

CITY AND BOROUGH OF SITKA, ALASKA  
JUNIOR LIEN ELECTRIC REVENUE BONDS, 2013

ORDINANCE NO. 2013-02

AN ORDINANCE of the City and Borough of Sitka authorizing the issuance of junior lien electric revenue bonds of the City in the principal amount of not to exceed \$45,000,000 to finance a portion of the cost of expanding the Blue Lake hydroelectric project; and authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance.

PASSED: \_\_\_\_\_, 2013

Prepared by:

K&L GATES LLP  
Seattle, Washington

CITY AND BOROUGH OF SITKA, ALASKA

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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. 2013-02

AN ORDINANCE of the City and Borough of Sitka authorizing the issuance of junior lien electric revenue bonds of the City in the principal amount of not to exceed \$45,000,000 to finance a portion of the cost of expanding the Blue Lake hydroelectric project; 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 and operates electric generation and transmission facilities (the "Electric System"); and

WHEREAS, the City has undertaken an expansion of the Blue Lake hydroelectric project (as further described herein, the "Project"), which is a component of the Electric System; and

WHEREAS, to pay a portion of the cost of the Project, the City has received grants from the State of Alaska and issued its Electric Revenue Bonds, 2010, Series B and Series C, in the aggregate principal amount of \$22,820,000 (together with the City's Electric Revenue Refunding Bond, 2010 Series A, the "2010 Bonds"), through the Alaska Municipal Bond Bank (the "Bond Bank"); and

WHEREAS, the City anticipates paying the rest of the cost of the Project from additional grants from the State of Alaska and the issuance of up to \$90,000,000 aggregate principal amount of additional electric revenue bonds of the City; and

WHEREAS, the Assembly has accepted a bid for the next phase of work on the Project and wishes to authorize the issuance of not to exceed \$45,000,000 principal amount of electric revenue bonds to pay a portion of the cost of this work; and

WHEREAS, the Assembly finds that it is in the best interest of the City and ratepayers of the Electric System to issue these bonds through the Bond Bank, on the terms and conditions set forth in this ordinance and in a loan agreement authorized by this ordinance to be entered into with the Bond Bank by the Municipal Administrator;

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

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

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

43           “Annual Debt Service” means the total amount of Debt Service for any bonds or other  
44 evidences of indebtedness payable from Revenue of the System in any fiscal year.

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

47           “Balloon Maturity Bonds” means any bonds or other evidences of indebtedness of the  
48 City payable from Revenue of the System that are so designated in the ordinance pursuant to  
49 which such bonds are issued or such indebtedness is incurred.

50           “Base Period” means any consecutive 12-month period selected by the City out of the  
51 36-month period next preceding the date of issuance of an additional series of Future Parity  
52 Bonds.

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

56           “Bond” means the City and Borough of Sitka, Alaska, Junior Lien Electric Revenue  
57 Bond, 2013, authorized to be issued in a principal amount not to exceed \$45,000,000 pursuant to  
58 this ordinance.

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

61           “Bond Fund” means the “City and Borough of Sitka 2013 Electric Revenue Bond  
62 Redemption Fund,” authorized to be created by Section 8 of this ordinance.

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

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

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

73           “Consultant” means an independent municipal financial consultant, including but not  
74 limited to an independent accounting firm or engineer, having a favorable reputation for skill and  
75 experience with electric utilities comparable to the Electric System in such matters as are

76 relevant to the purpose for which he or she is retained, appointed from time to time by the City to  
77 perform the duties of the Consultant as required by this ordinance.

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

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

81 (a) for outstanding Fixed Rate Bonds, an amount equal to the sum of:

82 (1) all interest payable on such Fixed Rate Bonds during the period;

83 (2) the amount of principal of such Fixed Rate Bonds due or subject to mandatory  
84 redemption during such period and for which no Sinking Fund Requirement has been  
85 established, and

86 (3) the amount of the Sinking Fund Requirement for the period;

87 plus

88 (b) for outstanding Parity Bonds other than Fixed Rate Bonds, including but not  
89 limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount  
90 for the period equal to the amount that would have been payable for principal and interest on  
91 these Parity Bonds during that period computed on the assumption that the amount of Parity  
92 Bonds as of the date of such computation would be amortized (i) in accordance with the  
93 mandatory redemption provisions, if any, set forth in the ordinance authorizing the issuance of  
94 such Parity Bonds, or if mandatory redemption provisions are not provided, during a period  
95 commencing on the date of computation and ending on the date 30 years after the date of  
96 issuance (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index  
97 published in the edition of *The Bond Buyer* (or comparable publication or such other similar  
98 index selected by the City) and published within ten days prior to the date of calculation or, if  
99 such calculation is being made in connection with the certificate required by Section 11 hereof,  
100 then within ten days of such certificate, (iii) to provide for approximately level annual debt  
101 service of principal and interest over such period.

102 Debt Service shall be net of any capitalized interest funded out of bond proceeds and any  
103 Debt Service Offsets.

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

107 “Electric System” means the electric utility properties, rights and assets, real and  
108 personal, tangible and intangible, now owned and operated by the City and used or useful in the  
109 generation, transmission, distribution and sale of electric energy and the business incidental  
110 thereto and all properties, rights and assets, real and personal, tangible and intangible, hereafter  
111 constructed or acquired by the City as additions, betterments, improvements or extensions to

112 those electric utility properties, rights and assets, but shall not include any other generating,  
113 conservation, transmission or distribution facilities that have been or may hereafter be acquired  
114 or constructed by the City as a utility system designated by the Assembly at the time of financing  
115 thereof to be separate from the Electric System, the revenues of which may be pledged to the  
116 payment of bonds issued to purchase, construct or otherwise acquire or expand that separate  
117 utility system or are otherwise pledged to the payment of the bonds of another separate utility  
118 system of the City other than the Electric System. The Assembly may, by ordinance, elect to  
119 combine with and include as a part of the Electric System any other separate utility of the City,  
120 provided that full provision for the payment of any outstanding indebtedness of that separate  
121 system must first be paid or that indebtedness must be refunded with bonds issued in accordance  
122 with this ordinance.

123           “Event of Default” means any of those events described as such in Section 19 of this  
124 ordinance.

125           “Finance Director” means the Finance Director of the City or the successor to the duties  
126 of that office.

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

132           “Fixed Rate Bonds” means those Parity Bonds other than Balloon Maturity Bonds the  
133 rates of interest of which are fixed and determinable through their final maturity or for a specified  
134 period of time. If so provided in the ordinance authorizing their issuance, Parity Bonds may be  
135 deemed to be Fixed Rate Bonds for only a portion of their term.

136           “Future Parity Bonds” means electric revenue bonds of the City issued after the date of  
137 issuance of the Bond that have a lien on Revenue of the System for the payment of the principal  
138 thereof and interest thereon equal to the lien on the Revenue of the System for the payment of the  
139 principal of and interest on the Bond.

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

143           “Loan Agreement” means the Loan Agreement by and between the City and the Bond  
144 Bank authorized to be entered into pursuant to Section 18 of this ordinance.

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

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

154           “Operating Expenses” mean the City’s expenses for operating and maintaining the  
155 Electric System, and ordinary repairs, renewals, replacements and reconstruction of the Electric  
156 System, including all costs of delivering electric power and energy, and payments into reasonable  
157 reserves in the Revenue Fund for items of operation and maintenance the payment for which is  
158 not immediately required, and shall include, without limiting the generality of the foregoing,  
159 costs of purchased power; costs of transmission and distribution operation and maintenance  
160 expenses; rents; administrative and general expenses; engineering expenses; legal and financial  
161 advisory expenses; required payments to pension, retirement, health and hospitalization funds;  
162 insurance premiums; and any taxes, assessments, payments in lieu of taxes or other lawful  
163 governmental charges, all to the extent properly allocable to the Electric System; and the fees and  
164 expenses of the Registrar. Operating Expenses shall not include any costs or expenses for new  
165 construction, interest, amortization, non-cash losses or costs with respect to any real or personal  
166 property, investment or agreement that may be required to be recognized under generally  
167 accepted accounting principles, including but not limited to depreciation expense and unrealized  
168 mark-to-market losses.

169           “Parity Bonds” mean the Bond and any Future Parity Bonds.

170           “Permitted Investments” means any of the following to the extent permitted by the laws  
171 of the State of Alaska:

172           (1) Direct obligations of the United States of America (including obligations  
173 issued or held in book-entry form on the books of the Department of the Treasury of the United  
174 States of America, and CATS and TIGRS) or obligations the timely payment of the principal of  
175 and interest on which are fully guaranteed by the United States of America.

