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TRUST INDENTURE

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THIS TRUST INDENTURE, dated as of June 15, 1971, between BOROUGH OF ALBURTIS SEWER AUTHORITY, a municipality authority existing under Pennsylvania laws, and THE FIRST NATIONAL BANK OF ALLENTOWN, a national banking association organized and existing under laws of the United States of America and having its principal office in the City of Allentown, Lehigh County, Pennsylvania, as trustee.

WITNESSETH:

WHEREAS, The Authority was incorporated under the Authorities Act pursuant to an ordinance of the Council of the Borough; and

WHEREAS, The Authority, pursuant to powers vested in it by law and pursuant to request of the Borough, has agreed to undertake the Project; and

WHEREAS, Plans and specifications for construction related to the Project, as presently contemplated, have been prepared by the firm of A.L. Wiesenberger Associates, Inc., Consulting Engineers, Allentown, Pennsylvania, which plans and specifications have been approved by the Authority, the Borough and the Pennsylvania Department of Environmental Resources; and

WHEREAS, The Authority, by resolution duly adopted, inter alia, has approved the plan of construction of the Sewer System, as presently contemplated, the total estimated cost of construction thereof, and the estimated cost of construction of assessable sewers to be located in the Borough, as prepared by the firm of A.L. Wiesenberger Associates, Inc., Consulting Engineers, Allentown, Pennsylvania, and submitted such plan of construction and such estimated costs to the Borough for approval, all as required by the Authorities Act; and

WHEREAS, The Borough, by ordinance duly enacted¹ inter alia, has approved the plan of construction of the Sewer System, as presently contemplated, the total estimated cost of construction thereof, the estimated cost of construction of assessable sewers to be in the Borough, as prepared by the firm of A.L. Wiesenberger Associates, Inc., Consulting Engineers, Allentown, Pennsylvania, all as required by the Authorities Act; and

WHEREAS, The Authority, by resolution duly adopted, inter alia, has charged a portion of the cost of construction of assessable sewers constituting a part of the Sewer System against properties benefited, improved or accommodated thereby, by assessment according to the foot front rule, and has provided for collection of such assessments and for disposition of proceeds thereof; and

WHEREAS, The Authority also has determined to charge the cost of construction of certain sewers constituting a part of the Sewer System against properties benefited, improved or accommodated thereby, by assessment according to benefits, in order to provide equitable assessments; and

¹ **Cross-Reference:** *see* Ordinance 150.

WHEREAS, The Authority has entered into the Lease², with the Borough whereby the Authority, as lessor, has leased the Sewer System to the Borough, as lessee, for a term of 40 years, and whereunder the Borough has agreed, inter alia, to operate and maintain the Sewer System and initially to pay certain minimum net rentals to the Authority or its assigns; and

WHEREAS, The Borough and the Authority, pursuant to terms and conditions of the Service Agreements, have agreed, inter alia, that the Sewer System will be connected to the Interceptor System presently being acquired and constructed by the County Authority so that Sewage collected in the Sewer System, subject to terms and conditions of the Service Agreements, may be discharged into the Interceptor System for transportation and ultimate disposal; and

WHEREAS, The County and the County Authority have provided for the discharge of Sewage from the Interceptor System to the sewer system presently being operated and maintained by the City for further transportation and for treatment and disposal pursuant to and in accordance with terms and conditions of the Allentown Agreements; and

WHEREAS, The Borough has duly enacted an ordinance, inter alia, requiring all owners of improved property located within the Borough and benefited, improved or accommodated by any sanitary sewer constituting part of the Sewer System to connect therewith and providing for enforcement of such ordinance as permitted by law; and

WHEREAS, The Borough has duly enacted an ordinance, inter alia, imposing certain sewer rentals or charges upon owners of improved property which shall be connected to the Sewer System for use thereof and providing for enforcement of such ordinance as permitted by law; and

WHEREAS, The Authority has duly adopted a resolution, inter alia, charging a tapping fee against the owner of each property who connects such property to the Sewer System and providing for enforcement of such resolution as permitted by law; and the Authority has agreed to transfer Receipts from Tapping Fees to the Borough for disposition as provided in the Lease; and

WHEREAS, The Borough has covenanted in the Lease that sewer rentals or charges imposed and other moneys received pursuant to provisions of ordinances of the Borough in effect at the time in accordance with provisions of the Lease, as well as all other moneys received by the Borough from or in connection with operation of the Sewer System, including Receipts from Tapping Fees to be transferred to the Borough for disposition as provided in the Lease and including any sums appropriated and paid or contributed to the Borough by any Person for the purpose of meeting any obligations of the Borough under the Lease, shall be pledged for payment of Operating Expenses, for payment of all rentals payable by the Borough to the Authority or its assigns under the Lease and for payment of all other costs payable by the Borough under the Lease; and

WHEREAS, The Authority, after due legal advertisement, has entered into a contract for construction required in connection with the Project, in accordance with said approved plans and specifications; and

WHEREAS, The Authority, pursuant to provisions of the Authorities Act, as amended by Act No. 101, approved October 10, 1969, of the General Assembly of the Commonwealth, by resolution duly adopted, authorized the sale and issuance of not more than \$1,000 aggregate principal amount of term sewer assessment revenue bonds in the denomination of \$100 each and not more than \$3,000 aggregate principal amount of term sewer revenue bonds in the denomination of \$100 each, which bonds in the denomination of \$100 each were offered for sale to the public by advertisement; and

WHEREAS, The Authority has not sold any bonds in the denomination of \$100 each; and

WHEREAS, The Authority, by resolution duly adopted, has authorized execution and delivery of this Indenture and has authorized initial issuance hereunder of \$795,000 aggregate principal amount of its

² **Cross-Reference:** *see* Codified Ordinances ¶ 65-N(1).

Series of 1971 Bonds, to be issued to provide moneys to pay the Costs, Costs of Acquisition and Costs of Construction related to the Project; and

WHEREAS, The Authority has determined that the Series of 1971 Bonds shall be issued in two distinct series, the one series to be in the aggregate principal amount of \$170,000 and to be designated as "Sewer Assessment Revenue Bonds—Series of 1971", and the other series to be in the aggregate principal amount of \$625,000 and to be designated as "Sewer Revenue Bonds—Series of 1971"; and

WHEREAS, The Series of 1971 Bonds shall bear interest and shall mature as hereinafter set forth; and

WHEREAS, The principal of, premium, if any, and interest on the two series collectively constituting the Series of 1971 Bonds shall be payable only out of certain receipts, revenues and moneys of the Authority, all as is provided specifically hereunder; and

WHEREAS, The Authority desires to provide for issuance, from time to time, of additional series of bonds under this Indenture for purposes which shall be authorized by this Indenture; and

WHEREAS, The Series of 1971 Bonds, the coupons appertaining thereunto and the Trustee's Certificates to be endorsed thereon are to be respectively and substantially in the following forms, with appropriate insertions, omissions and variations:

(FORM OF SEWER ASSESSMENT REVENUE BOND)

No. SA

\$5,000

BOROUGH OF ALBURTIS SEWER AUTHORITY

Lehigh County, Pennsylvania

Sewer Assessment Revenue Bond—Series of 1971

BOROUGH OF ALBURTIS SEWER AUTHORITY (the "Authority"), a municipality authority organized and existing under the Pennsylvania Municipality Authorities Act of 1945, approved May 2, 1945, P.L. 382, as amended and supplemented (the "Act"), for value received, hereby promises to pay to the bearer hereof, or if this Sewer Assessment Revenue Bond—Series of 1971 (the "Bond"), shall be registered as hereinafter provided, to the registered owner hereof, on the fifteenth day of June, 1977, unless this Bond shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for, upon surrender hereof, the principal sum of FIVE THOUSAND DOLLARS (\$5,000), and to pay interest on said principal sum from the fifteenth day of June, 1971, at the rate of Four and One-Quarter per centum (4 1/4%) per annum, payable semiannually on the fifteenth days of June and December in each year, beginning December 15, 1971, either until maturity hereof or, if this Bond shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for, until the date fixed for redemption hereof, only upon presentation and surrender of appropriate coupons hereunto appertaining as they severally mature.

The principal of and interest on this Bond shall be payable at the principal office of THE FIRST NATIONAL BANK OF ALLENTOWN (the "Trustee"), in the City of Allentown, Lehigh County, Pennsylvania, or of any successor trustee under the Indenture, in any coin or currency of the United States of America which, at time of payment, is legal tender for payment of public and private debts. The term "Trustee", when hereinafter used, also shall include any successor trustee under the Indenture.

The principal of and interest on this Bond shall be payable only from moneys of the Authority derived from charges by assessment of costs of construction of certain sewer mains constituting part of the Sewer System, as that term is defined in the Indenture, to be charged, pursuant to the Act, against properties benefited, improved or accommodated by such construction, and certain other receipts, revenues and moneys of the Authority available for such purposes, all as provided and more fully set forth in the Indenture.

This Bond is one of an initially authorized series of \$170,000 aggregate principal amount of sewer assessment revenue bonds of the Authority, known as “Sewer Assessment Revenue Bonds—Series of 1971” (the “Sewer Assessment Revenue Bonds”), numbered SA1 to SA34, both numbers inclusive, all of like date, amount and tenor, and all issued under and secured by a Trust Indenture, dated as of June 15, 1971 (the “Indenture”), duly executed and delivered by the Authority to the Trustee. A series of sewer revenue bonds of the Authority, known as “Sewer Revenue Bonds—Series of 1971”, dated as of June 15, 1971 in the aggregate principal amount of \$625,000 (the “Sewer Revenue Bonds”), also initially is authorized for issuance under and is secured by the Indenture. The Sewer Assessment Revenue Bonds and the Sewer Revenue Bonds are *not* equally and ratably secured by the Indenture. Reference is made to the Indenture, an executed counterpart of which is on file at the principal office of the Trustee, for, inter alia, a statement of the particular receipts, revenues and moneys of the Authority pledged for payment of the principal of and interest on the Sewer Assessment Revenue Bonds, the nature, extent and manner of enforcement of the security for the Sewer Assessment Revenue Bonds, the rights of holders of the Sewer Assessment Revenue Bonds and of the Trustee with respect to such security, the terms and conditions upon which the Sewer Assessment Revenue Bonds are issued and upon which sewer assessment revenue bonds of other series may be issued and the terms and conditions upon which the Sewer Revenue Bonds are issued and upon which sewer revenue bonds of other series may be issued.

Certain modifications and alterations of the Indenture not adversely affecting rights of holders of bonds outstanding thereunder may be made without consent of holders of such bonds in the manner and upon terms and conditions provided in the Indenture. Any other modification or alteration of the Indenture and of rights and obligations of the Authority and of holders of bonds outstanding thereunder may be made in the manner and upon terms and conditions provided in the Indenture. Any consent by the holder of this Bond, when required by the Indenture (unless revoked as provided in the Indenture), shall be conclusive and binding upon such holder and all future holders and owners of this Bond, irrespective of whether any notation of such consent is made upon this Bond.

This Bond does not pledge the credit or taxing power of the Borough of Alburts, Lehigh County, Pennsylvania (the “Borough”), or the Commonwealth of Pennsylvania (the “Commonwealth”), or any political subdivision thereof; nor shall this Bond be deemed an obligation of the Borough or the Commonwealth or any political subdivision thereof; nor shall the Borough or the Commonwealth or any political subdivision thereof be liable for payment of the principal of or interest on this Bond.

The Sewer Assessment Revenue Bonds are subject to redemption prior to maturity, at the option of the Authority or as required by the Indenture, as a whole or, from time to time, in part, as drawn by lot by the Trustee, on any date after issuance hereof, in each case from moneys available for such purpose as provided in the Indenture and upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Any redemption, as hereinbefore authorized, shall be made after notice by publication, once a week for two successive weeks, in a newspaper of general circulation in the County of Lehigh, Pennsylvania, the first publication to be at least 30 days and not more than 40 days before the redemption date, in the manner and upon terms provided in the Indenture or after waiver of such notice shall have been duly filed in accordance with provisions of the Indenture.

This Bond shall be transferable by delivery unless registered as to principal in the name of the owner on books of the Authority to be kept for that purpose at the principal office of the Trustee, such registration to be noted hereon by the Trustee in behalf of the Authority. After such registration, no transfer shall be valid unless made by the registered owner in person or by his duly authorized attorney and similarly noted upon said books and hereon. This Bond, however, may be discharged from registration in like manner by being transferred to bearer and, thereupon, transferability by delivery shall be restored, after which this Bond again, from time to time, may be registered or made transferable by delivery as before. Such registration, however, shall not affect the negotiability of coupons for interest hereunto appertaining, which coupons always shall continue to be payable to bearer and to be transferable by delivery merely.

In case an event of default, as defined in the Indenture, shall occur, the principal of all bonds then outstanding under the Indenture may be declared or may become due and payable upon conditions, in the manner and with the effect provided in the Indenture.

Neither this Bond nor any coupon for interest hereunto appertaining shall be entitled to any benefit under the Indenture or shall be valid or obligatory for any purpose until this Bond shall have been authenticated by the Certificate of Authentication endorsed hereon duly signed by the Trustee.

The holder of this Bond, by acceptance hereof, shall be deemed to have assented to all terms and conditions of the Indenture.

IN WITNESS WHEREOF, BOROUGH OF ALBURTIS SEWER AUTHORITY has caused this Bond to be signed in its name and in its behalf by its Chairman or Vice Chairman, and a facsimile of its corporate seal to be affixed hereunto, duly attested by its Secretary or Assistant Secretary, and coupons for interest, bearing the facsimile signature of its Treasurer, to be attached hereunto, all as of the fifteenth day of June, 1971.

BOROUGH OF ALBURTIS SEWER
AUTHORITY

Attest:

Secretary

By: _____
Chairman

(FORM OF COUPON)

No. \$106.25

On the 15th day of _____, 197 , unless the Sewer Assessment Revenue Bond hereinafter mentioned shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for, BOROUGH OF ALBURTIS SEWER AUTHORITY will pay to the bearer, but only out of certain receipts, revenues and moneys referred to in the Sewer Assessment Revenue Bond hereinafter mentioned, at the principal office of THE FIRST NATIONAL BANK OF ALLENTOWN, in the City of Allentown,

Lehigh County, Pennsylvania, or of any successor trustee, upon surrender hereof, the amount shown hereon, in any coin or currency of the United States of America which, at time of payment, is legal tender for payment of public and private debts, being interest then due on its Sewer Assessment Revenue Bond—Series of 1971, dated as of June 15, 1971, and numbered SA .

BOROUGH OF ALBURTIS SEWER
AUTHORITY

By: _____
Treasurer

(FORM OF TRUSTEE'S CERTIFICATES)

CERTIFICATE OF AUTHENTICATION AND
CERTIFICATE AS TO OPINION

It is certified that:

(i) This Bond is one of the Sewer Assessment Revenue Bonds, of the Series designated therein, described in the within mentioned Indenture; and

(ii) The Opinion of Messrs. Shearer, Mette & Hoerner, Harrisburg, Pennsylvania, printed on the reverse side hereof, is a true and correct copy of an original Opinion which was signed and dated as of the date of delivery hereof and is on file at our principal office where the same may be inspected.

THE FIRST NATIONAL BANK OF
ALLENTOWN, *Trustee*

By: _____
Authorized Officer

(FORM OF SEWER REVENUE BOND)

No. SR \$5,000

BOROUGH OF ALBURTIS SEWER AUTHORITY
Lehigh County, Pennsylvania
Sewer Revenue Bond—Series of 1971

BOROUGH OF ALBURTIS SEWER AUTHORITY (the "Authority"), a municipality authority organized and existing under the Pennsylvania Municipality Authorities Act of 1945, approved May 2, 1945, P.L. 382, as amended and supplemented (the "Act"), for value received, hereby promises to pay to the bearer hereof, or if this Sewer Revenue Bond—Series of 1971 (the "Bond"), shall be registered as hereinafter provided, to the registered owner hereof, on the fifteenth day of June, , unless this Bond shall have been duly called for previous redemption and payment of the redemption price shall have

been made or provided for, upon surrender hereof, the principal sum of FIVE THOUSAND DOLLARS (\$5,000), and to pay interest on said principal sum from the fifteenth day of June, 1971, at the rate of _____ per centum (%) per annum, payable semiannually on the fifteenth days of June and December in each year, beginning December 15, 1971, either until maturity hereof or, if this Bond shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for, until the date fixed for redemption hereof, only upon presentation and surrender of appropriate coupons hereunto appertaining as they severally mature.

The principal of, premium, if any, and interest on this Bond shall be payable at the principal office of THE FIRST NATIONAL BANK OF ALLENTOWN (the "Trustee"), in the City of Allentown, Lehigh County, Pennsylvania, or of any successor trustee under the Indenture, in any coin or currency of the United States of America which, at time of payment, is legal tender for payment of public and private debts. The term "Trustee", when hereinafter used, also shall include any successor trustee under the Indenture.

The principal of, premium, if any, and interest on this Bond shall be payable only from certain receipts, revenues and moneys of the Authority available for such purposes, all as provided and more fully set forth in the Indenture.

This Bond is one of an initially authorized series of \$625,000 aggregate principal amount of sewer revenue bonds of the Authority, known as "Sewer Revenue Bonds—Series of 1971" (the "Sewer Revenue Bonds"), numbered SR1 to SR125, both numbers inclusive, all of like date, amount and tenor, and all issued under and secured by a Trust Indenture, dated as of June 15, 1971 (the "Indenture"), duly executed and delivered by the Authority to the Trustee. A series of sewer assessment revenue bonds of the Authority, known as "Sewer Assessment Revenue Bonds—Series of 1971", dated as of June 15, 1971 in the aggregate principal amount of \$170,000 (the "Sewer Assessment Revenue Bonds"), also initially is authorized for issuance under and is secured by the Indenture. The Sewer Revenue Bonds and the Sewer Assessment Revenue Bonds are *not* equally and ratably secured by the Indenture. Reference is made to the Indenture, an executed counterpart of which is on file at the principal office of the Trustee, for, inter alia, a statement of the particular receipts, revenues and moneys of the Authority pledged for payment of the principal of and interest on the Sewer Revenue Bonds, the nature, extent and manner of enforcement of the security for the Sewer Revenue Bonds, the rights of holders of the Sewer Revenue Bonds and of the Trustee with respect to such security, the terms and conditions upon which the Sewer Revenue Bonds are issued and upon which sewer revenue bonds of other series may be issued and the terms and conditions upon which the Sewer Assessment Revenue Bonds are issued and upon which sewer assessment revenue bonds of other series may be issued.

Certain modifications and alterations of the Indenture not adversely affecting rights of holders of bonds outstanding thereunder may be made without consent of holders of such bonds in the manner and upon terms and conditions provided in the Indenture. Any other modification or alteration of the Indenture and of rights and obligations of the Authority and of holders of bonds outstanding thereunder may be made in the manner and upon terms and conditions provided in the Indenture. Any consent by the holder of this Bond, when required by the Indenture (unless revoked as provided in the Indenture), shall be conclusive and binding upon such holder and all future holders and owners of this Bond, irrespective of whether any notation of such consent is made upon this Bond.

This Bond does not pledge the credit or taxing power of the Borough of Alburtis, Lehigh County, Pennsylvania (the "Borough"), or the Commonwealth of Pennsylvania (the "Commonwealth"), or any political subdivision thereof; nor shall this Bond be deemed an obligation of the Borough or the Commonwealth or any political

subdivision thereof; nor shall the Borough or the Commonwealth or any political subdivision thereof be liable for payment of the principal of, premium, if any, or interest on this Bond.

The Sewer Revenue Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole, on June 15, 1976, or on any date thereafter, upon payment of the applicable redemption price set forth in the following schedule, together with accrued interest to the date fixed for redemption:

<u>If Received On Or After</u>	<u>To And Including</u>	<u>Redemption Price (Percentage Of Principal Amount)</u>
June 15, 1976	June 14, 1981	102
June 15, 1981	June 14, 1986	101 1/2
June 15, 1986	June 14, 1991	101
June 15, 1991		100

The Sewer Revenue Bonds are subject to redemption prior to maturity, at the option of the Authority, from time to time, in part, on June 15, 1976, or on any interest payment date thereafter, out of moneys available for the purpose in the Bond Redemption and Improvement Fund created under the Indenture, in inverse order of maturities. If less than all Sewer Revenue Bonds of any one maturity are to be redeemed, such Sewer Revenue Bonds shall be drawn by lot by the Trustee. Any such redemption shall be upon payment of the applicable redemption price set forth in the above schedule, together with accrued interest to the date fixed for redemption.

Sewer Revenue Bonds bearing the numbers set forth in the following schedule are subject to redemption prior to maturity, in the aggregate amount or amounts required by the Indenture, on June 15 of each of the applicable years set forth in the following schedule, as drawn by lot by the Trustee:

<u>Bonds Numbered (Both Numbers Inclusive)</u>	<u>Years (Both Inclusive)</u>
SR 1 to SR 8	1974 to 1980
SR 9 to SR 26	1982 to 1990
SR 27 to SR 59	1992 to 2000
SR 60 to SR 125	2002 to 2010

Any such redemption shall be upon application of moneys available for the purpose in the Series of 1971 Sinking Fund created under the Indenture and shall be upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Any redemption, as hereinbefore authorized, shall be made after notice by publication, once a week for two successive weeks, in a newspaper of general circulation in the County of Lehigh, Pennsylvania, the first publication to be at least 30 days and not more than 40 days before the redemption date, in the manner and upon terms provided in the Indenture or after waiver of such notice shall have been duly filed in accordance with provisions of the Indenture.

This Bond shall be transferable by delivery unless registered as to principal in the name of the owner on books of the Authority to be kept for that purpose at the principal office of the Trustee, such registration to be noted hereon by the Trustee in behalf of the Authority. After such registration, no transfer shall be valid unless made by the registered owner in person or by his duly authorized attorney and similarly noted upon said books and hereon. This Bond, however, may be discharged from registration in like manner by being transferred to bearer and, thereupon, transferability by delivery shall be restored, after which this Bond again, from time to time, may be registered or made transferable by delivery as before. Such registration, however, shall not affect the negotiability of coupons for interest hereunto appertaining, which coupons always shall continue to be payable to bearer and to be transferable by delivery merely.

In case an event of default, as defined in the Indenture, shall occur, the principal of all bonds then outstanding under the Indenture may be declared or may become due and payable upon conditions, in the manner and with the effect provided in the Indenture.

Neither this Bond nor any coupon for interest hereunto appertaining shall be entitled to any benefit under the Indenture or shall be valid or obligatory for any purpose until this Bond shall have been authenticated by the Certificate of Authentication endorsed hereon duly signed by the Trustee.

The holder of this Bond, by acceptance hereof, shall be deemed to have assented to all terms and conditions of the Indenture.

IN WITNESS WHEREOF, BOROUGH OF ALBURTIS SEWER AUTHORITY has caused this Bond to be signed in its name and in its behalf by its Chairman or Vice Chairman, and a facsimile of its corporate seal to be affixed hereunto, duly attested by its Secretary or Assistant Secretary, and coupons for interest, bearing the facsimile signature of its Treasurer, to be attached hereunto, all as of the fifteenth day of June, 1971.

BOROUGH OF ALBURTIS SEWER
AUTHORITY

Attest:

Secretary

By: _____
Chairman

(FORM OF COUPON)

No. _____ \$ _____ .

On the 15th day of _____, _____, unless the Sewer Revenue Bond hereinafter mentioned shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for, BOROUGH OF ALBURTIS SEWER AUTHORITY will pay to the bearer, but only out of certain receipts, revenues and moneys referred to in the Sewer Revenue Bond hereinafter mentioned, at the principal office of THE FIRST NATIONAL BANK OF ALLENTOWN, in the City of Allentown, Lehigh County, Pennsylvania, or of any successor trustee, upon surrender hereof, the amount shown hereon, in any coin or currency of the United States of America which, at time of payment, is legal tender for payment of public and private debts, being interest then due on its Sewer Revenue Bond—Series of 1971, dated as of June 15, 1971, and numbered SR _____.

BOROUGH OF ALBURTIS SEWER
AUTHORITY

By: _____
Treasurer

(FORM OF TRUSTEE'S CERTIFICATES)

CERTIFICATE OF AUTHENTICATION AND
CERTIFICATE AS TO OPINION

It is certified that:

(i) This Bond is one of the Sewer Revenue Bonds, of the Series designated therein, described in the within mentioned Indenture; and

(ii) The Opinion of Messrs. Shearer, Mette & Hoerner, Harrisburg, Pennsylvania, printed on the reverse side hereof, is a true and correct copy of an original Opinion which was signed and dated as of the date of delivery hereof and is on file at our principal office where the same may be inspected.

THE FIRST NATIONAL BANK OF
ALLENTOWN, *Trustee*

By: _____
Authorized Officer

; and

WHEREAS, Execution and delivery of the Series of 1971 Bonds and of this Indenture in all respects have been duly authorized and all acts and things have been done which are necessary: (a) to make the Series of 1971 Bonds (when executed and issued by the Authority and authenticated by the Trustee) validly issued; and (b) to constitute these presents a valid and binding indenture and deed of trust for security of Bonds in accordance with its and their terms.

NOW, THEREFORE, In order to secure the principal of, premium, if any, and interest on Bonds according to their tenor, to secure performance and observance of all covenants and conditions therein and herein contained and to declare terms and conditions upon which Bonds are secured, and in consideration of mutual covenants herein contained, of purchase and acceptance of Bonds by Holders and of acceptance by the Trustee of trusts hereby created, the Authority, intending to be legally bound, has executed and delivered this Indenture and by these presents does assign, transfer and pledge unto the Trustee, its successors in the trust and its assigns, forever, to the extent provided herein, all right, title and interest of the Authority in and to the Lease, in and to the Receipts and Revenues from the Sewer System and in and to the Receipts from Assessments.

TO HAVE AND TO HOLD the same unto the Trustee and its successors and assigns in the trust, forever.

IN TRUST, NEVERTHELESS, upon terms herein set forth, for use, benefit and security of all present and future Holders of Bonds and coupons appertaining thereunto, for enforcement and payment of Bonds and coupons appertaining thereunto when payable according to their tenor and to secure performance of and compliance with covenants and conditions of Bonds and coupons and hereof, without preference, priority or distinction as to lien or otherwise of any Bond and coupons appertaining thereunto over any other Bond and coupons appertaining thereunto, except as otherwise herein provided.

AND IT IS COVENANTED by and between the parties hereto that the terms and conditions upon which Bonds and coupons appertaining thereunto shall be executed, authenticated, issued, delivered, received and held by all Persons who, from time to time, shall be or shall become Holders and the trusts and conditions under which all right, title and interest of the Authority in and to the Lease, in and to the Receipts and Revenues from the Sewer System and in and to the Receipts from Assessments have been assigned and transferred to and pledged with the Trustee are as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. **[Definitions of Terms and Phrases]** The terms and phrases defined in this Section 1.01, for all purposes of this Indenture, as herein defined, shall have the meanings herein specified, unless the context clearly otherwise requires:

“Additional Bonds” means Bonds of any series authorized under this Indenture, other than the Series of 1971 Bonds, and duly executed, authenticated, issued and delivered pursuant to provisions hereof, but shall not refer or apply to bonds issued under any other indenture or resolution of the Authority with respect to any project other than the Sewer System.

