replacement of the damaged property. If said proceeds are not sufficient for such purposes, the additional cost of repair or replacement shall be paid from the Extension Fund. Any excess in insurance proceeds over and above that necessary to replace or repair any property lost, destroyed or damaged and covered by such insurance shall be paid into the Bond and Interest Fund. The Board will carry workmen's compensation insurance and public liability insurance in such amounts and to such extent as is customarily carried by like organizations engaged in like business of comparable size. The Board will also at all times carry fidelity bonds on all of its officers and employees who may handle funds derived from the System, such bonds to be in such amounts as are customarily carried by like organizations engaged in like business of comparable size. The cost of all such insurance and bonds shall be considered a part of the cost of operating and maintaining the System. The policies of insurance and the fidelity bonds required by this Section will be deposited with the Trustee.

Section 8. Efficient and Economical Operation of System. That the Board will at all times operate the System in an economical and efficient manner and will maintain it in first class operating condition and will make such improvements, replacements and repairs from time to time as are necessary to keep the said System in first-class operating condition.

Section 9. Collection and Disposition of Revenues. That the Board shall promptly collect or cause to be collected all service charges and other obligations as the same become due; and that it will hold all collections and all revenues and income from the System, as collected, in trust to be applied as provided in this Mortgage and not otherwise.

Section 10. No free service. That no free service shall be furnished by the System to the Board or to any municipality, board, agency, instrumentality, person, firm or corporation. No customer shall be connected to the System or served by the Board without a proper meter having been first installed and then only at uniform established rates.

Section 11. Shutting off Service for Failure to Pay. Upon failure of any user to pay for services rendered within sixty (60) days, the Board shall cut off the connection of such user and shall not furnish him or permit him to receive from the System further service until all obligations owed by him to the Board on account of services shall have been paid in full. This covenant shall not, however, prevent the Board from causing any System connection to be cut off sooner.

Section 12. Books, Records and Accounts. That the Board shall install and maintain proper books of record and account in accordance with standard accounting practice, in which full and complete entries shall be made of all dealings and transactions of or in relation to the properties, business and affairs of the System. Said system of books, records and accounts shall be so kept as to reveal in detail each item of income and the disposition thereof and each item of expense and shall indicate under what budget item such expense was charged.

Section 13. Inspection of System and Books, Records and Accounts. That the Board will permit the Trustee or the holder of any of the Bonds or its or his agent or attorney, duly appointed and authorized in writing, or any officer of or member of the

governing body of the Municipality, to examine and inspect the System and all papers, books, records, accounts, audits and data of the Board relating thereto at all reasonable times and will permit photographs, copies or transcripts thereof to be made by any such person or persons at all reasonable times.

Section 14. Examination and Inspection of System by Licensed Engineer. The Board will cause an examination and inspection of the System and the operations of the System to be made by a licensed engineer at the end of each five years covering the operations during such five year period, and copies of the report of such engineer, together with his suggestions and recommendations, shall be furnished the Trustee and the original purchasers of any of the Bonds and, upon written request of the holder of any of the Bonds, to such bondholder.

Section 15. Monthly Operating Statement; Annual Audits. That the Board will, on or before the tenth day of each month, furnish to the Trustee, to the original purchasers of any of the Bonds, and to Hugo Marx & Company of Birmingham, Alabama, or any successor person, firm or corporation of said Hugo Marx & Company, and upon written request of any holder of any of the Bonds, to such bondholder, an operating and income statement of the System in reasonable detail for each preceding month, including a list of any delinquent accounts of customers of the System. If such monthly operating and income statement is not submitted to the Trustee during the next succeeding month, the Trustee will employ an independent accountant to make such report and the services of such accountant shall be paid for by the Board from the Operation and Maintenance Fund. Not later than sixty (60) days after the close of each fiscal year of the System, the Board shall cause an audit of the books, records and accounts of the System for such fiscal year to be made by an independent public accountant satisfactory to the Trustee and shall cause to be prepared and certified by such public accountant a report of such audit together with a balance sheet and an income and surplus account, showing, respectively, in reasonable detail, the financial condition of the System at the close

of the preceding year and the financial operations thereof during such year. Said annual audit, balance sheet and income and surplus account shall, at all reasonable times during usual business hours, be open to examination and inspection and copying by any taxpayer, user of services furnished by the System or holder of any of the Bonds, or anyone acting for and on behalf of such taxpayer, user of the services of the System, or bondholder. Copies of each such annual audit, balance sheet and income and surplus account shall be furnished the Trustee, the original purchasers of any of the Bonds, and Hugo Marx & Company of Birmingham, Alabama, or any successor person, firm or corporation of said Hugo Marx & Company, and, upon written request of any holder of any of the Bonds, to such bondholder.