176           (2) Bonds, debentures, notes or other evidence of indebtedness issued or  
177 guaranteed by any of the following federal agencies and provided such obligations are backed by  
178 the full faith and credit of the United States of America (stripped securities are only permitted if  
179 they have been stripped by the agency itself):

- 180           A. Farmers Home Administration: certificates of beneficial
- 181                     ownership;
- 182           B. Federal Financing Bank;
- 183           C. General Services Administration: participation certificates;
- 184           D. Government National Mortgage Association (GNMA): GNMA-
- 185                     guaranteed mortgage-backed bonds and GNMA-guaranteed pass-
- 186                     through obligations;
- 187           E. U.S. Maritime Administration: guaranteed Title XI financing; and

- 188 F. U.S. Department of Housing and Urban Development: project  
189 notes; local authority bonds; U.S. government-guaranteed new  
190 communities debentures; U.S. government-guaranteed public  
191 housing notes and bonds.
- 192 (3) Bonds, debentures, notes or other evidence of indebtedness issued or  
193 guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped  
194 securities are only permitted if they have been stripped by the agency itself):
- 195 A. Federal Home Loan Bank System: senior debt obligations;  
196 B. Federal Home Loan Mortgage Corporation (FHLMC):  
197 participation certificates and senior debt obligations rated AAA by  
198 S&P or Aaa by Moody's;  
199 C. Federal National Mortgage Association (FNMA): mortgage-  
200 backed securities and senior debt obligations rated AAA by S&P or  
201 Aaa by Moody's;  
202 D. Student Loan Marketing Association (SLMA): senior debt  
203 obligations;  
204 E. Resolution Funding Corp. (REFCORP): only the interest  
205 component of REFCORP strips that have been stripped by request  
206 to the Federal Reserve Bank of New York; and  
207 F. Farm Credit System: consolidated systemwide bonds and notes.
- 208 (4) Money market funds registered under the Federal Investment Company  
209 Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a  
210 rating by S&P of AAAM-G, AAAM or AAM or having a rating by Moody's of Aaa, Aa1 or Aa2.
- 211 (5) Certificates of deposit secured at all times by collateral described in  
212 (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan  
213 associations or mutual savings banks whose short-term obligations are rated A-1+ or better by  
214 S&P and Prime-1 or better by Moody's. The collateral must be held by a third party and  
215 Bondowners must have a perfected first security interest in the collateral.
- 216 (6) Certificates of deposit, savings accounts, deposit accounts or money  
217 market deposits that are fully insured by FDIC, including BIF and SAIF.
- 218 (7) Commercial paper rated, at the time of purchase, Prime-1 by Moody's and  
219 A-1 or better by S&P.
- 220 (8) Bonds or notes issued by any state or municipality rated by Moody's and  
221 S&P in one of the two highest rating categories assigned by such agencies.
- 222 (9) Federal funds or bankers acceptances with a maximum term of one year of  
223 any bank that has an unsecured, uninsured and unguaranteed obligation rating of Prime-1 or A3  
224 or better by Moody's and A-1 or A or better.



225 (10) Repurchase agreements providing for the transfer of securities from a  
226 dealer bank or securities firm (seller/borrower) to the City or its agent or trustee (buyer/lender),  
227 and the transfer of cash from the City or its agent or trustee to the dealer bank or securities firm  
228 with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the  
229 City or its agent or trustee in exchange for the securities at a specified date. Repurchase  
230 Agreements for a term of 30 days or less must satisfy the following criteria:

231 A. Repos must be between the City or its agent or trustee and a dealer  
232 bank or securities firm.

233 a. Primary dealers on the Federal Reserve reporting dealer list  
234 that fall under the jurisdiction of the SIPC and that are rated  
235 A or better by S&P and Moody's, or

236 b. Banks rated A or above by S&P and Moody's.

237 B. The written repo contract must include the following:

238 a. Securities that are acceptable for transfer are:

239 (1) Direct U.S. governments, or

240 (2) Federal agencies backed by the full faith and credit  
241 of the U.S. government (and FNMA & FHLMC).

242 b. The term of the repo may be up to 30 days.

243 c. The collateral must be delivered to the City (if the City is  
244 not supplying the collateral) or to a third party acting as  
245 agent for the City (if the City is supplying the collateral)  
246 before or simultaneously with payment (perfection by  
247 possession of certificated securities).

248 d. The securities must be valued weekly, marked-to-market at  
249 current market price plus accrued interest. The value of  
250 collateral must be equal to 104% of the amount of cash  
251 transferred by the City or its agent or trustee to the dealer  
252 bank or securities firm under the repo plus accrued interest.  
253 If the value of securities held as collateral slips below 104%  
254 of the value of the cash transferred, then additional cash  
255 and/or acceptable securities must be transferred. If,  
256 however, the securities used as collateral are FNMA or  
257 FHLMC, then the value of collateral must equal 105%.

258 "Private Person" means any natural person engaged in a trade or business or any trust,  
259 estate, partnership, association, company or corporation.

260           “Private Person Use” means the use of property in a trade or business by a Private Person  
261 if such use is other than as a member of the general public. Private Person Use includes  
262 ownership of the property by the Private Person as well as other arrangements that transfer to the  
263 Private Person the actual or beneficial use of the property (such as a lease, management or  
264 incentive payment contract or other special arrangement) in such a manner as to set the Private  
265 Person apart from the general public. Use of property as a member of the general public includes  
266 attendance by the Private Person at municipal meetings or business rental of property to the  
267 Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the  
268 rental paid by any Private Person who desires to rent the property. Use of property by nonprofit  
269 community groups or community recreational groups is not treated as Private Person Use if such  
270 use is incidental to the governmental uses of property, the property is made available for such use  
271 by all such community groups on an equal basis and such community groups are charged only a  
272 *de minimis* fee to cover custodial expenses.

273           “Project” means the improvements to the Blue Lake hydroelectric facilities described in  
274 Section 3 of this ordinance.

275           “Project Fund” means the Blue Lake Project Fund, 2013, authorized to be created  
276 pursuant to Section 17 of this ordinance.

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

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

288           “Rate Stabilization Account” means the account of that name within the Revenue Fund.

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

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

292           “Registered Owner” means the person in whose name the Bond is registered on the Bond  
293 Register.

294           “Reserve Account” means the Parity Bond Reserve Account authorized to be created  
295 within the Bond Fund pursuant to Section 8 of this ordinance.

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

298           (a) For Covered Bonds, the Reserve Requirement is equal to the least of:  
299 (1) maximum Annual Debt Service for Covered Bonds, (2) 10% of the initial principal amount of  
300 each series of Covered Bonds, and (3) 125% of average Annual Debt Service for Covered Bonds;  
301 provided, however, that the amount required to be contributed, if any, as a result of the issuance  
302 of a series of Future Parity Bonds will not be greater than the Tax Maximum. If the amount  
303 required to be contributed at the time of issuance of a series exceeds the Tax Maximum, then the  
304 amount required to be contributed shall be equal to the Tax Maximum.

305           (b) For any Parity Bonds that are not designated as Covered Bonds, the Reserve  
306 Requirement will be the amount, if any, specified in the ordinance authorizing the issuance of  
307 those Parity Bonds.

308           The amount of the Reserve Requirement may be recalculated from time to time as  
309 principal of Parity Bonds is paid or Future Parity Bonds are issued.

310           “Revenue of the System” means all income and revenue derived by the City from the sale  
311 of electric energy and all other commodities, services and facilities sold, furnished or supplied by  
312 the City through the ownership or operation of the Electric System, together with the proceeds  
313 received by the City directly or indirectly from the sale, lease or other disposition of any of the  
314 properties, rights or facilities of the Electric System, any federal interest subsidy payments  
315 received in connection with Parity Bonds (to the extent such payments are not designated as Debt  
316 Service Offsets), and any investment income earned on money held in any fund or account of the  
317 City, including any bond redemption funds and the accounts therein, in connection with the  
318 ownership and operation of the Electric System (but excluding income derived from investments  
319 irrevocably pledged to the payment of any specific revenue bonds of the City, such as bonds  
320 heretofore or hereafter refunded or defeased, investment income earned on money in any  
321 arbitrage rebate account, grants for capital purposes, and non-cash marked-to-market gains with  
322 respect to any real or personal property, investment or agreement that may be required to be  
323 recognized under generally accepted accounting principles).

324           “Revenue Fund” means the Electric Utility Revenue Fund heretofore established in the  
325 office of the Finance Director.

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

327           “SEC” means the Securities and Exchange Commission.

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

332           “Sinking Fund Requirement” means, for any fiscal year, the principal amount and  
333 premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity in that

334 fiscal year as established by the ordinance or other proceedings of the City authorizing the  
335 issuance of those Term Bonds.

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

339 “Tax Certificate” means the certificate with respect to federal tax matters relating to the  
340 Bond authorized to be executed by the Finance Director pursuant to the provisions of Section 7  
341 of this ordinance.

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

345 “Term Bonds” means any Future Parity Bonds identified as such in the proceedings for  
346 the sale thereof, the payment of the principal of which is fully provided for by a Sinking Fund  
347 Requirement.  
348

349 “2010 Bonds” means the City’s Electric Revenue and Refunding Bonds, 2010, issued in  
350 three series on December 9, 2010, in the initial aggregate principal amount of \$48,700,000, as  
351 authorized by Ordinance No. 2010-29.