“Administrative Expenses” means compensation and expenses of officers and members of the Board of the Authority; legal, printing, advertising, engineering, architectural and auditing fees and expenses; fees and expenses of the Trustee and any other authorized depository and other items of general administrative expense incurred by the Authority, all of the foregoing being subject to proper allocation to various projects of the Authority, if applicable, as provided in Section 3.06.

“Administrative Expense Fund” means the fund created under Section 5.02.

“Allentown Agreements” means, collectively, the Agreement³, dated December 22, 1969, between the City, as party of the first part, and the County Authority, as party of the second part, and the Loan Agreement⁴, dated December 22, 1969, by and among the City, as party of the first part, and Coplay-Whitehall Sewer Authority, South Whitehall Township Authority and Salisbury Township Authority, as

³ **Cross-Reference:** *see* Codified Ordinances § 65-Q(1).

⁴ No longer in effect.

parties of the second part, and the County, as party of the third part, including any amendments and/or supplements to either or both of said agreements at any time constituting a part of either or both of said agreements.

“*Authorities Act*” means the Act of the Pennsylvania General Assembly, known as the “Municipality Authorities Act of 1945”, approved May 2, 1945, P.L. 382, as amended and supplemented from time to time.

“*Authority*” means Borough of Alburtis Sewer Authority, a municipality authority incorporated and existing as set forth in the Preamble hereof.

“*Average Annual Debt Service*” means, with respect to Sewer Revenue Bonds under consideration, the sum of Debt Service Requirements (excluding, however, any Debt Service Requirements capitalized and provided for from proceeds of any Bonds issued hereunder) for years contained in the period under consideration divided by the number of years contained in such period.

“*Board*” means the governing body of the Authority.

“*Bond*” or “*Bonds*” means any Bond, or all Bonds, as the case may be, authorized, executed, authenticated, issued and delivered hereunder.

“*Bondholder*”, “*Holder of Bonds*”, “*Holder*” or other terms or phrases having similar import means any Person who shall be the bearer of any Outstanding Bond which at the time shall be registered to bearer, or the bearer of any Outstanding Bond which at the time shall not be registered, or the Registered Owner of any Outstanding Bond which at the time shall be registered other than to bearer, or the properly qualified legal representative thereof.

“*Bond Redemption and Improvement Fund*” means the fund created under Section 5.06.

“*Borough*” means the Borough of Alburtis, Lehigh County, Pennsylvania, a municipality of the Commonwealth.

“*Capital Additions*” means new and additional property chargeable to plant or equipment account under sound accounting and/ or engineering practice, including, without intending to limit the generality of the foregoing, land, rights of way, easements, licenses, rights and similar interests in real property, and additions, extensions, alterations and improvements of or to the Sewer System, including, without intending to limit the generality of the foregoing, buildings, basins, machinery, mains, conduits, pipes, pipe lines, interceptor lines, outfall lines, trunk lines, service lines, sewer plants and systems, tanks, shops, pumping stations, ejector stations, force mains, fixtures, engines, boilers, pumps, meters and other equipment and personal property, and Extraordinary Repairs, in each case made, constructed or acquired by the Authority after the date hereof, and which are used or useful in connection with the Sewer System, including property in process of construction or erection, to the extent actually constructed or erected; Provided, however, that the term “*Capital Additions*” shall not include:

A. Property constructed or acquired or improvements made in the course of completion of the Project; or

B. Property acquired or constructed by the Authority from funds contributed or advanced by users, developers or other Persons, except that such property shall be deemed, notwithstanding anything elsewhere stated in this definition, to be Capital Additions to the extent and at the time that the Authority shall repay or shall be obligated to repay such funds so contributed or advanced.

“*Certified Ordinance*” means a copy of an ordinance or of a resolution, as appropriate, of the Borough or of such other municipality as shall be appropriate, certified by its Secretary or Assistant Secretary or other officer serving in a similar capacity, under its official seal, to have been duly enacted or

adopted, as appropriate, recorded and published (if required by law) and to be in effect as of the date of such certification.

“Certified Public Accountant” means a Person, who shall be Independent, appointed by the Board, actively engaged in the business of public accounting and duly certified as a certified public accountant under authority of laws of the Commonwealth.

“Certified Public Accountant’s Certificate” means a certificate executed by a Certified Public Accountant.

“Certified Resolution” means a copy of a resolution of the Authority, certified by its Secretary or Assistant Secretary, under its corporate seal, to have been duly adopted and to be in effect as of the date of such certification.

“City” means the City of Allentown, Lehigh County, Pennsylvania.

“Clearing Fund” means the fund created under Section 5.01.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Construction Fund” means the fund created under Section 4.06.

“Consulting Engineers” means a Person, who shall be Independent, appointed by the Board, qualified to pass upon engineering questions relating to sewer systems and having a favorable reputation for skill and experience in inspecting construction and operation of sewer systems. If such Person shall be an individual, he shall be a professional engineer duly registered under laws of the Commonwealth. If such Person shall be a partnership, corporation or association, it shall have a partner, officer, employee or member who is a professional engineer duly registered under laws of the Commonwealth.

“Consulting Engineers’ Certificate” means a certificate executed by the Consulting Engineers.

“Costs”, “Costs of Acquisition” or “Costs of Construction”, without intending to limit any proper definition thereof under sound accounting and/or engineering practice, means and includes:

A. Obligations incurred and payments made or required to be made by the Authority to workmen and laborers or to contractors, builders, suppliers and materialmen;

B. Interest on Bonds issued to finance acquisition or construction during the acquisition or construction period or to the extent and for such period or periods as this Indenture may provide with respect to any particular series of Bonds;

C. Administrative Expenses of the Authority during the period of any acquisition or construction, including the financing thereof, or to the extent otherwise specifically provided in this Indenture;

D. Costs of acquiring by purchase or condemnation, including amounts of any award or final judgment in or of settlement or compromise of any condemnation proceeding, of lands, rights of way, rights, licenses, easements and any other interests in real property as may be deemed necessary or convenient in connection with the Sewer System; amounts of any damages incident to or consequent upon acquisition or construction; and payments for restoration of property damaged or destroyed in connection with construction;

E. Costs of acquiring property, real, personal and mixed, tangible or intangible, or any interest therein, deemed necessary or desirable for carrying out purposes of the Authority relating to the Sewer System, costs of acquiring any sewer system or other properties in place, or any undivided interest therein, which can be operated as part of the Sewer System and all fees and expenses incidental thereto, including, without intending to limit the general-

ity of the foregoing, engineering fees, legal fees, costs of abstracts of title, title insurance, title opinions, surveys and reports;

F. Costs of contract bonds and premiums on insurance of any type deemed necessary during construction and costs of inspection and performance, maintenance or other type bonds required by any governmental regulatory authority related to construction of any part of the Sewer System, to the extent that any of the foregoing shall not be required to be paid by contractors or otherwise provided for;

G. Fees and expenses of engineers for studies, tests, surveys, reports, maps, estimates of costs, revenues and other facts, preparation of plans and specifications and making preliminary investigations therefor, supervision of construction or acquisition, inspections and performance of all other duties of engineers in connection with any construction or acquisition and the financing thereof, including, without intending to limit the generality of the foregoing, duties related to charging and collecting assessments against benefited, improved or accommodated properties;

H. Costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting tapping fees and of charging and collecting assessments, filing municipal claims or liens relating to assessments and collecting such municipal claims or liens; and costs and expenses of collecting other Receipts from Tapping Fees and/or other Receipts from Assessments;

I. Expenses of audits; initial compensation of the Trustee with respect to Bonds of any series issued to finance construction or acquisition; fees and expenses of the Trustee relating to the Construction Fund; financing costs, fees and expenses, including compensation and expenses of a financial adviser, if any; costs of printing the Lease and Indenture (including amendments or supplements to either or both); costs of preparing, printing and issuing Bonds; legal costs, fees and expenses; advertising expenses; and all costs incurred by the Authority in connection with financing construction or acquisition and issuing Bonds to finance construction or acquisition;

J. Other costs, charges and expenses incidental to completion of the Project or to any improvement, alteration, extension or addition to the Sewer System which properly are chargeable to the cost of construction or acquisition under sound accounting and/or engineering practice;

K. Payment to the Borough of the amount provided in Sections 3.02 L(3) and 4.07, respectively, for deposit by the Borough as provided in the Lease;

L. Reimbursement to the Borough for advances made by it for any of the above items, including any interest paid or required to be paid by the Borough with respect to any such advances, or for any other costs incurred by the Borough or for work done by the Borough at the request or with the approval of the Authority in connection with the Sewer System which properly are chargeable as costs related to financing, construction or acquisition;

M. Any amounts required by the Indenture to be deposited in the Debt Service Reserve Fund or any other reserve fund created under the Indenture in connection with the issuance of any series of Bonds.

N. Amounts, if any, required to be repaid to any governmental agency upon completion of any construction on account of any overpayment of or adjustment of any grant extended in aid of such construction; and

O. Any sums required to reimburse the Authority or to pay any indebtedness incurred by the Authority, including payment of obligations of the Authority, with interest

thereon, for expenditures made for any of the above items or for any other costs properly chargeable as costs of construction or acquisition.

“*Council*” means the governing body of the Borough.

“*Counsel*” means counsel, duly authorized to engage in the practice of law, who may be, but need not be, retained regularly by the Authority, duly appointed by the Board and satisfactory to the Trustee.

“*County*” means the County of Lehigh, Pennsylvania.

“*County Authority*” means Lehigh County Authority, a municipality authority incorporated pursuant to appropriate action of the Board of County Commissioners of the County.

“*Debt Service Fund*” means the fund created under Section 5.03.

“*Debt Service Requirements*” means, with respect to any Fiscal Year, the sum of amounts required to be set aside in such Fiscal Year for payment of interest on and principal of Sewer Revenue Bonds under consideration and amounts required to be deposited in such Fiscal Year to the credit of any sinking, purchase, redemption or analogous fund established for such Sewer Revenue Bonds; Provided, however, that Debt Service Requirements with respect to any Fiscal Year for a series of Sewer Revenue Bonds for which there shall have been established a sinking, purchase, redemption or analogous fund shall be determined after projecting operation of such fund to retirement of Sewer Revenue Bonds of such series to the extent that the same shall be required to be retired and giving effect to reduction in interest payments to be made with respect to such Sewer Revenue Bonds by reason of such retirement.

“*Debt Service Reserve Fund*” means the fund created under Section 5.04.

“*Extraordinary Repairs*” means alterations, repairs, renewals, improvements or replacements with respect to the Sewer System which are necessary or desirable for proper operation and maintenance thereof and which are of a type that would not ordinarily be made by the Borough out of moneys deposited in its Sewer Revenue Account established under the Lease as current Operating Expenses, as determined by a Consulting Engineers' Certificate.

“*Fiscal Year*” means the period of twelve months beginning June 15 of each year, and also shall mean the period from actual execution hereof to and including June 14, 1972.

“*Gross Revenues*” means, when used with respect to any period, the aggregate gross operating and nonoperating revenues, derived or estimated to be derived, as appropriate, by the Borough from operation of the Sewer System for such period, determined in accordance with generally accepted accounting and/or engineering practice.

“*Indenture*” means this document and all modifications, alterations, amendments and supplements hereto made and delivered in accordance with provisions hereof and at such time constituting part hereof, which term sometimes is referred to in this document by use of such words as “hereto”, “hereby”, “herein”, “hereof”, “hereunder” or other descriptive words or phrases having similar import.

“*Independent*” means, with respect to the Certified Public Accountant and the Consulting Engineers, a Person who is not a member of the Board, officer or employe of the Authority or an elected or appointed official or employe of the Borough, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Board, officer or employe of the Authority or an elected or appointed official or employe of the Borough; Provided, however, that the fact that such Person is retained regularly by the Authority or the Borough shall not make such Person an employee within the meaning of this definition.

“*Interceptor System*” means the system of interceptor sewers presently being acquired and constructed by the County Authority, including trunk sewers and other related and necessary appurtenant

facilities and properties which have been acquired or constructed or hereafter shall be acquired or constructed from time to time in connection therewith for the purpose of receiving Sewage to be collected in the Sewer System and certain sewer systems to serve municipalities, other than the Borough, located in the County, and transporting such Sewage to the sewer system presently being operated and maintained by the City, subject to the terms and conditions of the Service Agreements, which construction is to be in accordance with plans and specifications prepared therefor by the firm of A.L. Wiesenberger Associates, Inc., Consulting Engineers, Allentown, Pennsylvania, or in accordance with approved changes, modifications and alterations thereof, and including all additions, extensions, alterations and improvements which may be made thereto or acquired in connection therewith, from time to time.

“*Lease*” means the Agreement of Lease, dated as of June 15, 1971, between the Authority, as lessor, and the Borough, as lessee, with respect to the Sewer System, and any amendments and supplements thereto made and delivered in accordance with terms thereof and/or hereof and at any time constituting part thereof.⁵

“*Maintenance Reserve Fund*” means the fund created under Section 5.05.

“*Officers’ Certificate*” means a certificate executed by the Chairman or Vice Chairman and Secretary, Assistant Secretary, Treasurer or Assistant Treasurer of the Authority under its corporate seal.

“*Operating Expenses*” means all expenses required in operating and maintaining the Sewer System, including, in each case, without intending to limit the generality of the foregoing:

A. Expenses of operation, maintenance, repair, alteration, insurance and inspection and any sums payable to the County and/or the County Authority pursuant to terms and provisions of the Service Agreements or any sums payable periodically to any other Person pursuant to any agreement permitted under provisions of the Lease relative to transportation, treatment or disposal of Sewage collected in the Sewer System;

B. Expenses of managerial, supervisory, administrative, engineering, architectural, legal and auditing services;

C. Sums payable to any Person, which sums, under sound accounting and/or engineering practice, constitute expenses of operation and maintenance; and

D. All taxes, assessments and charges, including, without intending to limit the generality of the foregoing, income, profits, property, franchise and excise taxes.

“*Opinion of Counsel*” means an opinion, in writing, signed by Counsel.

“*Order*”, “*Request*”, “*Requisition*”, “*Notice*”, “*Statement*”, “*Certificate*” or similar instrument of the Authority means an instrument, in writing, executed by its Chairman or Vice Chairman and Secretary, Assistant Secretary, Treasurer or Assistant Treasurer.

“*Outstanding*”, “*Outstanding under this Indenture*” or “*Outstanding hereunder*” means, with reference to Bonds, as of any particular time, all Bonds executed, authenticated, issued and delivered under this Indenture, and, with specific reference to Sewer Assessment Revenue Bonds and/or Sewer Revenue Bonds, as of any particular time, all Sewer Assessment Revenue Bonds and/or all Sewer Revenue Bonds, as appropriate, executed, authenticated, issued and delivered under this Indenture; Provided, however, that such shall not include, in any case:

A. Bonds cancelled at or prior to such time;

⁵ **Cross-Reference:** *see* Codified Ordinances ¶ 65-N(1).

B. Bonds for payment of which funds shall have been deposited with the Trustee or shall have been set aside by the Trustee as provided herein for that purpose and which shall have matured by their express terms but which shall not have been surrendered for payment;

C. Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to provisions hereof;

D. Bonds for redemption of which funds then shall be held, in trust, by the Trustee; Provided, however, that notice of such redemption shall have been published or provision satisfactory to the Trustee shall have been made therefor or written waivers of such notice shall have been received as provided herein; and

E. Bonds which shall have been purchased and paid for by the Authority or by the Trustee in behalf of the Authority but which shall not have been delivered for cremation or cancellation.

The foregoing, however, is subject to the condition that for purpose of reference to Holders of a particular percentage of Bonds, or of a particular percentage of Sewer Assessment Revenue Bonds, or of a particular percentage of Sewer Revenue Bonds, there shall be excluded Bonds, or Sewer Assessment Revenue Bonds, or Sewer Revenue Bonds, as appropriate, if any, held by the Authority.

“*Person*” means an individual, a partnership, an association, a corporation, a joint stock company, a trust, an unincorporated association, a governmental body, a political subdivision, a municipality, a municipality authority or any other group or entity.

“*Project*” means the undertakings necessary in connection with the construction and acquisition by the Authority of a complete sanitary sewage collection system, including all related and necessary facilities, for rendering sewage collection service in and for certain portions of the Borough, which construction is to be in accordance with plans and specifications prepared therefor by the firm of A.L. Wiesenberger Associates, Inc., Consulting Engineers, Allentown, Pennsylvania, or in accordance with such changes, modifications and alterations of such plans and specifications, approved as provided herein.

“*Receipts and Revenues from the Sewer System*” means:

A. All rentals and other sums payable by the Borough to the Authority or its assigns under the Lease; and

B. All other receipts, revenues and moneys derived in any manner, from any source, from or in connection with the Sewer System, by the Authority or in behalf of the Authority, excepting, however: (1) Receipts from Tapping Fees which the Authority at any time shall be obligated to transfer and pay over to the Borough under the Lease; (2) moneys derived from tapping fees charged in those cases and to the extent that the Authority agrees to refund such tapping fees or any part thereof to a Person who has paid for the construction of any part of the Sewer System which was constructed by the Authority or constructed by such Person under the supervision of the Authority as permitted by law; and (3) Receipts from Assessments, to the extent that such shall be necessary to pay costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting assessments, filing municipal claims or liens therefor and collecting such claims or liens or collecting other Receipts from Assessments and to satisfy the prior lien of Sewer Assessment Revenue Bonds; and

C. Subject to the prior payment of costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting assessments, filing municipal claims or liens therefor and collecting such claims or liens or collecting other Receipts from Assessments and to the prior lien of Sewer Assessment Revenue Bonds, the Receipts from Assessments.

“*Receipts from Assessments*” means all moneys, including assessments, installments of assessments and interest, penalties and costs, if any, derived by the Authority or in behalf of the Authority from the charging by the Authority, in whole or in part, of the cost of construction of certain sewer mains constituting part of the Sewer System against properties benefited, improved or accommodated by such construction, whether such construction shall constitute part of the Project or shall constitute Capital Additions.

Moneys derived by the Authority or in behalf of the Authority under agreements with owners of property whereby such owners shall be obligated to pay moneys to the Authority in lieu of assessments or which are in the nature of assessments also shall constitute “*Receipts from Assessments*”.

“*Receipts from Tapping Fees*” means all moneys of the Authority derived from the charge of tapping (or connection) fees against owners of property who connect such property with the Sewer System.

Moneys in the nature of tapping (or connection) fees derived by the Authority under agreements with owners of property who connect such property with the Sewer System, whereby such owners shall be obligated to pay such moneys to the Authority also shall constitute “*Receipts from Tapping Fees*”.

Notwithstanding the foregoing definition, “*Receipts from Tapping Fees*” shall not include moneys derived from tapping fees charged by the Authority in those cases and to the extent that the Authority agrees to refund such tapping fees or any part thereof to any Person who has paid for the construction of any part of the Sewer System which was constructed by the Authority or constructed by such Person under the supervision of the Authority as permitted by law.

“*Registered Owner*” means a Person in whose name any Bond shall be registered as to principal on books of the Authority to be kept for that purpose in accordance with provisions hereof and of such Bond.

“*Series of 1971 Bonds*” means, collectively, the two series of Bonds of the Authority, dated as of June 15, 1971, initially authorized for issuance hereunder, i.e., the Sewer Assessment Revenue Bonds—Series of 1971 and the Sewer Revenue Bonds—Series of 1971.

“*Series of 1971 Sinking Fund*” means the special fund created within the Debt Service Fund under Section 5.03.

“*Service Agreements*” means, collectively, the Agreement⁶, dated January 22, 1970, by and among the County Authority, the County, the Borough, the Borough of Macungie, the Township of Upper Macungie, all located in Lehigh County, Pennsylvania, and Lower Macungie Township Authority, a Pennsylvania municipality authority, in which Agreement the Township of Lower Macungie, Lehigh County, Pennsylvania, has joined and has agreed to be bound by the terms and conditions thereof by execution of a Consent and Joinder thereto, and the Service Agreement⁷, dated as of August 1, 1970, between the County, on the one hand, and the Borough, the Borough of Macungie and the Townships of Upper Macungie and Lower Macungie, on the other hand, in which Service Agreement the County Authority and the Authority, Borough of Macungie Sewer Authority, Upper Macungie Township Authority and Lower Macungie Township Authority, all Pennsylvania municipality authorities, have joined and have agreed to be bound by terms and conditions thereof by execution of consents and joinders thereto, including any amendments and/or supplements to either or both of said Agreements at any time constituting a part of either or both of said Agreements.

⁶ **Cross-Reference:** *see* Codified Ordinances § 65-O(1).

⁷ **Cross-Reference:** *see* Codified Ordinances § 65-O(2).

“*Sewage*” means domestic sewage and/or industrial wastes, as such terms usually and customarily are used by sanitary engineers.

“*Sewer Assessment Fund*” means the fund created under Section 6.01.

“*Sewer Assessment Revenue Bonds*” means, collectively, the Sewer Assessment Revenue Bonds—Series of 1971. and Additional Bonds which shall be payable as to principal, premium, if any, and interest only from the Receipts from Assessments and certain other receipts, revenues and moneys of the Authority available for such purposes, as provided and set forth herein.

“*Sewer Revenue Account*” means the separate and distinct account of the Borough created under Section 5.01 of the Lease.

“*Sewer Revenue Bonds*” means, collectively, the Sewer Revenue Bonds—Series of 1971 and Additional Bonds which shall be payable as to principal, premium, if any, and interest only from the Receipts and Revenues from the Sewer System and certain other receipts, revenues and moneys of the Authority available for such purposes, as provided and set forth herein.

“*Sewer Revenues*” means:

A. All moneys realized from collection of sewer rentals or charges imposed pursuant to the ordinance or ordinances in effect at the time under Section 4.02 of the Lease;

B. All moneys realized by the Borough from fees, fines and/or penalties resulting from enforcement of the ordinance or ordinances in effect at the time under Section 4.01 of the Lease;

C. All moneys received by the Borough from any Person pursuant to any agreement between the Borough and such Person whereby Sewage of such Person shall be accepted by the Borough for collection, transportation and ultimate disposal, if such agreement is permitted under provisions of the Lease;

D. All other moneys received by the Borough on account of operation of the Sewer System, including moneys, if any, from the Commonwealth, as set forth under Section 11.09 of the Lease and including any moneys received as provided in Section 5.06 of the Lease; and

E. Receipts from Tapping Fees transferred and paid over to the Borough, as set forth in Section 4.04 of the Lease.

“*Sewer System*” means all facilities to be acquired and/or constructed, as contemplated by the Project, together with all appurtenant facilities and properties which the Authority has acquired or hereafter shall acquire in connection therewith, including all property, real, personal and mixed, rights, powers, licenses, easements, rights of way, privileges, franchises and any and all other property or interests in property of whatsoever nature used or useful in connection with such facilities, and together with all additions, extensions, alterations and improvements which may be made or acquired, from time to time. As of any particular time, the “*Sewer System*” shall mean the facilities contemplated by the Project and all property, real, personal and mixed, rights, powers, licenses, easements, rights of way, privileges, franchises and any and all other property or interests in property of whatsoever nature used or useful in connection with such facilities, and Capital Additions (including property in the nature of Capital Additions acquired or constructed from funds wholly or partially contributed or advanced by users, developers or other Persons) acquired, owned, made or constructed by or for the Authority; and the “*Sewer System*”, without intending to limit the generality of the foregoing, as of any particular time, shall include all buildings, basins, machinery, mains, conduits, pipes, pipe lines, interceptor lines, outfall lines, trunk lines, service lines, sewer plants and systems, tanks, shops, pumping stations, ejector stations, force mains, fixtures, engines, boilers, pumps, meters and other equipment, all personal property and all franchises, land, rights of way, privileges, easements, licenses, rights and any other interests in real property, all of the foregoing being owned by the

Authority and used or useful in connection with the collecting, transporting, pumping, treating and/or disposing of Sewage.

“Trustee” means The First National Bank of Allentown, a national banking association organized and existing under the laws of the United States of America and having its principal office in the City of Allentown, Lehigh County, Pennsylvania, and any successor in the trust hereunder.

ARTICLE II CONCERNING THE BONDS

SECTION 2.01. **[Source of Payments.]** The principal of, premium, if any, and interest on the Bonds shall be payable only from the Receipts and Revenues from the Sewer System, or from the Receipts from Assessments, and from other receipts, revenues and moneys of the Authority available for such purposes, to the extent, with the priority and in the manner provided herein.

SECTION 2.02. **[Sewer Assessment Revenue Bonds.]** Sewer Assessment Revenue Bonds may be issued hereunder in one or more series, each of which series shall be designated generally as “Sewer Assessment Revenue Bonds”.

Subject to terms with respect to any sinking, purchase, redemption or analogous fund for any particular series of Sewer Assessment Revenue Bonds, Sewer Assessment Revenue Bonds, *inter sese*, shall rank equally and shall be entitled to benefits hereof as to source and security for payment and in all other respects. Additional Bonds constituting a series of Sewer Assessment Revenue Bonds shall be identical as to date of issuance and as to place of payment of principal and interest, except to the extent otherwise required by law shall be substantially in the form of the Sewer Assessment Revenue Bonds—Series of 1971, shall contain provisions for payment of interest on June 15 and December 15, shall mature by their terms on June 15 of such year or years as shall be determined by the Board, may be of such denominations and may contain such additional terms, conditions and covenants as may be determined by the Board, as shall be in accordance with law and consistent with provisions hereof and as may be expressed in such Additional Bonds and coupons appertaining thereunto and in a supplemental indenture which shall set forth the forms of such Additional Bonds and coupons of any such additional series.

SECTION 2.03. **[Sewer Revenue Bonds.]** Sewer Revenue Bonds may be issued hereunder in one or more series, each of which series shall be designated generally as “Sewer Revenue Bonds”.

Subject to terms with respect to any sinking, purchase, redemption or analogous fund for any particular series of Sewer Revenue Bonds, Sewer Revenue Bonds, *inter sese*, shall rank equally and shall be entitled to benefits hereof as to source and security for payment and in all other respects. Additional Bonds constituting a series of Sewer Revenue Bonds shall be identical as to date of issuance and as to place of payment of principal and interest, except to the extent otherwise required by law shall be substantially in the form of the Sewer Revenue Bonds—Series of 1971, shall contain provisions for payment of interest on June 15 and December 15, shall mature by their terms on June 15 of such year or years as shall be determined by the Board, may be of such denominations and may contain such additional terms, conditions and covenants as may be determined by the Board, as shall be in accordance with law and consistent with provisions hereof and as may be expressed in such Additional Bonds and coupons appertaining thereunto and in a supplemental indenture which shall set forth the forms of such Additional Bonds and coupons of any such additional series.

