

CITY AND BOROUGH OF SITKA, ALASKA

GENERAL OBLIGATION BONDS, 2011

\$5,690,000

ORDINANCE NO. 2011-08

AN ORDINANCE of the City and Borough of Sitka, Alaska (the "City"), authorizing the issuance of general obligation bonds of the City in the principal amount of not to exceed \$5,690,000 to finance capital improvements to Blatchley Middle School as authorized by ordinances of the Assembly and approved by Sitka's voters at an election held therein on October 5, 2010; authorizing tax levies to pay the principal thereof and interest thereon; and authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance.

PASSED: APRIL 12, 2011

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.

ORDINANCE NO. 2011-08

AN ORDINANCE of the City and Borough of Sitka, Alaska (the "City"), authorizing the issuance of general obligation bonds of the City in the principal amount of not to exceed \$5,690,000 to finance capital improvements to Blatchley Middle School as authorized by ordinances of the Assembly and approved by Sitka's voters at an election held therein on October 5, 2010; authorizing tax levies to pay the principal thereof and interest thereon; and authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance.

WHEREAS, at an election held in the City and Borough of Sitka, Alaska (the "City"), on October 5, 2010, the number and proportion of qualified electors of the City as required by law for the adoption thereof voted in favor of two propositions authorizing the issuance of general obligation bonds of the City in the aggregate principal amount of \$5,690,000: \$3,286,000 to provide funds to finance major capital maintenance improvements to Blatchley Middle School as authorized by Ordinance No. 2010-19 of the City, passed on July 27, 2010, and \$2,410,000 to provide funds to finance refurbishment and upgrades to the mechanical and electrical systems of Blatchley Middle School (together with the capital improvements authorized by Ordinance No. 2010-19, the "Projects") as authorized by Ordinance No. 2010-18 of the City, passed on July 27, 2010 (together with Ordinance No. 2010-19, the "Election Ordinances"); and

WHEREAS, the Projects have been approved by the State of Alaska Department of Education and Early Development ("DEED") for reimbursement of 70% of the principal and interest on general obligation bonds issued to finance costs of the Projects; and

WHEREAS, the Assembly wishes to authorize the issuance of not to exceed \$5,690,000 principal amount of the general obligation bonds authorized by the Election Ordinances and approved by the City's voters; and

WHEREAS, it is in the best interest of the City to sell the bonds to the Alaska Municipal Bond Bank (the "Bond Bank") on the terms and conditions set forth herein and in a loan agreement between the City and the Bond Bank authorized by this ordinance to be entered into by the Municipal Administrator;

NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough 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.

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

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

“Bond” means the City and Borough of Sitka, Alaska, General Obligation Bond, 2011, in the total principal amount of not to exceed \$5,690,000, issued pursuant to this ordinance.

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

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

“Bond Fund” means the “City and Borough of Sitka General Obligation Bond Redemption Fund, 2011,” authorized to be created by Section 6 of this ordinance.

“Bond Premium” means proceeds of the Bond representing an allocation of the original issue premium, if any, on the Bond Bank Bonds.

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

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

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

“Election Ordinances” means Ordinance Nos. 2010-18 and 2010-19 of the City, passed by the Assembly on July 27, 2010, and ratified by the City’s voters in an election held on October 5, 2010.

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

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

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

“Project Fund” means the “Blatchley Middle School Projects Fund, 2011” created pursuant to Section 12 of this ordinance.

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

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

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

“SEC” means the Securities and Exchange Commission.

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

Words of the masculine gender are deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number include the plural numbers and vice versa unless the context otherwise indicates. Reference to sections and other subdivisions of this ordinance are to the sections and other subdivisions of this ordinance as originally adopted unless expressly stated to the contrary. The headings or titles of the sections hereof, and the table of contents appended hereto, are for convenience of reference only and do not define or limit the provisions hereof.

Section 3. Authorization of Bond. The City will now issue and sell not to exceed \$5,690,000 principal amount of the general obligation bonds authorized by the voters of the City at an election held on October 5, 2010, to finance major capital maintenance improvements to, and refurbishment and upgrades to the mechanical and electrical systems of, Blatchley Middle School and to pay costs of issuance of the bonds, all as authorized by the Election Ordinances. The bonds will be issued and sold as a single bond in the total principal amount of not to exceed \$5,690,000 to be designated the “City and Borough of Sitka, Alaska, General Obligation Bond, 2011” (the “Bond”). The Bond will be dated as of the date to be established in accordance with Section 13 hereof, will be fully registered as to principal and interest, will be numbered in such manner as the Registrar shall determine, will bear interest at the rate or rates, and be payable on the dates and in the principal amounts to be established as provided in Section 13 hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Section 4. Registration, Payment and Transfer. The Finance Director will act as authenticating agent, transfer agent, paying agent and registrar for the Bond (collectively, the “Registrar”). Both principal of and interest on the Bond will be payable in lawful money of the

