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2 CLERK'S OFFICE  
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4 Date: 5-5-98

Requested by: Chairman of the Assembly  
at the request of the Mayor

For Reading: April 14, 1998

Prepared by: Cynthia M. Weed

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12 MUNICIPALITY OF ANCHORAGE, ALASKA

13  
14 ORDINANCE NO. AO 98- 71  
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18 AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE,  
19 ALASKA, PROVIDING FOR THE ISSUANCE OF WATER  
20 REVENUE AND REFUNDING BONDS OF THE  
21 MUNICIPALITY IN THE AGGREGATE AMOUNT OF NOT  
22 TO EXCEED \$31,000,000 FOR THE PURPOSE OF  
23 PROVIDING FUNDS TO REFUND CERTAIN OUTSTANDING  
24 SENIOR LIEN REFUNDING WATER REVENUE BONDS AND  
25 TO PAY COSTS OF ISSUANCE; FIXING CERTAIN  
26 COVENANTS AND PROTECTIVE PROVISIONS  
27 SAFEGUARDING THE PAYMENT OF THE PRINCIPAL OF  
28 AND INTEREST ON SAID BONDS; PROVIDING FOR THE  
29 DATE, FORM, TERMS, MATURITIES AND MANNER OF  
30 SALE OF THE BONDS; DELEGATING TO THE CHIEF  
31 FISCAL OFFICER THE APPROVAL OF FINAL MATURITY  
32 AMOUNTS AND INTEREST RATES ON SAID BONDS;  
33 AUTHORIZING AN OFFICIAL STATEMENT; AND  
34 AUTHORIZING THE SALE OF SUCH BONDS.  
35

36 WHEREAS, the Municipality of Anchorage, Alaska (the "Municipality"), owns, operates  
37 and maintains a water utility system (hereinafter defined as the "System") which is in need of  
38 certain additions, improvements and extensions; and

39 WHEREAS, the Municipality has outstanding the following described revenue bonds  
40 having a senior lien on the revenues of the System:  
41

Authorizing Ordinance No.	Designation	Dated Date of Issue	Original Principal Amount	Current Outstanding Principal Amount (as of 4/15/98)
AO 89-158	Senior Lien Refunding Water Revenue Bonds, 1989	12/01/89	\$ 29,785,000	\$ 25,015,000
AO 93-144 (S)	Senior Lien Water Revenue and Refunding Bonds, 1993	9/1/93	\$ 18,585,000	\$ 13,115,000

(collectively, the "Outstanding Senior Lien Bonds"); and

WHEREAS, the Outstanding Senior Lien Bonds, issued pursuant to Ordinance No. AO 89-158 passed on December 5, 1989, (the "1989 Bond Ordinance"), mature in principal amounts and bear interest as follows:

Maturity Years (August 1)	Principal Amounts	Interest Rates
1998	\$ 805,000	6.70%
1999	860,000	6.80
2000	920,000	6.90
2005	5,660,000	7.125
2014	16,770,000	7.25

(the "1989 Bonds"); and

WHEREAS, the 1989 Bond Ordinance authorizes the defeasance and optional redemption of the 1989 Bonds maturing after August 1, 1998 at a price of 102% of the principal amount thereof on August 1, 1998 (the "Refunded Bonds"); and

WHEREAS, as a result of changed market conditions it appears that substantial debt service savings may be obtained by refunding the Refunded Bonds through the issuance of the bonds herein authorized (hereinafter defined as the "Refunding Bonds"); and

1 WHEREAS, the Constitution and statutes of the State of Alaska and Article XV of the  
2 Home Rule Charter of the Municipality permit the Municipality to issue refunding bonds payable  
3 out of the revenues of the System without ratification by an election; and

4 WHEREAS, each of the ordinances authorizing the issuance of the Outstanding Senior  
5 Lien Bonds authorizes the issuance of additional bonds on a parity therewith under the terms set  
6 forth in said ordinances for the purpose of financing additional improvements to the System  
7 (hereinafter defined as the "Improvement Bonds"); and

8 WHEREAS, in order to effect such refunding in the most economical manner it is deemed  
9 necessary and advisable that the proceeds of the sale of the Bonds and, if necessary, other moneys  
10 available and required for refunding purposes be invested in obligations maturing in such amounts  
11 and at such times as are required to redeem and retire the Refunded Bonds on August 1, 1998, at  
12 a redemption price of 102% of par; and

13 WHEREAS, because the amount of Refunding Bond proceeds and the obligations  
14 necessary to effect the refunding of the Refunded Bonds depend, in part, on the interest rate or  
15 rates to be borne by the Bonds to be issued pursuant to this ordinance, the exact amount of  
16 Refunding Bond proceeds required and the specific obligations to be acquired shall be fixed in  
17 accordance with the terms set forth herein; and

18 WHEREAS, it appears to the Assembly that it is in the best interest of the Municipality  
19 that the Improvement Bonds and Refunding Bonds be sold in a single issue of senior lien revenue  
20 and refunding bonds (hereinafter defined as the "Bonds") with an aggregate principal amount of  
21 not to exceed \$31,000,000; and

22 WHEREAS, it is necessary to establish the form, terms, date, payment dates, conditions,  
23 covenants and method of sale of such Bonds and to make provision for establishing the amounts,  
24 redemption rights, interest rates and maturities thereof;

25 Section 1 Purpose. The purpose of this ordinance is to authorize the issuance and  
26 sale of not to exceed \$31,000,000 of senior lien water revenue and refunding bonds, to fix the

1 form, covenants and method of sale of said bonds and to provide for establishing the amount,  
2 date, payment dates, redemption rights and maturities of said bonds.

3 Section 2. Definitions. As used in this ordinance, unless a different meaning clearly  
4 appears from the context:

5 "Acquired Obligations" means and includes any of the following securities, if and to the  
6 extent the same are at the time legal for investment of funds of the Municipality:

7 (i) any bonds or other obligations which as to principal and interest constitute  
8 direct obligations of, or are unconditionally guaranteed by, the United States of America,  
9 including obligations of any federal agency or corporation which has been or may hereafter be  
10 created pursuant to an act of Congress as an agency or instrumentality of the United States of  
11 America to the extent unconditionally guaranteed by the United States of America; and

12 (ii) any bonds or other obligations of any state of the United States of America  
13 or of any agency, instrumentality or local governmental unit of any such state (a) which are not  
14 callable at the option of the obligor prior to maturity or as to which irrevocable instructions have  
15 been given to the trustee of such bonds or other obligations by the obligor to give due notice of  
16 redemption and to call such bonds for redemption on the date or dates specified in such  
17 instructions. (b) which are fully secured as to principal and interest and redemption premium, if  
18 any, by a fund consisting only of cash or bonds or other obligations of the character described in  
19 clause (i) hereof which fund may be applied only to the payment of such principal of and interest  
20 and redemption premium, if any, on such bonds or other obligations on the maturity date or dates  
21 thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as  
22 appropriate. and (c) as to which the principal of and interest on the bonds and obligations of the  
23 character described in clause (i) hereof which have been deposited in such fund along with any  
24 cash on deposit in such fund are sufficient to pay principal of and interest and redemption  
25 premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date  
26 or dates thereof or on the redemption date or dates specified in the irrevocable instructions  
27 referred to in subclause (a) of this clause (ii), as appropriate.

1        "Annual Debt Service Requirement" means, with respect to any particular year and to any  
2 specified bonds, an amount equal to

3                (i)     the principal amount of such bonds due or subject to mandatory  
4 redemption during such year and for which no sinking fund installments have been established,

5                (ii)    the amount of any payments required to be made during such year into any  
6 sinking fund established for the payment of any such bonds, plus

7                (iii)   all interest payable during such year on any such bonds outstanding,  
8 calculated on the assumption that mandatory redemptions of bonds for which no sinking fund  
9 installments have been established will be made in accordance with the mandatory call schedule,  
10 and that mandatory sinking fund installments will be applied to the redemption or retirement of  
11 such bonds on the earlier of the date specified in such bonds or the first par call date. Such  
12 amount shall be net of any interest funded out of bond proceeds.

13        "Arbitrage and Tax Certification" means the certificate of that name executed and  
14 delivered by the Municipality at the time of issuance and delivery of the Bonds.

15        "Assembly" means the general legislative authority of the Municipality, as the same may be  
16 constituted from time to time.

17        "Bond" or "Bonds" means any of the senior lien water revenue and refunding bonds of the  
18 Municipality the issuance and sale of which are authorized herein, consisting of the Improvement  
19 Bonds and the Refunding Bonds.

20        "Bond Fund" means the Anchorage Senior Lien Water Revenue Bond Fund created by  
21 Section 13 of Ordinance No. AO 84-136.

22        "Bond Insurer" means the insurance company issuing the Municipal Bond Insurance  
23 Policy with respect to the Bonds.

24        "Bond Register" means the registration books maintained by the Registrar containing the  
25 names and addresses of the Registered Owners of the Bonds.

26        "Bond Year" means each one-year period that ends on the date selected by the Chief  
27 Fiscal Officer. The first and last Bond Years may be short periods. If no day is selected by the

1 Chief Fiscal Officer before the earlier of the final maturity date of the Bonds or the date that is  
2 five years after the date of the issuance of the Bonds, Bond Years end on each anniversary of the  
3 date of issue and on the final maturity date of the Bonds.

4 "Chief Fiscal Officer" means the chief fiscal officer of the Municipality appointed and  
5 confirmed pursuant to Section 5.05 of the Charter.

6 "Code" means the Internal Revenue Code of 1986, as amended, and all applicable  
7 regulations thereunder.

8 "Commission" means the Securities and Exchange Commission

9 "Computation Date" means the date selected by the Chief Fiscal Officer to make the  
10 arbitrage rebate computations.

11 "Computation Period" means the period between Computation Dates.

12 "Consulting Engineer" means an independent consulting engineer or engineering firm  
13 licensed to practice in the State of Alaska, retained and appointed pursuant to Section 16 of  
14 Ordinance No. AO 89-158.

15 "Debt Service Account" means the Senior Lien Debt Service Account created in the  
16 Senior Lien Bond Fund by Section 13 of Ordinance No. AO 84-136.

17 "DTC" means The Depository Trust Company, New York, New York, a limited purpose  
18 trust company organized under the laws of the State of New York, as depository for the Bonds  
19 pursuant to Section 5 hereof.

20 "Escrow Agent" means U.S. Bank Trust National Association or its successor, acting in  
21 the capacity of Escrow Agent pursuant to the Escrow Agreement.

22 "Escrow Agreement" means the Escrow Agent Agreement pursuant to which the proceeds  
23 of the Bonds will be held by the Escrow Agent to defease the Refunded Bonds.

24 "Government Obligations" means any of the following: (i) any bonds or other obligations  
25 which, as to principal and interest, constitute direct obligations of, or are unconditionally  
26 guaranteed by, the United States of America; (ii) bonds, debentures, or other evidences of  
27 indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter

1 be created pursuant to an act of Congress as an agency or instrumentality of the United States of  
2 America; (iii) obligations of financial institutions insured by the federal government, to the extent  
3 insured; and (iv) bank certificates of deposit secured by obligations described in (i) and (ii) hereof.

4 "Gross Revenues" means all rates and charges and other income, (including income from  
5 Water Fund investments) in each case derived by or for the account of the Municipality from the  
6 ownership, leasing or operation of the System, except proceeds from the sale of the bonds or  
7 notes, any grants received for the Anchorage Water Utility and interest received and profits  
8 derived from the investment of moneys obtained from such sources or from moneys held in any  
9 fund solely to pay or secure the payment of any bonds or notes issued in connection with the  
10 System. a. For purposes of this ordinance, the term Gross Revenues shall not include allowance for  
11 funds used during construction.