SECTION 2.04. **[Authorization.]** There are authorized for issuance hereunder initially two series of Bonds, which two series collectively shall constitute the Series of 1971 Bonds, in the aggregate principal amount of \$795,000.

The one series of the Series of 1971 Bonds shall be designated specifically as “Sewer Assessment Revenue Bonds—Series of 1971” and shall be in the aggregate principal amount of \$170,000.

The other series of the Series of 1971 Bonds shall be designated specifically as “Sewer Revenue Bonds—Series of 1971” and shall be in the aggregate principal amount of \$625,000.

The Series of 1971 Bonds shall be issued initially in definitive forms, shall be substantially in the appropriate forms hereinbefore set forth, with appropriate insertions, omissions and variations, shall be dated for convenience as of June 15, 1971, shall be coupon in form, shall be registrable as to principal only, shall be in the denomination of \$5,000 each and shall bear interest from June 15, 1971, payable semiannually on the fifteenth days of June and December in each year, beginning December 15, 1971, until maturity or until redeemed, at the applicable rates per annum set forth in Section 2.05, only upon presentation and surrender of appropriate coupons appertaining thereunto as they severally mature.

The principal of, premium, if any, and interest on the Series of 1971 Bonds shall be payable at the principal office of the Trustee in any coin or currency of the United States of America which, at the respective times of payment, shall be legal tender for payment of public and private debts.

SECTION 2.05. **[Interest; Maturity.]** Series of 1971 Bonds shall be numbered, shall bear interest at the rates per annum and shall mature on dates as follows:

SEWER ASSESSMENT REVENUE BONDS—SERIES OF 1971

Bonds Numbered (Both Numbers <u>Inclusive</u>)	Interest Rate Per Annum (from June 15, 1971, until maturity or <u>until redeemed</u>)	Aggregate Principal <u>Amount</u>	Maturity <u>Date</u>
SA1—SA34	4 1/4%	\$170,000	June 15, 1977

SEWER REVENUE BONDS—SERIES OF 1971

Bonds Numbered (Both Numbers <u>Inclusive</u>)	Interest Rate Per Annum (from June 15, 1971, until maturity or <u>until redeemed</u>)	Aggregate Principal <u>Amount</u>	Maturity <u>Date</u>
SR1—SR8	5 1/8%	\$ 40,000	June 15, 1981
SR9—SR26	6 1/4%	\$ 90,000	June 15, 1991
SR27—SR59	6 5/8%	\$165,000	June 15, 2001
SR60—SR125	6 7/8%	\$330,000	June 15, 2011

SECTION 2.06. **[Authentication by Authority.]** All Bonds issued hereunder shall be executed in the name of the Authority by its Chairman or Vice Chairman and its corporate seal or a facsimile thereof shall be affixed thereunto and attested by its Secretary or Assistant Secretary. Coupons appertaining to Bonds shall be authenticated by the facsimile signature of the Treasurer of the Authority. In case any one or more of such officers who shall have signed or attested Bonds or whose facsimile signature shall appear upon coupons shall have ceased to be such officer at the time of delivery thereof or shall have become physically or legally incapacitated at the time of delivery thereof, such Bonds and coupons appertaining thereunto nevertheless shall be valid and binding obligations of the Authority.

SECTION 2.07. **[Authentication by Trustee.]** No Bonds or coupons appertaining thereunto shall become valid or obligatory for any purpose until such Bonds shall have been authenticated by the Trustee; and such authentication by the Trustee upon any Bond shall be conclusive and the only evidence that such Bond duly has been authenticated and delivered and that the Holder or Registered Owner is entitled to benefit of the trusts and liens hereby created.

Before authenticating and delivering any Bond in coupon form, the Trustee, except as otherwise provided under Section 2.09, shall detach and cremate matured coupons appertaining thereunto, if any, and shall furnish the Authority with a certificate of cremation, subject to Section 2.10.

SECTION 2.08. **[Registration and Transfer.]** The Authority shall cause to be kept, at the principal office of the Trustee, books for the registration and transfer of Bonds in the manner provided herein and therein so long as Bonds shall remain Outstanding. Such registrations and transfers shall be made without charge to Bondholders, except for actual costs, including postage, insurance and any taxes or other governmental charges required to be paid with respect to the same. The Authority and the Trustee may treat the bearer of any coupon and the Holder or Registered Owner of any Bond, as applicable, as absolute owner of such coupon or Bond, as applicable, for all purposes and neither the Authority nor the Trustee shall be affected by contrary notice.

SECTION 2.09. **[Replacement Bonds and Coupons.]** If any Bond or coupon appertaining thereunto shall become mutilated or shall be destroyed, lost or stolen, the Authority, in its discretion, may issue and thereupon the Trustee shall authenticate and deliver a new Bond of like date, tenor, amount, maturity and series, having attached the same corresponding coupons as the mutilated, destroyed, lost or stolen Bond, or shall deliver new corresponding coupons, as appropriate, in exchange and in substitution for such mutilated Bond and attached coupons, if any, or such mutilated coupon, as appropriate, upon surrender thereof, or in lieu of and in substitution for the Bond and attached coupons, if any, or such coupon, as appropriate, destroyed, lost or stolen, upon the Bondholder: (1) filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Bond and attached coupons, if any, or such coupon, as appropriate, have been destroyed, lost or stolen and of his ownership thereof; (2) furnishing the Authority and the Trustee with satisfactory indemnity; and (3) complying with such other reasonable regulations as the Authority and the Trustee may require. A reasonable charge may be imposed upon the Bondholder to reimburse the Authority and the Trustee for expenses of issuing each such new Bond and/or coupon, which cost shall be paid before delivery of such new Bond and/or coupon. If any such Bond or coupon shall have matured or shall be about to mature, instead of issuing a substitute Bond or coupon, the Authority and the Trustee may pay the same, upon receiving evidence and being indemnified as aforesaid, and if such Bond or coupon shall be destroyed, lost or stolen, without surrender thereof.

Any Bond or coupon issued under this Section 2.09 shall constitute an original additional contractual obligation on the part of the Authority, whether or not the Bond or coupon so alleged to have been destroyed, lost or stolen shall be found at any time; and any Bond or coupon issued under this Section 2.09 shall be entitled to benefits hereof, in the manner, to the extent and subject to conditions provided herein.

SECTION 2.10. **[Cremation upon Surrender.]** All Bonds and coupons surrendered to the Trustee for purpose of payment, redemption, exchange or substitution shall be cremated by the Trustee and the Trustee shall furnish the Authority with a certificate of cremation; Provided, however, that the Trustee, upon Request of the Authority, in lieu of such cremation, may cancel such Bonds and coupons and deliver the same to the Authority.

ARTICLE III

AUTHENTICATION AND DELIVERY OF BONDS

SECTION 3.01. **[Security Interest.]** This Indenture creates and shall be and constitute a continuing, irrevocable and exclusive lien upon and pledge of the Receipts and Revenues from the Sewer System to secure the principal of, premium, if any, and interest on Sewer Revenue Bonds which, from time to time, may be executed, authenticated, issued and delivered hereunder, to the extent provided herein.

This Indenture creates and shall be and constitute a continuing, irrevocable and exclusive lien upon and pledge of the Receipts from Assessments to secure the principal of, premium, if any, and interest on Sewer Assessment Revenue Bonds which, from time to time, may be executed, authenticated,

issued and delivered hereunder, to the extent provided herein; subject, however, to Sections 6.05 and 6.06, respectively.

Sewer Revenue Bonds and Sewer Assessment Revenue Bonds are not equally and ratably secured hereby. Except as otherwise provided herein, all Sewer Revenue Bonds, *inter sese*, shall be equally and ratably secured hereby. Except as otherwise provided herein, all Sewer Assessment Revenue Bonds, *inter sese*, shall be equally and ratably secured hereby.

SECTION 3.02. **[Documents Required for Trustee Authentication.]** Upon execution and delivery hereof, the Authority shall execute and deliver to the Trustee, for authentication, the Series of 1971 Bonds described in Sections 2.04 and 2.05, and thereupon the Trustee shall authenticate the Series of 1971 Bonds and deliver them, but only upon receipt of:

A. An Order of the Authority directing authentication of the Series of 1971 Bonds and directing delivery thereof to a specified Person or a specified officer of the Authority;

B. Certified Resolutions:

(1) Authorizing execution and delivery of this Indenture, authorizing execution, authentication, issuance and delivery of the Series of 1971 Bonds, authorizing execution and delivery of the Lease and assignment of the Lease and all rentals payable thereunder to the Trustee;

(2) Approving, *inter alia*, the plan of construction of the Sewer System, as presently contemplated, the total estimated cost of construction thereof, the estimated cost of construction of assessable sewers to be located in the Borough, proposing the charge of a portion of such estimated cost of construction of assessable sewers to be located in the Borough against properties benefited, improved or accommodated thereby by assessment according to the foot front rule, as provided in the Authorities Act, and submitting to the Borough such plan of construction of the Sewer System, the total estimated cost of construction thereof, the estimated cost of construction of assessable sewers to be located in the Borough and such proposal for assessments, for approval, to the extent required, as provided in the Authorities Act;

(3) Charging a portion of the cost of construction of assessable sewers contemplated by the Project against properties benefited, improved or accommodated thereby by assessment according to the foot front rule, charging the cost of construction of certain sewers contemplated by the Project against certain properties benefited, improved or accommodated thereby to the extent of benefits and providing, *inter alia*, for the collection of such assessments, for the filing of municipal claims or liens for such assessments and for transfer of amounts collected by the Authority to the Trustee and for payment of assessments in installments at the option of the owner of the property assessed; and

(4) Charging a tapping fee against the owner of each property who connects such property with the Sewer System and providing, *inter alia*, for the collection of such tapping fees, for disposition of amounts collected and for enforcement of such resolution as permitted by law;

C. Certified Ordinances of the Borough:

(1) Authorizing execution and delivery of the Lease;

(2) Approving the plan of construction of the Sewer System, as presently contemplated, the total estimated cost of construction thereof, the estimated cost of construction of assessable sewers to be located in the Borough and the proposal of the Authority to charge a portion of such estimated cost of construction of assessable sewers to be located in the

Borough against properties benefited, improved or accommodated thereby by assessment according to the foot front rule, as provided in the Authorities Act;

(3) Requiring all owners of improved property located within the Borough and benefited, improved or accommodated by any sanitary sewer constituting a part of the Sewer System to connect therewith and providing, inter alia, for enforcement of such ordinance as permitted by law; and

(4) Imposing sewer rentals or charges upon owners of improved property which shall be connected to the Sewer System for use thereof and providing, inter alia, for enforcement of such ordinance as permitted by law;

D. An executed counterpart of the Lease and of the assignment thereof and all rentals payable thereunder to the Trustee;

E. A conformed copy or a photostatic copy of the Service Agreements;

F. A copy of the contract for construction required in connection with the Project, including copies of performance and payment bonds furnished by the contractor pursuant to Section 4.03;

G. A set of plans and specifications for construction related to the Project, as presently contemplated;

H. An Opinion of Counsel to the effect that:

(1) The Authority has acquired title to all real estate, rights of way, easements, privileges, powers, licenses and other interests in property required for construction of the Project; or that the Authority or the Borough in its behalf has instituted or will institute condemnation proceedings pursuant to which it will acquire the same; or that the Authority has entered into legal and binding contracts with property owners pursuant to which it will acquire the same; or that the Authority otherwise has legal power to acquire the same; and

(2) Title to all real estate, rights of way, easements, privileges, powers, licenses and other interests in property so acquired or so to be acquired is or will be good and marketable and free and clear of liens and encumbrances, excepting such easements, encumbrances and restrictions in the line of title and minor defects which will not interfere adversely with construction of the Project or with use, operation and maintenance of the Sewer System;

I. An Opinion of Counsel to the effect that:

(1) The Authority duly has been incorporated and is a validly existing municipality authority under Pennsylvania laws;

(2) The Authority has and at all relevant times has had corporate power to undertake the Project and to own, hold, operate and lease the Sewer System;

(3) Certified Resolutions furnished to the Trustee under subsection B of this Section 3.02 have been adopted lawfully and currently are in effect;

(4) Certified Ordinances furnished to the Trustee under subsection C of this Section 3.02 have been enacted lawfully and currently are in effect;

(5) The Service Agreements furnished to the Trustee under subsection E of this Section 3.02 are valid and binding and currently are in full force and effect.;

(6) The contract furnished to the Trustee under subsection F of this Section 3.02 is valid and binding;

(7) Performance and payment bonds furnished to the Trustee under subsection F of this Section 3.02 and required under Section 4.03 are valid and binding and are in accordance with applicable laws;

(8) Proceedings authorizing execution and delivery of this Indenture, authorizing issuance, execution, authentication and delivery of the Series of 1971 Bonds and authorizing sale thereof to the purchaser are valid and legally sufficient;

(9) All conditions precedent or concurrent to authentication and delivery of the Series of 1971 Bonds by the Trustee, as provided herein, have been fulfilled;

(10) The Authority and the Borough duly are authorized to enter into the Lease and the Lease duly has been authorized, executed and delivered by the Authority, as lessor, and the Borough, as lessee;

(11) This Indenture and the Lease are valid and binding instruments;

(12) The Authority duly is authorized to assign, transfer and pledge all its right, title and interest in and to the Lease, in and to the Receipts and Revenues from the Sewer System and in and to the Receipts from Assessments to the Trustee in accordance with provisions hereof; and all right, title and interest of the Authority in and to the Lease, in and to the Receipts and Revenues from the Sewer System and in and to the Receipts from Assessments duly have been assigned and transferred to and pledged with the Trustee; and

(13) The Series of 1971 Bonds, upon authentication by the Trustee, will be valid and binding obligations of the Authority and will be entitled to benefit and security hereof, to the extent provided herein;

J. A Consulting Engineers' Certificate to the effect that, after due and proper investigation of matters and documents involved, the Consulting Engineers are of the opinion that the estimated Gross Revenues available to the Borough from Sewer Revenues, including collection of sewer rentals or charges under the Certified Ordinance furnished to the Trustee under subsection C(4) of this Section 3.02 and from collection of fees, fines and/or penalties, if any, under the Certified Ordinance furnished to the Trustee under subsection C(3) of this Section 3.02, together with: (1) any sums appropriated by the Borough for the purposes from current revenues, within limits then permitted by law, or from other legally available funds; (2) any sums appropriated and paid or contributed or to be appropriated and paid or contributed to the Borough by any Person for deposit by the Borough in its Sewer Revenue Account for and toward payment of obligations of the Borough under the Lease; and (3) with respect only to the Fiscal Year ending June 14, 1972, the sum to be transferred to the Borough as provided under Sections 3.02 L(3) and 4.07, are estimated to be sufficient during each Fiscal Year during the term of the Lease, to provide funds for the following purposes:

(1) Payment by the Borough in such Fiscal Year of Operating Expenses; and

(2) Payment by the Borough in such Fiscal Year to the Authority or its assigns of: (a) minimum net rentals due under the Lease; (b) additional sums, if any, payable under the Lease to provide for reasonable Administrative Expenses of the Authority; and (c) taxes, if any, levied or assessed against the Authority, with respect to the Sewer System, constituting additional sums payable under the Lease; and

K. A Consulting Engineers' Certificate to the effect that, after due and proper investigation of matters and documents involved, the Consulting Engineers are of the opinion that the estimated amounts to be received by the Authority from assessments under the Certified Resolution furnished to the Trustee under subsection B(3) of this Section 3.02, together with other Receipts from Assessments estimated by the Consulting Engineers to be received by the Authority, will be sufficient to provide funds for payment of costs and expenses, including legal fees, engineering

fees and administrative costs and expenses, of charging and collecting such assessments and such other Receipts from Assessments and of the principal of and interest on the Sewer Assessment Revenue Bonds—Series of 1971 when due and payable, to the extent not otherwise provided for herein.

The Authority also shall furnish to the Trustee, concurrently with authentication of the Series of 1971 Bonds:

L. An Officers' Certificate stating:

(1) The amount of proceeds to be received by the Authority from sale of the Series of 1971 Bonds, including accrued interest, for deposit in the Construction Fund;

(2) The amount (\$1,000) to be paid to the Authority by the Trustee for its initial Administrative Expenses (other than the initial fee of the Trustee);

(3) The amount (\$4,000) to be paid to the Borough by the Trustee in behalf of the Authority under Section 4.07 for deposit by the Borough in its Sewer Revenue Account, as provided in the Lease;

(4) The amount (\$2,500) to be transferred by the Trustee to the Sewer Assessment Fund under Section 4.07 to be applied for and toward costs and expenses of the nature set forth in subsection A of Section 6.06 hereof;

(5) The amount to be transferred by the Trustee to the Sewer Assessment Fund under Section 4.07 for application initially to payment of capitalized interest on the Sewer Assessment Revenue Bonds—Series of 1971, as provided in Section 6.01;

(6) The amount to be transferred by the Trustee to the Debt Service Fund under Section 4.07 for application to payment of capitalized interest on the Sewer Revenue Bonds—Series of 1971, as provided in Section 5.03;

(7) The amount (\$48,700) to be transferred by the Trustee to the Debt Service Reserve Fund under Section 4.07 as an initial reserve with respect to the issuance of the Sewer Revenue Bonds—Series of 1971, as provided in Section 5.04;

(8) Expenditures, in addition to payments and transfers set forth in subparagraphs (2), (3), (4), (5), (6) and (7) above, estimated to be made from the Construction Fund with respect to the Project; and

(9) The estimated balance remaining for contingencies and alterations, modifications and additions with respect to the Project.

Series of 1971 Bonds, in addition to the aforesaid \$795,000 aggregate principal amount, may be authenticated and delivered by the Trustee in lieu of or in substitution for other Series of 1971 Bonds, as provided in Section 2.09.

SECTION 3.03. **[Application of Proceeds.]** Proceeds of sale of the Series of 1971 Bonds, in the amount specified in subparagraph (1) of the Officers' Certificate furnished to the Trustee under Section 3.02 L, upon receipt thereof by the Authority, immediately shall be paid over to the Trustee who shall deposit the same in the Construction Fund.

SECTION 3.04. **[Additional Bonds to Pay Costs of Construction or Capital Additions.]** The Authority may issue, from time to time, Additional Bonds for purposes of paying Costs, Costs of Acquisition or Costs of Construction relating to completion of the Project, or of paying Costs, Costs of Acquisition or Costs of Construction of Capital Additions, including, in each case, reimbursement of expenditures made by it or paying any indebtedness incurred by it for such purposes; and the Trustee shall

authenticate and deliver such Additional Bonds, but only upon receipt, as applicable under the circumstances, of:

A. An Order of the Authority directing authentication of Additional Bonds and directing delivery thereof to a specified Person or a specified officer of the Authority;

B. A Certified Resolution or Certified Resolutions:

(1) Authorizing issuance, execution, authentication and delivery of a specified amount of Additional Bonds, setting forth the purpose or purposes for which Additional Bonds are to be issued and setting forth the series, numbers, denominations, rate or rates of interest, maturities and provisions for redemption, if any, applicable to Additional Bonds;

(2) Authorizing execution and delivery of a supplement hereto as required under subsection I of this Section 3.04;

(3) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, authorizing execution and delivery of a supplement to the Lease and authorizing assignment thereof and all additional net rentals payable thereunder to the Trustee, as required under subsection G of this Section 3.04;

(4) If Capital Additions are to be undertaken and if the Additional Bonds shall include or shall consist of a series of Sewer Assessment Revenue Bonds, approving the matters and authorizing the action set forth in the Certified Resolution furnished to the Trustee under Section 3.02(B)(2), with respect to Capital Additions, adjusted, as appropriate, to suit the changed circumstances;

(5) Confirming the assignment, transfer and pledge hereunder of all right, title and interest of the Authority in and to the Lease, in and to the Receipts and Revenues from the Sewer System and in and to the Receipts from Assessments;

(6) If Capital Additions are to be undertaken which shall include construction, approving plans and specifications for such construction (copies of which plans and specifications shall be furnished to the Trustee under subsection F of this Section 3.04), authorizing such construction, awarding contracts therefor and authorizing execution and delivery of such contracts; and

(7) Requesting authentication and delivery of such Additional Bonds;

C. A Certified Ordinance or Certified Ordinances:

(1) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, imposing sewer rentals or charges upon owners of improved property which shall be connected with the Sewer System for use thereof and providing for enforcement of such ordinance as may be permitted by law; and

(2) If Capital Additions are to be undertaken and if the Additional Bonds shall include or shall consist of a series of Sewer Assessment Revenue Bonds, approving the matters set forth in the Certified Ordinance furnished to the Trustee under Section 3.02C(2), with respect to Capital Additions, adjusted, as appropriate, to suit the changed circumstances;

D. An Officers' Certificate stating:

(1) The amount of proceeds to be derived from sale of the Additional Bonds, including any accrued interest, and the amount of any other moneys available or to be available for such construction or acquisition, which may include moneys available or to be available in the Bond Redemption and Improvement Fund;

(2) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, the Average Annual Debt Service on Additional Bonds constituting Sewer Revenue Bonds about to be issued, calculated as of the time of their issuance, over the life thereof, and the amount of mandatory payments to be made to the Debt Service Reserve Fund with respect to issuance of such Additional Bonds constituting Sewer Revenue Bonds;

(3) Except in the case when Additional Bonds are issued to complete the Project, that no Event of Default has occurred hereunder which is continuing; and

(4) That all conditions precedent provided herein (including the supplemental indenture to be furnished to the Trustee under subsection I of this Section 3.04), relating to authentication and delivery of the Additional Bonds, have been fulfilled;

E. A Consulting Engineers' Certificate to the effect that:

(1) The issuance of Additional Bonds is required to complete the Project and/or the construction or acquisition of Capital Additions, as the case may be, is desirable and/or is required for proper and efficient operation of the Sewer System or, in the case of extensions of service, is reasonable and practicable;

(2) Proceeds to be derived from sale of Additional Bonds, together with other available moneys (as shown in the Officers' Certificate furnished to the Trustee under subsection D(1) of this Section 3.04), are necessary and will be sufficient to pay Costs, Costs of Acquisition or Costs of Construction of such construction or acquisition, which Costs, Costs of Acquisition or Costs of Construction shall be described in reasonable detail, and also to provide for payments, if any, to Funds, other than the Construction Fund, under this Indenture, as shall be specified in the supplemental indenture to be furnished to the Trustee under subsection I of this Section 3.04, and also that such Costs, Costs of Acquisition or Costs of Construction reasonably cannot be paid out of then current revenues of the Sewer System;

(3) If Capital Additions are to be undertaken and if the Additional Bonds shall include or shall consist of a series of Sewer Assessment Revenue Bonds, the estimated amounts to be derived by the Authority from assessments with respect to the Capital Additions, together with other Receipts from Assessments estimated to be derived with respect to the Capital Additions, will be sufficient to provide funds for payment of the costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting such assessments and collecting such other Receipts from Assessments and of the principal of and interest on the Additional Bonds constituting Sewer Assessment Revenue Bonds when due and payable to the extent not otherwise provided for in this Indenture (including the supplemental indenture to be furnished to the Trustee under subsection I of this Section 3.04);

(4) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, the additional net rentals to be payable by the Borough to the Authority under the supplement to the Lease to be furnished to the Trustee under subsection G of this Section 3.04 will be sufficient for purposes specified in said subsection G of this Section 3.04;

(5) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, the estimated Gross Revenues available to the Borough from Sewer Revenues, including collection of sewer rentals or charges under the Certified Ordinance furnished to the Trustee under subsection C(1) of this Section 3.04 and from collection of fees, fines and/or penalties, if any, under the ordinance or ordinances of the Borough in effect at the time requiring connections to the Sewer System, together with: (a) any sums appropriated by the Borough for the purposes from current revenues, within limits at the time permitted by law, or from other legally available funds; (b) any sums appropriated and paid or contributed

or to be appropriated and paid or contributed to the Borough by any Person for deposit by the Borough in its Sewer Revenue Account for and toward payment of obligations of the Borough under the Lease; (c) with respect only to the Fiscal Year ending June 14, 1972, if applicable, the sum to be transferred to the Borough as provided under Sections 3.02 L(3) and 4.07; and (d) with respect to any Fiscal Year ending on or before June 14, 1974, if applicable, any moneys deposited in the Sewer Revenue Account of the Borough established under the Lease in all Fiscal Years prior to the Fiscal Year in which such Additional Bonds are issued which were in excess of the amount required to be collected in all prior Fiscal Years to meet the requirements of Section 4.05 of the Lease, but only to the extent that such moneys, at the time of issuance of such Additional Bonds, are available in the aforesaid Sewer Revenue Account of the Borough for purposes set forth below, are estimated to be sufficient in the then current Fiscal Year and each subsequent Fiscal Year during the term of the Lease to provide funds for the following purposes:

(a) Payment by the Borough of Operating Expenses; and

(b) Payment by the Borough to the Authority or its assigns of: (i) net rentals due under the Lease; (ii) additional sums, if any, payable under the Lease to provide for reasonable Administrative Expenses of the Authority; and (iii) taxes, if any, levied or assessed against the Authority, with respect to the Sewer System, constituting additional sums payable under the Lease;

(6) Plans and specifications, if any, to be furnished to the Trustee under subsection F of this Section 3.04 are complete and are approved by the Consulting Engineers and have been approved by all governmental agencies having jurisdiction in the premises under then existing laws;

(7) If applicable, that the Authority has entered into all such contracts, if any, as are required for such construction, with the exception of contracts of a minor nature; and

(8) If applicable, that each contractor has furnished to the Authority performance and payment bonds as contemplated under Section 4.03;

F. Copies of plans and specifications, if any, for construction of Capital Additions; and copies of all contracts and bonds, if any, mentioned in the Consulting Engineers Certificate furnished to the Trustee under subsection E of this Section 3.04;

G. If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, a supplement to the Lease, duly executed and delivered by the Authority and the Borough, together with an assignment thereof and additional net rentals payable thereunder by the Authority to the Trustee, which supplement to the Lease shall extend the term of the Lease, if necessary, for the life of Additional Bonds constituting Sewer Revenue Bonds and shall require the Borough to pay, as additional net rentals to the Authority or its assigns, certain specified annual amounts which shall be sufficient during the term of the Lease to:

(1) Pay the estimated reasonable additional Administrative Expenses, if any, of the Authority in the current and each subsequent Fiscal Year resulting from or arising because of issuance of such Additional Bonds constituting Sewer Revenue Bonds; and

(2) Provide average additional annual net rentals available for Debt Service Requirements at least equal to 110% of the Average Annual Debt Service on the Additional Bonds constituting Sewer Revenue Bonds, calculated at the time of issuance, over the life thereof, and to provide additional net rentals available for Debt Service Requirements in each Fiscal Year at least equal to Debt Service Requirements in such Fiscal Year on the Additional Bonds constituting Sewer Revenue Bonds (except such Debt Service Requirements as may be capitalized and paid from proceeds of Additional Bonds);