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

359 Section 3. The Blue Lake Project. The Assembly hereby ratifies and confirms its  
360 findings, in Resolution No. 10-20 and subsequent actions, that the public welfare and  
361 convenience require the City to make the following capital improvements to facilities of the  
362 Electric System: expansion of the Blue Lake hydroelectric project by constructing a new  
363 powerhouse with three new turbines, replacing the fish valve unit, adding or upgrading the diesel  
364 plant, raising the height of the Blue Lake dam, and making such other additions and  
365 improvements to the Blue Lake project as are described in the City’s licensing application to the  
366 Federal Energy Regulatory Commission (collectively, the “Project”). The Assembly further finds  
367 that it is in the best interest of the City and ratepayers of the Electric System that a portion of the  
368 cost of the Project be financed from proceeds of the Bond.

369 The cost of all necessary planning, legal, architectural, engineering, design and other  
370 consulting services, inspection and testing, administrative and relocation expenses, on- and off-  
371 site utilities, purchases of equipment, and other costs incurred in connection with the Project

372 shall be deemed a part of the cost of the Project. The City will determine the extent and  
373 specifications for the Project.

374 The City will determine the application of available funds among the various components  
375 of the Project to accomplish, as nearly as may be, the entire Project. If proceeds of sale of the  
376 Bond, plus any other money of the City legally available for such purpose, are insufficient to  
377 accomplish all of the Project, the City will use the available funds to accomplish those  
378 components of the Project that the Assembly deems most necessary and in the best interest of the  
379 City.

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

384 If the entire Project has been constructed or duly provided for, or found to be  
385 impracticable, and Project Bond proceeds remain available, the Assembly may apply Bond  
386 proceeds to other capital repairs or improvements to the Electric System or to retiring the Bond.

387 Section 4. Authorization of Bond. The City shall now issue and sell not to exceed  
388 \$45,000,000 principal amount of electric revenue bonds to provide funds to pay a portion of the  
389 cost of the Project. The Bonds shall be issued to the Bond Bank as a single bond to be  
390 designated as "City and Borough of Sitka Junior Lien Electric Revenue Bond," with such year  
391 and series designation as may be appropriate. The Bond shall be dated the date of its sale and  
392 delivery to the Bond Bank, in accordance with Section 18 hereof, shall be fully registered as to  
393 both principal and interest, shall be numbered in such manner and with any additional  
394 designation as the Registrar deems necessary for purposes of identification and control, shall bear  
395 interest at the rate or rates, shall mature on the date or dates and shall be paid in installments in  
396 the principal amounts and on the dates to be determined in accordance with Section 18 hereof.  
397 Interest on the Bond shall be calculated based on a 360-day year of twelve 30-day months.

398 The Bond shall be an obligation only of the Bond Fund and shall be payable and secured  
399 as provided herein. The Bond does 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 5. 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 Bond shall be payable in lawful money of the  
404 United States of America. Interest on the Bond 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 Bond shall be payable upon presentation and surrender of the  
408 Bond to the Registrar by the Registered Owner or nominee at the office of the Registrar in Sitka,  
409 Alaska. Notwithstanding the foregoing, if the Bond is sold to the Bond Bank pursuant to the  
410 provisions of Section 18 of this ordinance, and for so long as the Bond Bank is the owner of the

411 Bond, payments of principal of and interest on the Bond shall be made to the Bond Bank in  
412 accordance with the Loan Agreement.

413 The Bond may be transferred only on the Bond Register maintained by the Registrar for  
414 that 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, principal amount, maturity and interest rate shall be issued to the  
417 transferee in exchange therefor. Upon surrender thereof to the Registrar, the 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 the 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 6. Prepayment. Provisions for the optional prepayment of some or all  
426 principal installments of the Bond may be established pursuant to Section 18 and shall be set  
427 forth in the Loan Agreement. Portions of the principal amount of the 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 Bond, notice of prepayment shall be given  
430 according to the terms of the Loan Agreement. If the Bond Bank is not the owner of the 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 the 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 7. Revenue Fund.

444 (a) *Revenue Fund Established.* There has heretofore been established in the office of  
445 the Finance Director a separate enterprise fund of the City designated as the "City and Borough  
446 of Sitka Electric Utility Revenue Fund" (the "Revenue Fund") All Revenue of the System shall  
447 be deposited in the Revenue Fund. Notwithstanding the foregoing, the Finance Director may  
448 maintain separate funds and accounts in such names and under such additional designations as  
449 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 principal of and interest on the 2010 Bonds;

456 Third, to make all payments required to be made into the reserve account for the  
457 2010 Bonds;

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

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

468 Sixth, to pay principal of and interest on the Subordinated Note and to make all  
469 payments required to be made into any revenue bond redemption fund or revenue warrant  
470 redemption fund and debt service fund or reserve account created to pay and secure the payment  
471 of the principal of and interest on any other revenue bonds or revenue warrants of the City having  
472 a lien on Revenue of the System junior and inferior to the lien thereon to pay or secure the  
473 payment of Parity Bonds; and

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

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

481 (c) *Rate Stabilization Account.* As authorized by Ordinance No. 2010-29, the  
482 Finance Director has established a Rate Stabilization Account within the Revenue Fund and has  
483 deposited approximately \$751,000 into the Rate Stabilization Account as of the date of this  
484 ordinance. The City may make additional payments into the Rate Stabilization Account from the  
485 Revenue Fund at any time. Money in the Rate Stabilization Account may be withdrawn at any  
486 time for deposit into the Revenue Fund and used for the purposes for which Revenue of the  
487 System may be used. Amounts withdrawn from the Rate Stabilization Account and deposited

488 into the Revenue Fund shall increase Revenue of the System for the period in which they are  
489 withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Revenue of the  
490 System for the period during which they are deposited. Credits to or from the Rate Stabilization  
491 Account that occur within 90 days after the end of a fiscal year may be treated as occurring  
492 within that fiscal year. Earnings on the Rate Stabilization Account shall be credited to the  
493 Revenue Fund.

494       ”Section 8. Bond Fund. A special fund of the City known as the “City and Borough of  
495 Sitka 2013 Electric Revenue Bond Redemption Fund” (the “Bond Fund”) is hereby authorized to  
496 be created in the office of the Finance Director. Within the Bond Fund, the Finance Director will  
497 establish the Debt Service Account and the Reserve Account. The Bond Fund shall be drawn  
498 upon for the sole purpose of paying the principal of and interest on the Bond and any Future  
499 Parity Bonds.

500       (a) *Payments into Debt Service Account.* As long as any Parity Bond remains  
501 outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay into the  
502 Debt Service Account out of money in the Revenue Fund, on or before the date due as provided  
503 in the Loan Agreement, the amounts necessary, together with money already in the Debt Service  
504 Account, to pay the principal of, premium, if any, and interest on the Bond as the same become  
505 due and payable.

506       If there is a deficiency in the Debt Service Account for such purpose, the City shall make  
507 up the deficiency from the Reserve Account by the withdrawal of cash therefrom for that  
508 purpose, and, if necessary, by sale or redemption of any authorized investments in the amount  
509 that will provide cash in the Reserve Account sufficient to make up any such deficiency.

510       Whenever and so long as the assets of the Debt Service Account are sufficient to provide  
511 money to pay when due a principal installment on the Bond in full, including such interest as  
512 may be due thereon, no payments need be made into the Debt Service Account pursuant to this  
513 ordinance.

514       Money in the Debt Service Account shall be held for the benefit of the owners of all  
515 Parity Bonds then outstanding and payable equally and ratably and without preference or  
516 distinction as between different series, installments or maturities.

517       (b) *The Reserve Account.* The Reserve Account shall be maintained as a common  
518 reserve, securing the payment of the principal of and interest on the Bond and any Future Parity  
519 Bonds that are designated as Covered Bonds in the ordinance authorizing their issuance  
520 (inclusively, “Covered Bonds”). Prior to or upon the issuance of the Bond, the City will deposit  
521 into the Reserve Account funds sufficient to satisfy the Reserve Requirement for the Bond. The  
522 City covenants and agrees that from and after the closing and delivery of the Bond, it will at all  
523 times maintain an amount in the Reserve Account at least equal to the Reserve Requirement,  
524 except for withdrawals therefrom authorized by this ordinance, so long as any Covered Bonds  
525 remain outstanding. The Reserve Requirement may be maintained by deposits of cash, a  
526 Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. All  
527 amounts other than a Qualified Letter of Credit or Qualified Insurance held in the Reserve



528 Account shall be invested solely in Permitted Investments. In computing the amount on hand in  
529 the Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at  
530 the face amount thereof, and all other Reserve Account investments shall be valued as provided  
531 in (d) below. As used herein, the term "cash" includes U.S. currency, cash equivalents and  
532 evidences thereof, including demand deposits, certified or cashier's check. The deposit to the  
533 Reserve Account may be satisfied initially by the transfer of qualified investments to that  
534 account.