12 "Improvement Bonds" means that portion of the Bonds authorized to be issued herein for  
13 the purpose of undertaking additional capital projects pursuant to Section 4 of this ordinance.

14 "Letter of Representations" means the Blanket Issuer Letter of Representations from the  
15 Municipality to DTC dated July 1, 1995.

16 "Mayor" means the Mayor of the Municipality, elected pursuant to Section 5.01 of the  
17 Charter.

18 "MSRB" means the Municipal Securities Rulemaking Board or any successor to its  
19 functions.

20 "Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy issued  
21 by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds  
22 as provided therein.

23 "Municipal Utility Service Assessments" means assessments levied pursuant to Ordinance  
24 No. AO 88-162, as amended by Ordinance No. AO 88-173, as the same may be further amended,  
25 repealed and superseded from time to time and any successor assessments levied by the  
26 Municipality against the System, to be paid in lieu of property taxes for governmental services.

1        "Municipality" means Anchorage, Alaska, a municipal corporation organized and existing  
2        under the Constitution and laws of the State of Alaska.

3        "1989 Bond Ordinance" means Ordinance No. AO 89-158, adopted on December 5, 1989.

4        "1989 Bonds" means the Municipality of Anchorage, Alaska, Senior Lien Refunding  
5        Water Revenue Bonds, 1989, issued pursuant to the 1989 Bond Ordinance, which remain  
6        outstanding in the principal amount of \$25,015,000.

7        "NRMSIR" means a nationally recognized municipal securities information repository.

8        "Net Revenues" means for any fiscal year or other period of time, the Gross Revenues and  
9        interest and profits derived from the investment of moneys held in the Bond Fund during such  
10       period less Operating Expenses for such period.

11       "Operating Expenses" means the current expenses incurred for operation, maintenance or  
12       repair of the System of a non-capital nature, and shall include, without limiting the generality of  
13       the foregoing, payments required by any water purchase agreements, source of supply expenses,  
14       fuel expenses, treatment, transmission and distribution expenses, customer accounts expenses,  
15       administrative and general expenses, insurance premiums, lease rentals, legal, regulatory, and  
16       engineering expenses, payments to pension, retirement, group life insurance, health and  
17       hospitalization funds or other employee benefit funds which are properly chargeable to current  
18       operations, interest on customers' deposits, payroll tax expenses and any other expenses required  
19       to be paid under the provisions of this ordinance or by law or permitted by standard practices for  
20       public utility systems similar to the properties and business of the System (adjusted to reflect  
21       public ownership) and applicable in the circumstances. Operating Expenses shall not include any  
22       allowances for depreciation or amortization or any principal, redemption price or purchase price  
23       of, or interest on, any obligations of the Municipality incurred in connection with and payable  
24       from Gross Revenues or Municipal Utility Service Assessments or any assessment levied in lieu of  
25       municipal taxes

26       "Outstanding Senior Lien Bonds" means the senior lien water revenue and refunding water  
27       revenue bonds identified in the recitals of this ordinance.



1       "Payments" mean:

2           (a) Amounts actually or constructively paid to acquire an investment.

3           (b) In the case of an investment that is first allocated to the Bonds or becomes  
4       subject to a rebate requirement on a date after it is actually acquired, the value of the  
5       investment on the date that it is first allocated to the Bonds.

6           (c) In the case of an investment that was allocated to the Bonds at the end of the  
7       preceding Computation Period, the value of that investment at the beginning of the  
8       Computation Period.

9           (d) On the last day of each Bond Year during which there are amounts allocated  
10      to the Bonds and subject to the rebate requirements, and on the final maturity date of the  
11      Bonds, a computation credit of \$1,000.

12          (e) Any Yield Reduction Payments.

13       "Rebate Amount" means the amount(s) computed pursuant to the Arbitrage and Tax  
14      Certification

15       "Refunded Bonds" means the 1989 Bonds maturing after August 1, 1998.

16       "Refunding Account" means the Account by that name in the Bond Fund created pursuant  
17      to Section 22 of this ordinance.

18       "Refunding Bonds" means the \$26,500,000 portion of the Bonds issued pursuant to this  
19      ordinance for the purpose of refunding the Refunded Bonds.

20       "Registered Owner" means the person named as the registered owner of a Bond in the  
21      Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed  
22      to be the sole Registered Owner.

23       "Registrar" means U.S. Bank Trust National Association, Seattle, Washington, and its  
24      successors appointed pursuant to Section 6 hereof.

25       "Reserve Account" means the Senior Lien Reserve Account created in the Senior Lien  
26      Bond Fund by Section 13 of Ordinance No. AO 84-136.

1        "Reserve Account Requirement" means an amount at least equal to the maximum Annual  
2 Debt Service Requirement on Senior Lien Parity Bonds. With respect to Senior Lien Parity  
3 Bonds, the determination of maximum Annual Debt Service shall consider the Annual Debt  
4 Service Requirement in all calendar years after the initial five-year period.

5        "Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of  
6 1934, as the same may be amended from time to time.

7        "Senior Lien Parity Bonds" means the Outstanding Senior Lien Bonds, the Bonds and any  
8 water revenue bonds, notes or other obligations of the Municipality, other than the Senior Lien  
9 Bonds, issued under an ordinance wherein the Municipality pledges that the payments to be made  
10 out of the Gross Revenues and moneys in the Water Fund into the Bond Fund and the Reserve  
11 Account therein to pay and secure the payment of the principal of and interest on such revenue  
12 bonds, notes or other obligations will be on a parity with the payments required by this ordinance  
13 to be made out of such Gross Revenues or Water Fund into such Bond Fund and Reserve  
14 Account to pay and secure the payment of the principal of and interest on the Senior Lien Bonds  
15 and the Outstanding Senior Lien Bonds.

16        "SID" means a state information depository for the State of Alaska (if one is created in the  
17 future)

18        "System" means the existing water utility system of the Municipality as the same may be  
19 added to, improved and extended for as long as any of the Senior Lien Parity Bonds are  
20 outstanding, but shall not include such water supply treatment, transmission and distribution  
21 facilities that may be hereafter purchased, constructed or otherwise acquired by the Municipality  
22 as a separate water utility system, the revenues of which may be pledged to the payment of bonds  
23 issued to purchase, construct or otherwise acquire and improve such separate system. \*

24        "Underwriter" means collectively, Prudential Securities Incorporated and O'Connor &  
25 Company Securities.

\* The term "System" also shall include the Municipality's wastewater utility  
if the Assembly in the future shall, by ordinance, combine the Municipality's  
water and wastewater utilities for financing purposes.

1       "Water Fund" means the special fund of that name created by Section 6 of Ordinance  
2 No. 1002 of the City of Anchorage (a predecessor to the Municipality) as such Section was  
3 amended by Section 12 of Ordinance No. AO 84-136.

4       "Yield Reduction Payments" means payments made to the United States in the manner  
5 permitted by Internal Revenue Service regulations that reduce the yield on investments.

6       Words importing the singular number include the plural number and vice versa.

7       Section 3     Authorization of Bonds and Purpose of Issuance. The purpose of this  
8 ordinance is to authorize the issuance and sale of not to exceed \$31,000,000 of senior lien water  
9 revenue and refunding bonds, to fix the form, date, payment dates, covenants and method of sale  
10 of said bonds and to provide for establishing the amount, redemption rights and maturities of said  
11 bonds (the "Bonds")

12       Section 4     Description of Bonds. The Improvement Bonds and the Refunding Bonds  
13 shall be combined and sold as a single issue and shall be designated "Municipality of Anchorage,  
14 Alaska, Senior Lien Water Revenue and Refunding Bonds, 1998," shall be issued in fully  
15 registered form in the denomination of \$5,000 or in integral multiples of \$5,000 within a maturity,  
16 provided no Bond shall represent more than one maturity, and shall be numbered separately in the  
17 manner and with such additional designation as the Registrar deems necessary for purposes of  
18 identification. The Bonds shall bear interest from their date payable on the first days of each  
19 February 1 and August 1, commencing on the interest payment date identified in the contract of  
20 purchase for the Bonds approved by the Chief Fiscal Officer and shall mature on August 1 and  
21 bear interest at the interest rates determined, all as provided in Section 20 of this ordinance.

22       A portion of the Bonds in the estimated aggregate principal amount of \$4,500,000 shall be  
23 designated as the Improvement Bonds. The proceeds of the Improvement Bonds shall be used to  
24 pay the costs of certain additions, betterments and extensions of the System which have been  
25 identified in the System's Capital Improvement Plan for the period 1998-2003.

26       The Improvement Bonds shall be deemed to mature on August 1 of the following years in  
27 the following estimated principal amounts:

<u>Year</u>	<u>Principal Amount</u>
1999	\$ 170,000
2000	180,000
2001	190,000
2002	195,000
2003	205,000
2004	215,000
2005	225,000
2006	235,000
2007	245,000
2008	255,000
2009	265,000
2010	280,000
2011	295,000
2012	305,000
2013	320,000
2014	340,000

1       The exact principal amount of the Improvement Bonds shall be determined at the time of  
2   marketing of the Improvement Bonds and shall be consistent with the pricing guidelines  
3   established in Section 20 of this ordinance.

4       For the purpose of refunding the Refunded Bonds and thereby effecting a substantial  
5   savings in debt service to the Municipality for the benefit of the ratepayers of the System, the  
6   Municipality shall issue the remaining portion of the Bonds, designated as the Refunding Bonds,  
7   in the aggregate principal amount of not to exceed \$26,500,000.

1           The Refunding Bonds shall be deemed to mature on August 1 of the following years in the  
2   following estimated principal amounts:

Year	Principal Amount
1998	\$ 365,000
1999	1,100,000
2000	1,150,000
2001	1,205,000
2002	1,250,000
2003	1,310,000
2004	1,370,000
2005	1,435,000
2006	1,495,000
2007	1,500,000
2008	1,635,000
2009	1,710,000
2010	1,785,000
2011	1,870,000
2012	1,960,000
2013	2,055,000
2014	2,160,000

3           The exact principal amount of the Refunding Bonds shall be determined at the time of  
4   marketing of the Refunding Bonds and shall be consistent with the pricing and savings guidelines  
5   established in Section 20 of this ordinance.

6           Section 5.   Registration, Transfer and Exchange.

7           (a)   Appointment of Registrar. The Bonds shall be issued only in registered  
8   form as to both principal and interest. U.S. Bank Trust National Association, Seattle,  
9   Washington, is appointed initially to serve as the authenticating agent, paying agent and bond  
10   registrar (the "Registrar"). The Municipality is hereby authorized to enter into a written  
11   agreement with the Registrar to evidence the Registrar's commitment to act as Registrar in  
12   accordance with the terms set forth in this ordinance and providing for the payment of the fees  
13   and expenses of the Registrar. The Registrar may be removed at any time at the option of the  
14   Municipality upon prior notice to the Registrar, the Bond Insurer, DTC, each NRMSIR and SID,  
15   if any, and a successor Registrar appointed. The Municipality will remove and replace the  
16   Registrar at any time at the request of the Bond Insurer for any breach of trust on the part of the

1 Registrar. Each Registrar shall warrant at the time of acceptance of its duties hereunder that it  
2 (i) is a trust company or bank in good standing located in or incorporated under the laws of a  
3 state of the United States; (ii) is duly authorized to exercise trust powers; (iii) is subject to  
4 examination by a federal or state authority; and (iv) will maintain a reported capital and surplus of  
5 not less than \$75,000,000 unless otherwise approved in writing by the Bond Insurer (for so long  
6 as the Municipal Bond Insurance Policy remains in full force and effect with respect to the  
7 Bonds). No resignation or removal of the Registrar shall be effective until a successor shall have  
8 been appointed and until the successor Registrar shall have accepted the duties of the Registrar  
9 hereunder

10 The Registrar shall keep, or cause to be kept, at its principal corporate trust office,  
11 sufficient books for the registration and transfer of the Bonds which shall at all times be open to  
12 inspection by the Municipality (the "Bond Register"). The Registrar is authorized, on behalf of  
13 the Municipality, to authenticate and deliver Bonds transferred or exchanged in accordance with  
14 the provisions of such Bonds and this ordinance and to carry out all of the Registrar's powers and  
15 duties under this ordinance. The Registrar shall be responsible for its representations contained in  
16 the Certificate of Authentication on the Bonds.