H. If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, a Certified Ordinance authorizing execution and delivery of the supplement to the Lease furnished to the Trustee under subsection G of this Section 3.04;

I. A supplement to this Indenture, duly executed by the Authority:

(1) Setting forth terms, conditions and provisions relating to Additional Bonds and setting forth the forms of the Additional Bonds and coupons appertaining thereunto, subject to Sections 2.01, 2.02 and 2.03, as appropriate;

(2) Confirming the assignment, transfer and pledge hereunder to the Trustee of all right, title and interest of the Authority in and to the Lease, in and to the Receipts and Revenues from the Sewer System and in and to the Receipts from Assessments;

(3) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, providing for additional amounts, if any, to be paid into any of the Funds established under Article V, or providing for creation of additional Funds and for amounts to be paid into such additional Funds, or both; and

(4) Setting forth additional appropriate provisions not adversely inconsistent herewith;

J. If the Additional Bonds are being issued in whole or in part to acquire an existing sewer system, whether by purchase of assets or stock or by other device, a Certified Ordinance of the Borough approving said acquisition, if at the time required by law, enacted in the manner at the time required by law, and evidence of approval thereof by any governmental regulatory body having jurisdiction;

K. An Opinion of Counsel to the effect, as applicable under the circumstances, that:

(1) Purposes for which Additional Bonds are to be issued are authorized purposes under this Section 3.04 and, in the case of construction or acquisition of Capital Additions, the Authority has corporate power and lawful authority to acquire, construct, own, hold, operate and lease the same;

(2) Contracts for construction and bonds, if any, referred to in the Consulting Engineers' Certificate furnished to the Trustee under subsection E of this Section 3.04, are valid and binding and such bonds comply in all respects with applicable laws and requirements of Section 4.03;

(3) Certified Resolutions furnished to the Trustee under subsection B of this Section 3.04 have been lawfully adopted and are in full force and effect;

(4) The Certified Ordinance or Certified Ordinances, as applicable, furnished to the Trustee under subsection C of this Section 3.04 has or have been lawfully enacted and is or are in full force and effect;

(5) The Certified Ordinance, or Certified Ordinances, as applicable, if any, furnished to the Trustee under subsections H and/or J of this Section 3.04 has or have been lawfully enacted and is or are in full force and effect;

(6) With respect to any real estate, rights of way, easements, powers, licenses or other interests in real property, if any, acquired or to be acquired in connection with such construction or acquisition of Capital Additions or in connection with completion of the Project, the Authority properly has acquired, or the Authority has entered into legal and binding contracts with property owners pursuant to which it will acquire, or the Authority has taken certain enforceable preliminary steps to acquire or otherwise has legal power to

acquire, good and marketable title thereto, free and clear of all liens and encumbrances, excepting easements, restrictions in the line of title, encumbrances and defects of title which, in the opinion of such Counsel, will not interfere materially with or affect adversely use and operation of the Sewer System;

(7) All approvals and consents of governmental authorities which are required in connection with such construction or acquisition of Capital Additions, or in connection with completion of the Project, or for legal issuance of Additional Bonds, have been obtained;

(8) The supplement to this Indenture furnished to the Trustee under subsection I of this Section 3.04 has been duly authorized and executed by the Authority and, upon execution thereof by the Trustee, will be a valid and binding instrument and in no way will be inconsistent adversely with this Indenture as the same exists immediately prior to execution of such supplement;

(9) The supplement to the Lease furnished to the Trustee under subsection G of this Section 3.04 has been duly authorized, executed and delivered by the Authority and the Borough, respectively, is a valid and binding instrument and will not, adversely to the Authority, conflict with the Lease as the same exists immediately prior to execution of such supplement;

(10) The Authority is duly authorized to pledge and assign its right, title and interest in and to the supplement to the Lease and additional net rentals payable thereunder to the Trustee in accordance with this Indenture;

(11) Right, title and interest of the Authority in and to the supplement to the Lease and additional net rentals payable thereunder have been duly pledged with and assigned to the Trustee;

(12) All conditions precedent to authentication and delivery of such Additional Bonds, as provided in this Indenture, have been fulfilled; and

(13) The Additional Bonds, upon authentication thereof by the Trustee, will be valid and binding obligations of the Authority and will be entitled to benefit and security hereof, to the extent provided herein.

Upon receipt of documents required under this Section 3.04, the Trustee may execute the supplement to this Indenture furnished to it under subsection I of this Section 3.04, may authenticate such Additional Bonds and may deliver the same as requested by the Authority.

Proceeds of such Additional Bonds, upon receipt thereof by the Authority, immediately shall be transferred to the Trustee, who shall deposit the same in the Construction Fund (earmarked in a separate account for each series of Additional Bonds or combination of series of Additional Bonds concurrently issued), except and to the extent that the supplemental indenture required under subsection I of this Section 3.04 shall provide for payments into other Funds hereunder and into other Funds, if any, as shall be set forth in such supplemental indenture.

SECTION 3.05. **[Additional Bonds as Refunding Bonds.]** The Authority may issue Additional Bonds, from time to time for the purpose of providing all or part of funds necessary to refund, through redemption, all or part of then Outstanding Sewer Assessment Revenue Bonds of any or all series which are so subject to being refunded and/or all, but not less than all, of any one or more series of then Outstanding Sewer Revenue Bonds which are so subject to being refunded, including in each case all or any part of costs and expenses incidental to such redemption and financing and including redemption premiums, if any; and the Trustee shall authenticate and deliver such Additional Bonds, but only upon receipt, as appropriate under the circumstances, of:

A. An Order of the Authority directing authentication of Additional Bonds and directing delivery thereof to a specified Person or a specified officer of the Authority;

B. A Certified Resolution or Certified Resolutions:

(1) Authorizing, setting forth, confirming, requesting and stating, as applicable, the same matters as are referred to in subparagraphs (1), (2), (5) and (7), respectively, of Section 3.04 B; and specifying, in connection with said subparagraph (1), that Additional Bonds are to be issued to refund, through redemption, all or part of then Outstanding Sewer Assessment Revenue Bonds of all or any series which are so subject to being refunded and/or all, but not less than all, of any one or more series of then Outstanding Sewer Revenue Bonds which are so subject to being refunded and to pay all or part of costs incidental to such redemption and financing, including redemption premiums, if any;

(2) Setting forth the aggregate amount necessary to redeem the principal amount of Bonds to be refunded, including redemption premiums, if any, and accrued interest, and the aggregate amounts then held by the Trustee, if any, in the Sewer Assessment Fund and/or in the Clearing Fund, Debt Service Fund, Debt Service Reserve Fund and Bond Redemption and Improvement Fund, as appropriate, which are available for and may be applied to payment of principal, premiums, if any, and accrued interest applicable to Bonds to be refunded;

(3) Appropriating proceeds of sale of Additional Bonds, together with amounts so held by the Trustee and so available, to pay all costs incident to the financing and the amounts payable on such redemption, including costs and expenses incident thereto;

(4) Exercising the right of the Authority to redeem the Bonds to be refunded, setting forth the date or dates, as applicable, fixed for redemption and the terms and conditions upon which such Bonds are to be redeemed; and

(5) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds and a supplement to the Lease shall be necessary under subsection E of this Section 3.05, authorizing execution and delivery of a supplement to the Lease and authorizing assignment thereof and additional net rentals payable thereunder to the Trustee, as required under subsection E of this Section 3.05;

C. An Officers' Certificate stating that notice or notices, as applicable, of redemption of Bonds to be redeemed has or have been properly published pursuant to Article VIII and setting forth the dates and manner of publication; or stating that provisions which are satisfactory to the Trustee have been made for such publication; or stating that sufficient waivers of notice of publication have been filed with the Trustee pursuant to Article VIII;

D. An Officers' Certificate stating:

(1) The amount of proceeds of sale of Additional Bonds, including accrued interest;

(2) That such proceeds of sale of Additional Bonds, together with specified amounts, if any, in the Sewer Assessment Fund and/or in the Clearing Fund, Debt Service Fund, Debt Service Reserve Fund and Bond Redemption and Improvement Fund, as appropriate, which are available therefor, are necessary and will be sufficient to pay all costs incidental to the financing and all amounts payable upon such redemption, including costs and expenses incident thereto;

(3) That no Event of Default has occurred hereunder which is continuing; or, *in the alternative*, that the issuance of Additional Bonds will prevent or cure an Event of Default, as contemplated in Section 6.07;

(4) If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, the Average Annual Debt Service on all series of Sewer Revenue Bonds to remain Outstanding, if any, the Average Annual Debt Service on the Additional Bonds constituting Sewer Revenue Bonds, calculated at the time of issuance, over the life thereof, and the amount of mandatory payments, if any, to be made to the Debt Service Reserve Fund, determined after giving effect to the issuance of such Additional Bonds constituting Sewer Revenue Bonds and to the redemption of any series of Sewer Revenue Bonds to be redeemed, if any; and

(5) All conditions precedent provided herein relating to authentication of Additional Bonds have been fulfilled;

E. If the Additional Bonds shall include or shall consist of a series of Sewer Revenue Bonds, an Officers' Certificate stating that remaining net rentals payable at the time to the Authority under the Lease will be sufficient in the then current Fiscal Year and each subsequent Fiscal Year:

(1) To pay the Administrative Expenses of the Authority, to the extent provided in this Indenture; and

(2) To provide average annual net rentals available for Debt Service Requirements on the Sewer Revenue Bonds to remain Outstanding and on the Additional Bonds constituting Sewer Revenue Bonds to be issued at least equal to 110% of the Average Annual Debt Service on each series of Sewer Revenue Bonds to remain Outstanding and on Additional Bonds constituting Sewer Revenue Bonds to be issued, calculated at the time of issuance, over the life thereof, and to provide net rentals available for Debt Service Requirements in each Fiscal Year at least equal to Debt Service Requirements in such Fiscal Year on such Sewer Revenue Bonds to remain Outstanding and on Additional Bonds constituting Sewer Revenue Bonds to be issued;

or, in the alternative, a supplement to the Lease, duly executed and delivered by the Authority and the Borough, together with an assignment thereof and additional net rentals payable thereunder to the Trustee, which supplement to the Lease shall extend the term of the Lease, if necessary, for the life of the Additional Bonds and shall require the Borough to pay, as additional net rentals to the Authority or its assigns, certain specified annual amounts so as to provide net rentals payable under the Lease sufficient in the current and each subsequent Fiscal Year to pay the reasonable Administrative Expenses of the Authority, to the extent provided in this Indenture, and provide average annual net rentals and net rentals in each Fiscal Year available for Debt Service Requirements as set forth in the immediately preceding subparagraph (2) of this subsection E of Section 3.05;

F. If a supplement to the Lease shall be furnished to the Trustee under subsection E of this Section 3.05, a Certified Ordinance authorizing execution and delivery thereof;

G. A supplement to the Indenture, duly executed by the Authority, substantially in the form provided under Section 3.04 I, with such appropriate changes as may be necessary under the circumstances;

H. If a supplement to the Lease shall be furnished to the Trustee under subsection E of this Section 3.05, a Certified Ordinance as contemplated under provisions of Section 3.04 C (1);

I. If a supplement to the Lease shall be furnished to the Trustee under subsection E of this Section 3.05, a Consulting Engineers' Certificate substantially to the effect provided in subparagraph (5) of subsection E of Section 3.04 and giving consideration to the changed circumstances under which such Consulting Engineers' Certificate is given;

J. If a supplement to the Lease shall be furnished to the Trustee under subsection E of this Section 3.05, a Consulting Engineers' Certificate to the effect that minimum net rentals payable to the Authority under the Lease (including the supplement thereto furnished under subsection E) will be sufficient for purposes specified under said subsection E of this Section 3.05;

K. If the Additional Bonds shall include or shall consist of a series of Sewer Assessment Revenue Bonds, a Consulting Engineers' Certificate to the effect that the estimated amounts subsequently to be derived by the Authority from assessments charged in connection with the Project and/or Capital Additions financed in whole or in part by issuance of the Sewer Assessment Revenue Bonds to be refunded, together with other Receipts from Assessments estimated subsequently to be derived with respect to the Project and/or Capital Additions financed in whole or in part by issuance of the Sewer Assessment Revenue Bonds to be refunded, together with other moneys available for the purposes, if any, will be sufficient to provide funds for payment of remaining costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting such assessments and collecting such other Receipts from Assessments and of the principal of and interest on Sewer Assessment Revenue Bonds to remain Outstanding and on Additional Bonds constituting Sewer Assessment Revenue Bonds to be issued; and

L. An Opinion of Counsel substantially to the effect provided in Section 3.04 K, giving consideration to the changed circumstances under which such Opinion of Counsel is given.

Upon receipt of the foregoing documents required under this Section 3.05, the Trustee may execute the supplement to this Indenture furnished to the Trustee under subsection G of this Section 3.05, authenticate such Additional Bonds and deliver the same as requested by the Authority.

Proceeds of sale of such Additional Bonds, upon receipt thereof by the Authority, immediately shall be transferred to and held by the Trustee, in trust, and shall be applied, together with other available funds as set forth in the Certified Resolution furnished to the Trustee under subsection B (2) of this Section 3.05, to redemption of Bonds to be redeemed. Costs and expenses incident to redemption and financing shall be paid by the Trustee out of such proceeds and other available moneys, as aforesaid, upon Requisitions of the Authority; and any remaining balance of such proceeds shall be deposited as shall be provided in the supplemental indenture furnished to the Trustee under subsection G of this Section 3.05.

SECTION 3.06. **[Financing of Other Projects.]** Nothing herein shall prevent the Authority from issuing bonds under other indentures or resolutions for financing other projects or from pledging receipts, revenues and moneys from such other projects for payment of bonds issued to finance such other projects. The Authority's Administrative Expenses shall be allocated equitably among its various projects, but any expenses specifically attributable to any one project shall be charged against such project.

SECTION 3.07. **[Other Authority Indebtedness.]** The Authority, from time to time, if other funds are not available, may issue notes and certificates of indebtedness which shall not constitute a lien or charge against the Lease, or against the Receipts and Revenues from the Sewer System, or against the Receipts from Assessments, or against any of the Funds created hereunder, but which may be paid as provided under Section 5.06 and which shall not rank on a parity with and which shall be subordinate to Bonds issued hereunder, for the purpose of raising temporary funds to be used for the purposes and on the same terms and conditions specified in paragraphs A and B, respectively, of Section 5.06; Provided, however, that the aggregate of such notes and certificates of indebtedness outstanding at any one time shall not exceed \$100,000.

ARTICLE IV

CONCERNING CONSTRUCTION. CONSTRUCTION FUND

SECTION 4.01. **[Completion of Construction.]** The Authority covenants that it will proceed with all reasonable dispatch to acquire, construct and complete the Project. The Authority further

covenants that the construction related to the Project will be undertaken and completed in accordance with plans and specifications referred to in the Preamble hereof and furnished to the Trustee under Section 3.02 G and in accordance with the contract furnished to the Trustee under Section 3.02 F, which plans and specifications have been approved by the Authority, the Borough and the Pennsylvania Department of Environmental Resources. The Authority further covenants that no changes, modifications or alterations of said plans and specifications will be made (except such as already may be provided for in said plans and specifications) unless and until the same shall have been approved by the Consulting Engineers, as evidenced by a Consulting Engineers' Certificate, the Authority, the Borough and, to the extent required, the Pennsylvania Department of Environmental Resources and other governmental bodies having jurisdiction, and until evidence of such change, modification or alteration and a copy of such approvals, as necessary, shall have been furnished to the Trustee by the Authority. The Consulting Engineers' Certificate also shall state that any such change, modification or alteration will not affect adversely the security of Bonds and will not increase Costs, Costs of Acquisition or Costs of Construction of the Project in excess of the amount available therefor in the Construction Fund or otherwise available or to be available, including proceeds of Additional Bonds.

The Authority further covenants that it will enter into additional contracts for construction or other work related to the Sewer System only after compliance with applicable requirements of the Authorities Act; and that copies of all such contracts, together with copies of all bonds related thereto, as furnished by contractors, and copies of all plans and specifications relating to such contracts will be furnished to the Trustee by the Authority, prior to the time performance under such contracts shall be commenced or as may be specifically required under other Sections hereof.

SECTION 4.02. **[Compliance with Law.]** The Authority covenants that, in connection with construction related to the Project or any other construction undertaken with respect to the Sewer System, it will comply and will require the Borough to comply with all present and future laws, rules, regulations, orders and requirements lawfully made by any competent public body or authority now or hereafter existing and having jurisdiction.

SECTION 4.03. **[Contractors' Bonds.]** The Authority covenants that where any work in connection with the Sewer System, including the Project, shall be performed under contract, it shall obtain from each contractor a performance bond, providing, in substance, that such contractor faithfully shall perform the contract and shall indemnify and save harmless the Authority from expenses and damages, and such other provisions as required by law, and a payment bond, providing, in substance, that such contractor or any subcontractor shall pay for all materials furnished, labor supplied, services rendered and reasonable rentals of equipment for periods when such equipment rented is actually used at the site of the work in performance of such contract and that any Person furnishing such materials, supplying such labor, rendering such services or renting such equipment may maintain an action to recover for the same against the obligor in the undertaking in the manner provided by law and such other provisions as required by law. Each bond shall be executed by a responsible surety company duly approved by the Authority and qualified to do business in the Commonwealth and shall be in the amount of 100% of the principal amount of each such contract.

SECTION 4.04. **[Authority to Perform All Agreements.]** The Authority covenants that it will perform faithfully all agreements on its part to be performed under any contract for construction or other work relating to the Sewer System and that it will not do or refrain from doing any act or thing whereby sureties on any performance or payment bonds provided for under Section 4.03 shall be released or might be released, in whole or in part, from any obligation assumed by them or from any agreement to be performed by them as set forth in such performance or payment bonds.

SECTION 4.05. **[Authority to Enforce Contracts.]** If any contractor or any surety should fail or neglect to perform any contract relating to the Sewer System in accordance with terms thereof, or if any contractor or any surety otherwise should fail to provide, to the satisfaction of the Consulting Engineers, for completion of such construction or other work in accordance with terms of such contract, the Authority

covenants to take all action required to enforce the terms and provisions thereof, including, if necessary, the institution of appropriate legal proceedings.

SECTION 4.06. **[Construction Fund—Creation and Deposits.]** There is created a “Construction Fund”, which shall be held by the Trustee, in trust, and shall consist of funds deposited therein pursuant to provisions hereof for purposes of paying Costs, Costs of Acquisition or Costs of Construction relating to the Sewer System, including the Project, Capital Additions and acquisition or construction of property in the nature of Capital Additions.

In addition to other deposits to be made in the Construction Fund, the Authority shall deliver to the Trustee for deposit therein any moneys received by it (after deduction of all costs, fees and expenses incurred in connection with recovery thereof) from any contractor or any surety under any bid, performance, completion or penalty bond and any amounts otherwise received by the Authority by virtue of a cause of action arising from any bid or contract relating to acquisition or construction or other work with regard to the Sewer System; Provided, however, that if the Construction Fund shall not be open with respect to the appropriate project at the time such moneys shall be received by the Trustee, such moneys shall be deposited by the Trustee in the Clearing Fund.

Also, in addition to other deposits to be made in the Construction Fund, the Authority shall deposit therein any funds contributed or advanced by users, developers or other Persons, including any governmental agency or body, for application toward Costs, Costs of Acquisition or Costs of Construction relating to property which, upon completion of construction, acquisition or other work shall constitute a part of the Sewer System.

SECTION 4.07. **[Construction Fund—Withdrawals and Payments.]** The Trustee, without further direction from the Authority, immediately upon deposit of proceeds of sale of the Series of 1971 Bonds in the Construction Fund, shall withdraw from the Construction Fund and pay over to the Authority the amount specified in subparagraph (2) of the Officers’ Certificate furnished to the Trustee under Section 3.02 L.

The Trustee, without further direction from the Authority, on or before September 1, 1971, shall withdraw from the Construction Fund and pay over to the Borough, in behalf of the Authority, the sum of \$4,000 for deposit by the Borough in its Sewer Revenue Account, as provided in the Lease.

The Trustee, without further direction from the Authority, immediately upon deposit of proceeds of sale of the Series of 1971 Bonds in the Construction Fund, shall withdraw from the Construction Fund and deposit in the Sewer Assessment Fund the amount specified in subparagraph (4) of the Officers’ Certificate furnished to the Trustee under Section 3.02 L.

The Trustee, without further direction from the Authority, on or before December 1, 1971, shall withdraw from the Construction Fund and deposit in the Debt Service Fund the sum of \$61,941.18, which is sufficient to pay and shall be applied to payment of the first eighteen months’ interest on the Sewer Revenue Bonds—Series of 1971.

The Trustee, without further direction from the Authority, on or before December 1, 1971, shall withdraw from the Construction Fund and deposit in the Sewer Assessment Fund the sum of \$10,837.50, which is sufficient to pay interest for at least eighteen months on the Sewer Assessment Revenue Bonds—Series of 1971.

The Trustee, without further direction from the Authority, immediately upon deposit of proceeds of sale of the Series of 1971 Bonds in the Construction Fund, shall withdraw from the Construction Fund and deposit in the Debt Service Reserve Fund the sum of \$48,700, as an initial reserve with respect to the issuance of the Sewer Revenue Bonds—Series of 1971.

Payments (excluding the payments and transfers above authorized in this Section 4.07 and transfers to other Funds created hereunder as shall be authorized by provisions hereof) shall be made from the Construction Fund by the Trustee, but only upon receipt of the following:

- A. A Requisition of the Authority stating, with respect to each payment to be made:
 - (1) The Requisition number;
 - (2) The name of the Person to whom payment is due;
 - (3) The amount to be paid; and
 - (4) In reasonable detail the purpose or purposes for which the obligation was incurred;

and certifying that each obligation mentioned therein has been incurred properly by the Authority, is a proper charge against the Construction Fund, is unpaid and has not been the basis of any previous withdrawal;

B. In the case of payments related to or payments under contracts for construction, or reimbursements for such payments, a Consulting Engineers' Certificate approving the Requisition of the Authority and further certifying with respect to any obligation incurred for work, equipment or materials in connection with construction or other work, which shall be the basis of the Requisition, that such is in accordance with applicable plans and specifications, if any, filed with the Trustee in accordance with provisions hereof and that such labor or other work actually was performed or that such equipment and/or materials actually were installed in or about the Sewer System or that such equipment and/or materials were delivered at the site of the work for that purpose or were delivered for fabrication at a place approved by the Consulting Engineers; and

C. In all other cases, an Opinion of Counsel for the Authority approving the Requisition of the Authority and certifying that the payment is a proper and legal charge against the Construction Fund; and if the Requisition shall cover the acquisition of real estate, rights of way, easements, privileges, powers, licenses and/or other interests in property with respect to which the Trustee previously has not received an Opinion of Counsel, an Opinion of Counsel responsive, as appropriate, to Section 3.02 H(2).

The Authority, in its discretion, may establish separate series of Requisitions for payments to be made from funds in the Construction Fund earmarked for specific purposes as provided herein.

SECTION 4.08. **[Retention of Documents and Issuance of Receipts by Trustee.]** The Trustee shall retain in its possession, for a period of 7 years after receipt thereof, all Requisitions, Consulting Engineers' Certificates and Opinions of Counsel received by it as herein required, or photostatic, microfilm or other acceptably reproduced copies thereof, subject to inspection by the Authority, the Consulting Engineers, Bondholders and their respective agents and representatives at reasonable times.

The Trustee shall obtain receipts for all payments made by it from the Construction Fund; Provided, however, that in lieu of obtaining such receipts the Trustee may use a voucher check in form approved by the Authority.

SECTION 4.09. **[Completion of Projects—Officer's Certificate.]** Upon completion of the Project, including any construction or acquisition for which Additional Bonds may have been issued for completion thereof, or upon completion of Capital Additions, or upon completion of acquisition or construction of property in the nature of Capital Additions, as applicable, the Authority shall file with the Trustee, in every such case, an Officer's Certificate, approved by the Consulting Engineers, showing:

- A. Such completion;
- B. The date of such completion;
- C. Payment of Costs, Costs of Acquisition or Costs of Construction with respect thereto and reimbursement and payment of any indebtedness made or incurred therefor or provisions to be

made for payment of such Costs, Costs of Acquisition or Costs of Construction which remain unpaid; and

D. The balance, after payments or provisions therefor set forth under the immediately preceding subsection C of this Section 4.09, earmarked for such purpose, which remains in the Construction Fund.

Upon receipt of such Officers' Certificate, so approved by the Consulting Engineers, the Trustee shall make such provisions as shall be necessary to provide for payment of unpaid Costs, Costs of Acquisition or Costs of Construction, if any, set forth in subsection C of such Officers' Certificate and thereafter shall transfer the balance, in the amount set forth in subsection D of such Officers' Certificate, as follows: (1) in the case of completion of the Project, subject to the provisions of the succeeding paragraph, a percentage of such balance to the Sewer Assessment Fund which percentage to be applied to such balance shall be determined by dividing the total amount of Sewer Assessment Revenue Bonds and Sewer Revenue Bonds issued to finance the Project into the amount of Sewer Assessment Revenue Bonds issued to finance the Project, and the remainder to the Bond Redemption and Improvement Fund; Provided, however, and subject to the provisions of the succeeding paragraph, that if moneys shall have been transferred to the Construction Fund from the Bond Redemption and Improvement Fund for the purpose of completing the Project, such balance, to the extent necessary to fully reimburse the Bond Redemption and Improvement Fund, initially shall be transferred to the Bond Redemption and Improvement Fund; (2) in the case of the completion of Capital Additions or other property acquired or constructed by the Authority in connection with the financing of which Additional Bonds were issued under a supplement hereto, as shall be provided in the appropriate supplemental indenture, or if no provision shall be made therein then to the Bond Redemption and Improvement Fund; and (3) in the case of the completion of Capital Additions or other property in the nature of Capital Additions acquired or constructed by the Authority which was financed without issuance of Additional Bonds, to the Bond Redemption and Improvement Fund.

In the case of completion of the Project there shall be filed with the Trustee, concurrently with the aforesaid Officers' Certificate, a Consulting Engineers' Certificate stating whether moneys then available in the Sewer Assessment Fund, together with moneys estimated to be deposited therein and to be available, will be sufficient to pay all interest on and principal of Outstanding Sewer Assessment Revenue Bonds as such become due and payable. If such Certificate states that such moneys will not be sufficient, it shall set forth the pertinent amounts and dates of any anticipated deficiencies; and, if the moneys to be transferred to the Sewer Assessment Fund under clause (1) of the immediately preceding paragraph shall be insufficient to eliminate any such deficiencies, the Trustee shall transfer from said balance in the Construction Fund to the Sewer Assessment Fund such additional moneys, to the extent available, as may be necessary to eliminate the same and shall transfer any remaining balance to the Bond Redemption and Improvement Fund.

