

POSSIBLE MOTION

I MOVE TO approve Ordinance 2010-29 on
first reading.

CITY AND BOROUGH OF SITKA, ALASKA
ELECTRIC REVENUE AND REFUNDING BONDS, 2010
\$50,000,000

ORDINANCE NO. 2010-29

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA, ALASKA (“CITY”), AUTHORIZING THE SEPARATION OF THE CITY’S ELECTRIC GENERATION AND TRANSMISSION UTILITY FROM THE CITY’S WATER UTILITY FOR BORROWING PURPOSES; AUTHORIZING THE ISSUANCE OF ELECTRIC REVENUE BONDS OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$50,000,000 TO REFUND AND DEFEASE ALL OUTSTANDING SENIOR LIEN OBLIGATIONS OF THE COMBINED ELECTRIC AND WATER UTILITIES AND TO FINANCE A PORTION OF THE COST OF EXPANDING THE BLUE LAKE HYDROELECTRIC PROJECT, AS APPROVED BY SITKA’S VOTERS IN AN ADVISORY VOTE HELD ON OCTOBER 5, 2010; AND AUTHORIZING THE SALE OF THE BONDS TO THE ALASKA MUNICIPAL BOND BANK ON THE TERMS AND CONDITIONS PROVIDED IN THIS ORDINANCE.

PASSED: November 9, 2010

Prepared by:

K&L GATES LLP
Seattle, Washington

CITY AND BOROUGH OF SITKA, ALASKA

ORDINANCE NO. 2010-29

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* Neither this table of contents nor the preceding cover page is a part of this ordinance.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2010-29

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA, ALASKA (“CITY”), AUTHORIZING THE SEPARATION OF THE CITY’S ELECTRIC GENERATION AND TRANSMISSION UTILITY FROM THE CITY’S WATER UTILITY FOR BORROWING PURPOSES; AUTHORIZING THE ISSUANCE OF ELECTRIC REVENUE BONDS OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$50,000,000 TO REFUND AND DEFEASE ALL OUTSTANDING SENIOR LIEN OBLIGATIONS OF THE COMBINED ELECTRIC AND WATER UTILITIES AND TO FINANCE A PORTION OF THE COST OF EXPANDING THE BLUE LAKE HYDROELECTRIC PROJECT, AS APPROVED BY SITKA’S VOTERS IN AN ADVISORY VOTE HELD ON OCTOBER 5, 2010; AND AUTHORIZING THE SALE OF THE BONDS TO THE ALASKA MUNICIPAL BOND BANK ON THE TERMS AND CONDITIONS PROVIDED IN THIS ORDINANCE.

WHEREAS, the City and Borough of Sitka, Alaska (the “City”), owns, operates and maintains electric generation and transmission facilities (the “Electric System”), revenues of which are currently combined with revenues of the City’s water utility (the “Water System”) for borrowing purposes; and

WHEREAS, the City wishes to separate the Electric System from the Water System for borrowing purposes once all outstanding senior lien revenue obligations of the combined utilities are retired; and

WHEREAS, the City wishes to undertake an expansion of the Blue Lake hydroelectric project (as further described herein, the “Project”), which is a component of the Electric System; and

WHEREAS, the City has received grants from the State of Alaska to pay a portion of the cost of the Project and anticipates receiving additional State or federal grants for the Project; and

WHEREAS, the City issued its municipal utilities revenue bonds in 1992 and 1997 to finance or refinance the cost of facilities of the Electric System, and the City has been advised that it could achieve substantial savings by refunding callable portions of the outstanding 1997 municipal utilities revenue bonds and defeasing the noncallable portions of the 1992 municipal utilities revenue bonds; and

41 WHEREAS, the Assembly deems it necessary and advisable for the City to issue
42 approximately \$20,000,000 in electric revenue bonds to pay a portion of the cost of the Project
43 (the “Project Bonds”) and approximately \$30,000,000 in electric revenue bonds to refund and
44 defease the City’s outstanding 1992 and 1997 municipal utilities revenue bonds (the “Refunding
45 Bonds,” and together with the Project Bonds, the “Bonds”); and

46 WHEREAS, to gauge the wishes of the City’s voters, the Assembly adopted Resolution
47 No. 10-20 on August 10, 2010, submitting to the qualified voters of the City for their approval or
48 disapproval the question of whether the Bonds in approximately the amount of \$50,000,000
49 should be issued for the purposes described above; and

50 WHEREAS, in the advisory vote held on October 5, 2010, a majority of the City’s voters
51 voting on the proposition approved the proposition; and

52 WHEREAS, the Assembly now wishes to authorize issuance of the Bonds for the
53 purposes described above; and

54 WHEREAS, it is in the best interest of the City to sell the Bonds to the Alaska Municipal
55 Bond Bank (the “Bond Bank”) in one or more series on the terms and conditions set forth herein
56 and in a loan agreement authorized by this ordinance to be entered into by the Municipal
57 Administrator;

58 NOW, THEREFORE, BE IT ENACTED by the Assembly of the City of Sitka, Alaska, as
59 follows:

60 Section 1. Classification. This ordinance is not of a permanent nature and is not
61 intended to become part of the Sitka General Code.

62 Section 2. Definitions. As used in this ordinance, the following words shall have the
63 following meanings, unless a different meaning clearly appears from the context:

64 “Accreted Value” means (1) with respect to any Capital Appreciation Bonds, as of any
65 date of calculation, the sum of the amount set forth in the ordinance authorizing their issuance as
66 the amount representing the initial principal amount of such Capital Appreciation Bonds plus the
67 interest accumulated, compounded and unpaid thereon as of the most recent compounding date,
68 or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount
69 representing the initial public offering price of such Original Issue Discount Bonds plus the
70 amount of discounted principal that has accreted since the date of issue. In each case, the
71 Accreted Value will be determined in accordance with the provisions of the ordinance
72 authorizing the issuance of such Balloon Maturity Bonds

73 “Annual Debt Service” means the total amount of Debt Service for any Parity Bonds or
74 other evidences of indebtedness payable from Revenue of the System in any fiscal year or Base
75 Period.

76 “Assembly” means the Assembly of the City and Borough of Sitka, Alaska, the general
77 legislative authority of the City, as duly constituted from time to time, or any successor body.

78 “Authority” means the Alaska Energy Authority, a body corporate and politic constituted
79 as an instrumentality of the State of Alaska, created pursuant to the provisions of Chapter 83,
80 Title 44, Alaska Statutes, as amended.

81 “Balloon Maturity Bonds” means any evidences of indebtedness of the City payable from
82 Revenue of the System that are so designated in the ordinance pursuant to which such
83 indebtedness is incurred.

84 “Base Period” means any consecutive 12-month period selected by the City out of the
85 36-month period next preceding the date of issuance of an additional series of Future Parity
86 Bonds.

87 “Bond Bank” means the Alaska Municipal Bond Bank, a public corporation and
88 instrumentality of the State of Alaska, created pursuant to the provisions of Chapter 85, Title 44,
89 Alaska Statutes, as amended.

90 “Bond Bank Bonds” means bonds to be issued by the Bond Bank to provide funds to be
91 loaned to the City pursuant to the Loan Agreement.

92 “Bond Fund” means the “City and Borough of Sitka Electric Revenue Bond Redemption
93 Fund, 2010,” authorized to be created by Section 9 of this ordinance.

94 “Bond Register” means the registration books for the Bond maintained by the Registrar,
95 for the purpose of complying with the requirements of Section 149 of the Code and listing, inter
96 alia, the names and addresses of all Registered Owners of Bond.

97 “Bonds” means the Project Bonds and the Refunding Bonds.

98 “Capital Appreciation Bonds” means any Future Parity Bonds all or a portion of the
99 interest on which is compounded, accumulated and payable only upon redemption or on the
100 maturity date of such Capital Appreciation Bonds. If so provided in the ordinance authorizing
101 their issuance, Future Parity Bonds may be deemed to be Capital Appreciation Bonds for only a
102 portion of their term. On the date on which Future Parity Bonds no longer are Capital
103 Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their
104 Accreted Value.

105 “City” means the City and Borough of Sitka, Alaska, a home rule municipal corporation
106 duly organized and existing under the Constitution and laws of the State of Alaska and its
107 Charter.

108 “Code” means the federal Internal Revenue Code of 1986, as amended, together with
109 corresponding and applicable final, temporary or proposed regulations and revenue rulings issued
110 or amended with respect thereto by the United States Treasury Department or the Internal
111 Revenue Service, to the extent applicable to the Bonds or any Future Parity Bonds.

112 “Consultant” means at any time an independent municipal financial consultant appointed
113 by the City to perform the duties of the Consultant as required by this ordinance. For the

114 purposes of delivering any certificate required by Section 12 hereof and making the calculation
115 required by Section 12 hereof, the term Consultant shall also include any independent public
116 accounting firm or engineer appointed by the City to make such calculation or to provide such
117 certificate.

118 “Contract Resource Obligation” means an obligation of the City, designated as a Contract
119 Resource Obligation and entered into pursuant to Section 8 of this ordinance, to make payments
120 for power and energy or other goods and services to another person or entity.

121 “Covered Bonds” means the Bonds and any Future Parity Bonds designated in the
122 ordinance authorizing their issuance as Covered Bonds secured by the Reserve Account.