17 (b) Letter of Representations/Book-Entry System. In order to induce DTC to  
18 accept the Bonds as eligible for deposit at DTC, the Municipality has executed and delivered the  
19 Letter of Representations. The Bonds initially issued shall be held in fully immobilized form by  
20 DTC acting as depository pursuant to the terms and conditions set forth in the Letter of  
21 Representations

22 (c) Municipality and Registrar Not Responsible for DTC. Neither the  
23 Municipality nor the Registrar will have any responsibility or obligation to DTC participants or  
24 the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy  
25 of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC  
26 participant of any amount in respect of the principal or interest on the Bonds, any notice which is  
27 permitted or required to be given to Registered Owners under this ordinance (except such notices

1 as shall be required to be given by the Municipality to the Registrar and the Bond Insurer or to  
2 DTC), or any consent given or other action taken by DTC as the Registered Owner.

3 (d) DTC as Registered Owner. The Municipality and the Registrar, each in its  
4 discretion, may deem and treat the Registered Owner as the absolute owner thereof for all  
5 purposes, and neither the Municipality nor the Registrar shall be affected by any notice to the  
6 contrary. Payment of any such Bond shall be made only as described in this section, but such  
7 registration may be transferred as herein provided. All such payments made as described in this  
8 section shall be valid and shall satisfy and discharge the liability of the Municipality upon such  
9 Bond to the extent of the amount or amounts so paid. The Municipality and the Registrar shall be  
10 entitled to treat DTC as the absolute owner of all Bonds for all purposes of this ordinance and any  
11 applicable laws, notwithstanding any notice to the contrary received by the Registrar or the  
12 Municipality. Neither the Municipality nor the Registrar will have any responsibility or obligation,  
13 legal or otherwise, to any other party including DTC or its successor (or substitute depository or  
14 its successor), except to the Registered Owners.

15 (e) Use of DTC/Book-Entry System.

16 (1) *Bonds Registered in the Name Designated by DTC.* The Bonds  
17 shall be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond for  
18 each maturity in a denomination corresponding to the total principal therein designated to mature  
19 on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not  
20 thereafter be transferred except (i) to any successor of DTC or its nominee, *provided that* any  
21 such successor shall be qualified under any applicable laws to provide the service proposed to be  
22 provided by it, (ii) to any substitute depository appointed by the Municipality pursuant to  
23 subparagraph (2) below or such substitute depository's successor; or (iii) to any person as  
24 provided in paragraph (4) below.

25 (2) *Substitute Depository.* Upon the resignation of DTC or its  
26 successor (or any substitute depository or its successor) from its functions as depository or a  
27 determination by the Municipality that it is no longer in the best interest of owners of beneficial

1 interests in the Bonds to continue the system of book entry transfers through DTC or its  
2 ccessor (or any substitute depository or its successor), the Municipality may thereafter appoint  
3 a substitute depository. Any such substitute depository shall be qualified under any applicable  
4 laws to provide the services proposed to be provided by it.

5 (3) *Issuance of New Bonds to Successor/Substitute Depository.* In the  
6 case of any transfer pursuant to clause (i) or (ii) of paragraph (1) above, the Registrar shall, upon  
7 receipt of all outstanding Bonds, together with a written request on behalf of the Municipality,  
8 issue a single new Bond for each maturity of such Bonds then outstanding, registered in the name  
9 of such successor or such substitute depository, or their nominees, as the case may be, all as  
10 specified in such written request of the Municipality.

11 (4) *Termination of Book-Entry System.* In the event that (i) DTC or its  
12 successor (or substitute depository or its successor) resigns from its functions as depository, and  
13 no substitute depository can be obtained, or (ii) the Municipality determines that it is in the best  
14 interest of the owners of beneficial interests in the Bonds that they be able to obtain Bond  
15 certificates, the ownership of Bonds may then be transferred to any person or entity as herein  
16 provided, and the Bonds shall no longer be held in fully immobilized form. The Municipality shall  
17 deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue  
18 Bonds as herein provided in any authorized denomination. Upon receipt of all then Outstanding  
19 Bonds by the Registrar together with a written request on behalf of the Municipality to the  
20 Registrar, new Bonds shall be issued in such denominations and registered in the names of such  
21 persons as are requested in such written request.

22 (f) Transfer or Exchange of Registered Ownership; Change in Denominations.  
23 If the Bonds are no longer held in immobilized, book-entry form, the registered ownership of any  
24 Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is  
25 surrendered to the Registrar with the assignment form appearing on such Bond duly executed by  
26 the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory  
27 to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall



1 authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new  
2 Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and  
3 interest rate and for the same aggregate principal amount in any authorized denomination, naming  
4 as Registered Owner the person or persons listed as the assignee on the assignment form  
5 appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any  
6 Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate  
7 principal amount of Bonds of the same date, maturity and interest rate, in any authorized  
8 denomination. The Registrar shall not be obligated to transfer or exchange any Bond during the  
9 15 days preceding any interest payment date or principal payment date. No charge shall be  
10 imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or  
11 governmental charges related thereto.

12 (g) Registration Covenant. The Municipality covenants that, until all Bonds  
13 have been surrendered and canceled, it will maintain a system for recording the ownership of each  
14 Bond that complies with the provisions of Section 149 of the Code.

15 (h) Place and Medium of Payment. Both principal of and interest on the  
16 Bonds shall be payable in lawful money of the United States of America. For so long as all  
17 outstanding Bonds are registered in the name designated to the Municipality by DTC or its  
18 successors, payments of principal and interest thereon shall be made as provided in the Letter of  
19 Representations.

20 If the Bonds are no longer held in fully immobilized form, interest on the Bonds shall be  
21 paid by check or draft mailed (or by wire transfer to a Registered Owner of Bonds in the  
22 aggregate principal amount of \$1,000,000 or more, who so requests) to the Registered Owners of  
23 the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the  
24 15th day of the month preceding the interest payment date. Principal of the Bonds shall be  
25 payable upon presentation and surrender of the Bonds by the Registered Owners at the office  
26 designated by the Registrar.

1           Section 6       Right of Prior Redemption and Purchase.

2           The Bonds may be subject to optional or mandatory redemption prior to their scheduled  
3 maturity as determined in accordance with the terms of Section 20 of this ordinance.  
4 Notwithstanding the foregoing, the Municipality reserves the right, whenever it has money in the  
5 Water Fund over and above the amounts necessary to pay current Operating Expenses, costs of  
6 necessary additions, betterments and improvements to the System and replacements thereof when  
7 they are not to be financed by the issuance of bonds or notes, all payments required to be made  
8 into any bond fund or reserve account out of Gross Revenues or the moneys in the Water Fund,  
9 and all payments required for any other proper purposes in connection with the operation of the  
10 System, to use such money at any time to purchase any of the Senior Lien Parity Bonds for  
11 retirement, but only if the same may be purchased at a price (including brokerage and similar  
12 charges) deemed advantageous to the Municipality by its Chief Fiscal Officer.

13           Section 7       Notice of Redemption. Notice of any intended redemption of Bonds shall  
14 be given not less than 30 nor more than 45 days prior to the date fixed for redemption by United  
15 States mail to Registered Owners of the Bonds to be redeemed at their addresses as they appear  
16 on the Bond Register on the day the notice is mailed; *provided, however*, that for so long as the  
17 Bonds are registered in the name of Cede & Co. or its registered assigns, all notices shall be given  
18 only as provided in the Letter of Representations. The requirements of this section shall be  
19 deemed to be complied with when notice is mailed as herein provided, whether or not it is actually  
20 received by the Registered Owner.

21           All official notices of redemption shall be dated and shall state:

- 22                   (a)     the redemption date;  
23                   (b)     the redemption price;  
24                   (c)     if fewer than all outstanding Bonds are to be redeemed, the identification  
25 (and, in the case of partial redemption, the respective principal amounts per maturity) of the  
26 Bonds to be redeemed;

1 (d) that on the redemption date the redemption price will become due and  
2 payable upon each such Bond or portion thereof called for redemption, and that interest thereon  
3 shall cease to accrue from and after said date; and

4 (e) the place where such Bonds are to be surrendered for payment of the  
5 redemption price, which place shall be designated by the Registrar.

6 On or before any redemption date, the Municipality shall deposit with the Registrar an  
7 amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds  
8 which are to be redeemed on that date.

9 Official notice of redemption having been given as aforesaid, the Bonds or portions of  
10 Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption  
11 price therein specified, and from and after such date (unless the Municipality shall default in the  
12 payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.  
13 Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be  
14 paid by the Registrar at the redemption price. Installments of interest due on or prior to the  
15 redemption date shall be payable as herein provided for payment of interest. All Bonds which  
16 have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

17 In addition to the foregoing notice, further notice shall be given by the Registrar as set out  
18 below, but no defect in said further notice nor failure to give all or any portion of such further  
19 notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is  
20 given as above prescribed.

UNITED STATES OF AMERICA

No. \_\_\_\_\_ \$ \_\_\_\_\_

STATE OF ALASKA  
ANCHORAGE, ALASKA

## INTEREST RATE: MATURITY DATE: CUSIP NO.:

PRINCIPAL AMOUNT:

This bond is one of an issue of bonds (the "Bonds") of like date and tenor except as to number, rate of interest, and date of maturity, aggregating the principal sum of \$31,000,000 and is issued pursuant to the Constitution and statutes of the State of Alaska and the Home Rule Charter and duly adopted ordinances and resolutions of the Municipality, including particularly, Ordinance No. AO 98-\_\_\_ of the Municipality (the "Bond Ordinance") for the purpose of certain capital improvements to the Municipality's water utility system (the "System") and for the additional purpose of refunding certain outstanding senior lien water revenue and refunding bonds of the Municipality. The definitions contained in the Bond Ordinance shall apply to capitalized terms contained herein.

