

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

For Reading: April 13, 2004

Prepared by: Cynthia M. Weed  
Preston Gates & Ellis LLP

CLERK'S OFFICE

APPROVED

Date: 4-27-04

MUNICIPALITY OF ANCHORAGE, ALASKA

ORDINANCE NO. AO 2004-75

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE,  
ALASKA, PROVIDING FOR THE ISSUANCE OF  
WASTEWATER REVENUE AND REFUNDING BONDS OF  
THE MUNICIPALITY IN THE AGGREGATE AMOUNT OF  
NOT TO EXCEED \$35,000,000 FOR THE PURPOSE OF  
PROVIDING PART OF THE FUNDS TO REFUND CERTAIN  
OUTSTANDING WASTEWATER REVENUE BONDS OF THE  
MUNICIPALITY AND TO PROVIDE FOR CERTAIN  
IMPROVEMENTS TO THE WASTEWATER UTILITY AND  
TO PAY COSTS OF ISSUANCE; FIXING CERTAIN  
COVENANTS AND PROTECTIVE PROVISIONS  
SAFEGUARDING THE PAYMENT OF THE PRINCIPAL OF  
AND INTEREST ON SAID BONDS; PROVIDING FOR THE  
DATE, FORM, TERMS, MATURITIES AND MANNER OF  
SALE OF THE BONDS; DELEGATING TO THE CHIEF  
FISCAL OFFICER THE APPROVAL OF FINAL MATURITY  
AMOUNTS AND INTEREST RATES ON SAID BONDS;  
AUTHORIZING AN OFFICIAL STATEMENT; AUTHORIZING  
THE APPOINTMENT OF AN ESCROW AGENT AND THE  
EXECUTION OF AN ESCROW AGREEMENT;  
AUTHORIZING THE SALE OF SUCH BONDS; AMENDING  
ORDINANCE NO. AO 99-119(S); AND REPEALING  
ORDINANCE NO. AO 2003-104.

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

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

Authorizing Ordinance	Bond Designation	Date of Bonds	Original Principal Amount	Principal Amount Outstanding (4/01/04)
AO 99- 119(S)	Wastewater Revenue Bonds, 1999 ("1999 Bonds")	October 15, 1999	\$ 5,180,000	\$ 4,830,000

(the "Outstanding Parity Bonds"); and

WHEREAS, the 1999 Bonds issued pursuant to Ordinance No. AO 99-119(S) passed on October 12, 1999, (the "1999 Bond Ordinance"), mature in principal amounts and bear interest as follows:

Maturity Years (September 1)	Principal Amounts	Interest Rates
2004	\$ 90,000	4.750%
2005	90,000	4.875
2006	95,000	5.000
2007	100,000	5.100
2008	105,000	5.125
2009	110,000	5.250
2010	115,000	5.375
2011	125,000	5.400
2012	130,000	5.500
2013	140,000	5.625
2014	145,000	5.750
2015	155,000	5.875
2016	165,000	5.875
2017	175,000	6.000
2018	185,000	6.000
2019	195,000	6.000
2024	1,160,000	6.000
2029	1,550,000	6.000

1 ; and

2 WHEREAS, the 1999 Bond Ordinance authorizes the defeasance and optional  
 3 redemption of the 1999 Bonds maturing on or after September 1, 2010, in whole or in part on any  
 4 date on and after September 1, 2009 (the "Refunded Bonds") at the following applicable  
 5 redemption price, plus accrued interest, if any, to the date fixed for redemption

Redemption Dates (inclusive)	Redemption Prices
September 1, 2009 through August 31, 2010	101%
September 1, 2010 and thereafter	100

6 ; and

7 WHEREAS, as a result of changed market conditions it appears that substantial debt  
 8 service savings may be obtained by refunding the Refunded Bonds through the issuance of the  
 9 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, in order to effect such refunding in the most economical manner it is  
5 deemed necessary and advisable that the proceeds of the sale of the Refunding Bonds and, if  
6 necessary, other moneys available and required for refunding purposes be invested in obligations  
7 maturing in such amounts and at such times as are required to redeem and retire the Refunded  
8 Bonds; and

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

14 WHEREAS, the Municipality now deems it to be in the best interest of the inhabitants of  
15 the Municipality to provide for the financing of the Projects by the issuance of the bonds herein  
16 authorized (hereinafter defined as the "Improvement Bonds"); and

17 WHEREAS, it appears to the Assembly that it is in the best interest of the Municipality  
18 that the Improvement Bonds and Refunding Bonds be sold in a single issue of wastewater  
19 revenue and refunding bonds (hereinafter defined as the "Bonds") with an aggregate principal  
20 amount of not to exceed \$35,000,000; and