535 If the balances on hand in the Reserve Account are sufficient to satisfy the Reserve  
536 Requirement, interest earnings shall be applied as provided in the following sentences.  
537 Whenever there is a sufficient amount in the Bond Fund, including the Reserve Account to pay  
538 the principal of and interest on all outstanding Covered Bonds, the money in the Reserve  
539 Account may be used to pay such principal and interest. As long as the money left remaining on  
540 deposit in the Reserve Account is equal to the Reserve Requirement, money in the Reserve  
541 Account may be transferred to the Bond Fund and used to pay the principal of and interest on  
542 Covered Bonds as the same become due and payable. The City also may transfer out of the  
543 Reserve Account any money required in order to prevent any Parity Bonds from becoming  
544 "arbitrage bonds" under the Code.

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

554 In making the payments and credits to the Reserve Account required by this Section 8(b),  
555 to the extent that the City has obtained Qualified Insurance or a Qualified Letter of Credit for  
556 specific amounts required pursuant to this section to be paid out of the Reserve Account such  
557 amounts so covered by Qualified Insurance or a Qualified Letter of Credit will be credited  
558 against the amounts required to be maintained in the Reserve Account by this Section 8(b) to the  
559 extent that such payments and credits to be made are insured by an insurance company, or  
560 guaranteed by a letter of credit from a financial institution.

561 Any deficiency created in the Reserve Account by reason of any such withdrawal shall  
562 then be made up within one year of the date of withdrawal from Net Revenue (or out of any other  
563 money on hand legally available for such purpose) after making necessary provision for the  
564 payments required to be made by paragraphs First through Fourth in Section 7 of this ordinance.

565 Any Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than  
566 30 days' notice to the City. In the event of any cancellation, the Reserve Account shall be funded  
567 as if the Covered Bonds that remain outstanding had been issued on the date of such notice of  
568 cancellation.

569 If the City elects to meet the Reserve Requirement by using a Qualified Letter of Credit,  
570 Qualified Insurance or other equivalent credit enhancement device, the City may contract with  
571 the entity providing such Qualified Letter of Credit, Qualified Insurance or other equivalent  
572 credit enhancement device that the City's reimbursement obligation, if any, to such entity shall  
573 be made from payments of principal and interest on Covered Bonds from the City subject only to  
574 the prior lien thereon for the payments required hereunder to be made to registered owners of  
575 Parity Bonds.

576 (c) *Priority of Lien of Payments into Bond Fund and Reserve Account.* The amounts  
577 so pledged to be paid into the Bond Fund and the accounts therein from the Revenue Fund are  
578 hereby declared to be a prior lien and charge on the Revenue of the System superior to all other  
579 charges of any kind or nature whatsoever except the Operating Costs and payments required to be  
580 made to pay and secure the payment of the 2010 Bonds, and equal in rank to the lien and charge  
581 on Revenue of the System to pay and secure the payment of any Future Parity Bonds.

582 (d) *Application and Investment of Money in the Bond Fund.* Money in the Bond Fund  
583 may be kept in cash or Permitted Investments. Investments in the Debt Service Account shall  
584 mature prior to the date on which such money is needed for required interest or principal  
585 payments or having a guaranteed redemption price prior to maturity. Investments in the Reserve  
586 Account shall mature not later than the last maturity of any then outstanding Parity Bonds. For  
587 the purpose of determining the amount credited to the Reserve Account, investments in the  
588 Reserve Account shall be valued at the market value thereof. The term "market value" means, in  
589 the case of securities that are not then currently redeemable at the option of the owner, the current  
590 bid quotation for such securities, as reported to the City by such sources it selects, and the current  
591 redemption value in the case of securities that are then redeemable at the option of the owner.  
592 For obligations that mature within six months, the market value will be the par value thereof.  
593 The valuation of the amount in the Reserve Account shall be made by the City as of the close of  
594 business on each December 31 (or on the next preceding business day if December 31 does not  
595 fall on a business day) and on each June 30 (or on the next preceding business day if June 30  
596 does not fall on a business day).

597 (e) *Sufficiency of Revenues.* The Assembly hereby finds that in fixing the amounts to  
598 be paid into the Bond Fund and the accounts therein out of Revenue of the System, it has  
599 exercised due regard for the Operating Costs and has not obligated the City to set aside and pay  
600 into the Bond Fund and the accounts therein a greater amount of such Revenue than in its  
601 judgment will be available over and above the Operating Costs and costs of paying debt service  
602 on the 2010 Bonds.

603 Section 9. Defeasance. If money and/or Government Obligations, maturing at such  
604 time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire  
605 the Bond or a portion thereof in accordance with its terms, are set aside in a special account to  
606 effect such prepayment and retirement, and such money and the principal of and interest on such  
607 obligations are irrevocably set aside and pledged for such purpose, then no further payments need  
608 be made into the Bond Fund for the payment of the principal of and interest on the Bond or  
609 portion thereof so provided for, and such Bond or portion thereof shall cease to be entitled to any

610 lien, benefit or security of this ordinance except the right to receive the money so set aside and  
611 pledged, and such Bond or portion thereof shall be deemed not to be outstanding hereunder.

612 Section 10. Specific Covenants.

613 (a) *Rate Covenant.* The City will establish, maintain and collect rates and charges for  
614 service of the Electric System for so long as the Bond is outstanding that will provide in any  
615 fiscal year hereafter Net Revenue, taking into account transfers from the Rate Stabilization  
616 Account in accordance with Section 7(c), in an amount equal to at least 125% of the Debt  
617 Service required to be paid in that fiscal year on the outstanding 2010 Bonds and Parity Bonds.

618 The City shall cause the rate coverage calculation described in this Section 10(a) to be  
619 made no later than 90 days following the end of each fiscal year. Failure to collect Revenue of  
620 the System in any fiscal year sufficient to comply with the rate covenant set forth in this  
621 Section 10(a) will not constitute an Event of Default under this ordinance if, before the 180th day  
622 of the following fiscal year, the City:

623 (1) employs a Consultant to recommend changes in the Electric System rates  
624 that are estimated to produce Revenue of the System sufficient to satisfy the rate covenant set  
625 forth in this Section 10(a); and

626 (2) imposes Electric System rates at least as high as those recommended by  
627 the Consultant that will become effective at the time or times so recommended.

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

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

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

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

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

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

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

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

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

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

667 (d) *Books and Records.* The City will, while the Bond remains outstanding, keep  
668 proper and separate accounts and records in which complete and separate entries shall be made of  
669 all transactions relating to the Electric System, and it will furnish the registered owner of the  
670 Bond, at the written request of the owner, complete operating and income statements of the  
671 Electric System in reasonable detail covering any fiscal year, showing compliance with the terms  
672 and conditions of this ordinance, not more than 150 days after the close of such fiscal year, and it  
673 will grant the owner of the Bond the right at all reasonable times to inspect the entire Electric  
674 System and all records, accounts and data of the City relating thereto. Upon request of the owner  
675 of the Bond, it will also furnish to the owner a copy of the most recently completed audit of the  
676 City's accounts by an independent certified public accountant.

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

681 (f) *Insurance.* The City will either self-insure or, as needed, and to the extent  
682 insurance coverage is available at reasonable cost with responsible insurers, keep, or cause to be  
683 kept, the Electric System and the operation thereof insured, with policies payable to the City,

684 against the risks of direct physical loss, damage to or destruction of the Electric System, or any  
685 part thereof, and against accidents, casualties or negligence, including liability insurance and  
686 employer's liability, at least to the extent that similar insurance is usually carried by  
687 municipalities operating like utilities. If insurance policies to provide coverage required by this  
688 subsection are not obtainable at reasonable cost with responsible insurers, the City shall, prior to  
689 the lapse of such policies, deliver an opinion to that effect to the Registered Owner of the Bond.

690 Section 11. Issuing Future Parity Bonds.

691 (a) *No Senior Lien Bonds.* The City hereby covenants and agrees with the owner of  
692 the Bond that the City will hereafter issue no bonds with a lien on Revenue of the System  
693 superior to the lien thereon of the Bond, and by this covenant and agreement the City expressly  
694 waives its rights under Ordinance No. 2010-29 to issue additional bonds on a parity of lien with  
695 the 2010 Bonds.

696 (b) *Conditions for Issuing Future Parity Bonds.* Except as provided in  
697 subsections (e) and (f) below, the City will issue Future Parity Bonds or incur any additional  
698 indebtedness with a parity lien or charge on Net Revenue (*i.e.*, on a parity of lien with the Bond  
699 and any other Parity Bonds at the time outstanding) only in compliance with the following  
700 conditions:

701 (1) At the time of the issuance of any Future Parity Bonds, there is no  
702 deficiency in the Bond Fund or any of the accounts therein;

703 (2) The ordinance authorizing the issuance of Future Parity Bonds will include  
704 the covenants provided in Section 10 hereof and provide that the Reserve Requirement, if any,  
705 will be funded no later than the date of delivery of the Future Parity Bonds; and

706 (3) the City will have on file a certificate (dated no earlier than the date that is  
707 90 days prior to the date of issuance of the Future Parity Bonds) relating to Net Revenue, as  
708 described in subsection (c) or (d) below, except as otherwise permitted under subsection (e)  
709 below.