1 The bonds of this issue are subject to optional and/or mandatory redemption in the  
2 manner, at the times and at the redemption prices determined as provided in the Bond Ordinance.  
3

4 Notice of any such intended redemption shall be given in the manner agreed upon pursuant  
5 to the Letter of Representations and the Bond Ordinance. From and after the date fixed for  
6 redemption, interest on any Bonds so called for redemption shall cease to accrue, provided funds  
7 for such redemption are on deposit in the Bond Fund.  
8

9 The Municipality does hereby pledge and bind itself to set aside out of Gross Revenues  
10 and the money in the Water Fund and to pay into the Bond Fund the various amounts required by  
11 the Bond Ordinance to be paid into and maintained in said Fund all within the times provided in  
12 the Bond Ordinance. The Municipality has further pledged and bound itself to pay into such  
13 Water Fund, as collected, all Gross Revenues.  
14

15 The pledge of Gross Revenues and moneys in the Water Fund contained herein and in the  
16 Bond Ordinance may be discharged by making provision, at any time, for the payment of the  
17 principal of and interest on this bond in the manner provided in the Bond Ordinance.  
18

19 Said amounts so pledged to be paid out of said Water Fund into the Bond Fund are hereby  
20 declared to be a lien and charge upon the money in the Water Fund and Gross Revenues superior  
21 to all other charges of any kind or nature except Operating Expenses (other than Municipal Utility  
22 Service Assessments and successor payments in lieu of property taxes) and equal in rank to the  
23 lien and charge thereon for amounts pledged to the payment of the Senior Lien Water Revenue  
24 and Refunding Bonds, 1993, issued under date of December 1, 1993, and any Senior Lien Parity  
25 Bonds hereafter issued  
26

27 The Municipality has further bound itself to maintain the System in good condition and  
28 repair, to operate the same in an efficient manner and at a reasonable cost, and to establish,  
29 maintain and collect rates and charges for water service all other services or facilities furnished or  
30 supplied by the System in each fiscal year for as long as any Senior Lien Parity Bonds are  
31 outstanding that will provide Net Revenues in an amount equal to at least 1.35 times the amount  
32 of the Annual Debt Service Requirement for such year on all outstanding Senior Lien Parity  
33 Bonds.  
34

35 It is hereby certified that all acts, conditions and things required by the Constitution and  
36 statutes of the State of Alaska and the Home Rule Charter, resolutions and ordinances of the  
37 Municipality to be done precedent to and in the issuance of this bond have happened, been done  
38 and performed.  
39

1 IN WITNESS WHEREOF, Anchorage, Alaska, has caused this bond to be executed with  
2 the manual or facsimile signature of its Mayor and to be countersigned with the manual or  
3 facsimile signature of its Clerk and the official seal of the Municipality to be impressed or  
4 imprinted hereon, this first day of May, 1998.

5  
6 ANCHORAGE, ALASKA  
7  
8  
9

10 By /s/manual or facsimile signature  
11 Mayor  
12

13 Countersigned:  
14

15  
16 /s/manual or facsimile signature  
17 Clerk  
18

19 (Form of Certificate of Authentication)  
20

21 Date of Authentication  
22

23 This bond is one of the Anchorage, Alaska, Senior Lien Water Revenue and Refunding  
24 Bonds, 1998, described in and issued pursuant to the within mentioned Bond Ordinance.  
25

26 U.S. BANK TRUST NATIONAL ASSOCIATION,  
27 Registrar  
28  
29

30 By \_\_\_\_\_  
31 Authorized Signer  
32  
33

34 In the event the Bonds are no longer held in book-entry only form, the form of Bonds may  
35 be modified to conform to printing requirements and the terms of this ordinance.

36 Section 9. Execution of Bonds. The Bonds shall be executed on behalf of the  
37 Municipality with the manual or facsimile signature of the Mayor of the Municipality, attested  
38 with the manual or facsimile signature of the Municipal Clerk and authenticated by the manual  
39 signature of an authorized representative of the Registrar. The official seal of the Municipality  
40 shall be impressed or imprinted or otherwise reproduced on each Bond. In case any of the

1 officers who shall have signed, attested or registered any of the Bonds shall cease to be such  
2 officer before such Bonds have been actually issued and delivered, such Bonds shall be valid  
3 nevertheless and may be issued by the Municipality with the same effect as though the persons  
4 who had signed, attested or registered such Bonds had not ceased to be such officers.

5 Section 10. Lost, Stolen, Destroyed or Mutilated Bonds. In case any Bonds shall at  
6 any time become mutilated or be lost, stolen or destroyed, the Municipality in the case of such a  
7 mutilated Bond shall, and in the case of such a lost, stolen or destroyed Bond in its discretion  
8 may, execute and deliver a new Bond of the same interest rate and maturity and of like tenor and  
9 effect in exchange or substitution for and upon the surrender and cancellation of such mutilated  
10 Bond, or in lieu of or in substitution for such destroyed, stolen or lost Bond, or if such stolen,  
11 destroyed or lost Bond shall have matured, instead of issuing a substitute therefor, the  
12 Municipality may at its option pay the same without the surrender thereof. Except in the case  
13 where a mutilated Bond is surrendered, the applicant for the issuance of a substitute Bond shall  
14 furnish to the Municipality evidence satisfactory to it of the theft, destruction or loss of the  
15 original Bond, and of the ownership thereof, and also such security and indemnity as may be  
16 required by the Municipality, and no such substitute Bond shall be issued unless the applicant for  
17 the issuance thereof shall reimburse the Municipality for the expenses incurred by the Municipality  
18 in connection with the preparation, execution, issuance and delivery of the substitute Bond, and  
19 any such substitute Bond shall be equally and proportionately entitled to the security of this  
20 ordinance with all other Bonds issued hereunder, whether or not the Bond alleged to have been  
21 lost, stolen or destroyed shall be found at any time or be enforceable by anyone.

22 Section 11. Water Fund and Priority of Use of Gross Revenues. There has heretofore  
23 been created by Section 6 of Ordinance No. 1002 of the City of Anchorage, a special fund known  
24 as the "Water Fund." Gross Revenues and the moneys in the Water Fund are hereby pledged to  
25 and shall be used only for the following purposes and in the following order of priority:

26 First, to pay Operating Expenses except Municipal Utility Service Assessments or  
27 any assessment levied in lieu of municipal taxes;

1           Second, to make all payments, including sinking fund payments, required to be  
2   made into the Debt Service Account for the payment of the principal of and interest on any Senior  
3   Lien Parity Bonds;

4           Third, to make all payments required to be made into the Reserve Account;

5           Fourth, to make all payments, including sinking fund payments, required to be  
6   made into a subordinate lien debt service account for the payment of the principal of and interest  
7   on any subordinate lien bonds;

8           Fifth, to make all payments required to be made into a reserve account for  
9   subordinate lien bonds;

10          Sixth, to make all required payments of Municipal Utility Service Assessments or  
11   other assessments levied in lieu of municipal taxes; and

12          Seventh, to make payments not otherwise made as Operating Expenses into any  
13   fund or account to pay or secure the payment of debt service on general obligation bonds issued  
14   for System purposes, to pay the costs of additions, betterments, improvements and repairs to and  
15   extensions and replacements of the System, to make legally authorized payments into any other  
16   fund or account of the Municipality, to purchase or redeem water revenue bonds or notes of the  
17   Municipality, or for any other proper purpose in connection with the operation of the System.

18          Section 12    Anchorage Senior Lien Water Revenue Bond Fund and Accounts Therein.

19   There has heretofore been created a special fund of the Municipality known as the "Anchorage  
20   Senior Lien Water Revenue Bond Fund," (the "Bond Fund"), which fund is a trust fund to be  
21   drawn upon for the sole purpose of paying the principal of and interest and premium, if any, on  
22   the Senior Lien Parity Bonds. The Bond Fund consists of two accounts, the Debt Service  
23   Account and the Reserve Account. Amounts pledged to be paid into the Bond Fund are hereby  
24   declared to be a lien and charge upon Gross Revenues and the moneys in the Water Fund superior  
25   to all other charges of any kind or nature, except Operating Expenses, and equal in rank to the  
26   charge thereon to pay and secure the payment of the principal of and interest on the Outstanding  
27   Senior Lien Parity Bonds.



1 From and after the time of issuance and delivery of the Bonds and as long thereafter as any  
2 of the same remain outstanding, the Municipality hereby irrevocably obligates and binds itself to  
3 set aside and pay into the Debt Service Account out of Gross Revenues and moneys in the Water  
4 Fund or out of any other moneys legally available therefor on or before the 20th day of each  
5 month the following:

6 (a) Such amounts, in approximately equal monthly installments, as will be  
7 sufficient to accumulate the amount required to pay the interest scheduled to become due on the  
8 Senior Lien Parity Bonds on the next interest payment date; and

9 (b) Such amounts, in approximately equal monthly installments, as will be  
10 sufficient to accumulate (i) any required sinking fund installment, (ii) the amount required to pay  
11 the next maturing principal of all Senior Lien Parity Bonds, and (iii) the principal amounts of, and  
12 any redemption premium on, all Senior Lien Parity Bonds payable as a result of any mandatory  
13 redemption provisions, in each case during the next 12 months.

14 The Municipality may, at its option, credit the principal amounts of Senior Lien Parity  
15 Bonds purchased and retired pursuant to Section 6 of this ordinance against payments required by  
16 subparagraph (b) above to the extent that such payments are or could be applicable to the Senior  
17 Lien Parity Bonds so purchased and retired.

18 Moneys in the Debt Service Account may be held in cash or invested in Government  
19 Obligations or repurchase agreements of Government Obligations written with banks or insurance  
20 companies rated "A" or better which investments mature prior to the time such money is required  
21 for the payment of the principal of or interest on the Senior Lien Parity Bonds. All interest earned  
22 on and profits derived from such investments shall remain in and become a part of the Debt  
23 Service Account.

24 Section 13 Reserve Account. The Municipality hereby covenants and agrees that it  
25 will set aside and pay into the Reserve Account approximately equal monthly payments,  
26 commencing with the first month following the closing and delivery of the Bonds, so that the

1 amount on deposit in the Reserve Account will be at least equal to the Reserve Account  
2 Requirement no later than five years from the date of issuance of the Bonds.

3 The Municipality further covenants and agrees that in the event it issues any Senior Lien  
4 Parity Bonds hereafter it will provide in each ordinance authorizing the same that approximately  
5 equal monthly payments will be made into the Reserve Account out of the Water Fund so that  
6 within five years or less from the date of issuance of such Senior Lien Parity Bonds, the total  
7 amount of such payments together with the money already in the Reserve Account, including any  
8 amounts funded, will be equal to the Reserve Account Requirement.

9 The Municipality further covenants and agrees that when said required amounts have been  
10 deposited in the Reserve Account it will at all times maintain therein an amount at least equal to  
11 the Reserve Account Requirement until there is a sufficient amount in the Debt Service Account  
12 and Reserve Account to pay the principal of, premium, if any, and interest on all outstanding  
13 Senior Lien Parity Bonds, at which time the money in the Reserve Account may be used to pay  
14 such principal, premium, if any, and interest; provided, however, that moneys in the Reserve  
15 Account may be withdrawn, or set aside in a special account in the Bond Fund pursuant to  
16 Section 19 of this ordinance, to pay (with or without other available funds) the principal,  
17 premium, if any, and interest on all of the outstanding bonds of any single issue or series payable  
18 out of the Bond Fund, so long as the moneys remaining on deposit in the Reserve Account are at  
19 least equal to the Reserve Account Requirement on all of the remaining outstanding Senior Lien  
20 Parity Bonds. The Municipality may, from time to time, transfer from the Reserve Account to the  
21 Debt Service Account amounts in excess of the Reserve Account Requirement.

22 In the event there shall be a deficiency in the Debt Service Account for meeting maturing  
23 installments of either principal of or interest on, or mandatory redemption requirements on, Senior  
24 Lien Parity Bonds, such deficiency shall be made up from the Reserve Account by the withdrawal  
25 of cash therefrom. Any deficiency created in the Reserve Account by reason of any such  
26 withdrawal shall then be made up from the money in the Water Fund first available therefor after  
27 making necessary provision for the required payments into the Debt Service Account.

1 Investments in the Reserve Account shall be valued at amortized cost except that in the event of a  
2 deficiency in the Reserve Account caused by the withdrawal or transfer of moneys therefrom, the  
3 amount of such deficiency shall be determined by valuing all investments in the Reserve Account  
4 at the then market value.