123 “Debt Service” means, for any period of time,

124 (a) with respect to any outstanding Original Issue Discount Bonds or Capital
125 Appreciation Bonds that are not designated as Balloon Maturity Bonds in the ordinance
126 authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value
127 thereof maturing or scheduled for redemption in such period, and the interest payable during such
128 period;

129 (b) with respect to any outstanding Fixed Rate Bonds, an amount equal to (1) the
130 principal amount of such Fixed Rate Bonds due or subject to mandatory redemption during such
131 period and for which no sinking fund installments have been established, (2) the amount of any
132 payments required to be made during such period into any sinking fund established for the
133 payment of any such Fixed Rate Bonds, plus (3) all interest payable during such period on any
134 such outstanding Fixed Rate Bonds and with respect to Fixed Rate Bonds with mandatory
135 sinking fund requirements, calculated on the assumption that mandatory sinking fund
136 installments will be applied to the redemption or retirement of those Fixed Rate Bonds on the
137 date specified in the ordinance authorizing those Fixed Rate Bonds; and

138 (c) with respect to all other series of Parity Bonds, other than Fixed Rate Bonds,
139 Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not
140 limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount
141 for any period equal to the amount that would have been payable for principal and interest on
142 such Parity Bonds during such period computed on the assumption that the amount of Parity
143 Bonds as of the date of such computation would be amortized (i) in accordance with the
144 mandatory redemption provisions, if any, set forth in the ordinance authorizing the issuance of
145 such Parity Bonds, or if mandatory redemption provisions are not provided, during a period
146 commencing on the date of computation and ending on the date 30 years after the date of
147 issuance (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index
148 published in the edition of *The Bond Buyer* (or comparable publication or such other similar
149 index selected by the City) and published within ten days prior to the date of calculation or, if
150 such calculation is being made in connection with the certificate required by Section 12 hereof,
151 then within ten days of such certificate, (iii) to provide for essentially level annual debt service of
152 principal and interest over such period.

153 Debt Service shall be net of any interest funded out of Bond proceeds and any Debt
154 Service Offsets. Debt Service shall include reimbursement obligations to providers of Credit
155 Facilities to the extent authorized by ordinance.

156 “Debt Service Offset” means receipts of the City, including but not limited to federal
157 interest subsidy payments, designated as such by the City and not included in Revenue of the
158 System and that are legally available to pay debt service on Parity Bonds.

159 “Electric System” means the electric utility properties, rights and assets, real and
160 personal, tangible and intangible, now owned and operated by the City and used or useful in the
161 generation, transmission, distribution and sale of electric energy and the business incidental
162 thereto and all properties, rights and assets, real and personal, tangible and intangible, hereafter
163 constructed or acquired by the City as additions, betterments, improvements or extensions to
164 those electric utility properties, rights and assets, but shall not include any other generating,
165 conservation, transmission or distribution facilities that have been or may hereafter be acquired
166 or constructed by the City as a utility system designated by the Assembly at the time of financing
167 thereof to be separate from the Electric System, the revenues of which may be pledged to the
168 payment of bonds issued to purchase, construct or otherwise acquire or expand that separate
169 utility system or are otherwise pledged to the payment of the bonds of another separate utility
170 system of the City other than the Electric System. The Assembly may, by resolution, elect to
171 combine with and include as a part of the Electric System any other separate utility of the City,
172 provided that full provision for the payment of any outstanding indebtedness of that separate
173 system must first be made or that indebtedness must be refunded with bonds issued in accordance
174 with this ordinance.

175 “Finance Director” means the Finance Director of the City or the successor to the duties
176 of such office.

177 “Fitch” means Fitch, Inc., organized and existing under the laws of the State of Delaware,
178 its successors and their assigns, and, if such organization is dissolved or liquidated or no longer
179 performs the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other
180 nationally recognized securities rating agency (other than S&P or Moody’s) designated by the
181 Finance Director.

182 “Fixed Rate Bonds” means those Parity Bonds other than Capital Appreciation Bonds,
183 Original Issue Discount Bonds or Balloon Maturity Bonds issued under an ordinance in which
184 the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or
185 for a specified period of time. If so provided in the ordinance authorizing their issuance, Parity
186 Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

187 “Future Parity Bonds” means electric revenue bonds of the City issued after the date of
188 issuance of the Bonds that have a lien on Revenue of the System for the payment of the principal
189 thereof and interest thereon equal to the lien on the Revenue of the System for the payment of the
190 principal of and interest on the Bonds

191 “Government Obligations” means any bonds or other obligations that, as to principal and
192 interest, constitute direct obligations of, or are unconditionally guaranteed by, the United States
193 of America.

194 “Loan Agreement” means the Loan Agreement by and between the City and the Bond
195 Bank authorized to be entered into pursuant to Section 13 of this ordinance.

196 “Maximum Annual Debt Service” means highest dollar amount of Annual Debt Service
197 in any fiscal year or Base Period for all outstanding Parity Bonds.

198 “Moody’s” means Moody’s Investors Service, its successors and their assigns, and, if
199 such corporation is dissolved or liquidated or no longer performs the functions of a securities
200 rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities
201 rating agency (other than S&P and Fitch) designated by the Finance Director.

202 “Net Revenue” means, for any period, Revenue of the System less Operating Expenses
203 for such period, excluding from the computation of Revenue of the System (a) any profit or loss
204 derived from the sale or other disposition, not in the ordinary course of business, of properties,
205 rights or facilities of the Electric System, or resulting from the early extinguishment of debt; and
206 (b) insurance proceeds other than proceeds to replace lost revenue.

207 “Operating Expenses” mean the City’s expenses for operating and maintaining the
208 Electric System, and ordinary repairs, renewals, replacements and reconstruction of the Electric
209 System, including all costs of delivering electric power and energy, and payments into reasonable
210 reserves in the Revenue Fund for items of operation and maintenance the payment for which is
211 not immediately required, and shall include, without limiting the generality of the foregoing,
212 costs of purchased power; costs of transmission and distribution operation and maintenance
213 expenses; rents; administrative and general expenses; engineering expenses; legal and financial
214 advisory expenses; required payments to pension, retirement, health and hospitalization funds;
215 insurance premiums; and any taxes, assessments, payments in lieu of taxes or other lawful
216 governmental charges, all to the extent properly allocable to the Electric System; and the fees and
217 expenses of the Registrar. Operating Expenses shall not include any costs or expenses for new
218 construction, interest, amortization, non-cash losses or costs with respect to any real or personal
219 property, investment or agreement that may be required to be recognized under generally
220 accepted accounting principles, including but not limited to depreciation expense and unrealized
221 mark-to-market losses.

222 “Original Issue Discount Bonds” means Parity Bonds that are sold at an initial public
223 offering price of less than 95% of their face value and are specifically designated as Original
224 Issue Discount Bonds in the proceedings authorizing their issuance.

225 “Parity Bonds” mean the Bond and Future Parity Bonds.

226 “Parity Requirement” means Net Revenue equal to or greater than 125% of Maximum
227 Annual Debt Service for all Parity Bonds.

228 “Private Person” means any natural person engaged in a trade or business or any trust,
229 estate, partnership, association, company or corporation.

230 “Private Person Use” means the use of property in a trade or business by a Private Person
231 if such use is other than as a member of the general public. Private Person Use includes
232 ownership of the property by the Private Person as well as other arrangements that transfer to the
233 Private Person the actual or beneficial use of the property (such as a lease, management or
234 incentive payment contract or other special arrangement) in such a manner as to set the Private
235 Person apart from the general public. Use of property as a member of the general public includes
236 attendance by the Private Person at municipal meetings or business rental of property to the
237 Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the
238 rental paid by any Private Person who desires to rent the property. Use of property by nonprofit
239 community groups or community recreational groups is not treated as Private Person Use if such
240 use is incidental to the governmental uses of property, the property is made available for such use
241 by all such community groups on an equal basis and such community groups are charged only a
242 *de minimis* fee to cover custodial expenses.

243 “Project” means the improvements to the Blue Lake hydroelectric facilities described in
244 Section 4 of this ordinance.

245 “Project Bonds” means the electric revenue bonds authorized by this ordinance to be
246 issued to pay a portion of the cost of the Project.

247 “Project Fund” means the Blue Lake Project Fund, 2010, authorized to be created
248 pursuant to Section 17 of this ordinance.

249 “Qualified Insurance” means any non-cancelable municipal bond insurance policy or
250 surety bond issued by any insurance company licensed to conduct an insurance business in any
251 state of the United States (or by a service corporation acting on behalf of one or more such
252 insurance companies) which insurance company or companies, as of the time of issuance of such
253 policy or surety bond, are currently rated in one of the two highest Rating Categories by two
254 Rating Agencies.

255 “Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial
256 institution for the account of the City on behalf of registered owners of the Bonds, which
257 institution maintains an office, agency or branch in the United States and as of the time of
258 issuance of such letter of credit, is currently rated in one of the two highest Rating Categories by
259 any Rating Agency.

260 “Rate Covenant” means Net Revenue in each fiscal year at least equal to 125% of the
261 amounts required in such fiscal year to be paid as Debt Service on all Parity Bonds:

262 “Rate Stabilization Account” means the account of that name established within the
263 Revenue Fund pursuant to Section 8 of this ordinance.

264 “Rating Agency” means Moody’s, S&P or Fitch.

265 “Rating Category” means the generic rating categories of a Rating Agency, without
266 regard to any refinement or gradation of such rating category by a numerical modifier or
267 otherwise.

268 “Refunded Bonds” means all of the outstanding 1992 Bonds and 1997 Bonds.

269 “Refunding Account” means the 2010 Electric Revenue Bond Refunding Account
270 authorized to be established with the Escrow Agent pursuant to Section 18 of this ordinance..

271 “Refunding Bonds” means the electric revenue bonds authorized by this ordinance to be
272 issued to refund and defease the Refunded Bonds.

273 “Registrar” means the Finance Director, for the purposes of registering and authenticating
274 the Bond, maintaining the Bond Register, and paying principal and interest on the Bond.

275 “Registered Owner” means the person in whose name a Bond is registered on the Bond
276 Register.

277 “Reserve Account” means the Parity Bond Reserve Account authorized to be created
278 within the Bond Fund pursuant to Section 9 of this ordinance.