ARTICLE V

CLEARING AND OTHER FUNDS

SECTION 5.01. **[Clearing Fund—In General.]** The Authority assigns, transfers and sets over and in confirmation directs payment to the Trustee of all Receipts and Revenues from the Sewer System. Upon receipt of such moneys, the Trustee shall deposit the same in the "Clearing Fund", which is created, subject to provisions of Section 5.06.

In addition, the Trustee shall make deposits in and transfers to the Clearing Fund at the times and in the manner set forth in any other Section hereof.

Moneys from time to time in the Clearing Fund shall be held by the Trustee, in trust, shall be secured as provided in Article VII and shall be applied for purposes set forth in this Article V; and, pending such application, such moneys shall be subject to a lien and charge in favor of Holders of Sewer Revenue Bonds and for the further security of such Holders.

SECTION 5.02. **[Administrative Expense Fund.]** On or before May 5, 1973, and on or before November 5, 1973, respectively, the Trustee, without further direction from the Authority, shall reserve from the Clearing Fund and set aside in the "Administrative Expense Fund", which is created, for Administrative Expenses, the sum of \$500. On or before May 5, 1974, and on or before November 5 and on or before May 5 of each Fiscal Year thereafter, to and including the Fiscal Year ending June 14, 2011, the Trustee, without further direction from the Authority, shall reserve from the Clearing Fund and set aside in the Administrative Expense Fund the sum of \$500 or such lesser amount as shall be necessary at the time to increase the amount on deposit therein, together with any moneys withdrawn by the Authority therefrom and then held by it and available for Administrative Expenses, to the sum of \$1,000.

Moneys from time to time on deposit in the Administrative Expense Fund shall be advanced by the Trustee to the Authority upon Requisition or Requisitions for payment of Administrative Expenses.

The aggregate amount advanced by the Trustee to the Authority from the Administrative Expense Fund shall not exceed the sum of \$500 in the Fiscal Year ending June 14, 1973, and shall not exceed the sum of \$1,000 in any Fiscal Year thereafter, unless the Borough, in the particular Fiscal Year, shall make additional amounts available for deposit therein, as provided in the Lease, in which event the Trustee shall deposit such additional amounts in the Administrative Expense Fund and shall be authorized to advance such additional amounts to the Authority in the manner hereinbefore set forth during such Fiscal Year.

The Authority shall furnish to the Trustee, on or before May 5, 1974, and on or before November 5 and on or before May 5 of each Fiscal Year thereafter, a Certificate showing the balance then held by the Authority, consisting of amounts withdrawn from the Administrative Expense Fund and available for Administrative Expenses as of the date of such Certificate.

If the Lease at any time shall be supplemented with respect to sums to be available for Administrative Expenses, provisions of this Section 5.02 shall be amended in a supplement to this Indenture to the extent necessary or desirable to make provision therefor.

SECTION 5.03. **[Debt Service Fund; Sinking Fund.]** There is created a special fund, known as the "Debt Service Fund", which shall be held by the Trustee, in trust, until applied as hereinafter provided.

The Debt Service Fund initially shall consist of moneys transferred thereto from the Construction Fund under Section 4.07, which moneys shall be applied by the Trustee, without further direction from the Authority, to payment of the installments of interest falling due on Sewer Revenue Bonds--Series of 1971, on December 15, 1971, June 15, 1972, and December 15, 1972, respectively.

In addition to the foregoing, the Trustee, without further direction from the Authority, shall transfer from the Clearing Fund and deposit in the Debt Service Fund, the following sums at the following times:

A. On or before May 5, 1973, and on or before May 5 of each Fiscal Year thereafter so long as any Sewer Revenue Bonds—Series of 1971 shall remain Outstanding, an amount sufficient to pay the semiannual installment of interest falling due on the Sewer Revenue Bonds—Series of 1971 on the next succeeding June 15.

B. On or before November 5, 1973, and on or before November 5 of each Fiscal Year thereafter so long as any Sewer Revenue Bonds—Series of 1971 shall remain Outstanding, an amount sufficient to pay the semiannual installment of interest falling due on the Sewer Revenue Bonds—Series of 1971 on the next succeeding December 15.

The Sewer Revenue Bonds—Series of 1971 are subject to mandatory retirement, in chronological progression of maturities, by mandatory redemption or purchase prior to maturity and by payment at maturity out of moneys in the Series of 1971 Sinking Fund (as hereinafter provided). Such retirement (subject to prior retirement from other available moneys) shall be effected as follows:

On or before November 5, 1973, and on or before May 5, 1974, respectively, and on or before November 5 and on or before May 5, respectively, of each Fiscal Year thereafter, to and including on or before May 5, 2011 or so long as any Sewer Revenue Bonds—Series of 1971 shall remain Outstanding, the Trustee, without further direction from the Authority, shall transfer from the Clearing Fund and deposit in the Debt Service Fund one-half the aggregate principal amount, including estimated costs of redemption, as may be required to purchase, redeem or pay upon maturity the following principal amount or amounts of Sewer Revenue Bonds—Series of 1971 on or prior to the next succeeding June 15, out of the Series of 1971 Sinking Fund:

June 15, 1974	\$ 5,000	June 15, 1993	\$ 15,000
June 15, 1975	5,000	June 15, 1994	15,000
June 15, 1976	5,000	June 15, 1995	15,000
June 15, 1977	5,000	June 15, 1996	15,000
June 15, 1978	5,000	June 15, 1997	15,000
June 15, 1979	5,000	June 15, 1998	20,000
June 15, 1980	5,000	June 15, 1999	20,000
June 15, 1981	5,000	June 15, 2000	20,000
June 15, 1982	5,000	June 15, 2001	20,000
June 15, 1983	5,000	June 15, 2002	25,000
June 15, 1984	10,000	June 15, 2003	25,000
June 15, 1985	10,000	June 15, 2004	25,000
June 15, 1986	10,000	June 15, 2005	30,000
June 15, 1987	10,000	June 15, 2006	30,000
June 15, 1988	10,000	June 15, 2007	35,000
June 15, 1989	10,000	June 15, 2008	35,000
June 15, 1990	10,000	June 15, 2009	40,000
June 15, 1991	10,000	June 15, 2010	40,000
June 15, 1992	10,000	June 15, 2011	45,000

or such lesser principal amount as on the particular date shall represent all Sewer Revenue Bonds—Series of 1971 of the particular maturity then being retired; and after all Sewer Revenue Bonds—Series of 1971 shall have been retired, no further transfers shall be made to the Series of 1971 Sinking Fund.

There is created a “Series of 1971 Sinking Fund”, which shall be held by the Trustee as part of the Debt Service Fund and shall consist of moneys withdrawn from the Clearing Fund and deposited therein pursuant to the schedule set forth in the foregoing paragraph (the “Schedule”). Moneys so transferred shall be applied by the Trustee, without further direction from the Authority, to payment upon maturity of the Sewer Revenue Bonds—Series of 1971 and to purchase or redemption thereof, as required by this Section 5.03, as follows:

Commencing on or before November 5 (the date of initial deposit to be made in each Fiscal Year pursuant to the Schedule), and until and including the following May 8, the Trustee shall purchase, from moneys available in the Series of 1971 Sinking Fund, as many Sewer Revenue Bonds—Series of 1971 of the particular maturity then being retired as can be purchased at lowest prices offered at the time by Bondholders, which in no case shall exceed the principal amount thereof, together with accrued interest to the date of purchase (which accrued interest shall be paid out of moneys available, if any, for such purpose in the Debt Service Fund or, if not so available, out of moneys in the Clearing Fund or in the Bond Redemption and Improvement Fund). On May 9, 1974, and on May 9 of each Fiscal Year thereafter, so long as any Sewer Revenue Bonds—Series of 1971 shall remain Outstanding, or as soon after May 9 as shall suit the convenience of the Trustee and shall allow sufficient time to publish the notice of redemption, the Trustee shall draw by lot (except in those years when the Outstanding Sewer Revenue Bonds—Series of 1971 of the particular maturity then being retired will mature by their express terms on the following June 15), for redemption, on the following June 15, such principal amount

of Sewer Revenue Bonds—Series of 1971 of the particular maturity then being retired as shall represent the difference between the principal amount of such Sewer Revenue Bonds—Series of 1971 fixed for purchase or redemption on or prior to the following June 15 in accordance with the Schedule and the principal amount thereof which the Trustee shall have purchased during the immediately preceding period, as above provided.

Upon selection by lot of the particular Sewer Revenue Bonds—Series of 1971 to be redeemed, as above provided, the Trustee shall advertise, in the name of the Authority, such Sewer Revenue Bonds—Series of 1971 so drawn for redemption, in the manner provided in Article VIII, and, upon presentation of such Sewer Revenue Bonds—Series of 1971 by Holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the Series of 1971 Sinking Fund and shall pay accrued interest due from moneys available therefor in the Debt Service Fund. The Trustee also shall pay costs of redemption out of moneys in the Series of 1971 Sinking Fund.

If the Authority, by resolution of its Board, shall determine to include in any notice of redemption given by the Trustee, as above provided, redemption of additional Sewer Revenue Bonds—Series of 1971 out of moneys in the Bond Redemption and Improvement Fund and shall give the Trustee Notice thereof and otherwise shall comply with provisions hereof in time for it to include such additional Sewer Revenue Bonds—Series of 1971 in its drawing by lot, which drawing shall be in accordance with Article VIII, and in the requisite notice of redemption, such additional Sewer Revenue Bonds—Series of 1971 shall be included in such redemption notice, which notice shall comply with provisions of Article VIII.

A separate sinking fund may be established for any series of Additional Bonds constituting Sewer Revenue Bonds.

In case of issuance of Additional Bonds constituting Sewer Revenue Bonds, the Trustee shall make additional deposits in the Debt Service Fund in such amounts and at such times as may be necessary and as may be required by the supplement hereto executed and delivered in connection with their issuance to pay the principal of and interest on such Additional Bonds constituting Sewer Revenue Bonds.

Moneys (and investments) in the Debt Service Fund (including any sinking fund) shall be held by the Trustee, in trust, for benefit of Holders, from time to time, of Sewer Revenue Bonds and coupons appertaining thereunto and such moneys shall be and are pledged irrevocably for payment of the principal of and interest on such Sewer Revenue Bonds. The Trustee, without further direction from the Authority, shall be authorized to pay from the Debt Service Fund (including any sinking fund) the principal of and interest on Sewer Revenue Bonds, as payable, but only upon presentation and surrender of Sewer Revenue Bonds or coupons, as applicable, subject, however, to Section 2.09.

SECTION 5.04. [Debt Service Reserve Fund.] There is created a special fund, known as the “Debt Service Reserve Fund”, which shall be held by the Trustee, in trust, until applied as herein provided.

The Debt Service Reserve Fund initially shall consist of moneys transferred thereto from the Construction Fund under Section 4.07.

The Trustee, without further direction from the Authority, shall apply moneys in the Debt Service Reserve Fund toward payment of principal and interest from time to time becoming payable on Sewer Revenue Bonds to the extent that the Debt Service Fund at any time shall be deficient for such purpose.

If for any reason the Debt Service Reserve Fund at any time shall be less than the amount of \$48,700 or such other amount as at the time shall be required, then and in that event, on or before May 5 of each Fiscal Year, after all transfers currently required to be made from the Clearing Fund pursuant to Sections 5.02 and 5.03, respectively, shall have been made, the Trustee, without further direction from the Authority, shall withdraw from the Clearing Fund and deposit in the Debt Service Reserve Fund the

balance then remaining in the Clearing Fund or so much thereof as shall be necessary to increase the Debt Service Reserve Fund to the amount of \$48,700 or such other amount as at the time shall be required.

Moneys in the Debt Service Reserve Fund at any time which shall not be required to maintain the Debt Service Reserve Fund at the amount at the time required shall be transferred to the Clearing Fund.

Moneys (and investments) in the Debt Service Reserve Fund shall be held by the Trustee, in trust, for benefit of Holders of Sewer Revenue Bonds and coupons appertaining thereunto for which such shall be a reserve and shall be and are pledged irrevocably as security for payment of principal of and interest on such Sewer Revenue Bonds until disbursed as herein authorized.

In the event of issuance of Additional Bonds constituting Sewer Revenue Bonds, the supplemental indenture then to be executed shall provide for such transfers or deposits, if any, as shall be made to the credit of the Debt Service Reserve Fund and for the amount thereafter to be held therein; Provided, however, that so long as the Sewer Revenue Bonds—Series of 1971 shall remain Outstanding the supplemental indenture then to be executed shall provide that payments or deposits into the Debt Service Reserve Fund shall be in such amounts, so that the total to be deposited in the Debt Service Reserve Fund shall be not less than the Average Annual Debt Service on all series of Sewer Revenue Bonds then Outstanding, calculated as of the time of issuance, over the life of each such series of Sewer Revenue Bonds and after giving effect to the issuance of Additional Bonds constituting Sewer Revenue Bonds about to be issued and, if applicable, the redemption of any series of Sewer Revenue Bonds to be redeemed.

SECTION 5.05. **[Maintenance Reserve Fund.]** There is created a special fund, known as the “Maintenance Reserve Fund”, which shall be held by the Trustee, in trust, until applied as herein provided.

On or before May 5 of each of the Fiscal Years set forth below, after all transfers currently required to be made from the Clearing Fund pursuant to Sections 5.02, 5.03 and 5.04, respectively, shall have been made, the Trustee, without further direction from the Authority, shall withdraw from the Clearing Fund and deposit in the Maintenance Reserve Fund the following sums:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 14, 1973	\$4,653
June 14, 1974	347 or
such other sum as shall be required to establish the Maintenance Reserve Fund at \$5,000.	_____
TOTAL	\$5,000

If for any reason the amount on deposit in the Maintenance Reserve Fund on May 5, 1974, or on any date thereafter, shall be less than the amount of \$5,000, or such other amount as at the time shall be required, then and in that event, on or before May 5 of each Fiscal Year, after all transfers currently required to be made from the Clearing Fund pursuant to Sections 5.02, 5.03 and 5.04, respectively, shall have been made, the Trustee, without further direction from the Authority, shall withdraw from the Clearing Fund and deposit in the Maintenance Reserve Fund the balance then remaining in the Clearing Fund or so much thereof as shall be necessary to increase the Maintenance Reserve Fund to the amount of \$5,000, or such other amount as at the time shall be required.

Moneys (and investments) in the Maintenance Reserve Fund shall be held by the Trustee, in trust, for benefit of Holders of Bonds and coupons appertaining thereunto and for their further security until disbursed as herein provided.

Moneys in the Maintenance Reserve Fund shall be held for the purposes of paying or reimbursing the Authority or the Borough for costs of Extraordinary Repairs to the Sewer System. The Trustee shall make payments from the Maintenance Reserve Fund only upon receipt of a Requisition from the

Authority, accompanied by a Certified Resolution authorizing such Requisition, setting forth in reasonable detail the purpose or purposes for which moneys are required. The Authority also shall furnish to the Trustee, with such Requisition and Certified Resolution, written approval thereof by the Borough, together with a Consulting Engineers' Certificate approving the Requisition. Each such Requisition shall contain an itemized statement of costs and of the purpose or purposes for which moneys are requisitioned, in reasonable detail, shall certify that such item or items has or have not been used as the basis of any other Requisition hereunder and shall state that the amount or amounts so requested, together with any other moneys available (specifying the same), will be sufficient to pay or reimburse estimated costs of such Extraordinary Repairs. The Consulting Engineers' Certificate, in addition to approving such Requisition, shall certify that the purpose or purposes for which moneys are requested is or are necessary for proper and efficient operation, maintenance or repair of the Sewer System and is or are of a type which ordinarily would not be paid as current Operating Expenses.

The Authority agrees that moneys so requisitioned from the Trustee shall be used only for the purpose or purposes covered by the Requisition and that any balance not so used shall be returned to the Trustee and shall be deposited in the Maintenance Reserve Fund.

Moneys in the Maintenance Reserve Fund at any time which are not necessary to maintain it at the amount at the time required shall be transferred to the Clearing Fund.

The Trustee also shall transfer to or deposit in the Maintenance Reserve Fund such additional amount or amounts at such times as may be provided in any supplemental indenture executed in connection with issuance of Additional Bonds, after which such Fund shall be maintained at such increased amount.

SECTION 5.06. [Bond Redemption and Improvement Fund.] There is created a special fund, known as the "Bond Redemption and Improvement Fund", which shall be held by the Trustee, in trust, for the benefit of holders of Sewer Revenue Bonds and coupons appertaining thereunto and for their further security, until disbursed as herein provided.

On or before May 5, 1972, and on or before May 5 of each Fiscal Year thereafter, after all transfers currently required to be made from the Clearing Fund pursuant to Sections 5.02, 5.03, 5.04 and 5.05, respectively, if any, shall have been made, the Trustee, without further direction from the Authority, shall withdraw from the Clearing Fund and deposit in the Bond Redemption and Improvement Fund any balance remaining in the Clearing Fund.

There also shall be deposited in the Bond Redemption and Improvement Fund any other amounts so authorized herein and any other moneys which may be available to the Authority for any purposes provided in this Section 5.06.

If the Borough shall make payment of additional rentals from surplus funds in the Sewer Revenue Account created under the Lease, as provided in the Lease, the Trustee shall deposit moneys so paid in the Bond Redemption and Improvement Fund.

If a deficiency shall exist in the Debt Service Fund (including any sinking fund), Debt Service Reserve Fund or Maintenance Reserve Fund, and there shall be insufficient moneys in the Clearing Fund to eliminate such deficiency, the Trustee, without further direction from the Authority, forthwith shall transfer a sufficient amount or amounts, in the order of priority above set forth, as moneys shall be available, from the Bond Redemption and Improvement Fund to eliminate such deficiency or deficiencies; Provided, however, for the purpose of this Section 5.06, that the Maintenance Reserve Fund shall not be deemed to have a deficit merely by reason of the fact that the same shall not have reached the amount required pursuant to normal deposits thereinto, as provided in Section 5.05, it being the intent that a deficit shall be deemed to exist in such Fund only when the same shall have reached the amount required to be held therein and thereafter, for any reason, shall be less than said amount.

If moneys in the Bond Redemption and Improvement Fund are not required to make good any deficits, as provided in the preceding paragraphs and, except in the case when moneys are to be trans-

ferred for or toward Costs, Costs of Acquisition or Costs of Construction related to completion of the Project, no Event of Default has occurred which is continuing, moneys in the Bond Redemption and Improvement Fund shall be used or applied by the Authority, from time to time, upon delivery to the Trustee of documents herein provided, for any of the following purposes:

A. For or toward costs of Extraordinary Repairs; or

B. For or toward Costs, Cost of Acquisition or Costs of Construction of Capital Additions and, if necessary, for or toward Costs, Costs of Acquisition or Costs of Construction related to completion of the Project; or

C. For redemption of Sewer Revenue Bonds of such series and in such aggregate principal amounts as the Board, from time to time, shall determine; or for supplementing moneys in other appropriate Funds hereunder in order to retire all Sewer Revenue Bonds then Outstanding; or for purchasing Outstanding Sewer Revenue Bonds of any series at not more than the then current redemption price applicable to redemption of such Sewer Revenue Bonds from moneys available for the purpose in the Bond Redemption and Improvement Fund or at not more than the first available redemption price applicable to redemption of such Sewer Revenue Bonds from moneys available for the purpose in the Bond Redemption and Improvement Fund if the same at the time shall not be subject to redemption; or

D. To pay, as and when the same shall become due and payable, any expenses, debts, liabilities and obligations of the Authority, except such as shall be payable only out of Receipts from Assessments, required or authorized to be paid under terms hereof and for payment of which provision otherwise shall not have been made, including payment of costs and expenses or such parts thereof, if any, as the Board shall determine not to fund which may be incurred in connection with issuance of Additional Bonds constituting Sewer Revenue Bonds, including, in the case of Additional Bonds constituting Sewer Revenue Bonds issued for refunding purposes, redemption premiums, accrued interest and expenses of redemption; or

E. To pay notes or certificates of indebtedness which may have been issued by the Authority under Section 3.07.

In connection with application of moneys in the Bond Redemption and Improvement Fund for the purpose specified in subsection A of this Section 5.06, the Authority shall deliver to the Trustee a Requisition, accompanied by a Certified Resolution authorizing such Requisition, and setting forth, in reasonable detail the purpose or purposes for which moneys are required. The Authority also shall furnish to the Trustee, with such Requisition, written approval thereof by the Borough, together with a Consulting Engineers' Certificate approving the Requisition. Each such Requisition shall contain the same matters as are required with respect to Requisitions from the Maintenance Reserve Fund. The Consulting Engineers' Certificate, in addition to approving such Requisition, shall certify the same matters as are required with respect to Requisitions from the Maintenance Reserve Fund and, in addition, shall certify that moneys available in the Bond Redemption and Improvement Fund, together with such other moneys as may be available (specifying the same) are sufficient to pay for the subject Extraordinary Repairs. The Authority agrees that moneys so requisitioned from the Trustee shall be used only for the purpose or purposes covered by the Requisition and that any moneys not so used shall be returned to the Trustee and shall be deposited in the Bond Redemption and Improvement Fund.

In connection with application of moneys in the Bond Redemption and Improvement Fund for purposes specified in subsection B of this Section 5.06, the Authority shall deliver to the Trustee:

(1) A Requisition, accompanied by a Certified Resolution authorizing such Requisition, setting forth that the moneys requisitioned are required to complete the Project or, in the case of construction or acquisition of Capital Additions, setting forth, in reasonable detail, the Capital Additions for which moneys are required, and stating that the same are necessary or desirable for

proper and efficient operation of the Sewer System or, in the case of extensions of service, that the same are reasonable and practicable;

(2) A Request that moneys covered by the Requisition shall be transferred to the Construction Fund;

(3) A Statement to the effect that moneys covered by the Requisition will be combined, together with any available funds other than proceeds of Additional Bonds, if any, with proceeds of Additional Bonds issued for paying Costs, Costs of Acquisition or Costs of Construction of Capital Additions, or with proceeds of Additional Bonds issued for paying Costs, Costs of Acquisition or Costs of Construction relating to completion of the Project, as applicable, if such shall be the case, *or, in the alternative*, that moneys covered by the Requisition, together with any available funds other than proceeds of Additional Bonds, if any, will be the only source or sources of funds for making the Capital Additions or completing the Project, as applicable;

(4) A Consulting Engineers' Certificate setting forth that the moneys requisitioned are required to complete the Project or, in the case of construction or acquisition of Capital Additions, setting forth, in reasonable detail, the Capital Additions for which moneys are required and stating that such Capital Additions are desirable for proper and efficient operation of the Sewer System or, in the case of extensions of service, that the same are reasonable and practicable, and that the total funds available from the source or sources set forth in the Statement required by the preceding subparagraph (3) will be sufficient to pay Costs, Costs of Acquisition or Costs of Construction (as described in reasonable detail) of such construction or acquisition related to completion of the Project or related to the construction or acquisition of Capital Additions, as the case may be;

(5) If Capital Additions are to be undertaken which shall include construction, a Certified Resolution approving plans and specifications for such construction, authorizing the Capital Additions, awarding contracts for construction involved, if any, and authorizing execution and delivery of construction contracts, if any, *or, in the alternative*, as appropriate, a Statement that Costs, Costs of Acquisition or Costs of Construction of the Capital Additions are to be financed partly with proceeds of Additional Bonds and that the Authority has complied with all requirements of Section 3.04 with respect to issuance of such Additional Bonds;

(6) If Capital Additions are to be undertaken and are to be financed without any proceeds of Additional Bonds, a Consulting Engineers' Certificate stating, as applicable, that: (i) plans and specifications, if any are required to be furnished to the Trustee with respect to the proposed Capital Additions, as herein required, are approved by the Consulting Engineers and that the same have been approved by all governmental agencies having jurisdiction under then existing law, *or, in the alternative*, that no such plans and specifications are required in connection with the Capital Additions; (ii) the Authority has entered into such contracts, if any, as are required in connection with construction related to the Capital Additions, setting forth the names of contractors, if any, and the estimated amounts to be paid to each contractor; and (iii) each contractor has furnished to the Authority performance and payment bonds as contemplated under Section 4.03;

(7) Copies of plans and specifications and contracts and bonds referred to in the preceding subparagraph (6), together with approval of the Consulting Engineers attached to such plans and specifications; and

(8) If Capital Additions are to be undertaken and shall consist of or shall include the acquisition of an existing sewer system, whether by purchase of assets or stock or other device, a Certified Ordinance of the Borough approving said acquisition, if at the time required by law, enacted in the manner at the time required by law, and evidence of approval thereof by any governmental regulatory body, if any, having jurisdiction.

In connection with application of moneys in the Bond Redemption and Improvement Fund for purposes specified in subsection B of this Section 5.06, the Trustee, upon receipt of documents required

in the preceding complete paragraph of this Section 5.06, shall approve the Requisition furnished to it and shall transfer the required moneys as follows:

(1) If Capital Additions are to be undertaken and are to be financed partly with proceeds of Additional Bonds, the Trustee shall transfer moneys covered by the Requisition to the Construction Fund for addition to moneys derived from Additional Bonds and earmarked as provided in the Construction Fund. Thereafter, such moneys shall be merged with and shall be treated in the same manner as proceeds of such Additional Bonds; or

(2) If Capital Additions are to be undertaken and are to be financed without proceeds of Additional Bonds, the Trustee shall transfer the moneys covered by the Requisition to the Construction Fund where the same shall be earmarked in a separate account and shall be paid out in the same manner, with such changes as shall be appropriate, as other payments from the Construction Fund, but only for purposes of the Capital Additions. Upon completion of the Capital Additions, the Authority shall file with the Trustee an Officers' Certificate, approved by the Consulting Engineers, substantially in the form and containing substantially the same matters, as applicable, as are required under Section 4.09; and, upon receipt of such documents, the Trustee shall redeposit the balance, if any, then in such separate account in the Construction Fund into the Bond Redemption and Improvement Fund; or

(3) In the case of application of moneys in the Bond Redemption and Improvement Fund for the purpose of paying Costs, Costs of Acquisition or Costs of Construction related to completion of the Project, the Trustee shall transfer the moneys covered by the Requisition to the Construction Fund where the same shall be merged with other moneys available or to be available in the Construction Fund for the same purpose, if any, and otherwise earmarked in the Construction Fund for said purpose of completion of the Project.

In connection with application of moneys in the Bond Redemption and Improvement Fund for purposes specified in subsection C of this Section 5.06, the Authority shall deliver to the Trustee:

(1) An Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, setting forth the specific purposes for which moneys are to be applied, designating the series and principal amounts of Sewer Revenue Bonds to be redeemed and/or purchased and the total amount required for such purpose or purposes and authorizing all action required in connection therewith pursuant to requirements hereof; and

(2) A Consulting Engineers' Certificate stating that, in the opinion of the Consulting Engineers, after required moneys in the Bond Redemption and Improvement Fund shall have been applied to the purposes stated in the foregoing Officers' Certificate, the balance in the Bond Redemption and Improvement Fund available for purposes specified in subsections A and B of this Section 5.06 will constitute a sufficient reserve for such purposes which may be anticipated in connection with the Sewer System both currently and for a reasonable period of time in the future.