5 All money in the Reserve Account may be kept in cash or invested in Government  
6 Obligations. Such investments shall mature not later than the last maturity of outstanding Senior  
7 Lien Parity Bonds outstanding at the time of said purchase. Interest on any such investments  
8 and/or any profits realized from the sale thereof shall be deposited in and become a part of the  
9 Debt Service Account

10 Section 14. Adequacy of Net Revenues. The corporate authorities of the Municipality  
11 hereby declare that in fixing the amounts to be paid into the Debt Service Account and Reserve  
12 Account hereinbefore provided for they have exercised due regard for Operating Expenses and  
13 have not obligated the Municipality to set aside and pay into said Debt Service Account and  
14 Reserve Account a greater amount of Gross Revenues than in their judgment will be available  
15 over and above Operating Expenses.

16 Section 15. Specific Covenants. The Municipality hereby makes the following  
17 covenants with the Registered Owner of each of the outstanding Bonds for as long as any of the  
18 same remain outstanding.

19 (a) The Municipality will establish, maintain and collect rates and charges for  
20 water and all other services or facilities furnished or supplied by the System in each fiscal year that  
21 will provide Net Revenues in an amount equal to at least 1.35 times the amount of the Annual  
22 Debt Service Requirement for such year on all outstanding Senior Lien Parity Bonds.

23 (b) The Municipality will at all times maintain, preserve and keep the System  
24 and every part and parcel thereof in good repair, working order and condition; will from time to  
25 time make or cause to be made all necessary and proper repairs, renewals and replacements  
26 thereto so that the business carried on in connection therewith may be properly and

1 advantageously conducted; and will at all times operate the System in an efficient manner and at a  
2 reasonable cost.

3 (c) The Municipality will at all times carry fire insurance and such other forms  
4 of insurance on such of the buildings, equipment, property and facilities of the System as are  
5 ordinarily insured in such amounts and with such deductibles as under good business practice are  
6 ordinarily carried on such buildings, equipment, property and facilities.

7 (d) The Municipality will not expend any of the money in the Water Fund for  
8 any extensions or betterments which are not economically sound and which will not contribute to  
9 the operation of the System in an efficient and economical manner unless such extensions or  
10 betterments are required by law or by any regulatory body having valid jurisdiction.

11 (e) The Municipality will keep and maintain proper books and accounts with  
12 respect to the operation of the System in such manner as prescribed by any authorities having  
13 jurisdiction over the System; will cause its books and accounts to be audited annually by a  
14 certified public accountant, copies of which audits shall, upon request, be furnished to the  
15 purchaser or purchasers or owners of the Senior Lien Parity Bonds. Said audit shall show  
16 whether or not the Municipality has in all respects performed and complied with the covenants set  
17 forth in this ordinance, including the payments into the Debt Service Account and Reserve  
18 Account herein provided for.

19 (f) All employees and agents of the Municipality collecting or handling money  
20 of the Municipality in connection with the management and operation of the System shall be  
21 bonded in an amount commensurate with the funds they handle and in an amount sufficient to  
22 protect the Municipality from loss.

23 (g) The Municipality will not sell or otherwise dispose of the System unless  
24 contemporaneously with such sale or disposal there shall be paid into the Bond Fund a sum  
25 sufficient to pay the principal of and interest on all Senior Lien Parity Bonds then outstanding to  
26 the date or dates on which they first may be redeemed, nor will it sell or otherwise dispose of any  
27 part of the System which is material to the production of Gross Revenues unless, in the opinion of

1 the Consulting Engineer, the remaining System will generate Gross Revenues sufficient to enable  
2 the Municipality to comply with the requirements of this ordinance and each ordinance  
3 authorizing the issuance of Senior Lien Parity Bonds.

4 (h) So long as any Senior Lien Parity Bonds are outstanding, the Municipality  
5 shall retain a Consulting Engineer on a continuous basis for the purpose of providing the  
6 Municipality with immediate and continuous engineering counsel in the operation of the System.  
7 In addition to other duties, the Consulting Engineer shall review the annual budget of the  
8 Anchorage Water Utility with regard to renewals and replacements of System facilities. Any  
9 recommendations made by the Consulting Engineer with respect to renewals and replacements  
10 and the amount budgeted thereof shall be given due consideration by the appropriate officials of  
11 the Municipality

12 Section 16. Tax Covenants.

13 (a) Covenants Regarding Arbitrage and Private Activity Bonds. The  
14 Municipality hereby covenants that it will not make any use of the proceeds of sale of the Bonds  
15 or any other funds of the Municipality which may be deemed to be proceeds of such Bonds  
16 pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within  
17 the meaning of said section and the applicable regulations thereunder. The Municipality will  
18 comply with the requirements of Section 148 of the Code (or any successor provision thereof  
19 applicable to the Bonds) and the applicable regulations thereunder throughout the term of the  
20 Bonds.

21 The Municipality further covenants that it will not take any action or permit any action to  
22 be taken that would cause the Bonds to constitute "private activity bonds" under Section 141 of  
the Code. The Municipality will take any action determined by the Municipality, after  
consultation with its bond counsel, to be legal and practicable and required to be taken by the  
25 Municipality under future federal laws or regulations in order to maintain the exemption of the  
26 interest on the Bonds from federal income taxation.

1 (b) *Arbitrage Rebate.*

2 (1) General Rule. The Municipality will pay to the United States of  
3 America in accordance with the provisions of this section (i) rebate installment payments which,  
4 when added to the future value as of the Computation Date of all previous rebate payments made  
5 with respect to the Bonds, equal at least 90% of the Rebatable Arbitrage with respect to the  
6 Bonds, and (ii) a final rebate installment payment in an amount which, when added to the future  
7 value of all previous rebate payments made with respect to the Bonds, equals 100% of the  
8 Rebatable Arbitrage.

9 (2) Computation of Rebatable Arbitrage. As of any Computation Date,  
10 the Rebatable Arbitrage for the Bonds is the excess of the future value, as of such date, of all  
11 Receipts over the future value, as of such date, of all Payments.

12 (3) Payment Procedure.

13 (i) The first rebate installment payment will be made for a  
14 Computation Date that is no later than five years after the issue date of the Bonds. Subsequent  
15 rebate installment payments will be made for a Computation Date that is not later than five years  
16 after the previous Computation Date for which rebate installment payment was made. Each  
17 rebate installment payment will be paid no later than 60 days after the Computation Date to which  
18 the payment relates.

19 (ii) A final rebate payment will be paid within 60 days of the  
20 date the Bonds are Discharged or such other period as is permitted by Internal Revenue Service  
21 regulations.

22 (iii) Each payment of Rebatable Arbitrage will be made to the  
23 Internal Revenue Service Center, Philadelphia, Pennsylvania 19225 and will be accompanied by  
24 IRS Form 8038-T

25 (c) Qualification Under Section 265(b). The Bonds shall not be designated as  
26 "qualifying tax exempt obligations" pursuant to Section 265(b) of the Code for investment by

1 financial institutions. The Municipality has issued and anticipates that it will issue more than  
2 \$10,000,000 in tax exempt obligations during 1998.

3 Section 17. Future Senior Lien Parity Bonds. The Municipality hereby further  
4 covenants and agrees with the owners of each of the Bonds for as long as the same remain  
5 outstanding that it will not issue any bonds having a greater or equal lien on Gross Revenues or  
6 the moneys in the Water Fund to pay and secure the payment of the principal of and interest on  
7 such bonds than the lien created thereon to pay and secure the payment of the principal of and  
8 interest on any then outstanding Senior Lien Parity Bonds except that the Municipality reserves  
9 the right to issue Senior Lien Parity Bonds as follows:

10 (a) For the purpose of acquiring, constructing and installing additions,  
11 betterments and improvements to and extensions of, acquiring necessary property and equipment  
12 for, or making necessary replacements or repairs to the System, for funding interest and reserves  
13 and for the purpose of refunding at or prior to their redemption or maturity any outstanding  
14 revenue bonds or notes of the Municipality that have a lien on Gross Revenues and the moneys in  
15 the Water Fund for the payment of the principal thereof and interest thereon junior and inferior to  
16 the lien on Gross Revenues and moneys in the Water Fund for the payment of the principal of and  
17 interest on outstanding Senior Lien Parity Bonds upon compliance with the following conditions:

18 (1) The Municipality will covenant in each ordinance authorizing the  
19 issuance of Senior Lien Parity Bonds that it will pay into and maintain in the Reserve Account the  
20 amounts required by Section 13 of this ordinance to be paid into and maintained in said Account  
21 in the event Senior Lien Parity Bonds are issued. The Municipality will also covenant in each  
22 such ordinance that it will establish, maintain and collect rates and charges sufficient to meet the  
23 same requirements as are contained in subsection (a) of Section 16 of this ordinance; and

24 (2) At the time of the issuance of such Senior Lien Parity Bonds, the  
25 Municipality shall have on file a certificate executed by a Consulting Engineer experienced in the  
26 construction and operation of municipal utilities (which certificate may not be dated more than  
27 30 days prior to the date of delivery of such Senior Lien Parity Bonds) showing that in his

1 professional opinion the "annual income available for revenue bond debt service," as hereinafter  
2 set forth, shall be at least equal to the greater of (i) 1.35 times the maximum Annual Debt Service  
3 Requirement on all outstanding Senior Lien Parity Bonds and the Senior Lien Parity Bonds being  
4 issued; or (ii) 1.10 times the maximum Annual Debt Service Requirement on all outstanding  
5 subordinate lien bonds, outstanding Senior Lien Parity Bonds and Senior Lien Parity Bonds to be  
6 issued.

7 Such "annual income available for revenue bond debt service" shall be determined by  
8 adding the following:

9 (i) The historical Net Revenues for any 12 consecutive months  
10 out of the 24 months immediately preceding the month of delivery of the Senior Lien Parity  
11 Bonds being issued.

12 (ii) The Net Revenues derived from those customers of the  
13 System that have become customers during such 12 consecutive-month period or thereafter and  
14 prior to the date of such certificate, adjusted to reflect an estimate of a full year's Net Revenues  
15 from each such customer to the extent such Net Revenues were not included in (i) above.

16 (iii) The estimated annual Net Revenues to be derived from any  
17 person, firm, association, private or municipal corporation under any executed contract for water  
18 service, which Net Revenues were not included in any of the sources of Net Revenues described  
19 in this paragraph (2).

20 (iv) The estimated annual Net Revenues to be derived from the  
21 operation of any additions or improvements to or extensions of the System under construction but  
22 not completed at the time of such certificate and not being paid for out of the proceeds of sale of  
23 such Senior Lien Parity Bonds being issued, and which Net Revenues were not otherwise included  
24 in any of the sources of Net Revenues described in this paragraph (2).

25 (v) The estimated annual Net Revenues to be derived from the  
26 operation of any additions and improvements to or extensions of the System being paid for out of  
27 the proceeds of sale of such Senior Lien Parity Bonds being issued.



1 In the event the Municipality will not derive any Gross Revenues as a result of the  
2 construction of the additions, improvements or extensions being or to be made to the System  
3 within the provisions of subparagraphs (iv) and (v) immediately above, the estimated Operating  
4 Expenses of such additions, improvements and extensions shall be deducted from such "annual  
5 income available for revenue bond debt service."

6 The computation of "annual income available for revenue bond debt service" shall be  
7 adjusted to reflect the water rates and charges effective on the date of such certificate or approved  
8 by the regulatory authority with jurisdiction to become effective thereafter if there has been any  
9 change in such rates and charges put into effect or so approved during or after such  
10 12-consecutive-month base period.

11 (3) That at the time of the issuance of such Senior Lien Parity Bonds  
12 there is no deficiency in the Debt Service Account or Reserve Account or in any subordinate lien  
13 debt service account or subordinate lien reserve account.