279 “Reserve Requirement” means the amount to be calculated with respect to all Covered
280 Bonds and separately with respect to other Parity Bonds, as follows:

281 (a) With respect to Covered Bonds, the Reserve Requirement is equal to the least of:
282 (1) Maximum Annual Debt Service for Covered Bonds, (2) 10% of the initial principal amount
283 of Covered Bonds of each series, and (3) 125% of average annual debt service for Covered
284 Bonds; provided, however, that the amount required to be contributed, if any, as a result of the
285 issuance of a series of Future Parity Bonds will not be greater than the Tax Maximum. If the
286 amount required to be contributed at the time of issuance of a series exceeds the Tax Maximum,
287 then the amount required to be contributed shall be equal to the Tax Maximum.

288 (b) With respect to other series of Parity Bonds, the Reserve Requirement will be
289 equal to the amount, if any, specified in the ordinance authorizing the issuance of that series of
290 Parity Bonds.

291 The Reserve Requirement shall be adjusted accordingly and remain in effect until the
292 earlier of (i) at the City’s option, a payment of principal of Parity Bonds or (ii) the issuance of a
293 subsequent series of Future Parity Bonds (when the Reserve Requirement shall be re-calculated).

294 “Revenue of the System” means all income and revenues received by the City from the
295 sale of electric energy and all other commodities, services and facilities sold, furnished or
296 supplied by the City through the ownership or operation of the Electric System, together with the
297 proceeds received by the City directly or indirectly from the sale, lease or other disposition of any
298 of the properties, rights or facilities of the Electric System, any federal interest subsidy payments
299 received in connection with Parity Bonds (to the extent such payments are not designated as Debt
300 Service Offsets), and any investment income earned on money held in any fund or account of the

301 City, including any bond redemption funds and the accounts therein, in connection with the
302 ownership and operation of the Electric System (but excluding income derived from investments
303 irrevocably pledged to the payment of any specific revenue bonds of the City, such as bonds
304 heretofore or hereafter refunded, or any Bonds defeased pursuant to Section 10 or other bonds
305 defeased, or the payment of which is provided for, under any similar provision of any other bond
306 ordinance of the City, exclusive of investment income earned on money in any arbitrage rebate
307 account, grants for capital purposes, and non-cash mark-to-market gains with respect to any real
308 or personal property, investment or agreement that may be required to be recognized under
309 generally accepted accounting principles).

310 “Revenue Fund” means the Electric Utility Revenue Fund authorized to be created
311 pursuant to Section 8 of this ordinance.

312 “Rule” means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934.

313 “SEC” means the Securities and Exchange Commission.

314 “S&P” means Standard & Poor’s Ratings Services, its successors and their assigns, and,
315 if such corporation is dissolved or liquidated or no longer performs the functions of a securities
316 rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating
317 agency (other than Moody’s and Fitch) designated by the Finance Director.

318 “Subordinated Note” means the junior lien obligation of the City, dated August 24, 1982,
319 and maturing on January 1, 2033, which evidences a loan to the City from the State of Alaska
320 Department of Community and Regional Affairs under a loan agreement dated August 24, 1982.

321 “Tax Certificate” means the certificate with respect to federal tax matters relating to the
322 Bonds authorized to be executed by the Finance Director pursuant to the provisions of Section 8
323 of this ordinance.

324 “Tax Maximum” means the maximum amount permitted by the Code to be allocated to a
325 bond reserve account from bond proceeds without requiring a balance to be invested at a
326 restricted yield.

327 “1992 Bonds” means the City and Borough of Sitka Municipal Utilities Revenue Bonds,
328 1992 Refunding Series, issued to the Authority under date of April 1, 1992, pursuant to
329 Ordinance No. 92-1046 and Resolution No. 92-501, a portion of which were refunded by
330 exchange through the Authority by the issuance of the 1997 Bonds. The currently outstanding
331 1992 Bonds mature on July 1, 2015, are in the aggregate principal amount of \$12,900,000, bear
332 interest at the rate of 6.6%, and are subject to mandatory redemption in principal installments, as
333 follows:

| Installment Payment Years (July 1) | Principal Amounts |
|---------------------------------------|-------------------|
| 2011 | \$2,300,000 |
| 2012 | 2,400,000 |
| 2013 | 2,600,000 |
| 2014 | 2,700,000 |
| 2015 | 2,900,000 |

334 “1997 Bonds” means the City and Borough of Sitka Municipal Utilities Revenue Bonds,
 335 1997 Refunding Series, issued to the Authority under date of November 1, 1997, pursuant to
 336 Ordinance No. 97- 464 and Resolution No. 97-689. The 1997 Bonds are currently outstanding in
 337 the aggregate principal amount of \$15,190,000, and are payable in the principal amounts and at
 338 the interest rates, as follows:

| Installment Payment Years (July 1) | Principal Amounts | Interest Rates |
|---------------------------------------|-------------------|----------------|
| 2011 | \$ 155,000 | 5.125% |
| 2012 | 210,000 | 5.20 |
| 2013 | 150,000 | 5.25 |
| 2014 | 210,000 | 5.25 |
| 2015 | 195,000 | 5.25 |
| 2016 | 3,300,000 | 5.20 |
| 2017 | 3,475,000 | 5.20 |
| 2018 | 3,650,000 | 5.375 |
| 2019 | 3,845,000 | 5.375 |

339
 340 *Rules of Interpretation.* Words of the masculine gender shall be deemed and construed to
 341 include correlative words of the feminine and neuter genders. Words imparting the singular
 342 number shall include the plural numbers and vice versa unless the context shall otherwise
 343 indicate. Reference to sections and other subdivisions of this ordinance are to the sections and
 344 other subdivisions of this ordinance as originally adopted unless expressly stated to the contrary.
 345 The headings or titles of the sections hereof, and the table of contents appended hereto, are for
 346 convenience of reference only and shall not define or limit the provisions hereof.

347 Section 3. Separation of Electric System and Water System. The Assembly hereby
 348 finds and determines that it is in the best interests of the City and ratepayers of the Electric
 349 System and the Water System that the two systems be separated for borrowing purposes. The
 350 Assembly hereby further finds and determines that the 1992 Bonds and the 1997 Bonds are the
 351 only currently outstanding obligations of the City secured by a pledge of revenues of both the
 352 Electric System and Water System. Therefore, the separation of the Electric System from the
 353 Water System for borrowing purposes shall take effect from and after the date that all
 354 outstanding 1992 Bonds and 1997 Bonds are defeased in accordance with the ordinances
 355 providing for their issuance and as provided in this ordinance.

356 Section 4. The Blue Lake Project. The Assembly hereby ratifies and confirms its
357 findings, in Resolution No. 10-20, that the public welfare and convenience require the City to
358 make the following capital improvements to facilities of the Electric System: expansion of the
359 Blue Lake hydroelectr project by adding a third turbine in the Blue Lake powerhouse, raising the
360 height of the Blue Lake dam, and making such other additions and improvements to the Blue
361 Lake project as are described in the City’s licensing application to the Federal Energy Regulatory
362 Commission (collectively, the “Project”). The Assembly further finds that it is in the best
363 interest of the City and ratepayers of the Electric System that a portion of the cost of the Project
364 be financed from proceeds of the Project Bonds.

365 The cost of all necessary planning, legal, architectural, engineering, design and other
366 consulting services, inspection and testing, administrative and relocation expenses, on- and off-
367 site utilities, purchases of equipment, and other costs incurred in connection with the Project
368 shall be deemed a part of the cost of the Project. The City will determine the extent and
369 specifications for the Project.

370 The City will determine the application of available funds as among the various
371 components of the Project to accomplish, as nearly as may be, the entire Project. If proceeds of
372 sale of the Bonds, plus any other money of the City legally available for such purpose, are
373 insufficient to accomplish all of the Project, the City will use the available funds for paying the
374 cost of those components of the Project deemed by the Assembly most necessary and in the best
375 interest of the City.

376 If the City determines that it has become impractical to accomplish one or more
377 components of the Project because of changed conditions, incompatible development or costs
378 substantially in excess of those estimated, the City shall not be required to accomplish such
379 component or components and may apply the Project Bond proceeds to other components of the
380 Project.

381 If the entire Project has been constructed or duly provided for, or found to be impractical,
382 and Project Bond proceeds remain available, the Assembly may apply Project Bond proceeds to
383 other capital repairs or improvements to the Electric System or to retiring the Project Bonds.

384 Section 5. Authorization of Bonds. The City shall now issue and sell not to exceed
385 \$50,000,000 principal amount of electric revenue bonds to provide funds to refund and defease
386 the 1992 Bond and the 1997 Bonds and to pay a portion of the cost of the Project. The Bonds
387 shall be issued in one or more series (as provided in Section 19 of this ordinance) in an aggregate
388 principal amount not to exceed \$50,000,000, with a single bond issued to the Bond Bank for each
389 series to be designated as “City and Borough of Sitka Electric Revenue [and Refunding] Bond,”
390 with such year and series designations as may be appropriate. Each Bond shall be dated the date
391 of its sale and delivery to the Bond Bank, in accordance with Section 19 hereof, shall be fully
392 registered as to both principal and interest, shall be numbered separately in such manner and with
393 any additional designation as the Registrar deems necessary for purposes of identification and
394 control, shall bear interest at the rate or rates, shall mature on the date or dates and shall be paid
395 in installments in the principal amounts and on the dates to be determined in accordance with

396 Section 19 hereof. Interest on the Bonds shall be calculated based on a 360-day year of twelve
397 30-day months.

398 The Bonds shall be obligations only of the Bond Fund and shall be payable and secured
399 as provided herein. The Bonds do not constitute an indebtedness or general obligation of the
400 City within the meaning of the constitutional provisions and limitations of the State of Alaska.