710 (c) *Certificate of the City Without A Consultant.* If required pursuant to  
711 subsection (b)(3) above, a certificate may be delivered by the City, executed by the Finance  
712 Director without a Consultant, showing that Net Revenue (which may be based on unaudited  
713 financial statements of the City if the audit has not yet been completed) for the Base Period  
714 equals at least 125% of the maximum Annual Debt Service for all 2010 Bonds and Parity Bonds  
715 then outstanding plus the proposed Future Parity Bonds.

716 (d) *Certificate of a Consultant.* If required pursuant to subsection (b)(3) above, a  
717 certificate of a Consultant may be delivered by the City showing that Net Revenue for the Base  
718 Period equals at least 125% of the maximum Annual Debt Service for all 2010 Bonds and Parity  
719 Bonds then outstanding plus the proposed Future Parity Bonds. In computing Net Revenue for  
720 the purpose of this certificate, the Consultant shall use as a basis the Net Revenue (which may be  
721 based on unaudited financial statements of the City if the audit has not yet been completed) for

722 the Base Period. Such Net Revenue may be adjusted to take into consideration changes in Net  
723 Revenue estimated to occur under one or more of the following conditions after delivery of the  
724 proposed Future Parity Bonds:

725 (1) any increase or decrease in Net Revenue projected to result from changes  
726 in rates and charges (A) adopted prior to the date of the certificate but after the beginning of the  
727 Base Period and (B) effective at any time prior to the date needed for payment of Debt Service on  
728 Parity Bonds;

729 (2) any increase or decrease in Net Revenue estimated by such engineer or  
730 accountant to result from any additions, betterments and improvements to and extensions of any  
731 facilities of the Electric System that (A) became fully operational after the beginning of the Base  
732 Period, (B) were under construction at the time of such certificate, or (c) will be constructed from  
733 the proceeds of the Future Parity Bonds to be issued;

734 (3) the additional Net Revenue that would have been received if any  
735 customers added to the Electric System after the beginning of the Base Period had been  
736 customers for the entire period.

737 The Consultant shall base the certification upon, and the certificate shall have attached  
738 thereto, financial statements of the Electric System, certified by the Finance Director, showing  
739 income and expenses for the Base Period.

740 (e) *No Certificate Required.* The certificate described in subsection (b)(3) and  
741 subsections (c) or (d) above is not be required as a condition to the issuance of Future Parity  
742 Bonds:

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

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

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

756 Section 12. Junior Lien Bonds. Nothing herein contained shall prevent the City from  
757 issuing revenue bonds or other obligations that are a charge upon the Revenue of the System  
758 junior or inferior to the payments required by this ordinance to be made out of such Revenue to  
759 pay and secure the payment of any outstanding Parity Bonds. Except for the Subordinated Note,

760 such junior or subordinate obligations may not be subject to acceleration. This prohibition  
761 against acceleration does not prohibit mandatory tender or other tender provisions with respect to  
762 variable rate obligations.

763 Section 13. Tax Covenants.

764 (a) *General.* The City covenants not to take any action, or knowingly to omit to take  
765 any action within its control, that if taken or omitted would cause the interest on the Bond to be  
766 includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

767 (b) *Tax Certificate.* Upon the issuance of the Bond, the Finance Director is  
768 authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to  
769 various facts and representations concerning the Bond, based on the facts and estimates known or  
770 reasonably expected on the date of their issuance, and make certain covenants with respect to the  
771 Bond as may be necessary or desirable to obtain or maintain the benefits conferred under the  
772 Code relating to tax-exempt bonds. The City covenants that it will comply with the Tax  
773 Certificate unless it receives advice from nationally recognized bond counsel or the Internal  
774 Revenue Service that certain provisions have been amended or no longer apply to the Bond..

775 (c) *Arbitrage Covenant.* The City covenants that it will not take any action or fail to  
776 take any action with respect to the proceeds of sale of the Bond or any other funds of the City that  
777 may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code that will cause  
778 the Bond to be an "arbitrage bond" within the meaning of that term in Section 148 of the Code.  
779 The City will comply with the requirements of Section 148 of the Code throughout the term of  
780 the Bond. The City represents that it has not been notified of any listing or proposed listing by  
781 the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may  
782 not be relied upon.

783 (d) *Private Person Use Limitation.* The City covenants that for as long as the Bond is  
784 outstanding, it will not permit:

785 (1) More than 10% of the Net Proceeds of the Bond to be used for any Private  
786 Person Use; and

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

792 The City further covenants that, if:

793 (3) More than 5% of the Net Proceeds of the Bond are to be used for any  
794 Private Person Use; and

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

797 (A) secured by any interest in property used or to be used for any  
798 Private Person Use or secured by payments in respect of property used or to be used for any  
799 Private Person Use, or

800 (B) derived from payments (whether or not made to the City) in respect  
801 of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any  
802 Private Person Use of the projects described in subsection (3) hereof or Private Person Use  
803 payments described in subsection (4) hereof that is in excess of the 5% limitations described in  
804 such subsections (3) or (4) will be for a Private Person Use that is related to the state or local  
805 governmental use of the Project, and (ii) any Private Person Use will not exceed the amount of  
806 Net Proceeds of the Bond used for the state or local governmental use portion of the project to  
807 which the Private Person Use of such portion of the Project relates. The City further covenants  
808 that it will comply with any limitations on the use of the Project by other than state and local  
809 governmental users that are necessary, in the opinion of its Bond Counsel, to preserve any  
810 benefits under the Code applicable to the Bond. The covenants of this Section are specified  
811 solely to assure the continued benefits under the Code relating to the Bond.

812 (f) *No Hedge Bond.* The City reasonably expects that at least 85% of the proceeds of  
813 the Bond will be spent within three years of the date the Bond is issued to carry out the  
814 governmental purposes of the Bond.

815 Section 14. Form of the Bond. The Bond shall be in substantially the following form:

816 NO. \_\_\_\_\_ \$ \_\_\_\_\_  
817  
818 UNITED STATES OF AMERICA  
819  
820 STATE OF ALASKA  
821  
822 CITY AND BOROUGH OF SITKA  
823 JUNIOR LIEN ELECTRIC REVENUE BOND, 2013  
824  
825 INTEREST RATE: \_\_\_\_\_ FINAL MATURITY DATE:  
826 SEE BELOW  
827 REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK  
828 PRINCIPAL AMOUNT: \_\_\_\_\_ AND NO/100 DOLLARS

829 The City and Borough of Sitka, Alaska (the "City"), a municipal corporation organized  
830 and existing under and by virtue of its charter and the laws and Constitution of the State of  
831 Alaska, hereby acknowledges itself to owe and for value received promises to pay to the  
832 Registered Owner identified above, or registered assigns, the principal amount specified above,  
833 in installments payable as set forth below, together with interest on such installments from the  
834 date hereof or the most recent date to which interest has been paid or duly provided for, at the  
835 interest rates set forth below, on \_\_\_\_\_ 1, 20\_\_, and on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1  
836 thereafter until payment of the principal sum has been made or duly provided for.



Principal Installment Payment Year ( _____ 1)	Principal Installment Amount	Interest Rate
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
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2043		
2044		
2045		
2046		
2047		
2048		

837  
838  
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840  
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843

Both principal of and interest on this bond are payable solely from the special fund of the City known as the City and Borough of Sitka 2013 Electric System Parity Bond Redemption Fund (the "Bond Fund"). Payments of principal of and interest on this bond shall be made in lawful money of the United States of America. Installments of principal of and interest on this bond are payable by check or draft of the Finance Director of the City (the "Registrar") mailed on the date such interest is due to the Registered Owner at the address appearing on the Bond

844 Register as of the fifteenth day of the month preceding the interest payment date. The final  
845 installment of principal of and interest on this bond shall be paid to the Registered Owner upon  
846 presentation and surrender of this bond at the office of the Registrar. Notwithstanding the  
847 foregoing, so long as the Bond Bank is the Registered Owner of this bond, payments of principal  
848 of and interest on this bond shall be made to the Bond Bank in accordance with the Loan  
849 Agreement.

850 This bond is issued pursuant to Ordinance No. 2013-\_\_\_\_\_, passed \_\_\_\_\_, 2013  
851 (the "Bond Ordinance"), to provide funds to finance the cost of capital improvements to facilities  
852 of the Electric System. Capitalized terms used in this bond and not otherwise defined herein  
853 shall have the meanings given such terms in the Bond Ordinance.

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

856 The City does hereby pledge and bind itself to set aside from the Electric System Revenue  
857 Fund of the City created by the Bond Ordinance, and to pay into the Bond Fund and the Accounts  
858 therein, the various amounts required by the Bond Ordinance to be paid into and maintained in  
859 said Fund and Accounts, all within the times provided by the Bond Ordinance. The City has  
860 further pledged and bound itself to pay into the Revenue Fund as collected, all Revenue of the  
861 System.