14 (b) For the purpose of refunding at or prior to their redemption or maturity any  
15 part or all of the then outstanding Senior Lien Parity Bonds if the issuance of such refunding  
16 Senior Lien Parity Bonds does not require a greater amount to be paid out of Gross Revenues or  
17 the moneys in the Water Fund for principal and interest over the life of such refunding Senior Lien  
18 Parity Bonds than is required to be paid out of such Gross Revenues and Water Fund for the  
19 principal and interest over the life of the Senior Lien Parity Bonds being refunded, and if the  
20 conditions required in paragraphs (a)(1) and (a)(3) of this section are complied with.

21 Proceeds of Senior Lien Parity Bonds to be used to fund interest or reserves shall be  
22 deposited in the Debt Service Account or the Reserve Account, as the case may be.

23 Section 18. Subordinate Lien Bonds. Nothing herein contained shall prevent the  
24 Municipality from issuing revenue bonds or notes which are a charge upon Gross Revenues and  
25 the moneys in the Water Fund subordinate or inferior to the payments required herein to be made  
26 therefrom into the Debt Service Account and Reserve Account, or from issuing water revenue  
27 bonds to refund maturing bonds for the payment of which moneys are not otherwise available.

1        Section 19.    Defeasance.    In the event that money and/or Acquired Obligations  
2 maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to  
3 redeem and retire any or all of the Bonds in accordance with their terms are set aside in a special  
4 trust account in the Bond Fund to effect such redemption or retirement and such money and the  
5 principal of and interest on such obligations are irrevocably set aside and pledged for such  
6 purpose, then no further payments need be made into the Bond Fund for the payment of the  
7 principal of and interest on such Bonds, and such Bonds shall cease to be entitled to any lien,  
8 benefit or security of this ordinance except the right to receive the funds so set aside and pledged,  
9 and such Bonds shall be deemed not to be outstanding hereunder or under any other ordinance  
10 authorizing the issuance of Senior Lien Parity Bonds.

11        Section 20    Sale of Bonds.    The Bonds shall be sold at negotiated sale to the  
12 Underwriter. The Chief Fiscal Officer of the Municipality is hereby authorized to negotiate terms  
13 for the purchase of the Bonds and execute a purchase contract with the Underwriter. The  
14 Assembly has been advised by the Underwriter that market conditions, which are particularly  
15 critical in maximizing the savings effected by the issuance of the Bonds, are fluctuating and, as a  
16 result, the most favorable market conditions may occur on a day other than a regular meeting date  
17 of the Assembly. The Assembly has determined that it would be inconvenient to hold a special  
18 meeting on short notice and, accordingly, has determined that it would be in the best interest of  
19 the Municipality to delegate to the Chief Fiscal Officer for a limited time the authority to approve  
20 final principal maturities on the Bonds and interest rates on the Bonds and other terms and  
21 conditions. The final interest rates for the Bonds shall be determined by agreement among the  
22 Underwriter, financial advisor and the Chief Fiscal Officer and shall be set forth as an exhibit to  
23 the purchase contract for the Bonds. The Mayor and/or the Chief Fiscal Officer are hereby  
24 authorized to approve the final principal maturities and final maturity amounts of the Bonds and  
25 the final interest rates and yields for the Bonds in the manner provided hereafter for so long as the  
26 net effective annual interest rate on the Bonds does not exceed 5.75% and the net present value of  
27 savings effected as a result of the issuance of the Refunding Bonds shall be at least equal to the

1 lesser of \$2,500,000 or 10% of the principal amount of the Refunding Bonds. In determining the  
2 maturities, principal amounts, redemption terms and rate or rates of interest of the Bonds, the  
3 Chief Fiscal Officer shall, in consultation with the Municipality's financial advisor, take into  
4 account those factors which, in his judgment, will result in the lowest net effective interest cost on  
5 the Bonds to their maturity, including, but not limited to current financial market conditions and  
6 current interest rates for obligations comparable in tenor and quality to the Bonds. The Chief  
7 Fiscal Officer is hereby authorized to execute the final form of the purchase contract for the  
8 Bonds, upon his approval of the final principal maturities on the Bonds, redemption provisions  
9 and the interest rates set forth therein. The authority granted to the Chief Fiscal Officer by this  
10 Section 20 shall expire in 90 days from the date of approval of this ordinance, and if final interest  
11 rates have not been approved by the Chief Fiscal Officer in accordance with the delegated  
12 authority of this Section 20 within 90 days, no final Bond terms shall be approved without further  
13 advice and consultation of the Assembly at a regular or special meeting.

14 Section 21. General Authorization to Municipal Officials. After the sale, the proper  
15 officials of the Municipality are hereby authorized and directed to do everything necessary to  
16 complete such sale and delivery of the Bonds to the Underwriter upon payment of the purchase  
17 price thereof

18 Section 22. Refunding Account. There is hereby authorized to be created in the Bond  
19 Fund an account known as the "Refunding Account" which account is to be drawn upon for the  
20 sole purpose of paying the interest on the Refunded Bonds until their date of redemption, paying  
21 the redemption price of the Refunded Bonds on the date of redemption of the Refunded Bonds  
22 and paying costs related to the refunding of the Refunded Bonds.

23 The proceeds of sale of the Refunding Bonds (exclusive of accrued interest thereon, which  
24 shall be paid into the Debt Service Account and used to pay interest on the Bonds on  
25 August 1, 1998) shall be credited to the Refunding Account.

26 Money in the Refunding Account shall be used immediately upon receipt thereof to  
27 defease the Refunded Bonds as authorized by the 1989 Bond Ordinance and pay costs of

1 issuance. The Municipality shall defease the Refunded Bonds and discharge such obligations by  
2 the use of money in the Refunding Account to purchase certain Acquired Obligations, bearing  
3 such interest and maturing as to principal and interest in such amounts and at such times which,  
4 together with any necessary beginning cash balance, will provide for the payment of:

5 (a) interest on the Refunded Bonds on August 1, 1998; and

6 (b) the redemption price (102% of the principal amount thereof) of the  
7 Refunded Bonds on August 1, 1998.

8 Such Acquired Obligations shall be purchased at a yield not greater than the yield  
9 permitted by the Code relating to acquired obligations in connection with refunding bond issues.

10 A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably  
11 with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of  
12 the Bonds remaining in the Refunding Account after acquisition of the Acquired Obligations and  
13 provision for the necessary beginning cash balance shall be utilized to pay expenses of the  
14 acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the  
15 Bonds.

16 Section 23. Call For Redemption of Refunded Bonds. The Municipality hereby  
17 irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds  
18 of the Bonds to make the payments described in Section 22 of this ordinance.

19 The Municipality hereby irrevocably calls the Refunded Bond for redemption on  
20 August 1, 1998 in accordance with the provisions of the 1989 Bond Ordinance authorizing the  
21 redemption and retirement of the Refunded Bonds prior to their fixed maturity.

22 Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after  
23 the final establishment of the escrow account and delivery of the Acquired Obligations to the  
24 Escrow Agent.

25 The Escrow Agent is hereby authorized and directed to provide for the timely giving of  
26 notice of the redemption of the Refunded Bonds in accordance with the applicable provisions of  
27 the 1989 Bond Ordinance. The Chief Fiscal Officer is authorized and requested to provide

1 whatever assistance is necessary to accomplish such redemption and the giving of notice therefor.  
2 The costs of publication of such notice shall be an expense of the Municipality.

3 The Escrow Agent is hereby authorized and directed to pay to the Chief Fiscal Officer, or,  
4 at the direction of the Chief Fiscal Officer, to the paying agent for the Refunded Bonds, sums  
5 sufficient to pay, when due, the payments specified in of Section 22 of this ordinance. All such  
6 sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent  
7 pursuant to Section 22 of this ordinance and the income therefrom and proceeds thereof. All such  
8 sums so paid to or at the direction of said Chief Fiscal Officer shall be credited to the Refunding  
9 Account. All moneys and Acquired Obligations deposited with said Escrow Agent and any  
10 income therefrom shall be held, invested (but only at the direction of the Chief Fiscal Officer) and  
11 applied in accordance with the provisions of the Escrow Agreement.

12 The Municipality will take such actions as are found necessary to see that all necessary and  
13 proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be  
14 paid when due.

15 In order to carry out the purposes of Section 22 of this ordinance and of this section, the  
16 Chief Fiscal Officer is authorized and directed to execute and deliver to the Escrow Agent a copy  
17 of the Escrow Agreement when the provisions thereof have been fixed and determined. Such  
18 agreement, when finally executed, shall be marked "Exhibit A," shall be attached to this ordinance  
19 and by this reference thereto is hereby made a part of this ordinance.

20 Section 24 Approval of Preliminary Official Statement. The Chief Fiscal Officer is  
21 hereby authorized to review and approve on behalf of the Municipality the preliminary Official  
22 Statement and to execute a certificate evidencing compliance with Securities and Exchange  
23 Commission Rule 15c2-12 relative to the Bonds with such additions and changes as may be  
24 deemed necessary or advisable to him. The proper officials of the Municipality are hereby  
25 authorized and directed to do everything necessary for the prompt execution and delivery of the  
26 Bonds to said purchaser and for the proper application and use of the proceeds of sale thereof.

1           **Section 25    Undertaking to Provide Ongoing Disclosure.**

2           (b)   **Contract/Undertaking.** This section constitutes the Municipality's written  
3   undertaking for the benefit of the Registered Owners of the Bonds as required by Section (b)(5)  
4   of the Rule.

5           (b)   **Financial Statements/Operating Data.** The Municipality agrees to provide  
6   or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the  
7   Commission in accordance with the Rule, annual financial information and operating data for the  
8   prior fiscal year (commencing in 1999 for the fiscal year ended December 31, 1998), including  
9   annual financial statements for the System prepared in accordance with generally accepted  
10   accounting principles as prescribed by the Government Accounting Standards Board (or its  
11   successor) from time to time and generally of the type included in the official statement for the  
12   Bonds under the in the tables titled "Number of Customers; Ten Largest Customers--Anchorage  
13   Water Utility--1997"; "Annual Production"; "1993-1998 Capital Improvement Program Financial  
14   Summary--Anchorage Water Utility"; "AWU Rate Increases"; "Current Water Rates--Anchorage  
15   Water Utility"; "Statement of Revenues, Expenses and Debt Service Coverage--Anchorage Water  
16   Utility", and "Revenue Bonds Debt Service--Anchorage Water Utility" or in the Comprehensive  
17   Annual Financial Report under comparable headings.

18          Such annual information and operating data described above shall be available on or  
19   before seven months from the end of each fiscal year. If the fiscal year of the Municipality is  
20   changed, the Municipality may adjust such date by providing written notice of the change of fiscal  
21   year and the new reporting date to each then existing NRMSIR and the SID, if any. In lieu of  
22   providing such annual financial information and operating data, the Municipality may  
23   cross-reference to other documents the Municipality provides to the NRMSIRs, the SID or to the  
24   Commission and, if such document is a final official statement within the meaning of the Rule,  
25   available from the MSRB.

26          If not provided as part of the annual financial information discussed above, the  
27   Municipality shall provide the Municipality's audited annual financial statements prepared in

1 accordance with generally accepted accounting principles as prescribed by the Government  
2 Accounting Standards Board (or its successor) from time to time when and if available to each  
3 then existing NRMSIR and the SID, if any.