401 Section 6. Registration, Payment and Transfer. The Finance Director shall act as
402 authenticating agent, transfer agent, paying agent and registrar for the Bond (collectively, the
403 "Registrar"). Both principal of and interest on the Bonds shall be payable in lawful money of the
404 United States of America. Interest on the Bonds shall be paid by check or draft of the Registrar
405 mailed (on the date such interest is due) to the Registered Owner or nominee at the addresses
406 appearing on the Bond Register on the fifteenth day of the month preceding each interest
407 payment date. Principal of the Bonds shall be payable upon presentation and surrender of the
408 Bonds to the Registrar by the Registered Owner or nominee at the office of the Registrar in Sitka,
409 Alaska. Notwithstanding the foregoing, if the Bonds are sold to the Bond Bank pursuant to the
410 provisions of Section 13 of this ordinance, and for so long as the Bond Bank is the owner of the
411 Bonds, payments of principal of and interest on the Bonds shall be made to the Bond Bank in
412 accordance with the Loan Agreement.

413 A Bond may be transferred only on the Bond Register maintained by the Registrar for that
414 purpose upon the surrender thereof by the Registered Owner or nominee or his or her duly
415 authorized agent and only if endorsed in the manner provided thereon, and thereupon a new fully
416 registered Bond of like series, principal amount, maturity and interest rate shall be issued to the
417 transferee in exchange therefor. Upon surrender thereof to the Registrar, a Bond is
418 interchangeable for a bond or bonds (in denominations of \$5,000 or any integral multiple thereof)
419 of an equal aggregate principal amount and of the same interest rates and principal payment
420 amounts as such Bond. Such transfer or exchange shall be without cost to the Registered Owner
421 or transferee.

422 The City may deem the person in whose name a Bond is registered to be the absolute
423 owner thereof for the purpose of receiving payment of the principal of and interest on the Bond
424 and for any and all other purposes whatsoever.

425 Section 7. Prepayment. Provisions for the optional prepayment of some or all
426 principal installments of the Bonds may be established pursuant to Section 19 and shall be set
427 forth in the Loan Agreement. Portions of the principal amount of each Bond, in increments of
428 \$5,000 or any integral multiple of \$5,000, may be prepaid.

429 So long as the Bond Bank is the owner of the Bonds, notice of prepayment shall be given
430 according to the terms of the Loan Agreement. If the Bond Bank is not the owner of a Bond,
431 notice of prepayment shall be given not less than 30 nor more than 60 days prior to the date fixed
432 for prepayment by first class mail, postage prepaid, to the Registered Owner of the Bond at the
433 address appearing on the Bond Register. The requirements of this section shall be deemed
434 complied with when notice is mailed as herein provided, regardless of whether it is actually
435 received by the owner of a Bond. Each official notice of prepayment shall be dated and shall

436 state: (i) the prepayment date, (ii) the prepayment price or prepayment premium, if any, payable
437 upon such prepayment; (iii) if less than all of an installment of principal is to be prepaid, the
438 principal amount to be prepaid (which must be an integral multiple of \$5,000); (iv) that the
439 interest on the Bond, or on the principal amount thereof to be prepaid, designated for prepayment
440 in such notice, shall cease to accrue from and after such prepayment date; and (v) that on such
441 date there will become due and payable on the Bond the principal amount thereof to be prepaid
442 and the interest accrued on such principal amount to the prepayment date.

443 Section 8. Revenue Fund.

444 (a) *Revenue Fund Established.* There is hereby authorized to be established in the
445 office of the Finance Director a separate enterprise fund of the City to be designated as the “City
446 and Borough of Sitka Electric Utility Revenue Fund” (the “Revenue Funds”) All Revenue of the
447 System shall be deposited in the Revenue Fund. Notwithstanding the foregoing, the Finance
448 Director may maintain separate funds and accounts in such names and under such additional
449 designations as may be required to comply with City practices and State law.

450 (b) *Priority of Application of Revenue of the System.* The Revenue Fund shall be held
451 separate and apart from all other funds and accounts of the City and the Revenue of the System
452 deposited in this fund shall be used only for the following purposes and in the following order of
453 priority:

454 First, to pay the Operating Costs;

455 Second, to pay the interest on any Parity Bonds, including reimbursements to the
456 issuer of a Qualified Letter of Credit or Qualified Insurance if the Qualified Letter of Credit or
457 Qualified Insurance secures the payment of interest on Parity Bonds and the ordinance
458 authorizing such Parity Bonds provides for such reimbursement;

459 Third, to pay the principal of any Parity Bonds, including reimbursements to the
460 issuer of a Qualified Letter of Credit or Qualified Insurance if the Qualified Letter of Credit or
461 Qualified Insurance secures the payment of principal of Parity Bonds and the ordinance
462 authorizing those Parity Bonds provides for such reimbursement;

463 Fourth, to make all payments required to be made into the Reserve Account for
464 Covered Bonds and to any reserve account created in the future for the payment of debt service
465 on Future Parity Bonds, including reimbursements to the issuer of a Qualified Letter of Credit or
466 Qualified Insurance if the Qualified Letter of Credit or Qualified Insurance has been issued to
467 fund the Reserve Requirement or the reserve requirement(s) for any Future Parity Bonds and the
468 ordinance authorizing such Parity Bonds provides for such reimbursement;

469 Fifth, to opay principal of and interest on the Subordinated Note and to make all
470 payments required to be made into any revenue bond redemption fund or revenue warrant
471 redemption fund and debt service fund or Reserve Account created to pay and secure the
472 payment of the principal of and interest on any other revenue bonds or revenue warrants of the

473 City having a lien on Revenue of the System junior and inferior to the lien thereon for the
474 payment of the principal of and interest on Parity Bonds; and

475 Sixth, to retire by redemption or purchase any outstanding revenue bonds or
476 revenue warrants of the City, to make necessary additions, betterments, improvements and
477 repairs to or extensions and replacements of the Electric System, to make deposits into the Rate
478 Stabilization Account, or for any other lawful City purposes.

479 The City may transfer any money from any funds or accounts of the Electric System
480 legally available therefor, except bond redemption funds, refunding escrow funds or defeasance
481 funds, to meet the required payments to be made into the Bond Fund.

482 (c) *Rate Stabilization Account.* The Finance Director is hereby authorized and
483 directed to create a Rate Stabilization Account within the Revenue Fund. The City hereby
484 determines that the maintenance of a Rate Stabilization Account will moderate fluctuations in
485 Net Revenue and help to alleviate the need for short-term rate adjustments. Money in the Rate
486 Stabilization Account may be transferred as determined from time to time by the City. The City
487 may make payments into the Rate Stabilization Account from the Revenue Fund at any time.
488 Money in the Rate Stabilization Account may be withdrawn at any time and used for the purpose
489 for which Revenue of the System may be used. Amounts withdrawn from the Rate Stabilization
490 Account shall increase Revenue of the System for the period in which they are withdrawn, and
491 amounts deposited in the Rate Stabilization Account shall reduce Revenue of the System for the
492 period during which they are deposited. Credits to or from the Rate Stabilization Account that
493 occur within 90 days after the end of a fiscal year may be treated as occurring within such fiscal
494 year. Earnings on the Rate Stabilization Account shall be credited to the Revenue Fund.

495 (d) *Contract Resource Obligations.* The City may at any time enter into one or more
496 contracts or other obligations for the acquisition, from facilities to be constructed, of power or
497 energy or other goods or service relating to the Electric System. The City may determine that
498 such contract or other obligation is a Contract Resource Obligation and may provide that all
499 payments under that Contract Resource Obligation (including payments prior to the time that
500 power, energy, transmission, or other goods or services are being provided, or during a
501 suspension or after termination of supply or service) shall be Operating Costs if the following
502 requirements are met at the time the Contract Resource Obligation is entered into:

503 (1) The City is not in default with respect to any of its obligations under this
504 ordinance.

505 (2) The City has on file a certificate of a Consultant stating that (1) the
506 payments to be made by the City in connection with the Contract Resource Obligation are
507 reasonable for the power, energy, transmission, or other goods or services rendered; (2) the
508 source of any new energy, power, and any facilities to be constructed to provide the power,
509 energy, transmission, or other good or service, is sound, are technically and economically
510 feasible in accordance with prudent utility practice, and are likely to provide supply or
511 transmission or other service no later than a date set forth in the Consultant's certification; and
512 (3) the Net Revenue (further adjusted by the Consultant's estimate of the payments to be made in

513 accordance with the Contract Resource Obligation) for the five fiscal years following the year in
514 which the Contract Resource Obligation is incurred, as such Net Revenue is estimated by the
515 Consultant (with such estimate based on such factors as he or she considers reasonable), will be
516 at least equal to the Parity Requirement.

517 Payments required to be made under Contract Resource Obligations must not be subject
518 to acceleration.

519 Nothing in this Section 8(d) shall be deemed to prevent the City from entering into other
520 agreements for the acquisition of power, energy, transmission or other good or service from
521 existing facilities and from treating those payments as Operating Costs so long as such service is
522 actually being supplied. Nothing in this Section 8(d) shall be deemed to prevent the City from
523 entering into other agreements for the acquisition of power, energy, transmission, or other
524 commodity or service from facilities to be constructed and from agreeing to make payments with
525 respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to that
526 of Parity Bonds.

527 Section 9. Bond Fund. A special fund of the City known as the “City and Borough of
528 Sitka Electric Revenue Parity Bond Redemption Fund” (the “Bond Fund”) is hereby authorized
529 to be created in the office of the Finance Director. The Bond Fund shall be drawn upon for the
530 sole purpose of paying the principal of and interest on the Bonds and any Future Parity Bonds.
531 The Finance Director shall also establish the Parity Bond Reserve Account within the Bond Fund
532 (the “Reserve Account”) as a common reserve, securing the repayment of the Bonds and any
533 Future Parity Bonds issued that are designated as Covered Bonds in the ordinance authorizing
534 their issuance (inclusively, “Covered Bonds”).

535 (a) *Payments into Bond Fund.* As long as any Parity Bond remains outstanding, the
536 City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund
537 into the Bond Fund those amounts necessary, together with such other funds as are on hand and
538 available in the Bond Fund, to pay the interest or principal and interest next coming due on
539 outstanding Parity Bonds. Such payments from the Revenue Fund to the Bond Fund shall be
540 made in a fixed amount without regard to any fixed proportion following the closing and delivery
541 of the Parity Bonds on or before each date on which an installment of interest or principal and
542 interest falls due on Parity Bonds equal to the installment of interest or principal and interest.