In connection with application of moneys in the Bond Redemption and Improvement Fund for purposes specified in subsection C of this Section 5.06, the Trustee, upon receipt of documents required in the immediately preceding subparagraphs of this Section 5.06, shall apply moneys so requested by the Officers' Certificate to the purposes specified.

In connection with application of moneys in the Bond Redemption and Improvement Fund for purposes specified in subsections D and/or E of this Section 5.06, the Authority shall deliver to the Trustee:

(1) An Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, setting forth the specific purpose or purposes for which moneys are to be applied, setting forth full details with regard to the obligation or obligations involved and the manner in which moneys requested shall be applied by the Trustee; and

(2) A Consulting Engineers' Certificate, if the purpose or purposes for which moneys are to be applied are such that the Consulting Engineers would have knowledge thereof, stating that the obligation or obligations involved were incurred or are for purposes authorized hereunder and that all requirements hereof with respect thereto have been fulfilled; otherwise, an Opinion of Counsel to the same effect.

In connection with application of moneys in the Bond Redemption and Improvement Fund for purposes specified in subsections D and/or E of this Section 5.06, the Trustee, upon receipt of documents required in the immediately preceding subparagraphs of this Section 5.06, shall apply moneys so requested by the Officers' Certificate for purposes and in the manner specified therein.

SECTION 5.07. **[Discontinuance of Rental Payments when Available Money is Adequate.]** If all payments of principal, premium, if any, and interest on Sewer Revenue Bonds shall have been made or if provision shall have been duly made therefor, or if available moneys in the Funds created under this Article V shall be sufficient to pay the principal of, premium, if any, and interest on Sewer Revenue Bonds then remaining Outstanding until maturity or until prior redemption, together with any amounts due the Authority and the Trustee, the Trustee, without further direction from the Authority, shall apply moneys then available in such appropriate Funds to payments due hereunder and to payment or redemption of all Outstanding Sewer Revenue Bonds and, thereupon, the Trustee shall discontinue collection of any further rentals from the Borough under the Lease.

SECTION 5.08. **[Return of Balances After Satisfaction of All Obligations.]** Balances remaining in any Funds established under this Article V, after the principal of, premium, if any, and interest on Sewer Revenue Bonds shall have been paid and all other sums payable hereunder by the Authority shall have been paid and after all payments to the Trustee and the Authority shall have been made in accordance with requirements hereof, shall be applied by the Trustee as the Authority may direct or shall be paid over by the Trustee to the Authority.

ARTICLE VI

ASSESSMENTS AND SEWER ASSESSMENT FUND

SECTION 6.01. **[Sewer Assessment Fund.]** The Authority assigns, transfers and sets over unto the Trustee, and in confirmation agrees to pay to the Trustee, all Receipts from Assessments. Upon receipt of such moneys, the Trustee shall deposit the same in a special fund, known as the "Sewer Assessment Fund", which hereby is created, where such moneys shall be held by the Trustee, in trust, until applied as herein provided; Subject, however, to Sections 6.05 and 6.06 F.

The Sewer Assessment Fund initially shall consist of the amount specified in subparagraph (4) of the Officers' Certificate furnished to the Trustee under Section 3.02 L and transferred thereto from the Construction Fund under Section 4.07, which moneys so transferred initially shall be applied by the Trustee for and toward payment of costs and expenses under subsection A of Section 6.06. Any portion of such amount, if any, not required for such purpose, as set forth in a Consulting Engineers' Certificate, approved by Counsel, shall be commingled with other moneys in the Sewer Assessment Fund and used for any of the other purposes authorized under Section 6.06 hereof.

There also shall be deposited in the Sewer Assessment Fund the amount of \$10,837.50, as provided under Section 4.07, which moneys so transferred, initially and to the extent necessary, shall be applied by the Trustee, without further direction from the Authority, to payment of the installments of interest falling due on the Sewer Assessment Revenue Bonds—Series of 1971 on December 15, 1971, and on June 15, 1972, and on December 15, 1972, respectively, and the balance thereof, if any, not required for such purpose, shall be commingled with other moneys in the Sewer Assessment Fund and used for any of the purposes authorized under Section 6.06 hereof.

In addition, the Trustee shall make deposits in and transfers to the Sewer Assessment Fund at the times and in the manner set forth in any other Section hereof.

SECTION 6.02. **[Imposition of Assessments.]** The Authority covenants to carry out and enforce the Certified Resolution furnished to the Trustee under Section 3.02 B(3), which Certified Resolution, inter alia, charges a portion of the cost of construction of assessable sewers encompassed by the Project against properties benefited, improved or accommodated thereby, by assessment according to the foot front rule or, in appropriate cases, according to benefits, in order to provide equitable assessments pursuant to provisions of the Authorities Act. The Authority covenants that such other and additional action as shall be necessary in connection with charging, enforcing and collecting such assessments will be taken in accordance with law.

In the event Capital Additions or construction in the nature of Capital Additions shall include or shall consist of construction of any sewer, the cost of which legally is chargeable, in whole or in part, against properties benefited, improved or accommodated thereby, by assessment according to the foot front rule or other method as may be provided in the Authorities Act, and the Borough and the Authority shall have determined to charge such cost, in whole or in part, by such assessment, the Authority covenants to comply with and proceed in accordance with all legal requirements and to take all action as may be necessary to charge, by assessment, all or part of such cost. The charge per foot front, if such charge has been determined as above set forth, in the event the foot front method of assessment shall be employed in connection with Capital Additions or construction in the nature of Capital Additions, shall be such amount as shall be recommended by the Consulting Engineers, shall be approved by the Borough and as shall be authorized by the Authority, within limits at the time permitted by the Authorities Act or other law.

SECTION 6.03. **[Documentation to be Furnished to the Trustee.]** The Authority covenants that it will keep on file with the Trustee, at all times, a schedule of assessments made and a schedule of assessments filed as municipal claims or liens, accompanied, in each case, by an Officers' Certificate to the effect that such schedule is correct and current to the date of such Officers' Certificate.

The Authority covenants that it will furnish to the Trustee a Certified Resolution with respect to each resolution charging assessments with respect to the Sewer System.

SECTION 6.04. **[Collection of Assessments.]** The Authority covenants that it will demand prompt payment of all assessments, including installments, and that it will take such action as shall be necessary to collect all assessments, including installments, with reasonable dispatch. To the extent assessments shall not be paid when due, the Authority covenants to cause legally valid municipal claims or liens to be filed promptly against the benefited, improved or accommodated properties, which municipal claims or liens in any event shall be filed no later than the last day permitted by law for such filing, and to take all legal action permitted by law for the enforcement of such municipal claims or liens so that such assessments, including installments, together with interest, penalties and costs, may be collected with reasonable dispatch.

The Authority also covenants to enforce all of the terms and provisions of agreements entered into with owners of property whereby such owners shall be obligated to pay moneys to the Authority in lieu of assessments or which are in the nature of assessments so that payments due the Authority thereunder may be collected with reasonable dispatch and within the time when such moneys will be required to pay interest on and principal of Sewer Assessment Revenue Bonds.

SECTION 6.05. **[Payment Over to Trustees.]** The Authority covenants to pay over to the Trustee, within 7 days succeeding the day of collection, all Receipts from Assessments, together with a Statement showing the total amount so collected and the specific assessments in respect of which said amounts were collected. The Authority covenants that, until Receipts from Assessments so shall be paid over to the Trustee, it will segregate Receipts from Assessments in an account separate and distinct from all other funds of the Authority and will hold such Receipts from Assessments, in trust, for purposes of this Indenture.

Upon receipt of such Receipts from Assessments, the Trustee shall deposit the same in the Sewer Assessment Fund until the principal of, premium, if any, and interest on Sewer Assessment Revenue

Bonds shall have been paid or provided for and costs, expenses and payments permitted under Section 6.06 A shall have been paid or provided for, and thereafter shall deposit the same in the Clearing Fund.

SECTION 6.06. [Payments From Sewer Assessment Fund.] Moneys in the Sewer Assessment Fund, from time to time, shall be held by the Trustee, in trust, and shall be applied by the Trustee as follows: Provided, however, that the sum of \$10,837.50 transferred to the Sewer Assessment Fund from the Construction Fund under Section 4.07 first shall be applied, to the extent necessary, for and toward payment of semiannual installments of interest falling due on Sewer Assessment Revenue Bonds—Series of 1971, as specified in Section 6.01; and provided, further, that the amount specified in subparagraph (4) of the Officers' Certificate furnished to the Trustee under Section 3.02 L and transferred to the Sewer Assessment Fund from the Construction Fund under Section 4.07 first shall be applied, to the extent necessary, for and toward payment of costs and expenses provided for under subsection A of this Section 6.06, as specified in Section 6.01:

A. To pay costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting assessments, filing municipal claims or liens therefor and collecting such municipal claims or liens, or collecting other receipts from Assessments, or to reimburse the Construction Fund for any such expenditures paid directly from the Construction Fund; Provided, however, that before any payment or reimbursement shall be made by the Trustee under this subsection A, the Authority shall furnish to the Trustee a Requisition stating:

(1) The Requisition number, which shall be one of a special series to be established with respect to this subsection A;

(2) The name of the Person to whom payment is due or, in the alternative, the purpose is to reimburse the Construction Fund, as appropriate;

(3) The amount to be paid or, in the alternative, the amount to be reimbursed to the Construction Fund, as appropriate; and

(4) In reasonable detail the purpose for which the obligation was incurred or, in the alternative, the purpose for which the obligation, for payment of which the Construction Fund is to be reimbursed, was incurred; and certifying that such obligation mentioned has been incurred properly by the Authority, is a proper charge against the Sewer Assessment Fund, is unpaid (except in cases where reimbursement to the Construction Fund is involved) and has not been the basis of any previous withdrawal from the Sewer Assessment Fund;

B. To pay, without further direction from the Authority, semiannual installments of interest falling due on Sewer Assessment Revenue Bonds at the time Outstanding, to the extent such interest otherwise shall not have been provided for;

C. After proper provisions have been made for payments under subsections A and B of this Section 6.06, to purchase Sewer Assessment Revenue Bonds then Outstanding at not more than the redemption price then applicable to such Sewer Assessment Revenue Bonds or at not more than the first available redemption price applicable to such Sewer Assessment Revenue Bonds if the same at the time shall not be subject to redemption.

Before any purchase or a firm commitment to purchase shall be made under this subsection C, the Authority shall furnish to the Trustee an Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, designating the series and principal amounts of Sewer Assessment Revenue Bonds to be purchased and the total amount required for such purpose and directing the Trustee to pay the purchase price from moneys in the Sewer Assessment Fund upon delivery by the seller or sellers of such Sewer Assessment Revenue Bonds to the Trustee for cancellation; Provided, however, that the Authority, at its option, may furnish to the Trustee an Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, authorizing the Trustee to purchase Sewer Assessment Revenue Bonds for a

stated period of time within stated price limitations, in which event the foregoing Officers' Certificate and Certified Resolution shall not be required during such stated period of time for purchases falling within such stated price limitations. In such event, at the request of the Trustee, the Authority shall furnish to the Trustee an Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, setting forth the amount the Trustee shall retain in the Sewer Assessment Fund during such period as proper provisions for payments under subsections A and B of this Section 6.06.

Accrued interest due upon purchase of Sewer Assessment Revenue Bonds and all expenses incurred in connection with such purchase shall be paid from the Sewer Assessment Fund;

D. After proper provisions have been made for payments under subsections A and B of this Section 6.06, to redeem Sewer Assessment Revenue Bonds which then shall be subject to redemption, prior to maturity, at prices provided herein and therein, in the manner provided under Article VIII.

Whenever moneys in the Sewer Assessment Fund shall be sufficient, after proper provisions have been made for payments under subsection A and, if applicable, B of this Section 6.06, subject to the specific condition that, so long as Sewer Assessment Revenue Bonds are to remain Outstanding, the proper provision for payments under subsection B of this Section 6.06 shall not be less than an amount equal to the next succeeding semiannual installment of interest due on Sewer Assessment Revenue Bonds which are to remain Outstanding and which otherwise has not been provided for, to redeem Sewer Assessment Revenue Bonds, without payment of premium, in the aggregate principal amount of \$25,000 or more, or sufficient to redeem all Sewer Assessment Revenue Bonds Outstanding, without payment of premium, including in each case payment of accrued interest to be payable and all expenses to be incurred in connection with any such redemption, the Trustee, without further direction of the Authority, at the earliest convenient and possible time, shall take all action necessary to redeem as many Sewer Assessment Revenue Bonds as can be redeemed with such available moneys. At the request of the Trustee, the Authority shall furnish to the Trustee an Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, setting forth the amount the Trustee shall retain in the Sewer Assessment Fund as a proper provision for payments under subsection A and, if applicable and subject to the foregoing specific condition, under subsection B of this Section 6.06.

Before any redemption shall be made under this subsection D, other than redemption contemplated by the immediately preceding paragraph of this subsection D, the Authority shall furnish to the Trustee an Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, designating the series and principal amounts of Sewer Assessment Revenue Bonds to be redeemed and the total amount required for such purpose and directing the Trustee to take necessary action and to pay the appropriate redemption price of Sewer Assessment Revenue Bonds to be called for redemption upon surrender thereof to the Trustee for cancellation. At the request of the Trustee, the Authority shall furnish to the Trustee an Officers' Certificate, accompanied by a Certified Resolution authorizing such Officers' Certificate, setting forth the amount the Trustee shall retain in the Sewer Assessment Fund as a proper provision for payment of costs and expenses set forth under subsections A and B of this Section 6.06.

The appropriate redemption price, accrued interest due upon redemption of Sewer Assessment Revenue Bonds and all expenses incurred in connection with such redemption shall be paid from the Sewer Assessment Fund;

E. To pay upon maturity, without further direction from the Authority, the principal of all Outstanding Sewer Assessment Revenue Bonds for which provision for retirement prior to maturity by purchase or redemption shall not have been made; and

F. After the principal of, premium, if any, and interest on Sewer Assessment Revenue Bonds shall have been paid or provisions for such payment shall have been duly made, and after

payments permitted under subsection A of this Section 6.06 shall have been made or provisions for such payments shall have been duly made, to transfer, without further direction from the Authority, the balance, if any, to the Clearing Fund, whereupon the Sewer Assessment Fund shall become inactive for such period as Sewer Assessment Revenue Bonds shall not be Outstanding, except to the extent that the same shall remain active on a limited basis to provide for payments permitted under subsection A of this Section 6.06, during which period of inactivity or period of limited activity Receipts from Assessments and other moneys which otherwise would be deposited in the Sewer Assessment Fund, except to the extent that the same shall be deposited in the Sewer Assessment Fund to provide for payments permitted under subsection A of this Section 6.06, shall be deposited in the Clearing Fund, and such deposits in the Clearing Fund shall continue until such time as Sewer Assessment Revenue Bonds again shall be Outstanding and the Sewer Assessment Fund shall be fully reactivated to receive all such deposits.

SECTION 6.07. **[Semi-Annual Consulting Engineers' Certificates.]** The Authority hereby covenants to furnish to the Trustee, on or before March 15 and on or before September 15 of each Fiscal Year, beginning March 15, 1972, a Consulting Engineers' Certificate certifying that, in the opinion of such Consulting Engineers, the amounts previously received by the Authority, if any, from assessments charged or to be charged by the Authority as covenanted in Section 6.02, and then available, together with amounts estimated to be received thereafter by the Authority from such assessments, and together with other Receipts from Assessments previously received by the Authority and then available and other Receipts from Assessments estimated to be received thereafter by the Authority, and together with amounts deposited or anticipated to be deposited in the Sewer Assessment Fund pursuant to Section 4.09, if any, will be sufficient: (1) to pay costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting such assessments or collecting other Receipts from Assessments, to the extent such costs and expenses are not otherwise provided for; (2) to pay interest on all Outstanding Sewer Assessment Revenue Bonds as such interest becomes due and payable to the extent such interest is not otherwise provided for; and (3) to pay the principal of or redemption price of all Outstanding Sewer Assessment Revenue Bonds on or before the maturity date thereof.

In the event that the Authority is unable to furnish to the Trustee a Consulting Engineers' Certificate as contemplated by the immediately preceding paragraph upon the dates required thereby, due to the fact that the Consulting Engineers are of the opinion that the amounts previously received by the Authority, if any, from such assessments and then available, together with the amounts estimated to be received thereafter by the Authority from such assessments, and together with other Receipts from Assessments previously received by the Authority and then available and other Receipts from Assessments estimated to be received thereafter by the Authority, and together with amounts deposited or anticipated to be deposited in the Sewer Assessment Fund pursuant to Section 4.09, if any, will be insufficient to make the payments specified in (1), (2) and (3) above as the same become due and payable, the Authority hereby covenants to take all action necessary to avoid such pending default, including the refunding of Outstanding Sewer Assessment Revenue Bonds by the issuance of Additional Bonds constituting Sewer Revenue Bonds, if and to the extent necessary, in accordance with provisions of Section 3.05.

ARTICLE VII

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 7.01. **[Funds Held as Trust Funds.]** All moneys held, set aside or deposited under provisions hereof by or with the Trustee shall be trust funds under terms hereof and shall not be subject to lien (other than that of this Indenture) or attachment by any creditor of the Authority. All such moneys which shall not be invested by the Trustee, as provided in Section 7.02, to the extent not insured by the Federal Deposit Insurance Corporation or other Federal agency, shall be secured continuously for benefit of the Authority and appropriate Bondholders by pledge of direct obligations of the United States of America or of the Commonwealth having an aggregate market value, exclusive of accrued interest, at all times at least equal to such moneys. Obligations pledged as such security shall be deposited with a Federal Reserve

Bank, or with the Trust Department of the Trustee as shall be authorized by law with respect to trust funds in the Commonwealth, or with some other bank, trust company or depository satisfactory to the Trustee.

SECTION 7.02. **[Investment of Funds.]** Moneys in the Clearing Fund, Construction Fund, Debt Service Fund, Sewer Assessment Fund, Debt Service Reserve Fund, Maintenance Reserve Fund, and, subject to the limitation hereinafter set forth, in the Bond Redemption and Improvement Fund may be retained by the Trustee, uninvested, as trust funds, and, to the extent not insured, secured as provided under Section 7.01, or, upon Request of the Authority, authorized by a Certified Resolution delivered to the Trustee, shall be wholly or partially invested and reinvested by the Trustee in direct obligations of the United States of America or in savings or time deposits or time certificates of deposit in one or more banks or trust companies (inclusive of the Trustee); Provided, however, that moneys in the Bond Redemption and Improvement Fund shall be invested by the Trustee upon receipt of a Certified Resolution approved by the Consulting Engineers, directing the investment of specified amounts of moneys on deposit in said Fund, from time to time, and stating that such moneys are not required within a period of time to be specified in said Certified Resolution for any of the purposes specified in subsections A, B, C, D and E of Section 5.06 or for transfer to other Funds hereunder.

Where the investment is in said direct obligations of the United States of America such shall have maturity dates or, in lieu of maturity dates, be subject to redemption at the option of the holder, at a price not less than the principal amount thereof or the cost of acquisition, whichever is lesser, upon dates no later than such maturity dates, as follows:

- A. In the case of the Construction Fund, 1 year from the date of investment or the estimated date when moneys will be required to be expended or transferred, whichever shall be the earlier;
- B. In the case of the Clearing Fund, 6 months from the date of investment or the estimated date when moneys will be required to be expended or transferred, whichever shall be earlier; Provided, however, that such obligations shall not be purchased at a premium;
- C. In the case of the Debt Service Fund and the Sewer Assessment Fund, 6 months from the date of investment or the date when moneys will be needed for payments, whichever shall be the earlier; Provided, However, that such obligations shall not be purchased at a premium and the amount payable upon maturity or upon redemption thereof shall be not less than the cost of acquisition;
- D. In the case of the Debt Service Reserve Fund, 5 years from the date of investment;
- E. In the case of the Maintenance Reserve Fund, 1 year from the date of investment or the estimated date when moneys will be required to be expended, whichever shall be earlier; and
- F. In the case of the Bond Redemption and Improvement Fund, 3 years from the date of investment or the date specified in the Certified Resolution to be furnished as hereinbefore set forth when such moneys shall be required to be expended, whichever shall be the earlier.

Securities purchased with moneys from any Fund shall be a part of such Fund and, for purpose of determining the amount in such Fund, securities constituting a part thereof shall be valued as of any particular time at the then market value thereof or the cost thereof, whichever shall be the lesser. The Debt Service Reserve Fund and the Maintenance Reserve Fund shall be valued as of May 5 of each Fiscal Year. Interest and income received, from time to time, from such securities and any profits realized or losses sustained upon disposition thereof shall be added or charged, as applicable, to the appropriate Fund; and such interest, income, profit or loss shall be considered a part of or a charge against the appropriate Fund, as applicable.

The Trustee shall be authorized to sell all or part of securities held in any Fund whenever all or part of moneys in such Fund are required to be applied or transferred by the Trustee pursuant to provisions hereof; and proceeds of such sale shall be placed by the Trustee in the appropriate Fund. If net

proceeds realized upon any sale shall be less than the amount invested by the Trustee in the purchase of securities so sold, the Trustee, except in the case of the Sewer Assessment Fund and the Construction Fund, shall make good the difference out of moneys, as and when available, in the Bond Redemption and Improvement Fund or the Clearing Fund.

Neither the Authority nor the Trustee shall be liable or accountable for depreciation in value of any such securities or for any loss resulting upon sale of such securities so long as such securities shall have been purchased in accordance with requirements hereof.

Where the investment is in said deposits in banks or trust companies the same shall be subject to withdrawal upon not more than 91 days' notice in the case of the Clearing Fund, the Debt Service Fund and the Sewer Assessment Fund, not more than 6 months' notice in the case of the Construction Fund and not more than 1 years' notice in the case of the Debt Service Reserve Fund, Maintenance Reserve Fund and the Bond Redemption and Improvement Fund. In no case shall such period of notice extend beyond the estimated date when the moneys will be required to be expended, applied or transferred and, in the case of the Bond Redemption and Improvement Fund, beyond the date specified in the Certified Resolution to be furnished as hereinbefore set forth when such moneys will be required to be expended. All such deposits, to the extent not insured, shall be secured as provided in Section 7.01. The Trustee is authorized to withdraw, as promptly as the same may be done, all or part of such deposits made out of any Fund, whenever all or part of moneys in such Fund are required to be expended, applied or transferred by the Trustee pursuant to provisions hereof; and proceeds of such withdrawal shall be placed by the Trustee in the appropriate Fund.

SECTION 7.03. **[No Arbitrage Bond Status.]** Notwithstanding any other provision contained herein, the Trustee shall not invest any moneys held in any Fund hereunder the effect of which investment would be to make the Series of 1971 Bonds to be "arbitrage bonds" under Section 103(d) of the Internal Revenue Code, or corresponding provisions of any subsequent Federal tax laws. The Trustee shall follow the advice of counsel with respect to any such investments in order to assure compliance with the provisions of this Section 7.03.

ARTICLE VIII REDEMPTION

SECTION 8.01. **[In General.]** The Sewer Revenue Bonds—Series of 1971 are subject to redemption prior to maturity, at the option of the Authority or pursuant to mandatory requirements hereof, upon dates and at prices prescribed in the Form of Sewer Revenue Bond set forth in the Preamble hereof and upon terms and conditions and with the effect set forth herein.

The Sewer Assessment Revenue Bonds—Series of 1971 are subject to redemption prior to maturity, at the option of the Authority or pursuant to mandatory requirements hereof, at the price prescribed in the Form of Sewer Assessment Revenue Bond set forth in the Preamble hereof and at the times, in the manner, upon terms and conditions and with the effect set forth herein and in the Form of Sewer Assessment Revenue Bond set forth in the Preamble hereof, as applicable.

Such redemption shall be upon notice or waiver of notice as provided under Section 8.02.

If, whenever the Trustee shall be required by terms hereof to redeem part of the Sewer Revenue Bonds—Series of 1971 out of moneys on deposit in the Series of 1971 Sinking Fund, the Authority, by resolution of its Board, shall determine to redeem, on the same date, part of the Sewer Revenue Bonds—Series of 1971 out of moneys available for the purpose in the Bond Redemption and Improvement Fund, as permitted hereby, the Trustee first shall draw by lot those Sewer Revenue Bonds—Series of 1971 required to be redeemed out of moneys on deposit in the Series of 1971 Sinking Fund and thereafter shall draw by lot those Sewer Revenue Bonds—Series of 1971 to be redeemed from moneys available for the purpose in the Bond Redemption and Improvement Fund.

SECTION 8.02. **[Notice by Publication.]** Whenever the Authority shall determine to redeem all or part of the Bonds, in accordance with the right reserved so to do, as evidenced by documents required hereunder delivered to the Trustee, or whenever the Trustee shall be required hereunder to redeem in part or as a whole, the Sewer Assessment Revenue Bonds—Series of 1971 or required hereunder to redeem part of the Sewer Revenue Bonds—Series of 1971 out of the Series of 1971 Sinking Fund or part of any series of Additional Bonds out of any sinking or analogous fund established therefor a notice of intention to redeem shall be published, in the name of the Authority, once a week for two successive weeks, in a newspaper of general circulation in the County, the first such publication to be made at least 30 days and not more than 40 days before the redemption date. Such notice shall specify: (1) the series, maturities and numbers of Bonds to be redeemed (if less than all then Outstanding); (2) the date fixed for redemption; (3) the redemption price or prices applicable to the Bonds to be redeemed; (4) that on the date fixed for redemption such Bonds will be payable at the principal office of the Trustee and that after such date interest thereon shall cease to accrue; and (5) in the case of the Sewer Revenue Bonds—Series of 1971, if part thereof are to be redeemed out of moneys on deposit in the Series of 1971 Sinking Fund and part thereof are to be redeemed from moneys available for the purpose in the Bond Redemption and Improvement Fund, said notice shall specify the numbers of such Bonds to be redeemed out of moneys on deposit in the Series of 1971 Sinking Fund at the principal amount thereof, together with accrued interest to the date fixed for redemption, and the numbers of such Bonds to be redeemed from moneys available for the purpose in the Bond Redemption and Improvement Fund at the applicable redemption price, plus accrued interest to the date fixed for redemption; Provided, however, that if Holders or Registered Owners of all such Bonds to be redeemed shall file written waivers of notice with the Trustee, such Bonds may be redeemed on the redemption date without necessity of notice by publication.