4 (c) Material Events. The Municipality agrees to provide or cause to be  
5 provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of  
6 the occurrence of any of the following events with respect to the Bonds, if material:

- 7 • Principal and interest payment delinquencies;
- 8 • Non-payment related defaults;
- 9 • Unscheduled draws on Debt service reserves reflecting financial difficulties;
- 10 • Unscheduled draws on credit enhancements reflecting financial difficulties;
- 11 • Substitution of credit or liquidity providers, or their failure to perform;
- 12 • Adverse tax opinions or events affecting the tax-exempt status of the
- 13 Bonds;
- 14 • Optional, contingent or unscheduled Bond calls other than scheduled
- 15 sinking fund redemptions for which notice is given pursuant to Exchange
- 16 Act Release 34-23856;
- 17 • Modifications to rights of Registered Owners;

- 1 • Defeasances;
- 2 • Release, substitution or sale of property securing the repayment of the
- 3 Bonds; and
- 4 • Rating changes.

5 With respect to the notice regarding release, substitution or sale of property, the  
6 Municipality will state in its Preliminary and Final Official Statements that there is no property  
7 securing the repayment of the Bonds.

8 (d) Notice Upon Failure to Provide Financial Data. The Municipality agrees to  
9 provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the  
10 SID, if any, notice of its failure to provide the annual financial information described in  
11 subsection (b) above on or prior to the date set forth in subsection (b) above.

12 (e) Termination/Modification. The Municipality's obligations to provide  
13 annual financial information and notices of material events shall terminate upon the defeasance or  
14 payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if  
15 the Municipality (1) obtains an opinion of nationally recognized bond counsel to the effect that  
16 those portions of the Rule which require this section, or any such provision, are invalid, have been  
17 repealed retroactively or otherwise do not apply to the Bonds and (2) notifies each then existing  
18 NRMSIR and the SID, if any, of such opinion and the cancellation of this section.  
19 Notwithstanding any other provision of this ordinance, the Municipality may amend this  
20 Section 25 and any provision of this Section 25 may be waived, provided that the following  
21 conditions are satisfied

22 i If the amendment or waiver relates to the provisions of  
23 Section 25(b) or (c), it may only be made in connection with a change in circumstances that arises  
24 from a change in legal requirements, change in law, or change in the identity, nature or status of  
25 an obligated person with respect to the Bonds, or the type of business conducted;

26 ii The undertaking, as amended or taking into account such waiver,  
27 would, in the opinion of nationally recognized bond counsel, have complied with the requirements



1 of the Rule at the time of the original issuance of the Bonds, after taking into account any  
2 amendments or interpretations of the Rule, as well as any change in circumstances; and

3                   iii.       The amendment or waiver either (A) is approved by the Registered  
4 Owners in the same manner as provided in this ordinance for amendments to this ordinance with  
5 the consent of Registered Owners, or (B) does not, in the opinion of nationally recognized bond  
6 counsel, materially impair the interests of owners of the Bonds.

7           In the event of any amendment of or waiver of a provision of this Section 25, the  
8 Municipality shall describe such amendment in the next annual report, and shall include, as  
9 applicable, a narrative explanation of the reason for the amendment or waiver and its impact on  
10 the type (or in the case of a change of accounting principles, on the presentation) of financial  
11 information or operating data being presented by the Municipality. In addition, if the amendment  
12 relates to the accounting principles to be followed in preparing financial statements, (i) notice of  
13 such change shall be given in the same manner as for a material event under Subsection (c), and  
14 (ii) the annual report for the year in which the change is made should present a comparison (in  
15 narrative form and also, if practical, in quantitative form) between the financial statements as  
16 prepared on the basis of the new accounting principles and those prepared on the basis of the  
17 former accounting principles.

18           (f)       Registered Owner's Remedies Under This Section. A Registered Owner's  
19 right to enforce the provisions of this section shall be limited to a right to obtain specific  
20 enforcement of the Municipality's obligations hereunder, and any failure by the Municipality to  
21 comply with the provisions of this undertaking shall not be a default with respect to the Bonds  
22 under this ordinance

23       Section 26.   Approval of Official Statement. The Chief Fiscal Officer is hereby  
24 authorized and directed to review and approve on behalf of the Municipality a final official  
25 statement with respect to the Bonds.

26       Section 27.   Municipal Bond Insurance Policy. The payments of the principal of and  
27 interest on the Bonds may be insured by the issuance of the Municipal Bond Insurance Policy.

1 The Chief Fiscal Officer, with the assistance of the Underwriter, shall solicit proposals from  
2 municipal bond insurance companies, and the Chief Fiscal Officer, in consultation with the  
3 financial advisor, is hereby authorized to review such proposals and may select the proposal which  
4 is deemed to be the most cost effective and further to execute a commitment with such insurance  
5 company (the "Bond Insurer") which may include such covenants and conditions as shall be  
6 approved by the Chief Fiscal Officer.

7 Section 28. Amendatory and Supplemental Ordinances.

8 (a) The Assembly from time to time and at any time may adopt an ordinance or  
9 ordinances supplemental hereof, which ordinance or ordinances thereafter shall become a part of  
10 this ordinance, for any one or more of the following purposes:

11 (1) To add to the covenants and agreements of the Municipality in this  
12 ordinance contained, other covenants and agreements thereafter to be observed, or to surrender  
13 any right or power herein reserved to or conferred upon the Municipality.

14 (2) To make such provisions for the purpose of curing any ambiguities  
15 or of curing, correcting or supplementing any defective provision contained in this ordinance or in  
16 regard to matters or questions arising under this ordinance as the Assembly may deem necessary  
17 or desirable and not inconsistent with this ordinance and which shall not adversely affect the  
18 interest of the Registered Owners of any Senior Lien Parity Bonds.

19 (3) To provide for the issuance of Senior Lien Parity Bonds in a  
20 different form of book-entry obligations.

21 Any such supplemental ordinance of the Assembly may be adopted without the consent of  
22 the Registered Owner of any of the Senior Lien Parity Bonds at any time outstanding,  
23 notwithstanding any of the provisions of subsection (b) of this section.

24 (b) With the consent of the Registered Owners of not less than 60% in  
25 aggregate principal amount of any Senior Lien Parity Bonds at the time outstanding, the Assembly  
26 may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any

1 provisions to or changing in any manner or eliminating any of the provisions of this ordinance or  
2 of any supplemental ordinance; *provided, however*, that no such supplemental ordinance shall:

3 (1) Extend the fixed maturity of any of the Senior Lien Parity Bonds,  
4 or reduce the rate of interest thereon, or reduce the amount or change the date of any sinking fund  
5 payment requirement, or extend the time of payments of interest from their due date, or reduce  
6 the amount of the principal thereof, or reduce any premium payable on the redemption thereof,  
7 without the consent of the Registered Owner of each Senior Lien Parity Bond so affected; or

8 (2) Reduce the aforesaid percentage of Registered Owners of Senior  
9 Lien Parity Bonds required to approve any such supplemental ordinance without the consent of  
10 the Registered Owners of all of the Senior Lien Parity Bonds then outstanding; or

11 (3) Remove the pledge and lien of this ordinance on Gross Revenues or  
12 the moneys in the Water Fund.

13 It shall not be necessary for the consent of the Registered Owners of the Senior Lien  
14 Parity Bonds under this subsection (b) to approve the particular form of any proposed  
15 supplemental ordinance, but it shall be sufficient if such consent shall approve the substance  
16 thereof.

17 (c) Upon the adoption of any supplemental ordinance pursuant to the  
18 provisions of this section, this ordinance shall be deemed to be modified and amended in  
19 accordance therewith, and the respective rights, duties and obligations of the Municipality under  
20 this ordinance and all Registered Owners of Senior Lien Parity Bonds outstanding hereunder shall  
21 thereafter be determined, exercised and enforced thereunder, subject in all respects to such  
22 modification and amendment, and all the terms and conditions of any such supplemental ordinance  
23 shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

24 (d) Senior Lien Parity Bonds executed and delivered after the execution of any  
25 supplemental ordinance adopted pursuant to the provisions of this section may bear a notation as  
26 to any matter provided for in such supplemental ordinance, and if such supplemental ordinance  
27 shall so provide, new Senior Lien Parity Bonds so modified as to conform, in the opinion of the

1 Assembly, to any modification of this ordinance contained in any such supplemental ordinance  
2 may be prepared by the Municipality and delivered without cost to the owners of Senior Lien  
3 Parity Bonds then outstanding, upon surrender for cancellation of such Bonds or Senior Lien  
4 Parity Bond in equal aggregate principal amounts.

5 Section 29. Severability. If any one or more of the covenants or agreements provided  
6 in this ordinance to be performed on the part of the Municipality shall be declared by any court of  
7 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or  
8 agreements shall be null and void and shall be deemed separable from the remaining covenants and  
9 agreements in this ordinance and shall in no way affect the validity of the other provisions of this  
10 ordinance or of the Bonds.

11 Section 30. Issuance Subject to Compliance With Parity Conditions. The issuance of  
12 Bonds is conditioned upon compliance with the requirements of Section 17 of Ordinance  
13 No. AO 84-136(S), Section 17 of Ordinance No. AO 89-158 and Section 16 of Ordinance  
14 No. AO 93-144(S).

15 PASSED AND APPROVED by the Assembly of the Municipality of Anchorage this 5th  
16 day of May, 1998.

17 MUNICIPALITY OF ANCHORAGE, ALASKA  
18  
19

20  
21 By Fay Van Hemmingen  
22 Chair  
23

24 ATTEST:

25  
26 Lejane Ferguson  
27 Municipal Clerk

**EXHIBIT A  
ESCROW AGREEMENT**

**MUNICIPALITY OF ANCHORAGE, ALASKA  
SENIOR LIEN WATER REVENUE AND REFUNDING BONDS, 1998**

THIS ESCROW AGREEMENT, dated as of \_\_\_\_\_, 1998 (herein, together with any amendments or supplements hereto, called the "Agreement"), is entered into by and between the Municipality of Anchorage, Alaska (herein called the "Municipality"), and U.S. Bank Trust National Association, Seattle, Washington, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the Municipality and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

**WITNESSETH:**

WHEREAS, the Municipality heretofore has issued and there presently remain outstanding the obligations described in Exhibit B attached hereto (the "Refunded Bonds"); and

WHEREAS, pursuant to Ordinance No. 98-\_\_\_ passed on \_\_\_\_\_, 1998 (the "Bond Ordinance"), the Municipality has determined to issue its Senior Lien Water Revenue and Refunding Bonds, 1998 (the "Bonds") a portion of the proceeds of which will be used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, the Escrow Agent has reviewed the Bond Ordinance and this Agreement, and is willing to serve as Escrow Agent hereunder; and

WHEREAS, \_\_\_\_\_, Certified Public Accountants, of \_\_\_\_\_, have prepared a verification report which is dated \_\_\_\_\_ (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and

WHEREAS, pursuant to the Bond Ordinance, the Refunded Bonds have been designated for redemption prior to their scheduled maturity date and, after provision is made for such redemption, the Refunded Bonds will bear interest at such rate, and be payable at such times and in such amounts as are set forth in Exhibit C attached hereto and made a part hereof; and

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

**WHEREAS, the issuance, sale, and delivery of the Bonds have been duly authorized to be issued, sold and delivered for the partial purpose of obtaining the funds required to provide for the payment of the principal of and interest on the Refunded Bonds when due as shown on Exhibit C attached hereto; and**

**WHEREAS, the Municipality desires that, concurrently with the delivery of the Bonds to the purchasers thereof, a portion of the proceeds of the Bonds, together with certain other available funds of the Municipality, shall be applied to purchase certain noncallable direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and**

**WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Bonds as the same accrues and becomes payable and the principal of the Refunded Bonds as it becomes due and payable; and**

**WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Municipality desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and**

**WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions hereof;**

**NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the Municipality and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:**

## **Article 1. Definitions**

### **Section 1.1. Definitions.**

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Escrow Fund" means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means the noncallable direct obligations of the United States of America described in Exhibit D attached to this Agreement, or cash or other noncallable

direct obligations of the United States of America substituted therefor pursuant to Section 4.2 of this Agreement

"Government Obligations" means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed as to full and timely payment by the United States. The term "Government Obligations" shall not include mutual funds or unit investment trusts.