543 (b) *Payments into Reserve Account.* The Reserve Account shall be maintained for the
544 purpose of securing the payment of the principal of and interest on all Covered Bonds. Prior to
545 or upon the issuance of the Bonds, the City will deposit into the Reserve Account funds
546 sufficient to satisfy the Reserve Requirement for the Bonds. The City covenants and agrees that
547 from and after the closing and delivery of the Bonds, it will at all times maintain an amount in
548 the Reserve Account at least equal to the Reserve Requirement, except for withdrawals therefrom
549 authorized hereinafter, so long as any Covered Bonds remain outstanding. The Reserve
550 Requirement may be maintained by deposits of cash, a Qualified Letter of Credit or Qualified
551 Insurance, or a combination of the foregoing. In computing the amount on hand in the Reserve
552 Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face
553 amount thereof, and all other obligations purchased as an investment of money therein shall be

554 valued at cost. As used herein, the term “cash” shall include U.S. currency, cash equivalents and
555 evidences thereof, including demand deposits, certified or cashier’s check. The deposit to the
556 Reserve Account may be satisfied initially by the transfer of qualified investments to such
557 account.

558 If the balances on hand in the Reserve Account are sufficient to satisfy the Reserve
559 Requirement, interest earnings shall be applied as provided in the following sentences.
560 Whenever there is a sufficient amount in the Bond Fund, including the Reserve Account to pay
561 the principal of and interest on all outstanding Covered Bonds, the money in the Reserve
562 Account may be used to pay such principal and interest. As long as the money left remaining on
563 deposit in the Reserve Account is equal to the Reserve Requirement, money in the Reserve
564 Account may be transferred to the Bond Fund and used to pay the principal of and interest on
565 Covered Bonds as the same become due and payable. The City also may transfer out of the
566 Reserve Account any money required in order to prevent any Parity Bonds from becoming
567 “arbitrage bonds” under the Code.

568 If a deficiency in the Bond Fund for the payment of debt service on Covered Bonds
569 occurs, the deficiency shall be made up from the Reserve Account by the withdrawal of cash
570 therefrom for that purpose and by the sale or redemption of obligations held in the Reserve
571 Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any
572 such deficiency with respect to Covered Bonds, and if a deficiency still exists immediately prior
573 to an interest payment date and after the withdrawal of cash, the City shall then draw from any
574 Qualified Letter of Credit or Qualified Insurance for Covered Bonds in sufficient amount to make
575 up the deficiency. Such draw shall be made at such times and under such conditions as the
576 agreement for such Qualified Letter of Credit or such Qualified Insurance provides.

577 In making the payments and credits to the Reserve Account required by this Section 9(b),
578 to the extent that the City has obtained Qualified Insurance or a Qualified Letter of Credit for
579 specific amounts required pursuant to this section to be paid out of the Reserve Account such
580 amounts so covered by Qualified Insurance or a Qualified Letter of Credit will be credited
581 against the amounts required to be maintained in the Reserve Account by this Section 9(b) to the
582 extent that such payments and credits to be made are insured by an insurance company, or
583 guaranteed by a letter of credit from a financial institution.

584 Any deficiency created in the Reserve Account by reason of any such withdrawal shall
585 then be made up within one year of the date of withdrawal from Net Revenue (or out of any other
586 money on hand legally available for such purpose) after making necessary provision for the
587 payments required to be made into the Bond Fund within such year.

588 Any Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than
589 30 days’ notice to the City. In the event of any cancellation, the Reserve Account shall be funded
590 as if the Covered Bonds that remain outstanding had been issued on the date of such notice of
591 cancellation.

592 If the City elects to meet the Reserve Requirement by using a Qualified Letter of Credit,
593 Qualified Insurance or other equivalent credit enhancement device, the City may contract with

594 the entity providing such Qualified Letter of Credit, Qualified Insurance or other equivalent
595 credit enhancement device that the City's reimbursement obligation, if any, to such entity shall
596 be made from payments of principal and interest on Covered Bonds from the City subject only to
597 the prior lien thereon for the payments required hereunder to be made to registered owners of
598 Parity Bonds.

599 (c) *Priority of Lien of Payments into Bond Fund and Reserve Account.* The amounts
600 so pledged to be paid into the Bond Fund and the Reserve Account from the Revenue Fund are
601 hereby declared to be a prior lien and charge upon the Revenue of the System superior to all
602 other charges of any kind or nature whatsoever except the Operating Costs, and except that the
603 amounts so pledged are of equal lien to the charges upon such Revenue of the System for the
604 payment of the principal of and interest on any Future Parity Bonds.

605 (d) *Application and Investment of Money in the Bond Fund and Reserve Account.*
606 Money in the Bond Fund and Reserve Account may be kept in cash or invested as permitted by
607 law. Investments in the Bond Fund shall mature prior to the date on which such money is needed
608 for required interest or principal payments (for investments in the Bond Fund) or having a
609 guaranteed redemption price prior to maturity. Investments in the Reserve Account shall mature
610 not later than the last maturity of any then outstanding Parity Bonds.

611 (e) *Sufficiency of Revenues.* The Assembly hereby finds that in fixing the amounts to
612 be paid into the Bond Fund and the Reserve Account out of Revenue of the System, it has
613 exercised due regard for the Operating Costs and has not obligated the City to set aside and pay
614 into the Bond Fund and the Reserve Account a greater amount of such Revenue than in its
615 judgment will be available over and above the Operating Costs.

616 Section 10. Defeasance. If money and/or Government Obligations, maturing at such
617 time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire
618 the Bond or a portion thereof in accordance with its terms, are set aside in a special account to
619 effect such prepayment and retirement, and such money and the principal of and interest on such
620 obligations are irrevocably set aside and pledged for such purpose, then no further payments need
621 be made into the Bond Fund for the payment of the principal of and interest on the Bond or
622 portion thereof so provided for, and such Bond or portion thereof shall cease to be entitled to any
623 lien, benefit or security of this ordinance except the right to receive the money so set aside and
624 pledged, and such Bond or portion thereof shall be deemed not to be outstanding hereunder.

625 Section 11. Specific Covenants.

626 (a) *Rate Covenant.* The City will establish, maintain and collect rates and charges for
627 service of the Electric System for so long as any Bonds are outstanding as will maintain the Rate
628 Covenant.

629 (b) *Electric System Maintenance.* The City will at all times maintain and keep the
630 Electric System in good repair, working order and condition, and also will at all times operate the
631 Electric System and the business in connection therewith in an efficient manner and at a
632 reasonable cost.

633 (c) *Disposal of Properties.* The City will not mortgage, sell, lease, or in any manner
634 encumber or dispose of all or substantially all the property of the Electric System (voluntarily or
635 involuntarily), unless provision is made for payment into the Bond Fund of a sum sufficient to
636 pay the principal of, premium, if any, and interest on all outstanding Parity Bonds, nor will it
637 mortgage, sell, lease, or in any manner encumber or dispose of (including but not limited to a
638 disposition by transfer to another public or private organization) voluntarily or involuntarily any
639 part of the Electric System that is used, useful and material to the operation of the Electric
640 System unless

641 (1) the City certifies, based upon reasonable expectations, that the remaining
642 assets of the Electric System will be sufficient to continue regular operations of the City on a
643 financially sound basis for a period of at least five years and

644 (2) provision is made for replacement thereof or for payment into the Bond
645 Fund of the total amount of revenue received, which shall not be less than an amount that bears
646 the same ratio to the amount of outstanding Parity Bonds as the greater of

647 (A) the Net Revenue available for Debt Service for such outstanding
648 Parity Bonds for the 12 months preceding such sale, lease, encumbrance or disposal from the
649 portion of the Electric System sold, leased, encumbered or disposed of bears to the Net Revenue
650 available for Debt Service for such Parity Bonds from the entire Electric System for the same
651 period;

652 (B) the Revenue of the System for the 12 months preceding such sale,
653 lease, encumbrance or disposal from the portion of the Electric System sold, leased, encumbered
654 or disposed of bears to the Revenue of the System for the same period;

655 (C) the proportion of assets (on a depreciated basis) allocable to the
656 assets being sold, leased, encumbered or disposed of bears to the total assets of the Electric
657 System; or

658 (D) the proportion of customers of the City allocable to the assets being
659 sold, leased, encumbered or disposed of bears to the total number of customers of the Electric
660 System,

661 except that the City may dispose of any portion of the facilities of the Electric System up to an
662 aggregate of 5% of the book value of the total assets of the Electric System without the
663 requirement for any deposit to the Bond Fund as hereinabove provided.

664 Any such money so paid into the Bond Fund must be used to retire such outstanding
665 Parity Bonds at the earliest possible date. Any money received by the City as condemnation
666 awards, insurance proceeds or the proceeds of sale, if not deposited to the Bond Fund, shall be
667 used for the replacement of facilities of the Electric System.

668 (d) *Books and Records.* The City will, while any of the Bonds remain outstanding,
669 keep proper and separate accounts and records in which complete and separate entries shall be
670 made of all transactions relating to the Electric System, and it will furnish the original purchaser

671 or purchasers of the Bonds or any subsequent owner or owners thereof, at the written request of
672 such owner or owners, complete operating and income statements of the Electric System in
673 reasonable detail covering any fiscal year, showing compliance with the terms and conditions of
674 this ordinance, not more than 150 days after the close of such fiscal year, and it will grant any
675 owner or owners of at least 25% of the outstanding Bonds the right at all reasonable times to
676 inspect the entire Electric System and all records, accounts and data of the City relating thereto.
677 Upon request of any owner of any of the Bonds, it will also furnish to such owner a copy of the
678 most recently completed audit of the City's accounts by an independent certified public
679 accountant.