United States of America. Interest on the Bond will be paid by check or draft of the Registrar mailed (on the date such interest is due) to the Registered Owner or nominee at the addresses appearing on the Bond Register on the fifteenth day of the month preceding each interest payment date. Principal of the Bond will be payable upon presentation and surrender of the Bond to the Registrar by the Registered Owner or nominee at the office of the Registrar in Sitka, Alaska. Notwithstanding the foregoing, if the Bond is sold to the Bond Bank pursuant to the provisions of Section 13 of this ordinance, and for so long as the Bond Bank is the owner of the Bond, payments of principal of and interest on the Bond will be made to the Bond Bank in accordance with the Loan Agreement.

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

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

Section 5. Prepayment. Provisions for the optional prepayment of some or all principal installments of the Bond may be established pursuant to Section 13 and set forth in the Loan Agreement. Portions of the principal amount of the Bond, in increments of \$5,000 or any integral multiple of \$5,000, may be prepaid.

So long as the Bond Bank is the owner of the Bond, notice of prepayment will be given according to the terms of the Loan Agreement. If the Bond Bank is not the owner of the Bond, notice of prepayment must be given not less than 30 nor more than 60 days prior to the date fixed for prepayment by first class mail, postage prepaid, to the Registered Owner of the Bond at the address appearing on the Bond Register. The requirements of this section will be deemed complied with when notice is mailed as herein provided, regardless of whether it is actually received by the owner of the Bond. Each official notice of prepayment must be dated and state: (i) the prepayment date, (ii) the prepayment price or prepayment premium, if any, payable upon such prepayment; (iii) if less than all of an installment of principal is to be prepaid, the principal amount to be prepaid (which must be an integral multiple of \$5,000); (iv) that the interest on the Bond, or on the principal amount thereof to be prepaid, designated for prepayment in such notice, will cease to accrue from and after such prepayment date; and (v) that on such date there will become due and payable on the Bond the principal amount thereof to be prepaid and the interest accrued on such principal amount to the prepayment date.

Section 6. Bond Fund; Pledge of Taxes. A special fund of the City known as the “City and Borough of Sitka General Obligation Bond Redemption Fund, 2011” (the “Bond Fund”), is hereby authorized to be created in the office of the Finance Director. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Bond.

The Bond is a general obligation of the City. The City hereby irrevocably covenants that, unless the principal of and interest on the Bond are paid from other sources, it will make annual levies of property taxes without limitation as to rate or amount, and in amounts sufficient, together with other legally available funds, to pay such principal and interest as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such property taxes and for the prompt payment of such principal and interest.

Section 7. Defeasance. If money and/or Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bond or a portion thereof in accordance with its terms, are set aside in a special account to effect such prepayment and retirement, and that money and the principal of and interest on those obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bond or portion thereof so provided for, and the Bond or portion thereof will cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and the Bond or portion thereof will be deemed not to be outstanding hereunder.

Section 8. Tax Covenants.

(a) General. The City intends that interest on the Bond will be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code, and the applicable regulations. The City covenants not to take any action, or knowingly omit to take any action within its control, that if taken or omitted would cause the interest on the Bond to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

(b) Tax Certificate. Upon the issuance of the Bond, the Finance Director is authorized to execute a federal tax certificate (the “Tax Certificate”), which will certify to various facts and representations concerning the Bond, based on the facts and estimates known or reasonably expected on the date of issuance of the Bond, and make certain covenants with respect to the Bond, including but not limited to the following:

(i) *No Private Activity Bond.* The proceeds of the Bond will not be used in a manner that would cause the Bond to be a “private activity bond” within the meaning of the Code, as further described in the Tax Certificate. Moreover, the City covenants that it will use the proceeds of the Bond (including interest or other investment income derived from Bond proceeds), regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bond will not be a “private activity bond.”

(ii) *No Federal Guarantee.* The City has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted would cause the Bond to be “federally guaranteed” within the meaning of the Code, as further described in the Tax Certificate.

(iii) *No Arbitrage Bond.* The City reasonably expects that the proceeds of the Bond will not be used in a manner that would cause the Bond to be an “arbitrage bond” within the meaning of the Code, as further described in the Tax Certificate.