SECTION 8.03. **[Optional Additional Notice.]** Similar notice to that specified under Section 8.02 may be deposited by the Authority or the Trustee in the United States mail, postage prepaid, addressed to Registered Owners of Bonds called for redemption at addresses appearing upon the bond registry books. In addition, similar notice to that specified under Section 8.02 shall be forwarded by the Authority to Moody's Investors Service, Inc. and to Standard & Poor's Corporation, both of New York City, New York, and to Financial Information Service, Inc., of Jersey City, New Jersey, or their respective successors. However, notice of redemption by advertisement, as herein provided, shall be the only requisite notice of redemption.

SECTION 8.04. **[Payment of Redeemed Bonds.]** Notice by advertisement having been given in the manner herein provided, or irrevocable instructions having been given to the Trustee to give such notice, accompanied by payment of funds sufficient to pay all expenses of advertisement, or written waivers of notice having been filed with the Trustee by Holders or Registered Owners of all Bonds to be redeemed, and the principal, premium, if any, and accrued interest payable having been deposited with the Trustee, or having been set aside by the Trustee in any Fund or Funds created hereunder, as appropriate, as provided herein, prior to the date fixed for redemption, Bonds so called for redemption shall become payable on the date fixed for redemption and interest on such Bonds shall cease from such redemption date, whether such Bonds shall be presented for redemption or not, and coupons representing interest on such Bonds thereafter to accrue from that date shall be void. The principal amount of all such Bonds so called for redemption and the applicable premium, if any, shall be paid by the Trustee, as provided hereunder, upon presentation and surrender thereof in negotiable form. All coupons maturing subsequent to the date fixed for redemption must accompany each Bond in coupon form so redeemed, subject to Section 2.09.

SECTION 8.05. **[Payment of Coupons Which Mature Prior to Redemption.]** All unpaid interest on Bonds represented by coupons which shall mature on or shall have matured prior to the date fixed for redemption shall continue to be payable to bearers of such coupons upon presentation and surrender thereof in accordance with their terms.

SECTION 8.06. **[Moneys Deposited for Redemption.]** Moneys deposited with or held by the Trustee for redemption of Bonds under this Article VIII, after the date of deposit or allocation of such moneys for such purpose, shall be held by the Trustee, in trust, for redemption of such Bonds, as appropriate.

ARTICLE IX

PARTICULAR COVENANTS OF THE AUTHORITY

SECTION 9.01. **[Payment of Bonds.]** The Authority covenants that it promptly will pay or cause to be paid, but only from the Receipts and Revenues from the Sewer System and other receipts, revenues and moneys of the Authority available for such purposes, as provided herein, the principal of, premium, if any, and interest on Sewer Revenue Bonds at the place, on the dates and in the manner specified herein and in Sewer Revenue Bonds and coupons appertaining thereunto, according to the true intent thereof.

The Authority covenants that it promptly will pay or cause to be paid, but only from the Receipts from Assessments and other receipts, revenues and moneys of the Authority available for such purposes, as provided herein, the principal of, premium, if any, and interest on Sewer Assessment Revenue Bonds at the place, on the dates and in the manner specified herein and in Sewer Assessment Revenue Bonds and coupons appertaining thereunto, according to the true intent thereof.

SECTION 9.02. **[Maintenance and Operation of Sewer System.]** The Authority covenants that at all times it will or will cause the Borough to:

- A. Maintain the Sewer System in good repair and operating condition;
- B. Continuously operate the same; and
- C. Make all necessary and proper repairs, renewals, replacements and improvements thereto in order to maintain adequate service.

SECTION 9.03. **[Obligations of the Borough Under the Lease; Retained Powers of the Authority Under the Lease.]** The Authority covenants that so long as any Sewer Revenue Bonds shall remain Outstanding it will require the Borough to pay all rentals and other sums payable by it under the Lease; that it will require the Borough to observe faithfully all its covenants and agreements under the Lease; and that if the Borough shall fail to make such payments or to observe such covenants and agreements, it will institute and prosecute all legal proceedings appropriate for protection of Holders of Sewer Revenue Bonds.

Notwithstanding assignment and transfer to the Trustee of all right, title and interest of the Authority in and to the Lease, unless an Event of Default, as defined under Section 10.01, shall have occurred and shall be continuing and the Trustee shall have taken possession of the Sewer System under Section 10.03, the following provisions shall be applicable:

- A. The Authority shall have the right and duty to give all approvals and consents permitted or required under the Lease and to take all actions that are necessary or desirable and which are not inconsistent with the Lease or this Indenture to protect interests of the Authority and Holders of Sewer Revenue Bonds with respect to the Lease; and, for such purposes, the Trustee shall execute and deliver to the Authority such instruments and shall take such other action as may be necessary and as may be approved by Counsel; and
- B. The Authority shall be entitled to modify or amend the Lease by written agreement with the Borough; Provided, however, that such action, in the opinion of the Board, is necessary to the proper conduct of business of the Authority with respect to the Sewer System, as evidenced by a Certified Resolution delivered to the Trustee, and that the modified or amended Lease shall be subject to the lien hereof to the same extent and in the same manner and shall provide Holders of Sewer Revenue Bonds with at least the same security as provided by the Lease prior to such modification or amendment, as stated in an Opinion of Counsel delivered to the Trustee; and, Provided further, that there shall be no reduction in the amount of net rentals payable under the Lease; and
- C. The Trustee shall have no responsibility for duties or obligations of the Authority under the Lease.

SECTION 9.04. **[Insurance.]** The Authority covenants that it will maintain or will enforce the covenant of the Borough in the Lease to maintain, during the term of the Lease, adequate insurance against fire and such other risks as usually and generally are included in extended coverage endorsements and also against such other risks as shall be deemed proper by the Authority and the Consulting Engineers, upon physical structures constituting parts of the Sewer System upon which such insurance, as a trade practice in operation of sewer systems, normally is carried, in such amounts and with such responsible insurance company or companies, duly qualified to do business in the Commonwealth, as may be satisfactory to the Trustee; Provided, however, that the foregoing provisions shall not be applicable to the extent and during any period that the Authority shall cause contractors to maintain appropriate insurance during construction of any part of the Sewer System.

Policies of insurance maintained by contractors or the Authority during and with respect to construction of any part of the Sewer System shall be issued by a responsible insurance company or companies, duly qualified to do business in the Commonwealth, satisfactory to the Trustee. Such policies of insurance shall be nonassessable and shall be written in the name of and for the benefit of contractors, the Trustee and the Authority, as their respective interests may appear. The Trustee shall have sole right to receive proceeds of such policies of insurance payable for losses, if any, suffered by the Authority and to collect and receipt for claims therefor, which proceeds shall be deposited in the Construction Fund and shall be added to moneys in the Construction Fund earmarked for construction to which such loss shall relate.

Policies of insurance maintained by the Authority or the Borough (other than policies of insurance carried by the Authority during and with respect to construction of any part of the Sewer System) shall be issued by a responsible insurance company or companies, duly qualified to do business in the Commonwealth, satisfactory to the Trustee, shall be nonassessable, shall be for benefit of the Authority, the Borough and the Trustee, as their respective interests may appear, and shall be deposited with the Trustee. Moneys recovered under such policies of insurance shall be payable to and deposited with the Trustee, which shall hold such moneys, in trust, as security for Sewer Revenue Bonds until such shall be disbursed as herein provided.

If part of the Sewer System shall be wholly or partially destroyed or damaged by fire or other casualty covered by insurance, the Authority covenants that it will and will cause the Borough to take all actions and do all things which may be necessary to enable recovery to be made upon such policies of insurance, in order that moneys due on account of losses suffered may be collected and paid to the Trustee. The Trustee is authorized, in its own name, as trustee of an express trust, to demand, collect, sue and receipt for moneys which may become due and payable under such policies of insurance.

Any appraisalment or adjustment of loss or damage and any settlement or payment therefor, which may be agreed upon by the Authority, the Borough and the appropriate insurer shall be evidenced to the Trustee by an Officers' Certificate, joined in by the President or Vice President of Council and Secretary or Assistant Secretary of the Borough, accompanied by a Consulting Engineers' Certificate approving the same, and may be assented to and accepted by the Trustee. The Trustee conclusively may rely upon the foregoing documents.

Immediately after occurrence of loss or damage which is covered by insurance, the Authority shall notify or cause the Borough to notify the Consulting Engineers and the Trustee of such fact and shall cause the Consulting Engineers promptly to determine and advise the Authority, the Borough and the Trustee, in writing, whether it is practicable and desirable to repair, reconstruct or replace the damaged or destroyed property. If the Consulting Engineers shall determine that such repair, reconstruction or replacement is practicable and desirable, they shall notify the Authority and the Borough to that effect and the Borough or the Authority shall proceed forthwith with such repair, reconstruction or replacement, to the extent of insurance proceeds collected with respect to such loss or damage.

If moneys collected with respect to any one loss shall equal or exceed \$5,000 and the Consulting Engineers shall have determined that repair, reconstruction or replacement is practicable and desirable, such moneys shall be paid out, from time to time, by the Trustee, for costs of such repair,

reconstruction or replacement, on Requisitions and Consulting Engineers' Certificates, substantially as provided under Section 4.07, with appropriate changes, upon which the Trustee conclusively may rely.

If moneys collected with respect to any one loss shall be less than \$5,000 and the Consulting Engineers shall have determined that repair, reconstruction or replacement is practicable and desirable, the Trustee, upon Request of the Authority and approval by the Borough, shall pay such moneys to the Authority to be used by it or the Borough for the purpose of paying costs of such repair, reconstruction or replacement and neither Requisitions nor Consulting Engineers' Certificates shall be required; and the Authority agrees that sums so paid over by the Trustee shall be applied for such purpose only.

Moneys in possession of the Trustee or the Authority after completion of such repair, reconstruction or replacement or which represent proceeds of insurance in cases where it has been determined by the Consulting Engineers that repair, reconstruction or replacement is not practicable and desirable shall be deposited in the Bond Redemption and Improvement Fund.

The Authority covenants that it will maintain or will enforce the covenant of the Borough in the Lease to maintain, during the term of the Lease, such public liability insurance, property damage insurance and workmen's compensation insurance with respect to the Sewer System and operation thereof in such amounts and with such companies as shall be approved by the Consulting Engineers and as shall be satisfactory to the Trustee. Policies of insurance shall contain such terms and provisions as shall be approved by the Consulting Engineers and as shall be satisfactory to the Trustee.

The Authority covenants to require the Borough, on or before December 1 of each Fiscal Year during the term of the Lease, beginning December 1, 1971, to furnish to the Authority and the Trustee a Consulting Engineers' Certificate setting forth amounts and types of insurance then in force with respect to the Sewer System and operation thereof, stating whether such insurance then in force, in the opinion of the Consulting Engineers, is adequate and stating the amounts and types of insurance which, in the opinion of the Consulting Engineers, should be maintained during the ensuing year. The Authority covenants and agrees to maintain or to require the Borough, as provided in the Lease, to maintain amounts and types of insurance recommended in such Consulting Engineers' Certificate.

SECTION 9.05. [Taxes and Assessments.] The Authority covenants that it will pay or will enforce the covenant of the Borough in the Lease to pay, during the term of the Lease, all taxes and assessments, including, without intending to limit the generality of the foregoing, income, profits, property, franchise and excise taxes which now or hereafter properly may be levied or assessed by the Federal, State or any municipal government against the Authority upon or by reason of payment or receipt of rentals to be paid by the Borough to the Authority or its assigns under the Lease, or upon the Lease, or upon the Sewer System, or upon any franchises, businesses, transactions, income, earnings or receipts (gross, net or otherwise) of the Authority in connection with the Sewer System, for payment or collection of which the Authority may be liable or accountable under any lawful authority whatever by reason of its ownership of, or its earnings, profits or receipts from, or its leasing of, the Sewer System.

The Authority covenants that it will not create and will not suffer to be created any lien or charge upon the Sewer System, other than the Lease, and will not create and will not suffer to be created any lien or charge upon Receipts and Revenues from the Sewer System and upon Receipts from Assessments, except the lien and charge hereof and of Bonds, as appropriate; and the Authority agrees that it will discharge or cause to be discharged, or will make adequate provision for discharge, within 60 days after the same shall occur, any such lien or charge and also all lawful claims and demands for labor, materials, supplies or other matters which, if unpaid, by law might become a lien upon the Sewer System or upon such Receipts and Revenues from the Sewer System or upon such Receipts from Assessments; Provided, however, that nothing in this Section 9.05 shall require the Authority to pay, cause to be paid or make provision for payment of any such lien or charge so long as validity thereof shall be contested in good faith and by appropriate legal proceedings.

SECTION 9.06. [Transfer of Property or Receipts.] The Authority covenants that it will not and will not permit the Borough to sell, lease, pledge or otherwise dispose of or encumber any part of the

Sewer System, other than by the Lease, or the Receipts and Revenues from the Sewer System, or the Receipts from Assessments, except by the lien hereof and except as shall be permitted in this Section 9.06; and the Authority covenants, subject to provisions of Section 9.05, that it promptly will pay or cause to be paid any lien or charge upon any part of the Sewer System.

The Authority, from time to time, may sell or otherwise dispose of any property or interest in property constituting part of the Sewer System if the Authority shall file with the Trustee: (1) a Certified Resolution describing such property or interest in property and authorizing such sale or other disposition; (2) written approval of such sale or other disposition by the Borough, signed by the President or Vice President of Council and Secretary or Assistant Secretary of the Borough; and (3) a Consulting Engineers' Certificate describing such property or interest in property and stating that such sale or other disposition is in the best interests of the Authority and will not affect adversely the security of Bonds and will not impair use and operation of the Sewer System. The Consulting Engineers' Certificate also shall state the estimated fair value, if any, of such property or interest in property to the Authority and that arrangements have been made or can be made for sale or other disposition thereof for a consideration not less than such estimated fair value; Provided, however, that the Authority may convey such property or interest in property to a municipality or other public authority or may dedicate the same for use as a public road or street or for other public use for a consideration less than such estimated fair value or without consideration, in which event the Consulting Engineers' Certificate, in lieu of referring to the estimated fair value of such property, shall state the use which is to be made of such property or interest in property.

Net proceeds of sale or other disposition of property or interest in property shall be applied by the Authority to replacement of property so sold or otherwise disposed of, if deemed necessary or proper by the Authority, or, in lieu thereof, shall be paid by the Authority to the Trustee for deposit in the Bond Redemption and Improvement Fund.

SECTION 9.07. **[Application of Revenues; Non-impairment of Rights.]** The Authority covenants to apply or cause to be applied Receipts and Revenues from the Sewer System and Receipts from Assessments and other receipts, revenues and moneys of the Authority available as provided herein, in the manner, to the purposes, in the order of priority and at the times provided herein.

The Authority covenants that it will not enter into any contract or take any other action with respect to the Sewer System by which rights of the Trustee or Bondholders may be impaired; Provided, however, that any contract made or action taken in accordance with provisions hereof shall not be considered to impair such rights.

SECTION 9.08. **[Extensions of Time.]** The Authority covenants that it will not extend, directly or indirectly, and will not assent to extension of time of payment of any coupons appertaining to or claims for interest on Bonds, and that it will not be a party to or approve, directly or indirectly, any such arrangement by purchasing or funding such coupons or claims for interest or otherwise. In case any such coupons or claims for interest shall be extended, funded or otherwise kept alive, or in case any coupons or claims for interest shall be transferred or pledged separately and apart from Bonds to which they relate at or after maturity, such coupons or claims for interest shall not be entitled, in case of an Event of Default hereunder, to benefit or security hereof, except subject to prior payment in full of principal of all Sewer Revenue Bonds or all Sewer Assessment Revenue Bonds, as appropriate, Outstanding and all coupons and claims for interest appertaining thereunto which shall not have been so extended, funded or otherwise kept alive or transferred or pledged separately, as aforesaid.

SECTION 9.09. **[Consulting Engineers.]** The Authority covenants to employ continuously Consulting Engineers for performance of duties imposed hereby. Consulting Engineers so employed may be removed at any time upon employment of a successor. The Authority shall keep on file with the Trustee an Officers' Certificate or a Certified Resolution setting forth the name and address of the Consulting Engineers at the time so employed.

The Consulting Engineers, in addition to performing other duties imposed hereby, shall have the duties of making inspections of operating methods and policies of the Borough with respect to opera-

tion of the Sewer System, of making recommendations to the Borough and the Authority as to operating methods employed or to be employed by the Borough and of making recommendations to the Borough and the Authority as to alterations, repairs, renewals, replacements, additions and extensions with regard to the Sewer System.

The Consulting Engineers shall prepare and file with the Authority and the Trustee a written report on or before December 1 of each Fiscal Year, beginning December 1, 1971, relating to operation of the Sewer System by the Borough during the then current calendar year and setting forth recommendations and advice for the ensuing calendar year.

SECTION 9.10. **[Certified Public Accountant.]** The Authority covenants to employ continuously a Certified Public Accountant to perform auditing and accounting functions required under the Authorities Act and hereunder. The Certified Public Accountant so employed may be removed at any time upon employment of a successor. The Authority shall keep on file with the Trustee an Officers' Certificate or a Certified Resolution setting forth the name and address of the Certified Public Accountant at the time so employed.

The Authority covenants that at all times it will maintain an accurate system of accounts and will keep proper books of record relating to its affairs and to the Sewer System.

The Certified Public Accountant shall make an annual examination and audit of accounts, books and records of the Authority and the Trustee relating to affairs of the Authority with respect to the Sewer System, which shall include an examination of application of funds in accordance with this Indenture. The Certified Public Accountant shall furnish to the Authority, the Trustee and the Consulting Engineers a report and financial statement, in reasonable detail, for the period covered by such annual examination and audit, within 90 days of the close of such period. Each such report shall state whether, in the opinion of the Certified Public Accountant, provisions of this Indenture are being fulfilled.

Upon written request, the Authority shall furnish copies of the aforementioned report and financial statement to any Bondholder. The Trustee shall not be under any duty with respect to any report and/or financial statement filed with it, except to retain the same in its files and to exhibit the same to any Bondholder requesting inspection thereof.

SECTION 9.11. **[Further Instruments.]** The Authority covenants that, from time to time, it will execute and deliver such further instruments and will take such further action as may be reasonable and as may be required to carry out purposes hereof and which shall not be in contravention of the Authorities Act or other applicable law.

SECTION 9.12. **[Bonding of Officers and Employees.]** The Authority covenants to cause the Treasurer, Assistant Treasurer and all other officers and employees of the Authority handling moneys derived in any manner from the Sewer System to be bonded at all times, for adequate amounts, by a responsible surety company or surety companies qualified to do business in the Commonwealth, satisfactory to the Trustee.

SECTION 9.13. **[Amendments and Supplements to Service Agreement.]** The Authority covenants to furnish or cause to be furnished to the Trustee an executed counterpart, or a photostatic copy of an executed counterpart or a conformed copy of each amendment and/or supplement to the Service Agreements within thirty days of execution of any such amendment and/or supplement.

ARTICLE X DEFAULTS AND REMEDIES

SECTION 10.01. **[Events of Default.]** Each of the following events is declared to be an "Event of Default", that is to say if:

A. Payment of interest upon any Bond shall not be made at the due date expressed therefor and such payment shall not be made for 30 days thereafter; or

B. Payment of any part of the principal or premium, if any, on any Bond shall not be made at maturity as therein expressed or when the same shall have become due upon call for redemption or otherwise; or

C. The Authority shall fail or refuse to comply with any provision of the Authorities Act or shall be rendered incapable of fulfilling its obligations hereunder or under the Authorities Act; or

D. The Authority shall discontinue, unreasonably delay or fail to carry on with reasonable dispatch the construction referred to in Section 4.01; or

E. There shall be a default under the Lease; or

F. The Sewer System or any part thereof necessary for its efficient operation shall be wholly or partially destroyed or damaged and promptly shall not be repaired, replaced or rebuilt, for any reason whatsoever; or

G. The Authority shall default in performance of any agreement made with Holders of Bonds; or

H. An order or decree shall be entered with consent or acquiescence of the Authority appointing a receiver of the Sewer System or any part thereof or of receipts, revenues and moneys derived therefrom, or if such order or decree, having been entered without consent or acquiescence of the Authority, shall not be vacated, discharged or stayed on appeal within 30 days after entry; or

I. The Authority shall make default in due and punctual performance of any covenant, condition, agreement or provision contained in Bonds or herein on the part of the Authority required to be performed

and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and *shall* give such notice upon written request of Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding.

SECTION 10.02. **[Acceleration.]** Upon happening and during continuance of any Event of Default, then and in every such case the Trustee may declare, and upon written request of Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding *shall* declare, by notice in writing delivered to the Authority, the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately; and upon such declaration the same shall become and shall be due and payable immediately at the place or places of payment provided therein, anything herein or in Bonds contained to the contrary notwithstanding.

The foregoing provision, however, is subject to the condition that if, at any time, after the principal of Bonds so shall have been declared to be due and payable, and before entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default and before completion of enforcement of any other remedy hereunder, all arrears of interest upon all Bonds then Outstanding, with interest on overdue installments of interest at the rate of 6% per annum, and the principal and premium, if any, of all matured Bonds then Outstanding (except the principal of Bonds not then due by express terms and interest accrued on such Bonds since the last interest payment date) and all charges, compensation, disbursements, counsel fees, advances and liabilities of the Trustee and reasonable counsel fees of Holders of Bonds and all other amounts then payable by the Authority hereunder (except as aforesaid) shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same, and every other Event of Default known to the Trustee shall have been remedied or provision therefor satisfactory to the Trustee shall have been made, then and in every such case, Holders

of a majority in aggregate principal amount of Bonds not then due by their express terms and then Outstanding, by written notice delivered to the Authority and the Trustee, may waive every Event of Default and may rescind and annul such declaration and its consequences, but no such waiver, rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

SECTION 10.03. **[Rights Under the Lease.]** Upon happening and during continuance of any Event of Default, the Trustee, as assignee and pledgee of all right, title and interest of the Authority in and to the Lease, shall have the right, in its own name or in the name of the Authority, to exercise and enforce each and every right granted to the Authority under the Lease; and in case of default by the Borough under the Lease, the Authority, upon demand of the Trustee, forthwith shall surrender and shall cause the Borough to surrender to the Trustee actual possession of, and the Trustee may take actual possession of the Sewer System as for condition broken; and the Trustee, in its discretion, with or without force and process of law, and before or after declaring the principal of Bonds immediately due, and without any action on the part of Bondholders, by its agents or attorneys, may enter upon, take and maintain possession of all or any part of the Sewer System, together with all records, documents, books, papers and accounts relating thereto, and, as attorney in fact or agent of the Authority or in its own name as Trustee, may hold, manage and operate the Sewer System and collect all amounts which shall be or shall become payable by reason of such operation and shall apply such amounts as provided under Section 10.06.

When all arrears of interest, matured principal and all sums payable to or by the Trustee as provided herein shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and when every Event of Default shall have been eliminated, then the Trustee shall restore the Sewer System to the Authority, its successors or assigns, but without prejudice to the right of the Trustee to enter, as herein provided, upon happening of any subsequent Event of Default.

SECTION 10.04. **[Enforcement of Rights.]** Upon happening and during continuance of any Event of Default, then and in every such case, the Trustee, in its discretion, may proceed, and upon written request of Holders of at least 25% in aggregate principal amount of Bonds then Outstanding and upon receipt of indemnity to its satisfaction *shall* proceed, to protect and enforce its rights and rights of Bondholders under laws of the Commonwealth and hereunder by exercise of any proper legal or equitable right or remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights and, without intending to limit the generality of the foregoing, in its own right:

- A. By mandamus or other suit, action or proceeding at law or in equity, shall enforce all rights of Bondholders, including, without intending to limit the generality of the foregoing, the right: (1) to require the Authority to enforce provisions of the Lease; (2) to require the Authority to perform any other agreements with or for benefit of Bondholders; and (3) to require the Authority to perform its duties under the Authorities Act;
- B. Shall bring suit upon Bonds;
- C. By action or suit in equity, shall require the Authority to account as if it were trustee of an express trust for appropriate Bondholders;
- D. By action or suit in equity, shall enjoin any acts or things which may be unlawful or in violation of rights of appropriate Bondholders; and
- E. Shall exercise all other rights and remedies provided by the Authorities Act or any other law and shall proceed by suit, action or special proceeding in equity or at law either for specific performance of any covenant or agreement contained herein or in aid of or in execution of any power granted herein.

SECTION 10.05. **[Receiver.]** As provided by the Authorities Act, the Trustee shall be entitled, as of right, to appointment of a receiver, and the Trustee, Bondholders and any receiver so appointed shall

have such rights and powers and shall be subject to such limitations and restrictions as are contained in the Authorities Act.

SECTION 10.06. **[Application of Receipts and Revenues from the Sewer System.]** Receipts and Revenues from the Sewer System received by the Trustee or the receiver, if any, under this Article X shall be applied in the following order:

First: To payment of Operating Expenses;

Second: To payment of compensation and expenses of the Trustee and the receiver, if any, including reasonable counsel fees, to payment of costs and disbursements allowed by the court, if there shall be court action, and to payment of advances made by the Trustee or the receiver, if any, together with interest thereon at the rate of 6% per annum; Provided, however, that such payments shall be made only to the extent that the same, in the opinion of the Trustee or the receiver, if any, properly and equitably should be paid from such Receipts and Revenues from the Sewer System, rather than from Receipts from Assessments under Section 10.07, in accordance with the intent and purposes of this Indenture;

Third: To retain such further sums as may be sufficient to reimburse and indemnify the Trustee or the receiver, if any, against any liability, loss or damage on account of any matter or thing done in good faith and in pursuance of duties hereunder; Provided, however, that such sums shall be retained only to the extent that the same, in the opinion of the Trustee or the receiver, if any, properly and equitably shall be provided for from such Receipts and Revenues from the Sewer System, rather than from Receipts from Assessments under Section 10.07, in accordance with the intent and purposes of this Indenture;

Fourth: To payment of the whole amount of principal and interest which then shall be due and unpaid upon Sewer Revenue Bonds, and in case such amounts shall be insufficient to pay in full the whole sums so due and unpaid, then to payment of such principal and interest ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, subject to Section 9.08; and

Fifth: To payment of the surplus, if any, to the Authority, or to whoever lawfully shall be entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 10.07. **[Application of Receipts from Assessments.]** Receipts from Assessments received by the Trustee or the receiver, if any, under this Article X shall be applied in the following order:

First: To payment of all costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting assessments, filing municipal claims or liens therefor and collecting such municipal claims or liens or collecting other Receipts from Assessments;

Second: To payment of compensation and expenses of the Trustee and the receiver, if any, including counsel fees, to payment of costs and disbursements allowed by the court, if there shall be court action, and to payment of advances made by the Trustee or the receiver, if any, together with interest thereon at the rate of 6% per annum; Provided, however, that such payments shall be made only to the extent that the same, in the opinion of the Trustee or the receiver, if any, properly and equitably should be paid from such Receipts from Assessments, rather than from Receipts and Revenues from the Sewer System under Section 10.06, in accordance with the intent and purposes of this Indenture;

Third: To retain such further sums as may be sufficient to reimburse and indemnify the Trustee or the receiver, if any, against any liability, loss or damage on account of any matter or thing done in good faith and in pursuance of duties hereunder; Provided, however, that such sums shall be retained only to the extent that the same, in the opinion of the Trustee or the receiver, if any, properly and equitably should be provided for from such Receipts from Assessments, rather

than from Receipts and Revenues from the Sewer System under Section 10.06, in accordance with the intent and purposes of this Indenture;

Fourth: To payment of the whole amount of principal and interest which then shall be due and unpaid upon Sewer Assessment Revenue Bonds and, in case such amounts shall be insufficient to pay in full the whole sums so due and unpaid, then to payment of such principal and interest ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, subject to Section 9.08; and

Fifth: To payment of the surplus, if any, to the Authority, or to whoever lawfully shall be entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 10.08. **[Presentation of Bonds and Coupons for Payment.]** Payments with respect to appropriate Bonds and coupons appertaining thereunto under Sections 10.06 and 10.07, respectively, shall be made only upon presentation of appropriate Bonds or coupons appertaining thereunto, as the case may be, for stamping thereon payment, if only partially paid, and for surrender thereof, if fully paid.