Each of the aforesaid annual audits shall contain a certificate by the accountant who made the audit in which such accountant shall certify that his examination has disclosed no violation of the provisions of this Mortgage, nor failure of the Board to comply with the terms, provisions and covenants set forth herein, or if his examination has disclosed any such violation or failure to comply, such accountant shall specify in his certificate the details with respect to such violation or failure to comply.

Each annual audit of the System shall also set forth the average annual net income derived from the operation of the System during the previous three-year period, the average amount payable annually during such period as principal of and interest on all Bonds then outstanding, and the average amount payable annually for the next ensuing three-year period as principal of and interest on all Bonds then outstanding.

Section 16. Rates. That the Board shall fix, publish and maintain such reasonable rates for services furnished by the System at such level as to produce revenues sufficient to provide for the payment of the expenses of the administration and operation and such expenses for maintenance of the System as are necessary to

preserve the same in good repair and working order, to maintain the payments required by this Mortgage to be made to the Operation and Maintenance Fund, to provide for the payment of the interest upon and the principal of the Bonds as and when the same become due and payable and for a reasonable reserve to assure against possible default in such payment, to maintain the payments herein required to be made to the Bond and Interest Fund and to the Reserve Fund, and to build up and maintain a reserve for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order, and to maintain the payments required by this Mortgage to be made to the Extension Fund. In addition, the Board covenants that the rates for services furnished by the System will be maintained at such level as to produce net revenues (after the payment of the expenses of administration, operation and maintenance) during each 36 consecutive months equal to at least 150% of the amount required to pay principal of and interest on such of the Bonds then outstanding as shall become due and payable during such 36 months' period. If such rates do not produce revenues sufficient for all the aforesaid purposes, the Board will alter and amend such rates to the reasonable extent necessary to produce revenues sufficient for all such purposes and will publish and maintain such amended or altered rates. The rates set forth in the schedule of rates in effect as of the date of the execution of this Mortgage will not be reduced unless and until the monies on deposit in the Funds established hereunder equal or exceed the respective amounts required to be accumulated and maintained therein and then only in the event (1) there is no default in any provision of this Mortgage, including the payments of the required amounts currently to be paid into the several Funds hereunder, and (2) such proposed reduction of rates will not violate any other provision of this Mortgage under the provisions of this Section 16.

ARTICLE VII

USE AND RELEASE OF MORTGAGED PROPERTY

Section 1. Release Clause with Respect to Movable or Replaced Personal Property. Until default hereunder and provided such action does not impair the utility thereof, the Board, without procuring the consent of the Trustee, may alter, repair, replace, change or add to its movable personal property or the fixtures, equipment or structures on the Mortgaged Property; and provided the Board first substitutes property of equal value and utility to be subject to the lien hereof, free and clear of prior liens hereto, it may dispose of, free from the lien hereof, any personal property, fixtures and equipment that has been replaced by personal property, fixtures or equipment of equal value, provided such personal property, fixtures or equipment is no longer required for the operation of the System.

Section 2. Release Clause with Respect to Mortgaged Property. While the Board is not in default to the knowledge of the Trustee in the payment of any Bond or coupon outstanding hereunder or in respect of any of the covenants on the part of the Board herein contained, the Board may obtain the release of any of the Mortgaged Property not needed by it as part of the System and the Trustee shall release the same from the lien hereof upon deposit by the Board with the Trustee of the following:

(1) A resolution describing the property to be released in reasonable detail, stating that the Board is not in default under any provisions of the Mortgage and requesting such release;

(2) A certificate of an independent engineer satisfactory to the Trustee, made and dated not more than sixty days prior to the date of the release, stating the full value in the opinion of the signer of the property to be released, that such property is not and will not be needed by the Board as part of the System, that such release is, in the opinion of the signer, desirable in the conduct of the business of the Board, and that the Board is not, to the knowledge of the signer, in default under any of the provisions of the Mortgage.

(3) An amount in cash equal to the full value of the property to be released as specified in said engineer's certificate.

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Upon compliance by the Board with the foregoing conditions, the Trustee shall, at the expense of the Board, execute and deliver to the Board any and all instruments that may be necessary to release from the lien of the Mortgage that portion of the Mortgaged Property so sold by the Board. The money deposited with the Trustee as aforesaid will be transferred to the Bond and Interest Fund. (The next provision of this Mortgage is Article VIII, Section 1.)