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

The City covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Bond.

(c) Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to the United States, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the “gross proceeds” of the Bond (within the meaning of the Code) be rebated.

Section 9. Lost or Destroyed Bond. If the Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of like amount, date, and tenor to the Registered Owner upon that owner’s paying the expenses and charges of the City in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Registrar evidence satisfactory to the Registrar that the Bond was actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory to the Registrar.

Section 10. Form of the Bond. The Bond will be in substantially the following form:

NO. R-1

\$5,690,000

UNITED STATES OF AMERICA
STATE OF ALASKA

CITY AND BOROUGH OF SITKA
GENERAL OBLIGATION BOND, 2011

INTEREST RATE:

FINAL MATURITY DATE:

SEE BELOW

REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK

PRINCIPAL AMOUNT: FIVE MILLION SIX HUNDRED NINETY THOUSAND AND NO/100 DOLLARS

The City and Borough of Sitka, Alaska (the "City"), a municipal corporation organized and existing under and by virtue of its charter and the laws and Constitution of the State of Alaska, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the principal amount specified above, in installments payable as set forth below, together with interest on such installments from the date hereof or the most recent date to which interest has been paid or duly provided for, at the interest rates set forth below, on October 1, 2011, and on each April 1 and October 1 thereafter until payment of the principal sum has been made or duly provided for.

Principal Installment Payment Year (April 1)	Principal Installment Amount	Interest Rate
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		

Both principal of and interest on this bond are payable 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 Register as of the fifteenth day of the month preceding the interest payment date. The final installment of principal of and interest on this bond will be paid to the Registered Owner upon presentation and surrender of this bond at the office of the Registrar. Notwithstanding the foregoing, so long as the Bond Bank is the

Registered Owner of this bond, payments of principal of and interest on this bond will be made to the Bond Bank in accordance with the Loan Agreement.

This bond is a general obligation bond of the City, as approved by the voters of the City and issued pursuant to Ordinance No. 2011-08, passed April 12, 2011 (the "Bond Ordinance"), to provide funds to finance major capital maintenance improvements to, and refurbishment and upgrades to the mechanical and electrical systems of, Blatchley Middle School. Capitalized terms used in this bond and not otherwise defined herein have the meanings given those terms in the Bond Ordinance.

Principal installments of this bond are subject to prepayment as provided in the Loan Agreement.

The City hereby irrevocably covenants that, unless the principal of and interest on this bond are paid from other sources, it will make annual levies of property taxes without limitation as to rate or amount, and in amounts sufficient, together with other legally available funds, to pay such principal and interest as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such property taxes and for the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on this bond may be discharged prior to maturity of the bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

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

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

IN WITNESS WHEREOF, the City and Borough of Sitka, Alaska, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted or impressed hereon, as of this 12th day of April, 2011.

CITY AND BOROUGH OF SITKA,
ALASKA

By _____
Cheryl Westover, Mayor

[SEAL]

ATTEST:

Colleen Ingman, MMC, Municipal Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is the City and Borough of Sitka, Alaska, General Obligation Bond, 2011, dated _____, 2011, 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

92-0041163

(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.

DATED: _____, _____.

SIGNATURE GUARANTEED:

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.

Section 11. Execution of the Bond. The Bond will be signed on behalf of the City by the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the Clerk, and the seal of the City will be impressed or imprinted thereon.

Only a Bond that bears thereon a Certificate of Authentication in the form set forth in Section 10 hereof, manually executed by the Registrar, will be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The executed Certificate of Authentication will be conclusive evidence that the Bond so authenticated has been duly executed, authenticated, registered, and delivered hereunder and is entitled to the benefits of this ordinance.

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

Section 12. Application of Proceeds of Bond. A special fund of the City known as the "Blatchley Middle School Projects Fund, 2011" (the "Project Fund") is hereby authorized to be created in the office of the Finance Director. At the time of delivery of the Bond, the proceeds of the Bond will be deposited as follows:

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

(b) The remaining Bond proceeds will be deposited in the Project Fund and used to pay costs of the Projects and costs of issuance of the Bond, as authorized by the Election Ordinances; provided, however, that any Bond Premium exceeding the costs of issuing the Bond must be deposited in the Bond Fund.

Money remaining in the Project Fund after all such costs have been paid or reimbursed shall be deposited in the Bond Fund. Money in the Project Fund may be invested as permitted by law. All interest earned and profits derived from such investments will be retained in and become a part of the Project Fund.