862 The amounts so pledged to be paid out of the Revenue Fund into the Bond Fund and  
863 Accounts therein are hereby declared to be a prior lien and charge upon money in the Revenue  
864 Fund superior to all other charges of any kind or nature except Operating Costs and the costs of  
865 paying and securing payment of the 2010 Bonds and equal in rank to the lien and charge on the  
866 money in the Bond Fund to pay and secure the payment of any Future Parity Bonds.

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

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

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

878 IN WITNESS WHEREOF, the City and Borough of Sitka, Alaska, has caused this bond  
879 to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be  
880 attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted  
881 or impressed hereon, as of this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

CITY AND BOROUGH OF SITKA,  
ALASKA

By \_\_\_\_\_ /s/  
Mayor

[SEAL]

ATTEST:

/s/ \_\_\_\_\_  
Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_

This is the City and Borough of Sitka, Alaska, Junior Lien Electric Revenue Bond, 2013,  
dated \_\_\_\_\_, 2013, as described in the Bond Ordinance.

\_\_\_\_\_  
Finance Director, City and Borough of Sitka,  
Alaska, as Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF  
TRANSFEREE

[Empty rectangular box]

\_\_\_\_\_  
(Please print or typewrite name and address, including zip code of Transferee)

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

924 DATED: \_\_\_\_\_, \_\_\_\_\_.

925

926 SIGNATURE GUARANTEED:

927

928

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935

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

936 Section 15. Execution of the Bond. The Bond shall be signed on behalf of the City by  
937 the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile  
938 signature of the Clerk, and the seal of the City shall be impressed or imprinted thereon.

939 Only a Bond that bears thereon a Certificate of Authentication in the form set forth in  
940 Section 14 hereof, manually executed by the Registrar, shall be valid or obligatory for any  
941 purpose or entitled to the benefits of this ordinance. The Certificate of Authentication shall be  
942 conclusive evidence that the Bond so authenticated has been duly executed, authenticated,  
943 registered, and delivered hereunder and is entitled to the benefits of this ordinance.

944 In case any officer of the City who has signed, attested, authenticated, registered or sealed  
945 the Bond ceases to hold that office before the Bond so signed, attested, authenticated, registered  
946 or sealed has been actually issued and delivered, the Bond shall be valid nevertheless and may be  
947 issued by the City with the same effect as though the person who had signed, attested,  
948 authenticated, registered or sealed that Bond had not ceased to hold that office. Any Bond may  
949 also be signed, attested, authenticated, registered or sealed on behalf of the City by a person who,  
950 at the actual date of execution of the Bond is a proper officer of the City although at the original  
951 date of the Bond that person did not hold that office.

952 Section 16. Lost or Destroyed Bond. If the Bond is lost, stolen or destroyed, the  
953 Registrar may authenticate and deliver a new Bond of like amount, date, and tenor to the  
954 Registered Owner upon such owner's paying the expenses and charges of the City in connection  
955 with preparation and authentication of the replacement Bond and upon his or her filing with the  
956 Registrar evidence satisfactory to the Registrar that the Bond was actually lost, stolen or  
957 destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory  
958 to the Registrar.

959 Section 17. Application of Bond Proceeds. A special fund of the City known as the  
960 "Blue Lake Project Fund, 2013" (the "Project Fund") is hereby authorized to be created in the  
961 office of the Finance Director. At the time of delivery of the Bond, proceeds of the Bond shall be  
962 deposited as follows:

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

965 (b) An amount shall be deposited in the Reserve Account that is sufficient, with other  
966 funds on deposit therein, to satisfy the Reserve Requirement for the Bond; and

967 (c) The remaining proceeds of the Bond shall be deposited in the Project Fund and  
968 used to pay costs of the Project and costs of issuance of the Bond.

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

973 Section 18. Sale of the Bond. The Finance Director is authorized to negotiate the sale  
974 of the Bond to the Bond Bank on terms and conditions consistent with this ordinance and the  
975 Bond Bank's loan approval to be set forth in a Loan Agreement by and between the City and the  
976 Bond Bank (a sample of which is set forth on Exhibit A attached hereto) and including the  
977 principal amounts, date, principal installment payment schedules, interest rates, and prepayment  
978 provisions, all as provided for in this ordinance, subject to the approval of the Municipal  
979 Administrator, which approval shall be evidenced by the Municipal Administrator's execution of  
980 the Loan Agreement. The proper officials of the City and their agents and representatives are  
981 hereby authorized and directed to do everything necessary for the prompt execution and delivery  
982 of the Bond to the Bond Bank in accordance with the provisions of this ordinance and the Loan  
983 Agreement.

984 Section 19. Events of Default.

985 To protect and safeguard the covenants and obligations undertaken by the City securing  
986 the Bond, the City hereby covenants and agrees with the purchaser and owner from time to time  
987 of the Bond that the following shall constitute "Events of Default":

988 (1) If default is made in the due and punctual payment of the principal of or  
989 premium, if any, on any of the Parity Bonds when the same become due and payable, either at  
990 maturity or by proceedings for redemption or otherwise;

991 (2) If default is made in the due and punctual payment of any installment of  
992 interest on any Parity Bond;

993 (3) If the City fails, by any Sinking Fund Requirement date, to have purchased  
994 or redeemed Term Bonds in a cumulative principal amount at least equal to the cumulative  
995 Sinking Fund Requirements at such Sinking Fund requirement date;

996 (4) If the City defaults in the observance and performance of any other of the  
997 covenants, conditions and agreements on the part of the City contained in this ordinance and such  
998 default or defaults continues for a period of 90 days after the City receives from a representative  
999 of (a) owners of not less than 66% in principal amount of the Parity Bonds then outstanding or  
1000 (b) the Bond Bank, if the Bond Bank is then the Registered Owner of any of the Parity Bonds, a  
1001 written notice specifying and demanding the cure of such default;

1002 (5) If the City (except as herein permitted) sells, transfers, assigns or conveys  
1003 any properties constituting the Electric System or interests therein, or makes any agreement for  
1004 such sale or transfer (except as expressly authorized herein);

1005 (6) If an order, judgment or decree is entered by any court of competent  
1006 jurisdiction: (a) appointing a receiver, trustee or liquidator for the City or the whole or any  
1007 substantial part of the Electric System; (b) approving a petition filed against the City seeking the  
1008 bankruptcy, arrangement or reorganization of the City under any applicable law of the United  
1009 States or the State of Alaska; or (c) assuming custody or control of the City or of the whole or  
1010 any substantial part of the Electric System under the provisions of any other law for the relief or  
1011 aid of debtors and such order, judgment or decree is not vacated or set aside or stayed (or, in case  
1012 custody or control is assumed by said order, such custody or control is not otherwise terminated)  
1013 within 90 days from the date of the entry of such order, judgment or decree; or

1014 (7) If the City: (a) admits in writing its inability to pay its debts generally as  
1015 they become due; (b) files a petition in bankruptcy or seeking a composition of indebtedness  
1016 under any state or federal bankruptcy or insolvency law; (c) makes an assignment for the benefit  
1017 of its creditors; (d) consents to the appointment of a receiver of the whole or any substantial part  
1018 of the Electric System; or (e) consents to the assumption by any court of competent jurisdiction  
1019 under the provisions of any other law for the relief or aid of debtors of custody or control of the  
1020 City or of the whole or any substantial part of the Electric System.

1021 Section 20. Remedies Available for an Event of Default.

1022 (a) *Waivers of Default.* No delay or omission of the owners of the Parity Bonds to  
1023 exercise any right or power arising upon the happening of an Event of Default shall impair any  
1024 right or power or shall be construed to be a waiver of any such Event of Default or to be an  
1025 acquiescence therein; and every power and remedy given by this Section to the owners of Parity  
1026 Bonds may be exercised from time to time and as often as may be deemed expedient by such  
1027 owners.

1028 The owners of not less than 66% in principal amount of the Parity Bonds at the time  
1029 outstanding (the "Majority Bondowners"), or their attorneys-in-fact duly authorized, may on  
1030 behalf of the owners of all of the Parity Bonds waive any past default under this ordinance and its  
1031 consequences, except a default in the payment of the principal of, premium, if any, or interest on  
1032 any of the Parity Bonds. No such waiver shall extend to any subsequent or other default or  
1033 impair any right consequent thereon.

1034 (b) *Suits at Law or in Equity.* The Majority Bondowners may, upon the happening of  
1035 an Event of Default, and during the continuance thereof, take such steps and institute such suits,  
1036 actions or other proceedings all as may be deemed appropriate for the protection and enforcement  
1037 of the rights of owners of the Parity Bonds to collect any amounts due and owing the City, or to  
1038 obtain other appropriate relief, and may enforce the specific performance of any covenant,  
1039 agreement or condition contained in this ordinance, or in any of the Parity Bonds.