ARTICLE VIII

REMEDIES OF THE TRUSTEE AND THE HOLDERS OF THE BONDS

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Section 1. Events of Default. The following events shall be events of default under this Mortgage, and the terms "event of default" or "events of default" shall mean, whenever they are used in this Mortgage or in the Bonds, one or more of the following events:

(a) If default shall be made in the payment of any part of the principal of any of the Bonds when and as the same become due and payable either by the terms thereof, by declaration or otherwise;

(b) If default shall be made in the payment of any installment of interest on any of the Bonds when and as the same shall become due and payable and such default shall have continued for a period of sixty days;

(c) If default shall be made in any obligation in respect of any of the several funds provided for in this Mortgage, and such default shall have continued for a period of sixty days;

(d) If default shall be made by the Board in the performance of any of the obligations on its part to be performed or due observance of any covenant, condition or agreement on the part of the Board to be performed, in the Bonds or this Mortgage contained, and such default shall have continued for a period of sixty days after a written notice specifying such default and requiring the same to be remedied shall have been given to the Board by the Trustee, whose duty it shall be to give such notice at the request of the holders of at least twenty percent (20%) of the principal amount of the Bonds then outstanding;

(e) If the repair or replacement of any lost, destroyed or damaged property constituting a necessary part of the System shall not be begun within sixty days after occurrence of such loss, damage or destruction;

(f) If the Board shall sell, lease or in any manner dispose of the System or the Mortgaged Property or any part thereof in violation of any provision of this Mortgage.

(g) If the Board shall be dissolved or liquidated or any receiver or receivers shall be appointed for all or any substantial part of the System.

Section 2. Remedies Available. Whenever any such event of default shall have happened and be subsisting:

(a) Acceleration. The Trustee may, and upon written request of the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Board, declare the principal of all of the Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest

shall thereupon become and be immediately due and payable, anything in this Mortgage or the Bonds to the contrary notwithstanding; subject, however, to the right of the holders of a majority in principal amount of the outstanding Bonds, by written notice to the Board and to the Trustee, to annul such declaration and destroy its effect at any time before possession is taken hereunder, if before any such possession is taken, all covenants with respect to which default shall have been made shall be fully performed, and all arrears of interest upon all Bonds outstanding hereunder and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other payments required by this Mortgage (except the principal of any Bonds not then due by their terms) and interest accrued on such Bonds since the last interest payment date, shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

(b) Suit at Law or in Equity. The Trustee, upon the written request of the holders of twenty percent (20%) or more in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction, shall proceed to protect and enforce its rights and the rights of the holders of the Bonds hereunder and under the Bonds (i) by a suit or suits upon the Bonds; (ii) by mandamus or other suit, action or proceeding, at law or in equity, to enforce its rights against the Board and its board of directors, including the right to require the Board and such board to fix and collect rates and charges adequate to carry out any agreement as to, or pledge of, the revenues produced by such rates or charges, and to require the Board and such board to carry out the other covenants and agreements herein and in the Bonds set forth and to perform their duties hereunder; (iii) by action or suit in equity to require the Board to account as if it were the trustee of an express trust for the holders of the Bonds; (iv) by action or suit in equity to enjoin any act or things which may be unlawful or a violation of the rights of the holders of the Bonds; or (v) by such other suit, action or proceeding as may be permitted by law, as the Trustee being advised by counsel shall deem most effectual to protect and enforce its rights and the rights of the holders of the Bonds hereunder.

(c) Possession and Operation of System by Trustee. The Trustee, upon the written request of the holders of twenty percent (20%) or more in principal amount of the Bonds then outstanding, may, in its discretion, with or without declaring the Bonds due and payable, enter upon and take possession of the System and any property at the time forming a part of or used in connection with the System, and operate the same in the name and as the agent of the Board, either personally or by superintendents, managers, receivers, agents, servants and attorneys, and from time to time, either by purchase, repair or construction, may maintain and restore and insure and keep insured the same, and each and every part thereof, in the manner and to the same extent as is usual with like properties and likewise, from time to time, make all necessary repairs, renewals, replacements, alterations, additions and improvements thereto and thereon as may seem judicious, and the Trustee shall be entitled to

collect and receive all service charges and all revenues and income of the System and every part thereof and, after paying the expense of operating the same, including expenses of operation, maintenance, repair and insurance or other charges thereon, as well as just and reasonable compensation for the services of the Trustee and its agents, attorneys, receivers, counsel or employees, the Trustee shall apply the monies arising as aforesaid as follows:

First: If the principal of all of the Bonds shall not have become due, to the payment of the installments of interest which are due and unpaid in the order of their maturities with interest on the overdue installments of interest at the rate of six per cent (6%) per annum, and next to the payment pro rata of the principal of such Bonds as shall have become due.