Section 13. Sale of the Bond. The Finance Director and Municipal Administrator are authorized to complete the sale of the Bond to the Bond Bank on terms and conditions consistent with this ordinance and a loan agreement in substantially the form set forth on Exhibit A attached to this ordinance (the "Loan Agreement"). Following the sale of the Bond Bank Bonds, those terms and conditions, including the final principal amount, date, principal installment payment schedule, interest rates and prepayment provisions for the Bond, all as provided for in this ordinance, will be set forth in the Loan Agreement, subject to the Municipal Administrator's approval, which approval will be conclusively evidenced by his signing and delivering the Loan Agreement to the Bond Bank.

Section 14. Ongoing Disclosure. The City acknowledges that, under Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the City may now or in the future be an "obligated person" with respect to the Bond Bank Bonds. In accordance with the Rule and as the Bond Bank may require, the City will undertake to provide certain annual financial information and operating data as may be set forth in the Loan Agreement.

Section 15. General Authorization; Prior Acts. The Mayor, Municipal Administrator, Finance Director and Clerk of the City and any other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 16. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City are declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, will be null and void and be deemed separable from the remaining covenants and agreements of this ordinance and will in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 17. Effective Date. This ordinance will be in full force and effect immediately upon its final passage by the Assembly.

READ FOR THE FIRST TIME at a regular meeting of the Assembly held on March 22, 2011.

PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska, on April 12, 2011.

CITY AND BOROUGH OF SITKA,
ALASKA

By _____
Cheryl Westover, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

EXHIBIT A

[Attach here the form 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 of the City (the "Assembly"), DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Ordinance No. 2011-08 of the City (the "Ordinance"), as finally passed at a regular meeting of the Assembly held on April 12, 2011, 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 12 day of April, 2011.

Colleen Ingman, MMC
Municipal Clerk
City and Borough of Sitka

**FORM OF
LOAN AGREEMENT**

THIS AGREEMENT, dated as of the ____ day of May __, 2011, 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 and Borough of _____, Alaska, a duly constituted home rule borough of the State ("Borough"):

W I T N E S S E T H

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

WHEREAS, the 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 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 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 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. 2011-__, approved on April __, 2011 (together with the General Bond Resolution, the "Bond Resolution"), authorizing the making of such Loan to the Borough and the purchase of the Municipal Bond.

NOW, THEREFORE, the parties agree:

1. The Bank hereby makes the Loan and the Borough accepts the Loan in the aggregate principal amount of \$ _____. As evidence of the Loan made to the Borough and such money borrowed from the Bank by the Borough, the 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 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 Borough represents that it has duly adopted or will adopt all necessary ordinances or resolutions, including Ordinance No. _____, adopted on _____, 20__ (the "Borough Ordinance"), 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 of the Borough, duly authorized by Borough Ordinance.

3. Subject to any applicable legal limitations, the amounts to be paid by the 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 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 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 Borough pursuant to this Loan Agreement are not made available at any time specified herein, the 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 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 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 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 Borough for approval, a revised schedule of principal installment amounts and interest rates for the Municipal Bond. If approved by the 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 Borough is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the Borough shall be in an amount sufficient, together with the 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 Borough's Allocable Proportion of the Administrative Expenses of the Bank; and

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

The 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 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 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 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 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 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 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 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 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 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 of the Borough secured by the full faith and credit of the Borough.

11. All notices for payments under this Loan Agreement shall be addressed to the Borough, Attention _____, _____, Alaska 99____. The 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 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 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 Borough agrees that all records required by the preceding sentence shall be made available to the Bond Bank upon request.

13. 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 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 Borough has violated commitments made by it in the terms of this Loan Agreement.

(c) The financial position of the 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.

14. The obligation of the Bank under this Loan Agreement is contingent upon delivery of its General Obligation Bonds, 2011 Series Two (the "2011 Series Two Bonds") and receipt of the proceeds thereof.

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

16. The 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 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 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 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 Borough shall indemnify and hold harmless the Bank from any obligation of the Borough to make rebate payments to the United States under said Section 148 arising from the Borough's use or investment of the proceeds of the Municipal Bond.

17. The 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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 AND BOROUGH OF _____,
ALASKA

By: _____

Its: _____

EXHIBIT A

\$ _____
City and Borough of _____, Alaska
General Obligation Bond, 2011

Due	Principal	Interest
_____ 1	Amount	Rate

Principal installments shall be payable on _____ 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. [The Municipal Bond maturing on or after _____ 1, 202__ is subject to prepayment in whole or in part at the option of the 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

Draft