680 (e) *No Free Service.* The City will not furnish any commodity or service of the
681 Electric System to any customer whatsoever free of charge (except as permitted by law to aid the
682 poor, to provide for resource conservation or to provide for the proper handling of hazardous
683 materials) and will promptly take legal action to enforce collection of all delinquent accounts.

684 (f) *Property Insurance.* The City will at all times carry fire and extended coverage
685 and such other forms of insurance on the buildings, equipment, facilities and properties of the
686 Electric System, if such insurance is obtainable at reasonable rates and upon reasonable
687 conditions, against such risks, in such amounts, and with such deductibles as the Council shall
688 deem necessary for the protection of the Electric System and the owners of all outstanding Parity
689 Bonds.

690 (g) *Liability Insurance.* The City will at all times keep and arrange to keep in full
691 force and effect policies of public liability and property damage insurance that will protect the
692 City against anyone claiming damages of any kind or nature arising out of the operation of the
693 Electric System, if such insurance is obtainable at reasonable rates and upon reasonable
694 conditions, in such amounts and with such deductibles as the Council shall deem necessary for
695 the protection of the City and the owners of the outstanding Parity Bonds.

696 Section 12. Issuing Future Parity Bonds.

697 (a) *Conditions for Issuing Future Parity Bonds.* As long as any of the Bonds remain
698 outstanding, the City covenants and agrees that it will not issue any electric revenue bonds with a
699 lien on Revenue of the System superior to the lien thereon of the Bonds. Except as provided in
700 subsection (b) below, the City shall not issue any series of Future Parity Bonds or incur any
701 additional indebtedness with a parity lien or charge on Net Revenue (*i.e.*, on a parity of lien with
702 Parity Bonds at the time outstanding) unless:

703 (1) the City will not then have been in default of its Rate Covenant for the
704 immediately preceding fiscal year;

705 (2) The ordinance authorizing the issuance of such Future Parity Bonds will
706 include the covenants provided in Section 11 hereof and provide that the Reserve Requirement, if
707 any, will be funded no later than the date of delivery of the Future Parity Bonds; and

708 (3) the City will have on file a certificate (prepared as described in
709 subsection (c) or (d) below) demonstrating fulfillment of the Parity Requirement, commencing
710 with the first full fiscal year following the date on which any portion of interest on the Future
711 Parity Bonds then being issued will not be paid from the proceeds of such series of Future Parity
712 Bonds.

713 (b) *No Certificate Required.* The certificate described in the foregoing
714 subsection (a)(3) shall not be required as a condition to the issuance of Future Parity Bonds:

715 (1) if the Future Parity Bonds being issued are for the purpose of refunding
716 outstanding Parity Bonds; or

717 (2) if the Future Parity Bonds are being issued to pay costs of construction of
718 facilities of the Electric System for which Future Parity Bonds have been issued previously and
719 the principal amount of such Future Parity Bonds being issued for completion purposes does not
720 exceed an amount equal to an aggregate of 15% of the principal amount of Future Parity Bonds
721 theretofore issued for such facilities and reasonably allocable to the facilities to be completed as
722 shown in a written certificate of the Finance Director, and there is delivered a certificate of the
723 Municipal Administrator stating that the nature and purpose of such facilities has not materially
724 changed.

725 (c) *Certificate of the City Without A Consultant.* If required pursuant to the foregoing
726 subsection (a)(3), a certificate may be delivered by the City (executed by the Finance Director)
727 without a Consultant if Net Revenue for the Base Period (confirmed by an audit) conclusively
728 demonstrate that the Parity Requirement will be fulfilled commencing with the first full fiscal
729 year following the date on which any portion of interest on the series of Future Parity Bonds then
730 being issued will not be paid from the proceeds of such series of Future Parity Bonds.

731 (d) *Certificate of a Consultant.* Unless compliance with the requirements of
732 subsection (a)(3) have been otherwise satisfied (as provided in (b) or (c) above), compliance with
733 the Parity Requirement shall be demonstrated conclusively by a certificate of a Consultant.

734 In making the computations of Net Revenue for the purpose of certifying compliance
735 with the Parity Requirement, the Consultant shall use as a basis the Net Revenue (which may be
736 based upon unaudited financial statements of the City if the audit has not yet been completed) for
737 the Base Period. Such Net Revenue shall be determined by adding the following:

738 (1) The historical net revenue of the City for the Base Period being issued as
739 determined by a Consultant.

740 (2) The net revenue derived from those customers of the City that have
741 become customers during such 12-month period or thereafter and prior to the date of such
742 certificate, adjusted to reflect a full year's net revenue from each such customer to the extent
743 such net revenue was not included in (1) above.

744 (3) The estimated annual net revenue to be derived from any person, firm,
745 association, private or municipal corporation under any executed contract for service, which net
746 revenue was not included in any of the sources of net revenue described in this subsection (d).

747 (4) The estimated annual net revenue to be derived from the operation of any
748 additions or improvements to or extensions of the City under construction but not completed at
749 the time of such certificate and not being paid for out of the proceeds of sale of such Future
750 Parity Bonds being issued, and which net revenue is not otherwise included in any of the sources
751 of net revenue described in this subsection (d).

752 (5) The estimated annual net revenue to be derived from the operation of any
753 additions and improvements to or extensions of the City being paid for out of the proceeds of
754 sale of such Bonds being issued.

755 If the City will not derive any revenue as a result of the construction of the additions,
756 improvements or extensions being made or to be made to the Electric System within the
757 provisions of subparagraphs (4) and (5) immediately above, the estimated normal Operating
758 Costs (excluding any transfer of money to other funds of the City and license fees, taxes and
759 payments in lieu of taxes payable to the City) of such additions, improvements and extensions
760 shall be deducted from estimated annual net revenue.

761 The words "historical net revenue" or "net revenue" as used in this subsection (d) shall
762 mean Revenue of the System or any part or parts thereof less the normal expenses of
763 maintenance and operation of the System or any part or parts thereof, but before depreciation.

764 Such "historical net revenue" or "net revenue" shall be adjusted to reflect the rates and
765 charges effective on the date of such certificate if there has been any change in such rates and
766 charges during or after such 12-consecutive-month period.

767 (e) *Subordinate Lien Obligations.* Nothing herein contained shall prevent the City
768 from issuing revenue bonds or other obligations that are a charge upon the Revenue of the
769 System junior or inferior to the payments required by this ordinance to be made out of such
770 Revenue to pay and secure the payment of any outstanding Parity Bonds. Except for the
771 Subordinated Note, such junior or subordinate obligations may not be subject to acceleration.
772 This prohibition against acceleration does not prohibit mandatory tender or other tender
773 provisions with respect to variable rate obligations.

774 (f) *Refunding Obligations.* Nothing herein contained shall prevent the City from
775 issuing revenue bonds to refund maturing Parity Bonds for the payment of which money is not
776 otherwise available.

777 Section 13. Tax Covenants.

778 (a) *General.* The City may elect to issue the Bonds in one or more of the following
779 categories:

780 (1) A series, including the Refunding Bonds, the interest on which would be
781 excludable from gross income for federal income tax purposes pursuant to sections 103 and 141
782 through 150 of the Code (“Tax-Exempt Bonds”).

783 (2) A series of taxable “Build America Bonds,” as defined in Section 54AA of
784 the Code.

785 (3) A series of taxable “Recovery Zone Economic Development Bonds,” as
786 defined in Section 1400U-2(b)(1) of the Code.

787 The City covenants not to take any action, or knowingly to omit to take any action within
788 its control, that if taken or omitted would cause the interest on any series of Tax-Exempt Bonds
789 to be includable in gross income, as defined in section 61 of the Code, for federal income tax
790 purposes. The City further covenants not to take any action, or knowingly to omit to take any
791 action within its control, that if taken or omitted would cause any series of Build America Bonds
792 to lose their status as Build America Bonds or any series of Recovery Zone Economic
793 Development Bonds to lose their status as Recovery Zone Economic Development Bonds.

794 (b) *Tax Certificate.* Upon the issuance of the Bonds, the Finance Director is
795 authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to various
796 facts and representations concerning each series of Bonds, based on the facts and estimates
797 known or reasonably expected on the date of their issuance, and make certain covenants with
798 respect to such Bonds as may be necessary or desirable to obtain or maintain the benefits
799 conferred under the Code relating to Tax-Exempt Bonds, Build America Bonds or Recovery
800 Zone Economic Development Bonds, as applicable.

801 The City covenants that it will comply with the Tax Certificate unless it receives advice
802 from nationally recognized bond counsel or the Internal Revenue Service that certain provisions
803 have been amended or no longer apply to the Tax-Exempt Bonds. Build America Bonds or
804 Recovery Zone Economic Development Bonds, as applicable.

805 (c) *Special Designation.* Depending on the final structure of the Bonds and the
806 principal amount of any Tax-Exempt Bonds, the City by the Tax Certificate may designate the
807 Tax-Exempt Bond, plus the portion of the proceeds of the Bond Bank Bonds designated as the
808 reserve fund obligations allocated to the Tax-Exempt Bonds, as “qualified tax-exempt
809 obligations” for purchase by financial institutions pursuant to Section 265(b)(3) of the Code.

810 (d) *Arbitrage Covenant.* The City covenants that it will not take any action or fail to
811 take any action with respect to the proceeds of sale of the Bonds or any other funds of the City
812 that may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code that will
813 cause the Bonds to be “arbitrage bonds” within the meaning of such term as used in Section 148
814 of the Code. The City will comply with the requirements of Section 148 of the Code throughout
815 the term of the Bonds. The City represents that it has not been notified of any listing or proposed
816 listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage
817 certifications may not be relied upon.