Second: If the principal of all the Bonds shall have become due, to the payment of principal and accrued interest thereon, with interest on the overdue installments of interest at the rate of six per cent (6%) per annum, pro rata without any preference or priority whatever.

Upon payment in full of whatever sums may be due for interest and principal or payable for other purposes, and upon making good any other default hereunder, and after crediting to the Bond and Interest Fund a sum sufficient to pay the interest becoming due on the Bonds outstanding hereunder on the next succeeding interest payment date, and the principal of the Bonds maturing on the next succeeding maturity date, the balance of any monies then on hand derived from the operation of the System shall be by the Trustee paid as provided in the Mortgage with respect to service charges and the revenue and income from the System; and the System shall be returned to the Board and the Board shall be entitled to resume possession and management thereof, the same right of entry, however, to exist upon any subsequent default.

Section 3. Receivership of System. In the event of default by the Board in the payment of the principal of or interest on any of the Bonds, which default shall have continued for a period in excess of sixty (60) days, or in the event of default in the performance of any other covenants or obligations of the Board, which default shall have continued for a period of sixty (60) days after notice to cure such default, the Trustee, by suit, action or proceeding in any court of competent jurisdiction, shall be entitled as a matter of strict right, to the appointment of a receiver for the System, which receiver may enter and take possession of the System or any part or parts thereof, including all property, land, property rights, easements, franchises, books, records, papers, accounts and other adjuncts of the System and such receiver may operate and maintain the System, fix and collect

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all rates and charges, and receive all revenues thereafter arising therefrom in the same manner as the Board itself might do, and shall deposit all monies in a separate account or accounts and apply the same in accordance with the obligations of the Board and as the court shall direct.

Section 4. No Election Exclusive; Delay No Waiver. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5. Covenant to Pay Entire Principal and Interest in Event of Default. The Board covenants that if default shall be made in the payment of the principal of any of the Bonds when the same shall become payable, whether at the maturity of the Bonds or by declaration as authorized by this Mortgage, then upon the demand of the Trustee, the Board will pay to the Trustee (but only out of the Pledged Revenues and the special funds herein provided) for the benefit of the holders of the Bonds and coupons then outstanding hereunder, the whole amount due and payable under this Mortgage on all such Bonds and coupons for principal and interest, with interest at the rate of six per cent (6%) per annum on overdue principal and, so far as may be lawful, on overdue installments of interest; and in case the Board shall fail to pay the same forthwith upon such demand, the Trustee in its own name as Trustee of an express trust shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid, together with its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys; provided,

however, that nothing herein contained shall be construed to require the payment of the principal of or interest on the Bonds from any sources other than the Pledged Revenues, or the special funds herein provided, or to constitute the Bonds a debt or general obligation of the Board.

Any monies thus collected or received by the Trustee under this Section shall be applied by it, first, to the payment of its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amount then due and unpaid upon such of the Bonds and coupons in respect of which such monies shall have been collected, ratably and without preference or priority of any kind according to the amounts due and payable upon such Bonds and coupons, respectively, at the date fixed by the Trustee for the distribution of such monies, upon presentation of the several Bonds and coupons and upon stamping such payment thereof, if partly paid, and upon surrender thereof if fully paid.

Section 6. Application of Proceeds Collected by Trustee.

Except as otherwise provided in this Mortgage, all proceeds collected by the Trustee pursuant to the exercise of remedies and powers provided for in this Mortgage shall, together with all monies theretofore received and then held by the Trustee (and not irrevocably appropriated to some other purpose) whether held in any of the special funds or otherwise, be applied in order as follows:

First: To the payment of all costs and expenses of the proceedings whereby such proceeds were obtained.

Second: To the payment of any unpaid compensation of the Trustee for its services hereunder, the expenses of the Trustee, including counsel fees and expenses, and any sums advanced by the Trustee, the repayment of which is a charge prior to that of the Bonds outstanding hereunder.

Third: To the payment of the whole amount then due and unpaid upon the Bonds issued hereunder and then outstanding for principal and interest with interest on overdue principal and