1040 Any action, suit or other proceedings instituted by the Majority Bondowners hereunder  
1041 shall be brought in its name on behalf of all owners of the Parity Bonds, and all such rights of  
1042 action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced  
1043 by the Majority Bondowners without the possession of any of said Parity Bonds and without the  
1044 production of the same at any trial or proceedings relative thereto except where otherwise  
1045 required by law, and the respective owners of said Parity Bonds, by taking and holding the same,  
1046 shall be conclusively deemed irrevocably to appoint the Majority Bondowners the true and lawful  
1047 trustee of the respective owners of the Parity Bonds, with authority to institute any such action,  
1048 suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on  
1049 account of the Parity Bonds; to execute any paper or documents for the receipt of such money,  
1050 and to do all acts with respect thereto that the owner of a Parity Bond might have done in person.  
1051 Nothing herein contained shall be deemed to authorize or empower the Majority Bondowners to  
1052 consent to accept or adopt, on behalf of any owner of any Parity Bond, any plan or reorganization  
1053 or adjustment affecting the Parity Bonds or any right of any owner thereof, or to authorize or  
1054 empower the Majority Bondowners to vote the claims of the owners thereof in any receivership,  
1055 insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City shall be  
1056 a party.

1057 Nothing contained in this ordinance shall, in any event or under any circumstance, be  
1058 deemed to authorize the acceleration of maturity of principal on Parity Bonds outstanding, and  
1059 the remedy of acceleration is expressly denied to the owners of Parity Bonds outstanding under  
1060 any circumstances including, without limitation, upon the occurrence and continuance of an  
1061 Event of Default.

1062 (c) *Books of City Open to Inspection.* The City covenants that if an Event of Default  
1063 occurs and is not remedied, the books of record and account of the City will at all reasonable  
1064 times be subject to the inspection and use of the owners of any Parity Bonds.

1065 The City covenants that if an Event of Default happens and is not remedied, the City will  
1066 continue to account, as trustee of an express trust, for all Revenues of the System and other  
1067 money, securities and funds pledged under this ordinance.

1068 Section 21. Ongoing Disclosure. The City acknowledges that, under Rule 15c2-12 of  
1069 the Securities and Exchange Commission (the "Rule"), the City may now or in the future be an  
1070 "obligated person" with respect to the Bond Bank Bonds. In accordance with the Rule and as the  
1071 Bond Bank may require, the City shall undertake to provide certain annual financial information  
1072 and operating as shall be set forth in the Loan Agreement.

1073 Section 22. General Authorization; Prior Acts. The Mayor, Municipal Administrator,  
1074 Finance Director and Clerk of the City and any other appropriate officers of the City are each  
1075 hereby authorized and directed to take such steps, to do such other acts and things, and to execute  
1076 such letters, certificates, agreements, papers, financing statements, assignments or instruments as  
1077 in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions  
1078 of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the  
1079 authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

1080           Section 23. Severability. If any one or more of the covenants or agreements provided  
1081 in this ordinance to be performed on the part of the City shall be declared by any court of  
1082 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or  
1083 agreements, shall be null and void and shall be deemed separable from the remaining covenants  
1084 and agreements of this ordinance and shall in no way affect the validity of the other provisions of  
1085 this ordinance or of the Bond.

1086





EXHIBIT A

[Attach here a sample of Bond Bank Loan Agreement]

CERTIFICATE

I, the undersigned, duly chosen, qualified and acting 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. 2013-\_\_\_\_\_ of the City (the "Ordinance"), as finally passed at a regular meeting of the Assembly held on \_\_\_\_\_, 2013, 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 \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Clerk, City and Borough of Sitka

**FORM OF  
LOAN AGREEMENT**

THIS AGREEMENT, dated as of the \_\_\_\_ day of \_\_\_\_\_ 20\_\_, between the Alaska Municipal Bond Bank (the "Bank"), a body corporate and politic constituted as an instrumentality of the State of Alaska (the "State") exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the "Act"), having its principal place of business at Juneau, Alaska, and the [City] [Borough], Alaska, a duly constituted \_\_\_\_\_ [City] [Borough] of the State ("[City] [Borough]"):

WITNESSETH:

WHEREAS, pursuant to the Act, the Bank is authorized to make loans of money (the "Loan" or "Loans") to governmental units; and

WHEREAS, the [City] [Borough] is a Governmental Unit as defined in the General Bond Resolution of the Bank hereinafter mentioned and pursuant to the Act is authorized to accept a Loan from the Bank to be evidenced by its municipal bonds; and

WHEREAS, the [City] [Borough] desires to borrow money from the Bank in the amount of not to exceed \$\_\_\_\_\_ and has submitted an application to the Bank for a Loan in the amount of not to exceed \$\_\_\_\_\_, and the [City] [Borough] has duly authorized the issuance of its fully registered bond in the aggregate principal amount of \$\_\_\_\_\_ (the "Municipal Bond"), which bond is to be purchased by the Bank as evidence of the Loan in accordance with this Agreement; and

WHEREAS, the application of the [City] [Borough] contains the information requested by the Bank; and

WHEREAS, to provide for the issuance of bonds of the Bank in order to obtain from time to time money with which to make Loans, the Bank has adopted the General Obligation Bond Resolution on July 13, 2005, as amended August 19, 2009 (the "General Bond Resolution") and Series Resolution No. 20\_\_-\_\_, approved on \_\_\_\_\_, 2011 (together with the General Bond Resolution, the "Bond Resolution"), authorizing the making of such Loan to the [City] [Borough] and the purchase of the Municipal Bond.

NOW, THEREFORE, the parties agree:

1. The Bank hereby makes the Loan and the [City] [Borough] accepts the Loan in the aggregate principal amount of \$\_\_\_\_\_. As evidence of the Loan made to the [City] [Borough] and such money borrowed from the Bank by the [City] [Borough], the [City] [Borough] hereby sells to the Bank the Municipal Bond in the principal amount,

with the principal installment payments, and bearing interest from its date at the rate or rates per annum, stated in Exhibit A appended hereto. For purposes of this Loan Agreement, the interest on the Municipal Bond will be computed without regard to the provision in Section 7 hereof for the [City] [Borough] to make funds available to the Trustee acting under the General Bond Resolution for the payment of principal and interest due at least seven (7) business days prior to each respective principal and interest payment date.

2. The [City] [Borough] represents that it has duly adopted or will adopt all necessary ordinances or resolutions, including [Ordinance] [Resolution] No. \_\_\_\_\_, adopted on \_\_\_\_\_, 20\_\_ (the "[City] [Borough] [Ordinance] [Resolution]"), and has taken or will take all proceedings required by law to enable it to enter into this Loan Agreement and issue its Municipal Bond to the Bank and that the Municipal Bond will constitute [a general obligation bond, secured by the full faith and credit] [a revenue bond, a special and limited obligation] of the [City] [Borough], duly authorized by [City's] [Borough's] [Ordinance] [Resolution].

3. Subject to any applicable legal limitations, the amounts to be paid by the [City] [Borough] pursuant to this Loan Agreement representing interest due on its Municipal Bond (the "Municipal Bond Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Bank in order to obtain the money with which to make the Loan and to purchase the Municipal Bond (the "Loan Obligations") and shall be paid by the [City] [Borough] at least seven (7) business days before the interest payment date so as to provide funds sufficient to pay interest as the same becomes due on the Loan Obligation.

4. The amounts to be paid by the [City] [Borough] pursuant to this Loan Agreement representing principal due on its Municipal Bond (the "Municipal Bond Principal Payments"), shall be paid at least seven (7) business days before the payment date stated in the Municipal Bond so as to provide funds sufficient to pay the principal of the Loan Obligations as the same matures based upon the maturity schedule stated in Exhibit A appended hereto.

5. In the event the amounts referred to in Sections 3 and 4 hereof to be paid by the [City] [Borough] pursuant to this Loan Agreement are not made available at any time specified herein, the [City] [Borough] agrees that any money payable to it by any department or agency of the State may be withheld from it and paid over directly to the Trustee acting under the General Bond Resolution, and this Loan Agreement shall be full warrant, authority and direction to make such payment upon notice to such department or agency by the Bank, with a copy provided to the [City] [Borough], as provided in the Act.

6. In the event Loan Obligations have been refunded and the interest rates the Bank is required to pay on its refunding bonds in any year are less than the interest rates payable by the [City] [Borough] on the Municipal Bond for the corresponding year pursuant to the terms of the Municipal Bond, then both the Municipal Bond Interest Payments and the Municipal Bond Principal Payments will be adjusted in such a manner that (i) the interest rate paid by the [City] [Borough] on any principal installment of the Municipal Bond is equal to the interest rate paid by the Bank on the corresponding principal installment of the Bank's refunding bonds and (ii) on a present value basis the sum of the adjusted Municipal Bond Interest Payments and Municipal Bond Principal Payments is equal to or less than the sum of the Municipal Bond Interest Payments and Municipal Bond Principal Payments due over the remaining term of the Municipal Bond as previously established under this Loan Agreement. In the event of such a refunding of Loan Obligations, the Bank shall present to the [City] [Borough] for the [City's] [Borough's] approval, a revised schedule of principal installment amounts and interest rates for the Municipal Bond. If approved by the [City] [Borough] the revised schedule shall be attached hereto as Exhibit A and incorporated herein in replacement of the previous Exhibit A detailing said principal installment amounts and interest rates.