818 (e) *Private Person Use Limitation.* The City covenants that for as long as the Bonds
819 are outstanding, it will not permit:

820 (1) More than 10% of the Net Proceeds of the Bonds to be used for any
821 Private Person Use; and

822 (2) More than 10% of the principal or interest payments on the Bonds in a
823 Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used
824 for any Private Person Use or secured by payments in respect of property used or to be used for
825 any Private Person Use, or (B) derived from payments (whether or not made to the City) in
826 respect of property, or borrowed money, used or to be used for any Private Person Use.

827 The City further covenants that, if:

828 (3) More than 5% of the Net Proceeds of the Bonds are to be used for any
829 Private Person Use; and

830 (4) More than 5% of the principal or interest payments on the Bonds in a
831 Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or
832 indirectly:

833 (A) secured by any interest in property used or to be used for any
834 Private Person Use or secured by payments in respect of property used or to be used for any
835 Private Person Use, or

836 (B) derived from payments (whether or not made to the City) in respect
837 of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any
838 Private Person Use of the projects described in subsection (3) hereof or Private Person Use
839 payments described in subsection (4) hereof that is in excess of the 5% limitations described in
840 such subsections (3) or (4) will be for a Private Person Use that is related to the state or local
841 governmental use of the Project, and (ii) any Private Person Use will not exceed the amount of
842 Net Proceeds of the Bonds used for the state or local governmental use portion of the project to
843 which the Private Person Use of such portion of the Project relates. The City further covenants
844 that it will comply with any limitations on the use of the Project by other than state and local
845 governmental users that are necessary, in the opinion of its Bond Counsel, to preserve any
846 benefits under the Code relating to Tax-Exempt Bonds or Build America Bonds, as applicable.
847 The covenants of this Section are specified solely to assure the continued benefits under the Code
848 relating to the Bonds.

849 (f) *No Hedge Bonds.* The City reasonably expects that at least 85% of the proceeds
850 of the Bonds will be spent within three years of the date the Bonds are issued to carry out the
851 governmental purposes of the Bonds.

852 Section 14. Form of the Bonds. The Bonds shall be in substantially the following
853 form, with such series designations as appropriate:

854 NO. _____

\$ _____

855

856

UNITED STATES OF AMERICA

857

858

STATE OF ALASKA

859

860

CITY AND BOROUGH OF SITKA

861

ELECTRIC REVENUE [AND REFUNDING] BOND, 2010

862

[TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BOND]

863

864 INTEREST RATE:

FINAL MATURITY DATE:

865 SEE BELOW

866 REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK

867 PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

868 The City and Borough of Sitka, Alaska (the "City"), a municipal corporation organized
 869 and existing under and by virtue of its charter and the laws and Constitution of the State of
 870 Alaska, hereby acknowledges itself to owe and for value received promises to pay to the
 871 Registered Owner identified above, or registered assigns, the principal amount specified above,
 872 in installments payable as set forth below, together with interest on such installments from the
 873 date hereof or the most recent date to which interest has been paid or duly provided for, at the
 874 interest rates set forth below, on _____ 1, 20__, and on each _____ 1 and _____ 1
 875 thereafter until payment of the principal sum has been made or duly provided for.

| Principal Installment Payment Year (_____ 1) | Principal Installment Amount | Interest Rate |
|--|---------------------------------|------------------|
| 2011 | | |
| 2012 | | |
| 2013 | | |
| 2014 | | |
| 2015 | | |
| 2016 | | |
| 2017 | | |
| 2018 | | |
| 2019 | | |
| 2020 | | |
| 2021 | | |
| 2022 | | |
| 2023 | | |
| 2024 | | |
| 2025 | | |
| 2026 | | |
| 2027 | | |

| Principal Installment Payment Year (_____ 1) | Principal Installment Amount | Interest Rate |
|--|---------------------------------|------------------|
| 2028 | | |
| 2029 | | |
| 2030 | | |

876 Both principal of and interest on this bond are payable solely from the special fund of the
877 City known as the Electric System Parity Bond Redemption Fund (the “Bond Fund”). Payments
878 of principal of and interest on this bond shall be made in lawful money of the United States of
879 America. Installments of principal of and interest on this bond are payable by check or draft of
880 the Finance Director of the City (the “Registrar”) mailed on the date such interest is due to the
881 Registered Owner at the address appearing on the Bond Register as of the fifteenth day of the
882 month preceding the interest payment date. The final installment of principal of and interest on
883 this bond shall be paid to the Registered Owner upon presentation and surrender of this bond at
884 the office of the Registrar. Notwithstanding the foregoing, so long as the Bond Bank is the
885 Registered Owner of this bond, payments of principal of and interest on this bond shall be made
886 to the Bond Bank in accordance with the Loan Agreement.

887 This bond is issued pursuant to Ordinance No. 2010-_____, passed November 9, 2010
888 (the “Bond Ordinance”), to provide funds to [refund certain outstanding revenue bonds of the
889 City][finance the cost of capital improvements to facilities of the Electric System]. Capitalized
890 terms used in this bond and not otherwise defined herein shall have the meanings given such
891 terms in the Bond Ordinance.

892 Principal installments of this bond are subject to prepayment as provided in the Bond
893 Ordinance and in the Loan Agreement.

894 The City does hereby pledge and bind itself to set aside from the Electric System Revenue
895 Fund of the City created by the Bond Ordinance, and to pay into the Bond Fund and the Accounts
896 therein, the various amounts required by the Bond Ordinance to be paid into and maintained in
897 said Fund and Accounts, all within the times provided by the Bond Ordinance. The City has
898 further pledged and bound itself to pay into such Revenue Fund as collected, all Revenue of the
899 System.

900 The amounts so pledged to be paid out of the Revenue Fund into the Bond Fund and
901 Accounts therein are hereby declared to be a prior lien and charge upon money in the Revenue
902 Fund superior to all other charges of any kind or nature except Operating Costs and equal in rank
903 to the lien and charge on the money in the Bond Fund to pay and secure the payment of any
904 Future Parity Bonds.

905 The pledge of Revenue of the System for payment of principal of and interest on this
906 bond may be discharged prior to maturity of this bond by making provision for the payment
907 thereof on the terms and conditions set forth in the Bond Ordinance and Loan Agreement.

908 This bond shall not be valid or become obligatory for any purpose or be entitled to any
909 security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall
910 have been manually signed by the Registrar.

911 It is hereby certified and declared that this bond is issued pursuant to and in strict
912 compliance with the Constitution and laws of the State of Alaska and the charter, ordinances, and
913 resolutions of the City, that all acts, conditions and things required to be done precedent to and in
914 the issuance of this bond have happened, been done and performed, and that this bond does not
915 exceed any Constitutional or statutory limitations.

916 IN WITNESS WHEREOF, the City and Borough of Sitka, Alaska, has caused this bond
917 to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be
918 attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted
919 or impressed hereon, as of this _____ day of _____, 2010.

920 CITY AND BOROUGH OF SITKA,
921 ALASKA

922
923 By _____ /s/
924 Mayor

925 [SEAL]

926 ATTEST:

927
928
929 /s/ _____
930 Clerk

931
932 CERTIFICATE OF AUTHENTICATION

933
934 Date of Authentication: _____

935 This is the City and Borough of Sitka, Alaska, Electric Revenue [and Refunding] Bond,
936 2010 [Series Designation], dated _____, 2010, as described in the Bond Ordinance.

937
938
939 _____
940 Finance Director, City and Borough of Sitka,
941 Alaska, as Registrar

942
943 ASSIGNMENT

944
945 FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
946 _____
947 _____

948 PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF
949 TRANSFEREE
950

951
952 _____
953 (Please print or typewrite name and address, including zip code of Transferee)

954 _____
955 the within bond and all rights thereunder and does hereby irrevocably constitute and appoint ____
956 _____ of _____, or its
957 successor, as agent to transfer said bond on the books kept by the Registrar for registration
958 thereof, with full power of substitution in the premises.

959 DATED: _____, _____.

960
961 SIGNATURE GUARANTEED:

962 _____

963 _____
964 NOTE: The signature of this Assignment
965 must correspond with the name of the
966 Registered Owner as it appears upon the
967 face of the within bond in every particular,
968 without alteration or enlargement or any
969 change whatever.

971 Section 15. Execution of the Bonds. The Bonds shall be signed on behalf of the City
972 by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile
973 signature of the Clerk, and the seal of the City shall be impressed or imprinted thereon.

974 Only such Bonds as bear thereon a Certificate of Authentication in the form set forth in
975 Section 14 hereof, manually executed by the Registrar, shall be valid or obligatory for any
976 purpose or entitled to the benefits of this ordinance. The Certificate of Authentication shall be
977 conclusive evidence that the Bond so authenticated has been duly executed, authenticated,
978 registered, and delivered hereunder and is entitled to the benefits of this ordinance.

979 In case any of the officers of the City who have signed, attested, authenticated, registered
980 or sealed a Bond cease to be such officers before the Bond so signed, attested, authenticated,
981 registered or sealed has been actually issued and delivered, such Bond shall be valid nevertheless
982 and may be issued by the City with the same effect as though the persons who had signed,
983 attested, authenticated, registered or sealed that Bond had not ceased to be such officers. Any
984 Bond may also be signed, attested, authenticated, registered or sealed on behalf of the City by
985 such persons as at the actual date of execution of such Bond shall be the proper officers of the
986 City although at the original date of such Bond any such person shall not have been such officer.

987 Section 16. Lost or Destroyed Bonds. If any Bond is lost, stolen or destroyed, the
988 Registrar may authenticate and deliver a new Bond of like series, amount, date, and tenor to the
989 Registered Owner upon such owner's paying the expenses and charges of the City in connection

990 with preparation and authentication of the replacement Bond and upon his or her filing with the
991 Registrar evidence satisfactory to the Registrar that the Bond was actually lost, stolen or
992 destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory
993 to the Registrar.