SECTION 10.09. **[Application of Moneys.]** Whenever moneys are to be applied by the Trustee or the receiver, if any, under Sections 10.06 and 10.07, respectively, such applications shall be made, from time to time, as the Trustee or the receiver, if any, in its sole discretion, shall determine, having due regard to the amounts of such moneys available for application and the likelihood of additional moneys becoming available for application in the future.

The Trustee or the receiver, if any, shall incur no liability whatsoever for any delay in application of such moneys so long as the Trustee or the receiver, if any, shall act with reasonable dispatch and diligence, having due regard to the circumstances, and ultimately shall apply such moneys in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee or the receiver, if any. Whenever the Trustee or the receiver, if any, shall exercise such discretion in applying such moneys, it shall fix the date upon which such application will be made and upon such date interest on any amounts to be paid on such date shall cease to accrue. The Trustee or the receiver, if any, shall give such notice as it may deem appropriate of the fixing of any such date.

SECTION 10.10. **[Directions by Holders of Bonds.]** Any provision herein to the contrary notwithstanding, Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder; Provided, however, that such direction shall not be contrary to law or provisions hereof, and provided further, that the Trustee shall have the right to decline to follow such direction which, in its opinion, would be prejudicial unjustly to rights hereunder of Bondholders who are not parties to such direction.

SECTION 10.11. **[Institution of Suit by Holders; Notice.]** No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law upon any Bond or for enforcement or execution of any trust remedy hereunder unless such holder previously shall have given to the Trustee written notice of an Event of Default, nor unless also Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee after the right to exercise such powers or rights of action shall have accrued and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise powers herein granted or to institute such action, suit or proceeding in its or their name, nor unless also there shall have been offered to the Trustee security and indemnity satisfactory to it against costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared, in every such case, at the option of the Trustee, to be conditions precedent to execution of powers and trusts hereof and to any action or cause of action for enforcement hereof, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner provided herein and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and subject to provisions hereof.

SECTION 10.12. **[Litigation by Trustee.]** All rights of action hereunder or under Bonds, which are enforceable by the Trustee, may be enforced by the Trustee without possession of Bonds or coupons thereunto appertaining and without production thereof at trial or other proceeding; and any such suit, action or proceeding instituted by the Trustee shall be brought in its name and as trustee of an express trust for the benefit, to the extent provided herein, of Holders of Bonds and coupons, subject to Section 9.08.

SECTION 10.13. **[Remedies Are Cumulative.]** No remedy herein conferred upon or reserved to the Trustee or Holders of Bonds is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and in addition to every other remedy now or hereafter existing at law or in equity.

SECTION 10.14. **[Waivers of Grace Period by Authority.]** The Authority may waive any period of grace which shall be provided for its benefit in this Article X.

SECTION 10.15. **[Effect of Waiver, Delay, or Omission.]** No waiver of any Event of Default hereunder, whether by the Trustee or Bondholders, shall extend to or affect any subsequent Event of Default or impair any rights or remedies consequent thereon. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Article X may be exercised from time to time and as often as may be deemed expedient by the Trustee or, in an appropriate case, by Bondholders.

SECTION 10.16. **[Trustee.]** Whenever in this Article X the word "Trustee" is used, it shall mean and include any trustee appointed by an instrument or instruments signed by Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding and filed in the Office of the Recorder of Deeds of the County, as well as the Trustee; Provided, however, that any action taken by a trustee so appointed by Bondholders shall be subordinate and subject to prior action taken by the Trustee with respect to any Event of Default.

ARTICLE XI CONCERNING THE TRUSTEE

SECTION 11.01. **[Acceptance of Trust.]** The Trustee accepts and agrees to execute the trust hereby created, but only upon additional terms set forth in this Article XI, to all of which the parties hereto and Holders of Bonds agree.

SECTION 11.02. **[No Representations by Trustee.]** Recitals, statements and representations herein or in Bonds, save only the Trustee's Certificates upon Bonds, shall be construed as having been made by the Authority and not by the Trustee and the Trustee shall be under no responsibility for correctness of the same. The Trustee makes no representations as to validity or sufficiency hereof, or as to due execution or acknowledgment hereof in behalf of the Authority, or with respect to Bonds or coupons appertaining thereunto, and the Trustee shall incur no responsibility with respect to such matters.

SECTION 11.03. **[Employment of Attorneys, Agents, etc.]** The Trustee may execute trusts or powers hereunder and may perform duties required of it hereunder by or through attorneys, agents, officers or employees. The Trustee shall be entitled to advice of counsel concerning all matters hereunder.

The Trustee shall not be answerable for exercise of discretion or power hereunder nor for anything whatsoever in connection with the trust, except only its own wilful misconduct or gross negligence.

SECTION 11.04. **[Compensation.]** The Authority, prior to happening of any Event of Default, shall pay the Trustee the agreed compensation or, if there is no agreement relative to such compensation, reasonable compensation for services rendered by it hereunder and also all its reasonable expenses. In default of such payments by the Authority, the Trustee may deduct the same from moneys coming into its

possession hereunder and shall be entitled to preference in payment over Bonds and coupons thereunto appertaining then Outstanding.

SECTION 11.05. **[Application of Bond Proceeds and Withdrawals.]** The Trustee shall be under no responsibility or duty with respect to application of proceeds of Bonds or with respect to application of other moneys deposited with it and withdrawn or applied in the manner provided herein.

SECTION 11.06. **[Reliance Upon Documents.]** The Trustee shall be protected and shall incur no liability in relying, acting or proceeding, in good faith, upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond, telegram, waiver, statement, affidavit, voucher, appraisal, application or other paper or document believed by it to be genuine and to have been signed, passed or presented by the proper Person or Board and before acting upon the same the Trustee shall not be bound to make investigation into matters stated therein. However, the Trustee, at any time, in its discretion, may require of the Authority full information and advice as to the above, as well as to performance of any covenant, condition and agreement herein contained, and the Trustee further may make or cause to be made independent investigations concerning affairs of the Authority, insofar as such affairs shall be related to the Sewer System, all at the expense of the Authority. The Trustee may consult with legal counsel to be selected and employed by it and the opinion of such counsel shall be full and complete authorization and protection with respect to action taken or suffered by the Trustee hereunder in good faith and in accordance with opinion of such counsel.

The Trustee shall not be bound to recognize any Person as Holder of a Bond or coupon Outstanding hereunder unless and until his Bond or coupon, as the case may be, shall be submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

SECTION 11.07. **[Insurance; Investments.]** The Trustee shall not be under duty to effect or renew policies of insurance nor shall the Trustee be subject to liability for failure of the Authority or the Borough to effect or renew insurance.

The Trustee shall not be subject to liability with respect to losses suffered from investment of funds on deposit with it hereunder, except for safekeeping of securities in which said funds shall be invested and for collection of interest thereon and principal thereof.

SECTION 11.08. **[Notice of Events of Default.]** The Trustee shall not be required to take notice and shall not be deemed to have notice of any Event of Default hereunder unless specifically notified in writing of such Event of Default by Holders of at least 25% in aggregate principal amount of Bonds then Outstanding.

SECTION 11.09. **[Enforcement Actions.]** The Trustee shall be under no obligation to take action with respect to any Event of Default or toward execution or enforcement of the trust hereby created or to institute, appear in or defend any proceeding in connection therewith unless requested in writing so to do by Holders of at least 25% in aggregate principal amount of Bonds then Outstanding, and if, in its opinion, such action may tend to involve it in expense or liability, unless furnished, from time to time, as often as it may require, with security and indemnity satisfactory to it; but the foregoing provisions are intended only for protection of the Trustee and shall not affect any discretion or power given hereunder to the Trustee to take action with respect to any Event of Default without such request from Bondholders or without such security or indemnity.

SECTION 11.10. **[Advancements by Trustee.]** If the Authority shall fail to perform or cause to be performed any covenants contained in this Indenture, other than covenants with respect to payment of the principal of, premium, if any, and interest on the Bonds, the Trustee, in its uncontrolled discretion, and without notice to Bondholders, from time to time, may make advances to effect performance of the same in behalf of the Authority, but the Trustee shall be under no obligation to do so. Moneys so advanced by the Trustee, together with interest thereon at the rate of 6% per annum, shall be due and payable immediately and there shall be a lien therefor in favor of the Trustee upon: (1) the Receipts and Revenues from the Sewer System, prior to the lien of Sewer Revenue Bonds; or (2) the Receipts from Assessments, prior to

the lien of Sewer Assessment Revenue Bonds; or (3) both the Receipts and Revenues from the Sewer System and Receipts from Assessments, prior to the liens of Sewer Revenue Bonds and Sewer Assessment Revenue Bonds, respectively, depending upon the class or classes of Bonds benefited by such advances. However, no such advance by the Trustee shall operate to relieve the Authority from any Event of Default hereunder.

SECTION 11.11. **[Transactions in Bonds or With Borough or Authority.]** The Trustee, in its individual capacity or as a fiduciary: (1) in good faith, may buy, sell, own, hold and deal in Bonds and/or coupons appertaining thereunto and may join in any action which any Bondholder may be entitled to take; and (2) may engage in or be interested in any financial or other transaction with the Authority or the Borough and may serve upon, or as a member of, or as depository, trustee or agent for, any committee or body of Holders of Bonds or other obligations of the Authority, all as freely as if it were not a party hereto.

SECTION 11.12. **[Construction of Trust Indenture.]** The Trustee may construe any provision hereof insofar as such may appear to be ambiguous or inconsistent with any other provision hereof; and any construction of any such provision by the Trustee, in good faith, shall be binding upon Bondholders.

SECTION 11.13. **[Interest.]** Upon Request of the Authority, the Trustee, to the extent permitted by law, may allow and credit interest upon moneys which it may receive, from time to time, under provisions hereof, at such rate as it customarily would allow upon similar funds of similar size deposited with it under similar conditions. All interest allowed upon such moneys shall be credited to the particular Fund involved.

SECTION 11.14. **[Resignation.]** The Trustee may resign and be discharged of the trust created hereby by executing a written instrument resigning such trust, specifying the date when such resignation shall take effect and filing the same with the Secretary of the Authority not less than 60 days before such effective date and by giving notice of such resignation by publication at least once a week for 2 consecutive weeks in a newspaper of general circulation in the County, the first publication to appear not less than 3 weeks prior to the effective date specified in such instrument. Such resignation shall take effect on the date specified in such instrument and notice, unless previously a successor trustee shall be appointed as provided herein, in which event such resignation shall take effect immediately upon appointment of such successor trustee.

SECTION 11.15. **[Removal.]** The Trustee may be removed at any time by a written instrument appointing a successor trustee, filed with the Trustee and executed by Holders of a majority in aggregate principal amount of Bonds then Outstanding or by their attorneys in fact duly authorized.

SECTION 11.16. **[Appointment of Successor Trustee.]** If the Trustee shall resign, shall be removed or shall be dissolved, or in case its affairs shall be taken under control of any state or federal court or administrative body because of insolvency, bankruptcy or other reason, a vacancy forthwith shall exist in the office of Trustee and a successor trustee may be appointed by Holders of a majority in aggregate principal amount of Bonds then Outstanding by a written instrument filed with the Secretary of the Authority and signed by such Bondholders or their attorneys in fact duly authorized. Copies of such instrument shall be delivered promptly by the Authority to the predecessor trustee and to the trustee so appointed.

Until a successor trustee shall be appointed by Bondholders, as herein authorized, the Authority, by an instrument authorized by resolution of its Board, may appoint a successor trustee to fill such vacancy. After such appointment by the Authority, it shall cause notice thereof to be published once in each of 2 consecutive weeks in a newspaper of general circulation in the County. Any successor trustee so appointed by the Authority immediately and without further act shall be superseded by a successor trustee appointed by Bondholders in the manner herein provided.

SECTION 11.17. **[Qualifications of Successor Trustee.]** Every successor in the trust appointed under Section 11.16 shall be a trust company or a national bank with trust powers with its principal place of business in the Commonwealth and with unimpaired capital and surplus of at least \$500,000.

SECTION 11.18. **[Appointment of Successor by Court.]** In case at any time the Trustee shall resign and no appointment of a successor trustee shall be made pursuant to the foregoing provisions of this Article XI prior to the effective date specified in the notice of resignation, the retiring trustee or any Bondholder forthwith may apply to a court of competent jurisdiction for appointment of a successor trustee. Such court thereupon, after such notice, if any, as it may deem proper and prescribe, may appoint a successor trustee.

SECTION 11.19. **[Acceptance of Appointment by Successor Trustee.]** Any successor trustee appointed hereunder shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment; and thereupon such successor trustee, without further act, deed or conveyance, shall become vested fully with all estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust with like effect as if originally named trustee herein. Upon request of such successor trustee, the trustee ceasing to act and the Authority shall execute and deliver an instrument transferring and confirming to such successor trustee all estates, property, rights, powers and trusts hereunder of the trustee so ceasing to act; and the trustee so ceasing to act shall pay and turn over to the successor trustee all moneys and securities at the time held by it under provisions hereof.

SECTION 11.20. **[Mergers or Consolidations of Trustee.]** Any corporation into which the Trustee shall be merged or resulting from a consolidation to which the Trustee be a party shall be the successor trustee hereunder without execution or filing of any paper or document or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

ARTICLE XII

AMENDMENTS AND MODIFICATIONS

SECTION 12.01. **[By Authority and Trustee.]** The Authority and the Trustee, from time to time, may enter into such indentures supplemental hereto (which thereafter shall form part hereof) as shall not affect adversely rights of Holders of any Bonds Outstanding hereunder, for any of the following purposes:

- A. To cure any ambiguity, formal defect or omission herein or in any supplemental indenture; or
- B. To grant to or confer upon the Trustee, for benefit of Holders of all the Bonds, or of the Sewer Revenue Bonds, or of the Sewer Assessment Revenue Bonds, as applicable, additional rights, remedies, powers, authority or security that lawfully so may be granted or conferred; or
- C. To add to covenants and agreements of the Authority herein contained other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority.

SECTION 12.02. **[With Consent of Super-Majority of Bondholders.]** With consent of Holders of not less than 66 2/3% in principal amount of all the Bonds then Outstanding, or with consent of Holders of not less than 66 2/3% in principal amount of the Sewer Revenue Bonds then Outstanding, or with consent of Holders of not less than 66 2/3% in principal amount of the Sewer Assessment Revenue Bonds then Outstanding, as applicable, depending upon whether all the Bonds then Outstanding, or only the Sewer Revenue Bonds then Outstanding, or only the Sewer Assessment Revenue Bonds then Outstanding shall be affected, the Authority and the Trustee, from time to time, may enter into indentures supplemental hereto (which thereafter shall form part hereof) for the purpose of adding provisions hereto or of changing in any manner or eliminating provisions hereof, or of modifying in any manner rights of Holders of the Bonds, or of the Sewer Revenue Bonds, or of the Sewer Assessment Revenue Bonds, as applicable; Provided, however, that no such supplemental indenture shall: (i) extend the fixed maturity date of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon redemption thereof; or (ii) permit creation by the Authority of any lien or encumbrance prior to or on a parity with the lien hereof upon the Receipts and Revenues from the Sewer

System or the Receipts from Assessments; or (iii) affect rights of Holders of less than all the Sewer Revenue Bonds, or all the Sewer Assessment Revenue Bonds, as applicable; or (iv) reduce the aforesaid percentage of Holders in principal amount of the Bonds, or of the Sewer Revenue Bonds, or of the Sewer Assessment Revenue Bonds, as applicable, then Outstanding which shall be required to consent to any such supplemental indenture, without the consent of Holders of all the Bonds, or of all the Sewer Revenue Bonds, or of all the Sewer Assessment Revenue Bonds, as applicable, then Outstanding.

It shall not be necessary for the consent of Holders of the Bonds, or of the Sewer Revenue Bonds, or of the Sewer Assessment Revenue Bonds, as applicable, to approve the particular form of any supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. Nothing contained in this Section 12.02 shall be construed as making necessary the approval by Bondholders of any supplemental indenture authorized under Section 12.01 or under Sections 3.04 and 3.05, respectively.

SECTION 12.03. **[Reliance Upon Opinion of Counsel.]** The Trustee, for all purposes of this Article XII, shall be entitled to rely upon an Opinion of Counsel with respect to the extent, if any, to which any proposed supplemental indenture shall affect rights hereunder of Holders of the Bonds.

ARTICLE XIII DISCHARGE OF INDENTURE

SECTION 13.01. **[Payment of Obligations.]** If the Authority, its successors or assigns, shall pay or cause to be paid unto Holders of the Bonds and coupons appertaining thereunto, the principal and interest due and the premium thereon, if any, at times and in the manner stipulated therein, and if the Authority, its successors or assigns, shall pay or cause to be paid all other sums payable hereunder by the Authority, then this Indenture and the estate and rights hereby granted shall cease, determine and be void; and thereupon the Trustee, upon Request of the Authority, shall release, cancel and discharge the lien hereof, shall execute and deliver to the Authority such instruments as shall be requisite to satisfy such lien, shall reconvey to the Authority the estate and title hereby conveyed and shall assign and deliver to the Authority or such Person as may be entitled to receive the same the Lease and other property which at the time shall be subject to the lien hereof and in possession of the Trustee; but the Trustee shall take such action only upon receipt of an Officers' Certificate and an Opinion of Counsel, each stating, in substance, that, in the opinion of the respective signers, all conditions precedent provided herein relating to such release, cancellation and discharge have been fulfilled. Otherwise this Indenture shall continue in full force and effect.

Bonds and coupons for payment or redemption of which funds, in the full amount required therefor, shall have been deposited with the Trustee or shall have been set aside by the Trustee as provided herein, whether upon or prior to maturity or the date fixed for redemption, shall be deemed to be paid within the meaning of this Article XIII; Provided, however, that if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been duly given, or provision satisfactory to the Trustee shall have been made therefor, or waivers of such notice, shall have been duly filed by Holders of such Bonds as provided in Section 8.02.

SECTION 13.02. **[Protection of Trustee.]** Release, cancellation and discharge hereof, however, shall be without prejudice to rights of the Trustee to be paid compensation then due hereunder and to be protected and saved harmless by the Authority from losses, liabilities, costs and expenses, including counsel fees, at any time incurred by the Trustee hereunder or connected with any Bond issued hereunder, of and from which, if this Indenture had not been released, cancelled and discharged, the Authority would have been obligated to protect and save harmless the Trustee; and the Authority covenants to protect and save harmless the Trustee of and from such losses, liabilities, costs and expenses.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.01. **[Deposit of Funds Upon Non-Presentation of Bond or Coupon.]** If any Bond shall not be presented for payment when the principal shall become due upon maturity or upon the date fixed for redemption or otherwise, or if any coupon shall not be presented for payment at the due date thereof, and if the Authority shall have deposited funds with the Trustee for that purpose, or if the Trustee shall have set aside funds for that purpose as provided herein, or if the Authority shall have left with the Trustee, in trust, if previously so deposited or set aside, funds sufficient to pay the principal of such Bond and the premium, if any, payable upon redemption, together with all interest due thereon to date of maturity or the date fixed for redemption, or to pay such coupon, as the case may be, for benefit of the Holder or Holders thereof, respectively, all liability of the Authority to the Holder of such Bond for payment of principal and interest and all liability of the Authority to the Holder of such Bond for payment of tile premium, if any, or all liability of the Authority to the Holder of said overdue coupon for payment thereof, as the case may be, forthwith shall cease, determine and be discharged completely; and thereupon it shall be tile duty of the Trustee to hold such fund or funds, without liability for interest, for benefit of the Holder of such Bond or coupon, as the case may be, who thereafter shall be restricted exclusively to such fund or funds for any claim of whatsoever nature hereunder or upon or with respect to such Bond or coupon.

SECTION 14.02. **[Dissolution of Authority.]** In the event of dissolution of the Authority, all covenants herein by, in behalf of or for benefit of the Authority shall bind or inure to the benefit of successors of the Authority, from time to time, and any officer, board, commission, agency or instrumentality to whom or which any power or duty of the Authority may be transferred.

SECTION 14.03. **[Severability.]** In case any provision hereof or of Bonds or coupons for any reason shall be held to be invalid, such invalidity shall not affect any other provision, but this Indenture and Bonds and coupons shall be construed and enforced as if such invalid provisions had not been contained herein or therein.

SECTION 14.04. **[Governing Law.]** Laws of the Commonwealth shall govern construction hereof and of the Bonds and coupons appertaining thereunto.

SECTION 14.05. **[Suspension of County Newspapers.]** In case, by reason of temporary or permanent suspension of publication of all newspapers of general circulation in the County, or by reason of any other cause, it shall be impossible to make publication of any notice required herein in such newspaper or newspapers, then such publication as shall be authorized by the Board, evidenced by a Certified Resolution furnished to and approved by the Trustee, shall constitute sufficient publication of notice. Such publication, to the extent possible, shall approximate terms and conditions or the publication in lieu of which it is given.

SECTION 14.06. **[Execution of Instruments by Bondholders; Proof.]** Any request, direction, consent, waiver or other instrument required hereby to be executed by Bondholders may be in any number of concurrent writings of similar tenor and may be executed by such Bondholders in person or by an agent duly appointed in writing. Proof of execution of any such instrument or of any writing appointing such agent and of ownership of Bonds, if made in the following manner, shall be sufficient for any purpose hereof and shall be conclusive in favor of the Trustee and the Authority with regard to action taken pursuant to such instrument:

A. The fact and date of execution by any Person of such instrument may be proved by the certificate of any officer in any jurisdiction, who under laws thereof has power to take acknowledgments within such jurisdiction, to the effect that the Person signing such instrument acknowledged before him such execution; or by affidavit of a witness to such execution.

B. The fact of holding Bonds by any Bondholder, the amount, series and numbers of such Bonds and the date of holding such Bonds (unless such Bonds at the time shall be registered) may be proved by affidavit of the Person claiming to be such Holder, if such affidavit shall be deemed

by the Trustee and the Authority to be satisfactory, or by a certificate executed by any trust company, bank, banker or other depository, wherever situate, if such certificate shall be deemed by the Trustee and the Authority to be satisfactory, showing that on the date therein mentioned such Person had on deposit with such trust company, bank, banker or other depository the Bonds described in such certificate. The Trustee and the Authority may assume conclusively that such ownership continues until written notice to the contrary is served upon the Trustee and the Authority.

C. Ownership of Bonds which shall be registered in the name of a Registered Owner shall be proved by the registration books.

Nothing contained in this Section 14.06 shall be construed as limiting the Trustee and the Authority to proof hereinabove specified, it being intended that the Trustee and the Authority may accept other evidence of matters herein stated which shall be deemed to be sufficient.

Any request, direction, consent, waiver or other instrument of the Holder of any Bond shall bind every future Holder of the same Bond with respect to any action taken by the Trustee and the Authority pursuant thereto.

Revocation of any request, direction, consent, waiver or other instrument required hereby to be given by Bondholders shall be given by Bondholders in a written instrument which shall be proved in the same manner as is provided in this Section 14.06 for requests, directions, consents, waivers or other instruments and shall be delivered to the Authority and the Trustee. However, such revocation shall not be effective with respect to any action taken by the Authority and the Trustee in pursuance of such request, direction, consent, waiver or other instrument prior to receipt of such revocation.

SECTION 14.07. **[Right to Amend Lease After Payment of Sewer Revenue Bonds.]** When all Sewer Revenue Bonds and coupons appertaining thereunto shall have been paid or when provision for payment shall have been duly made and when all other sums payable hereunder from Receipts and Revenues from the Sewer System shall have been paid or when provisions for payment shall have been duly made, no further rentals shall be payable by the Borough under the Lease, and the Authority and the Borough shall be at liberty to amend, modify or terminate the Lease as they may deem advisable.

SECTION 14.08. **[No Personal Liability of Authority Members, Officers, or Employees.]** No recourse under or upon any obligation, covenant or agreement contained herein or in any Bond or coupon appertaining thereunto, or because of any indebtedness secured hereby, shall be had against any past, present or future member, officer or employe of the Authority or any successor of the Authority under any rule of law, statute or constitutional provision, or by enforcement of any assessment, or by any legal or equitable proceeding or otherwise, it expressly being agreed and understood that this Indenture and obligations hereby secured are solely corporate obligations of the Authority and that no personal liability whatsoever shall attach to or shall be incurred by such members, officers or employes of the Authority or any successor of the Authority or any of them, because of incurring of indebtedness authorized hereby, or under or by reason of any obligation, covenant or agreement contained herein or in Bonds or coupons appertaining thereunto or implied herefrom or therefrom.

SECTION 14.09. **[No Third Party Beneficiaries.]** Nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any Person, other than parties hereto and Holders of Bonds and coupons appertaining thereunto, any right, remedy or claim under or by reason of this Indenture or under or by reason of any covenant, agreement, promise, condition or stipulation contained herein; and all covenants, stipulations, promises and agreements contained herein by and in behalf of the Authority shall be for the sole and exclusive benefit of parties hereto and Holders of Bonds and coupons appertaining thereunto.

SECTION 14.10. **[Counterparts.]** This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, BOROUGH OF ALBURTIS SEWER AUTHORITY has caused this Indenture to be executed in its name and in its behalf by its Chairman or Vice Chairman and its corporate seal to be affixed hereunto and attested by its Secretary or Assistant Secretary, and THE FIRST NATIONAL BANK OF ALLENTOWN, as Trustee, has caused this Indenture to be executed in its name and in its behalf by its President or a Vice President and its official seal to be affixed hereunto and attested by its Cashier or an Assistant Cashier, all as of the day and year first above written.

{Signatures for Borough of Alburtis Sewer Authority and The First National Bank of Allentown}

{Acknowledgments}