7. The [City] [Borough] is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the [City] [Borough] shall be in an amount sufficient, together with the [City's] [Borough's] Allocable Proportion (as defined below) of other money available therefor under the provisions of the Bond Resolution, and other money available therefor, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Fund pursuant to Section 606 of the General Bond Resolution:

(a) to pay, as the same become due, the [City's] [Borough's] Allocable Proportion of the Administrative Expenses of the Bank; and

(b) to pay, as the same become due, the [City's] [Borough's] Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations.

The [City's] [Borough's] Allocable Proportion as used herein shall mean the proportionate amount of the total requirement in respect to which the term is used determined by the ratio that the principal amount of the Municipal Bond outstanding bears to the total of all Loans then outstanding to all Governmental Units under the General Bond Resolution, as certified by the Bank. The waiver by the Bank of any fees payable pursuant to this Section 7 shall not constitute a subsequent waiver thereof.

8. The [City] [Borough] is obligated to make the Municipal Bond Principal Payments scheduled by the Bank. The first such Municipal Bond Principal Payment is due at least seven (7) business days prior to the date indicated on Exhibit A appended hereto, and thereafter on the anniversary thereof each year. The [City] [Borough] is obligated to make the Municipal Bond Interest Payments scheduled by the Bank on a semi-annual basis commencing seven (7) business days prior to the date indicated on Exhibit A appended hereto, and to pay any Fees and Charges imposed by the Bank within 30 days of receiving the invoice of the Bank therefor.

9. The Bank shall not sell and the [City] [Borough] shall not redeem prior to maturity any portion of the Municipal Bond in an amount greater than the Loan Obligations which are then outstanding and which are then redeemable, and in the event of any such sale or redemption, the same shall be in an amount not less than the aggregate of (i) the principal amount of the Municipal Bond (or portion thereof) to be redeemed, (ii) the interest to accrue on the Municipal Bond (or portion thereof) to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the Municipal Bond (or portion thereof) to be redeemed, and (iv) the cost and expenses of the Bank in effecting the redemption of the Municipal Bond (or portion thereof) to be redeemed. The [City] [Borough] shall give the Bank at least 50 days' notice of intention to redeem its Municipal Bond.

In the event the Loan Obligations with respect to which the sale or redemption prior to maturity of such Municipal Bond is being made have been refunded and the refunding bonds of the Bank issued for the purpose of refunding such Loan Obligations were issued in a principal amount in excess of or less than the principal amount of the Municipal Bond remaining unpaid at the date of issuance of such refunding bonds, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (i) above shall be the principal amount of such refunding bonds outstanding.

In the event the Loan Obligations have been refunded and the interest the Bank is required to pay on the refunding bonds is less than the interest the Bank was required to pay on the Loan Obligations, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (ii) above shall be the amount of interest to accrue on such refunding bonds outstanding.

In the event the Loan Obligations have been refunded, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (iii) above, when the refunded Loan Obligations are to be redeemed, shall be the applicable premium, if any, on the Loan Obligations to be redeemed.

Nothing in this Section shall be construed as preventing the [City] [Borough] from refunding the Municipal Bond in exchange for a new Municipal Bond in conjunction with a refunding of the Loan Obligations.

10. Simultaneously with the delivery of the Municipal Bond to the Bank, the [City] [Borough] shall furnish to the Bank evidence satisfactory to the Bank which shall set forth, among other things, that the Municipal Bond will constitute a valid and binding [general obligation] [special and limited obligation] of the [City] [Borough], secured by the [full faith and credit] [revenue of the \_\_\_\_\_] of the [City] [Borough].

11. Invoices for payments under this Loan Agreement shall be addressed to the [City] [Borough], Attention: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, Alaska 99\_\_\_\_. The [City] [Borough] shall give the Bank and the corporate trust office of the Trustee under the General Bond Resolution at least 30 days' written notice of any change in such address.

12. The [City] [Borough] hereby agrees that it shall fully fund, at the time of loan funding, its debt service reserve fund (in an amount equal to \$\_\_\_\_\_) which secures payment of principal and interest on its Municipal Bond and that such fund shall be held in the name of the [City] [Borough] with the Loan Trustee.

13. The [City] [Borough] hereby agrees to keep and retain, until the date six years after the retirement of the Municipal Bond, or any bond issued to refund the Municipal Bond, or such longer period as may be required by the [City's] [Borough's] record retention policies and procedures, records with respect to the investment, expenditure and use of the proceeds derived from the sale of its Municipal Bond, including without limitation, records, schedules, bills, invoices, check registers, cancelled checks and supporting documentation evidencing use of proceeds, and investments and/or reinvestments of proceeds. The [City] [Borough] agrees that all records required by the preceding sentence shall be made available to the Bond Bank upon request.

14. Prior to payment of the amount of the Loan or any portion thereof, and the delivery of the Municipal Bond to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

(a) Any representation, warranty or other statement made by the [City] [Borough] to the Bank in connection with its application to the Bank for a Loan shall be incorrect or incomplete in any material respect.

(b) The [City] [Borough] has violated commitments made by it in the terms of this Loan Agreement.

(c) The financial position of the [City] [Borough] has, in the opinion of the Bank, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the Municipal Bond to the Bank.



15. The obligation of the Bank under this Loan Agreement is contingent upon delivery of its General Obligation Bonds, 20\_\_ Series \_\_\_\_\_ (the "20\_\_ Series \_\_\_\_\_ Bonds") and receipt of the proceeds thereof.

16. The [City] [Borough] agrees that it will provide the Bank with written notice of any default in covenants under the [City's] [Borough's] [Ordinance] [Resolution] within 30 days from the date thereof.

17. The [City] [Borough] shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on the Municipal Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Municipal Bond is subject on the date of original issuance thereof.

The [City] [Borough] shall not permit any of the proceeds of the Municipal Bond, or any facilities financed with such proceeds, to be used in any manner that would cause the Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code.

The [City] [Borough] shall make no use or investment of the proceeds of the Municipal Bond which will cause the Municipal Bond to be an "arbitrage bond" under Section 148 of the Code. So long as the Municipal Bond is outstanding, the [City] [Borough], shall comply with all requirements of said Section 148 and all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect. The [City] [Borough] shall indemnify and hold harmless the Bank from any obligation of the [City] [Borough] to make rebate payments to the United States under said Section 148 arising from the [City's] [Borough's] use or investment of the proceeds of the Municipal Bond.

18. The [City] [Borough] agrees that if it is one of the Governmental Units that has a ten percent or greater amount of outstanding bonds held by the Bank under its General Bond Resolution, it shall execute a continuing disclosure agreement for purposes of Securities and Exchange Commission Rule 15c2-12, adopted under the Securities and Exchange Act of 1934, and provide the Bank for inclusion in future official statements, upon request, financial information generally of the type included in Appendix D, under the heading "Summaries of Borrowers Representing 10% or More of Outstanding Principal of Bonds Issued Under the 2005 General Bond Resolution," to the Official Statement and attached hereto as Exhibit B.

19. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement

shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

20. This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

21. No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other term or condition hereof, nor shall a waiver of any breach of this Loan Agreement be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

22. In this Loan Agreement, unless otherwise defined herein, all capitalized terms which are defined in Article I of the General Bond Resolution shall have the same meanings, respectively, as such terms are given in Article I of the General Bond Resolution.

23. This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

ALASKA MUNICIPAL BOND BANK

By: \_\_\_\_\_  
DEVEN J. MITCHELL  
Executive Director

[CITY] [BOROUGH] OF \_\_\_\_\_,  
ALASKA

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

EXHIBIT A

\$ \_\_\_\_\_  
[City] [Borough], Alaska  
[General Obligation] [Revenue] Bond, 20\_\_ [ ]  
("Municipal Bond")

Due	Principal	Interest
_____ 1	<u>Amount</u>	<u>Rate</u>

Principal installments shall be payable on \_\_\_\_\_ 1 in each of the years, and in the amounts set forth above. Interest on the Municipal Bond shall be payable on \_\_\_\_\_ 1, 20\_\_, and thereafter on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year.

Prepayment Provisions: The Municipal Bond is not subject to prepayment prior to maturity.

Optional Prepayment: The Municipal Bond principal payments due on or after \_\_\_\_\_ 1, 20\_\_ are subject to prepayment in whole or in part at the option of the [City] [Borough] on any date on or after \_\_\_\_\_ 1, 20\_\_, at a price of 100% of the principal amount thereof to be prepaid, plus accrued interest to the date of prepayment.

**EXHIBIT B**