994 Section 17. Application of Proceeds of Project Bonds. A special fund of the City
995 known as the “Blue Lake Project Fund, 2010” (the “Project Fund”) is hereby authorized to be
996 created in the office of the Finance Director. At the time of delivery of the Project Bonds,
997 proceeds of the Project Bonds shall be deposited as follows:

998 (a) The accrued interest, if any, to the date of delivery shall be deposited in the Bond
999 Fund and used to pay a portion of interest on the Project Bonds on the first interest payment date;
1000 and

1001 (b) The remaining proceeds of the Project Bonds shall be deposited in the Project
1002 Fund and used to pay costs of the Project and costs of issuance of the Project Bonds.

1003 Money remaining in the Project Fund after all such costs have been paid or reimbursed
1004 shall be applied to other capital improvements of the Electric System. Money in the Project Fund
1005 may be invested as permitted by law. All interest earned and profits derived from such
1006 investments shall be retained in and become a part of the Project Fund.

1007 Section 18. Application of Proceeds of Refunding Bonds; Plan of Refunding.

1008 (a) *Refunding Account.* There is hereby authorized to be created a special account of
1009 the City known as the “2010 Electric Revenue Bond Refunding Account” (the “Refunding
1010 Account”), which Account is to be held by the Escrow Agent and drawn upon for the sole
1011 purpose of paying the principal of and interest on the Refunded Bonds until their maturity or
1012 earlier date of redemption and of paying costs related to issuance of the Refunding Bonds and
1013 refunding the Refunded Bonds.

1014 The proceeds of sale of the Refunding Bonds will be credited to the Refunding Account
1015 and, together with other funds of the City, if necessary, will be used immediately upon receipt
1016 thereof to defease the Refunded Bonds as authorized by the ordinances authorizing their issuance
1017 and to pay costs of issuance and refunding. The City will defease the Refunded Bonds and
1018 discharge such obligations by the use of money in the Refunding Account to purchase certain
1019 Government Obligations (which obligations so purchased are herein called the “Escrowed
1020 Securities”), bearing such interest and maturing as to principal and interest in such amounts and
1021 at such times that, together with any necessary beginning cash balance, will provide for the
1022 payment of interest on the Refunded Bonds on and prior to their date of redemption and the
1023 redemption price for the Refunded Bonds on their date of redemption.

1024 The Escrowed Securities will be purchased at a yield not greater than the yield permitted
1025 by the Code and regulations relating to Escrowed Securities in connection with refunding bond
1026 issues.

1027 (b) *Escrow Agent.* To carry out the plan of refunding, the Finance Director is hereby
1028 authorized to appoint as escrow agent a bank or trust company qualified by law to perform the
1029 duties described herein (the “Escrow Agent”), in accordance with the ordinances authorizing the
1030 issuance of the Refunded Bonds. A beginning cash balance, if any, and the Escrowed Securities
1031 will be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the
1032 Refunded Bonds. The proceeds of the Refunding Bonds remaining in the Refunding Account
1033 after acquisition of the Escrowed Securities and provision for the necessary beginning cash
1034 balance will be utilized to pay expenses of the acquisition and safekeeping of the Escrowed
1035 Securities and expenses of issuing the Refunding Bonds. The City may, from time to time,
1036 transfer, or cause to be transferred, from the Refunding Account any money not thereafter
1037 required for the purposes set forth in subsection (a), subject to verification in writing by an
1038 independent certified public accountant that such transfer will not result in inadequate funds
1039 being available to make the required payments therefrom. The City reserves the right to
1040 substitute other securities for the Escrowed Securities in the event it may do so pursuant to
1041 Section 148 of the Code, upon compliance with the conditions set forth in the escrow agreement.

1042 The City will take such actions as are found necessary to see that all necessary and proper
1043 fees and expenses of the Escrow Agent are paid when due. The proper officers and agents of the
1044 City are directed to obtain from the Escrow Agent an agreement setting forth the duties,
1045 obligations and responsibilities of the Escrow Agent in connection with the redemption and
1046 retirement of the Refunded Bonds as provided herein and setting forth such provisions for the
1047 payment of the Escrow Agent as are satisfactory to it. The escrow agreement shall also set forth
1048 findings of savings and defeasance with respect to the Refunded Bonds. The Finance Director is
1049 authorized and directed to execute and deliver to the Escrow Agent the escrow agreement in form
1050 satisfactory to the Escrow Agent and approved by counsel to the City.

1051 (c) *Redemption of Refunded Bonds.* The City will irrevocably set aside sufficient
1052 funds out of the purchase of Escrowed Securities from proceeds of the Refunding Bonds to make
1053 the payments described in subsection (a) above. The Finance Director will call the Refunded
1054 Bonds for redemption, in accordance with the plan of refunding determined pursuant to this
1055 Section 18. The defeasance and call for redemption of the Refunded Bonds will be irrevocable
1056 after the final establishment of the Refunding Account and delivery of the Escrowed Securities
1057 and the requisite cash deposit, if any, to the Escrow Agent, except as provided herein relating to
1058 the substitution of securities.

1059 The Escrow Agent is hereby authorized and directed to provide for the giving of notices
1060 of the redemption of the Refunded Bonds in accordance with the applicable provisions of the
1061 ordinances authorizing issuance of the Refunded Bonds. The City is authorized and requested to
1062 provide whatever assistance is necessary to accomplish such redemption and the giving of
1063 notices therefor. The costs of publication of such notices shall be an expense of the City.

1064 The Escrow Agent is hereby authorized and directed to pay to the trustee or paying agent
1065 for the Refunded Bonds sums sufficient to pay, when due, the interest on and redemption prices
1066 of the Refunded Bonds, as provided in subsection (a) above. All such sums shall be paid from
1067 the money and Escrowed Securities deposited with the Escrow Agent pursuant to this Section 7
1068 and the income therefrom and proceeds thereof.

1069 Section 19. Sale of the Bonds. The Finance Director is authorized to negotiate the sale
1070 of the Bonds to the Bond Bank on terms and conditions consistent with this ordinance to be set
1071 forth in a Loan Agreement by and between the City and the Bond Bank substantially in the form
1072 set forth on Exhibit A attached hereto and including the principal amounts, date, principal
1073 installment payment schedules, interest rates, and prepayment provisions, all as provided for in
1074 this ordinance, subject to the approval of the Municipal Administrator, which approval shall be
1075 evidenced by the Municipal Administrator's execution of the Loan Agreement. As part of the
1076 sale of the Bonds to the Bond Bank, the Municipal Administrator and the Finance Director shall
1077 designate the status of each series of the Bonds under federal tax law, as provided in Section 13
1078 of this ordinance. After the sale of the Bonds to the Bond Bank, the Municipal Administrator
1079 and Finance Director shall file with the Clerk a certificate regarding such series designations in
1080 substantially the form set forth on Exhibit B attached hereto.

1081 Section 20. Ongoing Disclosure. The City acknowledges that, under Rule 15c2-12 of
1082 the Securities and Exchange Commission (the "Rule"), the City may now or in the future be an
1083 "obligated person" with respect to the Bond Bank Bonds. In accordance with the Rule and as the
1084 Bond Bank may require, the City shall undertake to provide certain annual financial information
1085 and operating as shall be set forth in the Loan Agreement.

1086 Section 21. General Authorization; Prior Acts. The Mayor, Municipal Administrator,
1087 Finance Director and Clerk of the City and any other appropriate officers of the City are each
1088 hereby authorized and directed to take such steps, to do such other acts and things, and to execute
1089 such letters, certificates, agreements, papers, financing statements, assignments or instruments as
1090 in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions
1091 of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the
1092 authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

1093 Section 22. Severability. If any one or more of the covenants or agreements provided
1094 in this ordinance to be performed on the part of the City shall be declared by any court of
1095 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or
1096 agreements, shall be null and void and shall be deemed separable from the remaining covenants
1097 and agreements of this ordinance and shall in no way affect the validity of the other provisions of
1098 this ordinance or of the Bond.

1099 Section 23. Effective Date. This ordinance shall be in full force and effect
1100 immediately upon its final passage by the Assembly.

1101 READ FOR THE FIRST TIME at a regular meeting of the Assembly held on October 26,
1102 2010.

1103 PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska,
1104 on November 9, 2010.

1105
1106
1107
1108
1109
1110
1111
1112
1113
1114
1115

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

CITY AND BOROUGH OF SITKA,
ALASKA

By _____
Cheryl Westover, Mayor

EXHIBIT A

[Attach here the form of Bond Bank Loan Agreement]

EXHIBIT B

Form of Certificate regarding Series Designations

**CITY AND BOROUGH OF SITKA
ELECTRIC REVENUE AND REFUNDING BONDS, 2010
(ALASKA MUNICIPAL BOND BANK LOAN)**

With respect to the above-captioned bonds (the "Bonds"), the undersigned certify as follows:

The undersigned are the Municipal Administrator and Finance Director of the City and Borough of Sitka (the "City"), and make this certification for and on behalf of the City and the Assembly pursuant to the authorization and direction contained in Ordinance No. 2010-_____ of the City passed by the Assembly on November 9, 2010 (the "Bond Ordinance").

In accordance with the Bond Ordinance, the Bonds have been sold to the Alaska Municipal Bond Bank in the following amounts and the following series:

| Tax Status | Principal Amount | Principal Installment Payment Years |
|------------------------------|------------------|-------------------------------------|
| Tax-Exempt Bonds | | |
| Build America Bonds | | |
| Economic Recovery Zone Bonds | | |
| | | |
| Total | | |

Dated: _____ [date of Bond sale], 20__

CITY AND BOROUGH OF SITKA

Jim Dinley, Municipal Administrator

David Wolff, Finance Director

CERTIFICATE

I, the undersigned, duly chosen, qualified and Municipal Clerk of the City and Borough of Sitka, Alaska (the "City") and keeper of the records of the Assembly, DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Ordinance No. 2010-29 of the City (the "Ordinance"), as finally passed at a regular meeting of the Assembly held on November 9, 2010, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum of the Assembly was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of November, 2010.

Colleen Ingman, MMC
Municipal Clerk, City and Borough of Sitka