21 WHEREAS, Ordinance No. AO 99-119(S) permits the Municipality to issue bonds in the  
22 future on a parity with the Outstanding Parity Bonds upon compliance with the terms and  
23 conditions set forth in the Ordinance No. AO 99-119(S); and

1 WHEREAS, the Municipality has been assured that said conditions have or will be  
2 complied with prior to the closing and delivery of the Bonds; and

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

6 WHEREAS, Section 28 of Ordinance No. AO 99-119(S) provides it may be amended in  
7 regard to matters therein as the Assembly deems desirable which shall not adversely affect the  
8 interests of Registered Owners of any Bonds (as defined therein); and

9 WHEREAS, the Municipality passed and approved Ordinance No. AO 2003-104 on  
10 July 15, 2003 providing for the issuance of the Bonds; and

11 WHEREAS, the closing for the issuance of the Bonds was delayed by several months due  
12 to unforeseen circumstances; and

13 WHEREAS, it would be in the best interest of the Municipality to repeal Ordinance  
14 No. AO 2003-104 and replace it with this ordinance;

15 NOW, THEREFORE, THE MUNICIPALITY OF ANCHORAGE ORDAINS:

16 Section 1. Purpose. The purpose of this Series Ordinance is to authorize the issuance  
17 and sale of not to exceed \$35,000,000 of wastewater revenue and refunding bonds, to fix the  
18 form, covenants and method of sale of said bonds and to provide for establishing the amount,  
19 date, payment dates, redemption rights and maturities of said bonds. The purpose for the  
20 issuance of the wastewater revenue and refunding bonds authorized herein is to pay par of the  
21 cost of refunding the Refunded Bonds, to pay and reimburse the Municipality for the cost of the  
22 Projects described in Section 4 of this ordinance, to fund a portion of the Reserve Account  
23 Requirement, to capitalize interest on a portion of the Bonds and to pay costs of issuance.

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

3        ***Accreted Value*** means (1) with respect to any Capital Appreciation Bonds, as of any date  
4 of calculation, the sum of the amount set forth in the Series Ordinance as the amount  
5 representing the initial principal amount of such Capital Appreciation Bonds plus the interest  
6 accumulated, compounded and unpaid thereon as of the most recent compounding date, or  
7 (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount  
8 representing the initial public offering price of such Bonds plus the amount of discounted  
9 principal which has accreted since the date of issue. In each case the Accreted Value shall be  
10 determined in accordance with the provisions of the Series Ordinance authorizing the issuance of  
11 such Capital Appreciation Bonds.

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

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

19                (ii)    any bonds or other obligations of any state of the United States of America  
20 or of any agency, instrumentality or local governmental unit of any such state (a) which are not  
21 callable at the option of the obligor prior to maturity or as to which irrevocable instructions have  
22 been given to the trustee of such bonds or other obligations by the obligor to give due notice of  
23 redemption and to call such bonds for redemption on the date or dates specified in such

1 instructions, (b) which are fully secured as to principal and interest and redemption premium, if  
2 any, by a fund consisting only of cash or bonds or other obligations of the character described in  
3 clause (i) hereof which fund may be applied only to the payment of such principal of and interest  
4 and redemption premium, if any, on such bonds or other obligations on the maturity date or dates  
5 thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as  
6 appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the  
7 character described in clause (i) hereof which have been deposited in such fund along with any  
8 cash on deposit in such fund are sufficient to pay principal of and interest and redemption  
9 premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity  
10 date or dates thereof or on the redemption date or dates specified in the irrevocable instructions  
11 referred to in subclause (a) of this clause (ii), as appropriate.

12 ***Annual Debt Service*** means the total amount of Debt Service for any Parity Bond or  
13 series of Parity Bonds in any fiscal year or Base Period.

14 ***Annual Debt Service Requirement*** means, with respect to any particular year and to any  
15 specified bonds, an amount equal to:

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

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

20 (iii) all interest payable during such year on any such bonds outstanding,  
21 calculated on the assumption that mandatory redemptions of bonds for which no sinking fund  
22 installments have been established will be made in accordance with the mandatory call schedule,  
23 and that mandatory sinking fund installments will be applied to the redemption or retirement of

1 such bonds on the earlier of the date specified in such bonds or the first par call date. Such  
2 amount shall be net of any interest and principal funded out of bond proceeds.

3 ***Arbitrage and Tax Certification*** means the certificate of that name executed and  
4 delivered by the Municipality at the time of issuance and delivery of the Bonds.

5 ***Assembly*** means the general legislative authority of the Municipality, as the same may be  
6 constituted from time to time.