"Paying Agent" means U.S. Bank Trust National Association, as the successor paying agent for the Refunded Bonds.

#### **Section 1.2. Other Definitions.**

The terms "Agreement," "Municipality," "Escrow Agent," "Bond Ordinance," "Verification Report," "Refunded Bonds," and "Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

#### **Section 1.3. Interpretations.**

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

### **Article 2. Deposit of Funds and Escrowed Securities**

#### **Section 2.1. Deposits in the Escrow Fund.**

Concurrently with the sale and delivery of the Bonds, the Municipality shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds sufficient to purchase the Escrowed Securities described in Exhibit D attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Municipality in writing.

## **Article 3. Creation and Operation of Escrow Fund**

### **Section 3.1. Escrow Fund.**

The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the Municipality, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

### **Section 3.2. Payment of Principal and Interest.**

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Bonds at their redemption date and interest thereon to such redemption date in the amounts and at the time shown in Exhibit C attached hereto.

### **Section 3.3. Sufficiency of Escrow Fund.**

The Municipality represents that, based upon the information provided in the Verification Report, the receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit or scheduled to be on deposit in the Escrow Fund will be at all time sufficient to provide moneys for transfer to the Paying Agent at the times and in the amount required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on the optional redemption date prior to maturity, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2. hereof, the Municipality shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Municipality's failure to make additional deposits thereto.



### **Section 3.4. Trust Fund.**

The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account thereof shall at all times prior to termination of this Agreement be maintained on the books of the Escrow Agent. The owners of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Bonds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Municipality, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Municipality or, except to the extent expressly herein provided, by the Paying Agent.

## **Article 4. Limitation on Investments**

### **Section 4.1. Investments.**

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

### **Section 4.2. Substitution of Securities.**

At the written request of the Municipality, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or other noncallable governmental obligations of the type permitted to be used for defeasance for the Refunded Bonds by the 1989 Bond Ordinance. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of independent certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient, without reinvestment, to provide for the full and timely payment of principal and interest on the Refunded Bonds as they become due, taking into account the optional redemption thereof exercised by the Municipality in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of

its bond counsel or tax counsel to the effect that such transaction will not cause any of the Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1989, as amended or, if applicable, Section 103(c) of the Internal Revenue Code of 1954, as amended.

## **Article 5. Application of Cash Balances**

### **Section 5.1. In General.**

Except as provided in Sections 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in United States currency as cash balances as shown on the books and records of the Escrow Agent and shall not be reinvested by the Escrow Agent.

## **Article 6. Redemption of Refunded Bonds.**

### **Section 6.1. Call for Redemption.**

The Municipality hereby irrevocably calls the Refunded Bonds for redemption on August 1, 1998, as shown in the Verification Report and on Appendix A attached hereto.

### **Section 6.2. Notice of Redemption/Notice of Defeasance.**

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds pursuant to the terms of the Refunded Bonds and in substantially the forms attached hereto as Appendices A-1 and A-2 attached hereto and as described on said Appendices A-1 and A-2 to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the ordinance or resolution authorizing the Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

## **Article 7. Records and Reports.**

### **Section 7.1. Records.**

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

## **Section 7.2. Reports.**

While this Agreement remains in effect, the Escrow Agent monthly shall prepare and send to the Municipality a written report summarizing all transactions relating to the Escrow Fund, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of each calendar quarter.

## **Article 8. Concerning the Paying Agents and Escrow Agent**

### **Section 8.1. Representations.**

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

### **Section 8.2. Limitation on Liability.**

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligor of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Municipality promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the statements of the Municipality and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrant therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Municipality thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or failed to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Municipality with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Municipality or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Municipality at any time.

### **Section 8.3. Compensation.**

The Municipality shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached hereto as Appendix B. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

### **Section 8.4. Successor Escrow Agents.**

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Municipality, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall

have been appointed by the Municipality within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the Municipality, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any 1989 Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Municipality and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Municipality shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

## **Article 9. Miscellaneous**

### **Section 9.1. Notice.**

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed to the Municipality or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days' prior notice thereof.

### **Section 9.2. Termination of Responsibilities.**

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Municipality, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

### **Section 9.3. Binding Agreement.**

This Agreement shall be binding upon the Municipality and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the Municipality, the Escrow Agent and their respective successors and legal representatives.

### **Section 9.4. Severability.**

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

#### **Section 9.4.1. Alaska Law Governs.**

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Alaska.

### **Section 9.5. Time of the Essence.**

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

### **Section 9.6. Notice to Moody's and S&P.**

In the event that this Agreement or any provision thereof is severed, amended or revoked, the Municipality shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 99 Church Street, New York, New York, 10007, Attention: Public Finance Rating Desk/ Refunded Bonds and to Standard & Poor's, a Division of The McGraw Hill Companies, 25 Broadway, New York, New York 10004, Attention: Public Finance Rating Desk/Refunded Bonds.

### **Section 9.7. Amendments.**

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

**EXECUTED** as of the date first written above.

### **MUNICIPALITY OF ANCHORAGE, ALASKA**

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Soren Orley, Chief Fiscal Officer

### **U.S. BANK TRUST NATIONAL ASSOCIATION**

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Vice President

Exhibit A	-	Addresses of the Municipality and Escrow Agent
Exhibit B	-	Description of the 1989 Bonds
Exhibit C	-	Schedule of Debt Service on 1989 Bonds
Exhibit D	-	Description of Beginning Cash Deposit and Escrowed Securities
Exhibit E	-	Escrow Fund Cash Flow
Appendix A-1	-	Notice of Defeasance - 1989 Bonds
Appendix A-2	-	Notice of Redemption - 1989 Bonds
Appendix B	-	Fee Schedule

**EXHIBIT A**  
**Addresses of the Municipality and Escrow Agent**

**Municipality:** Municipality of Anchorage  
632 West Sixth Avenue  
Anchorage, Alaska 99501  
Attention: Chief Fiscal Officer

**Escrow Agent:** U.S. Bank Trust National Association  
601 Union Street, Suite 2120  
Seattle, Washington 98101  
Attention: Diana M. Woodard



**EXHIBIT B**  
**Description of the Refunded Bonds**

**Municipality of Anchorage, Alaska**  
**Senior Lien Refunding Water Revenue Bonds, 1989**

**("Refunded Bonds")**

<b>Maturity Year (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
1999	\$ 860,000	6.800%
2000	920,000	6.900
2005	5,660,000	7.125
2014	16,770,000	7.250

**EXHIBIT C**  
**Schedule of Debt Service on the Refunded Bonds**

<u>Date</u>	<u>Interest</u>	<u>Principal/ Redemption Price</u>	<u>Redemption Premium</u>	<u>Total</u>
August 1, 1998	\$ 870,530	\$ 24,210,000	\$ 484,200	\$ 25,564,730

# **EXHIBIT D** **Escrow Deposit**

**I. Cash - \$ .74**

## **II. Other Obligations**

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
SLG	August 1, 1998	\$	%	\$

## **III. Costs of Issuance**

[To be determined]

Bond Insurer .....	\$
Bond Counsel (PGE) .....	
Financial Advisor (Paine Webber) .....	
Rating Agency (Moody's) .....	
(S&P) .....	
Parity Certificate .....	
Official Statement (Printing/Mailing) .....	
Municipality Travel Expenses .....	
Auditor Consent letter (KPMG) .....	
Paying Agent Fee (U.S. Bank Trust) .....	
Escrow Verification .....	<u>          </u>
	\$ <u>          </u>

**EXHIBIT E**  
**Escrow Fund Cash Flow**

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Total Receipts</u>	<u>Cash Balance</u>
May __, 1998	--	\$	\$	\$
August 1, 1998	\$			

**APPENDIX A-1**  
**Notice of Defeasance**  
**Municipality of Anchorage, Alaska**  
**Senior Lien Refunding Water Revenue Bonds, 1989**

\$860,000 @ 6.80% DUE 8/1/99 CUSIP 033285MG9

\$920,000 @ 6.90% DUE 8/1/00 CUSIP 033285MH7

\$5,660,000 @ 7.125% DUE 8/1/05 CUSIP 033285MJ3

\$16,770,000 @ 7.25% DUE 8/1/14 CUSIP 033285MK0

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated May 27, 1998, by and between the Municipality of Anchorage (the "Municipality") and U.S. Bank Trust National Association (the "Escrow Trustee"), the Municipality has deposited into an escrow account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "1989 Defeased Bonds"). Such 1989 Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of Section 20 of Ordinance No. 89-158 of the Municipality, authorizing the issuance of the 1989 Defeased Bonds, but will be paid by application of the assets of such escrow account.

To be provided on mailer by Escrow Agent:

Bond Numbers of 1989 Defeased Bonds

Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. \_\_\_\_\_ of the 1989 bonds described above, which certificate is in the principal amount of \$ \_\_\_\_\_. Of that principal amount, \$ \_\_\_\_\_ has been defeased as described above.

\_\_\_\_\_, 1998

U.S. Bank Trust National Association, as Escrow Trustee

## APPENDIX A-2

### **Notice of Full Redemption\*** **Municipality of Anchorage, Alaska** **Senior Lien Refunding Water Revenue Bonds, 1989**

\$860,000 @ 6.80% DUE 8/1/99 CUSIP 033285MG9

\$920,000 @ 6.90% DUE 8/1/00 CUSIP 033285MH7

\$5,660,000 @ 7.125% DUE 8/1/05 CUSIP 033285MJ3

\$16,770,000 @ 7.25% DUE 8/1/14 CUSIP 033285MK0

NOTICE IS HEREBY GIVEN pursuant to the terms of the Resolution of the Municipality of Anchorage, Alaska, as Issuer, that the bonds listed below or on the attached Notice have been selected for Optional Redemption on August 1, 1998 (the Redemption Date) at a price of 102% of the principal amount (the Redemption Price) together with interest accrued to the Redemption Date.

Payment of the Redemption Price on the Bonds called for redemption will become due and payable on the Redemption Date upon presentation and surrender thereof in the following manner:

#### **If by Mail: (REGISTERED BONDS)**

U.S. Bank Trust National Association  
P.O. Box 64111  
St. Paul, MN 55164-0111

(612) 973-5800

#### **If by Hand or Overnight Mail:**

U.S. Bank Trust National Association  
180 East Fifth Street  
4th Floor - Bond Drop Window  
St. Paul, MN 55101

Bondholders presenting their bonds in person for same day payment **must** surrender their bond(s) by 1:00 P.M. on the Redemption Date and a check will be available for pick up after 2:00 P.M. Checks not picked up by 4:30 P.M. will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

\* This notice shall be given not more than 45 nor less than 30 days prior to August 1, 1998 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 35 days prior to August 1, 1998 to The Depository Trust Company, Midwest Securities Trust Company of Chicago, Illinois and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania or to their respective business successors.

Interest on the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

#### **IMPORTANT NOTICE**

Under the Interest and Dividend Tax Compliance Act of 1983 as amended by the Energy Policy Act of 1992, 31% will be withheld if tax identification number is not properly certified.

The Trustee shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice. It is included solely for convenience of the Holders.

By U.S. Bank Trust National Association  
as Registrar and Paying Agent

Date: July 1, 1998

**APPENDIX B**  
**Fee Schedule**

Escrow Agent Fee: \$ \_\_\_\_\_



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