7 ***Balloon Maturity Bonds*** means any Parity Bonds which are so designated in the Series  
8 Ordinance pursuant to which such Parity Bonds are issued. Commercial paper (obligations with  
9 a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon  
10 Maturity Bonds.

11 ***Base Period*** means any consecutive 12-month period selected by the Municipality out of  
12 the 30-month period next preceding the date of issuance of an additional series of Parity Bonds.

13 ***Beneficial Owner*** means the beneficial owner of all or a portion of a Bond while such  
14 Bond is in book-entry only form.

15 ***Bond* or *Bonds*** means any of the wastewater revenue and refunding bonds of the  
16 Municipality the issuance and sale of which are authorized herein, consisting of the Improvement  
17 Bonds and the Refunding Bonds.

18 ***Bond Fund*** means the special fund heretofore created pursuant to Ordinance  
19 No. AO 99-119(S) and designated as the "Wastewater Revenue Bond Redemption Fund".

20 ***Bond Insurer*** means the insurance company, if any, issuing the Municipal Bond  
21 Insurance Policy with respect to the Bonds.

22 ***Bond Register*** means the registration books maintained by the Registrar containing the  
23 names and addresses of the Registered Owners of the Bonds.



1        **Bond Year** means each one-year period that ends on the date selected by the Chief Fiscal  
2 Officer. The first and last Bond Years may be short periods. If no day is selected by the Chief  
3 Fiscal Officer before the earlier of the final maturity date of the Bonds or the date that is five  
4 years after the date of the issuance of the Bonds, Bond Years end on each anniversary of the date  
5 of issue and on the final maturity date of the Bonds.

6        **Capital Appreciation Bonds** means Parity Bonds all or a portion of the interest on which  
7 is compounded, accumulated and payable only upon redemption or on the maturity date of such  
8 Parity Bonds. If so provided in the Series Ordinance authorizing their issuance, Parity Bonds  
9 may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on  
10 which Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding  
11 in a principal amount equal to their Accreted Value.

12        **Charter** means the Anchorage Municipal Charter as the same may be amended from time  
13 to time.

14        **Chief Fiscal Officer** means the chief fiscal officer of the Municipality appointed and  
15 confirmed pursuant to Section 5.05 of the Charter.

16        **Code** means the Internal Revenue Code of 1986, as amended, and all applicable  
17 regulations thereunder.

18        **Commission** means the Securities and Exchange Commission.

19        **Consultant** means at any time an independent consultant nationally recognized in  
20 wastewater utility matters or an engineer or engineering firm or other expert appointed by the  
21 Municipality to perform the duties of the Consultant as required by this ordinance. For the  
22 purposes of delivering any certificate required by Section 20 hereof and making the calculation  
23 required by Section 20 hereof, the term Consultant shall also include any independent national

1 public accounting firm appointed by the Municipality to make such calculation or to provide such  
2 certificate or nationally recognized financial advisor appointed by the Municipality for purposes  
3 of making such calculation.

4 **Coverage Requirement** means Net Revenues equal to or greater than 115% of the  
5 maximum Annual Debt Service with respect to all Parity Bonds.

6 **Credit Facility** means either or both a Qualified Letter of Credit or Qualified Insurance.

7 **Date of Commercial Operation** means the date upon which any facilities of the System  
8 are first ready for normal continuous operation or, if portions of the facilities are placed in  
9 normal continuous operation at different times, shall mean the midpoint of the dates of  
10 continuous operation of all portions of such facilities, as estimated by the Municipality or, if used  
11 with reference to facilities of the System to be acquired, shall mean the date on which such  
12 acquisition is final.

13 **Debt Service** means, for any period of time,

14 (a) with respect to any Outstanding Original Issue Discount Bonds or Capital  
15 Appreciation Bonds which are not designated as Balloon Maturity Bonds in the Series Ordinance  
16 authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value  
17 thereof maturing or scheduled for redemption in such period, and the interest payable during such  
18 period;

19 (b) with respect to any Outstanding Fixed Rate Bonds, an amount equal to  
20 (1) the principal amount of such Parity Bonds due or subject to mandatory redemption during  
21 such period and for which no sinking fund installments have been established, (2) the amount of  
22 any payments required to be made during such period into any sinking fund established for the  
23 payment of any such Parity Bonds, plus (3) all interest payable during such period on any such

1 Parity Bonds Outstanding and with respect to Parity Bonds with mandatory sinking fund  
2 requirements, calculated on the assumption that mandatory sinking fund installments will be  
3 applied to the redemption or retirement of such Parity Bonds on the date specified in the Series  
4 Ordinance authorizing such Parity Bonds;

5 (c) with respect to all other series of Parity Bonds Outstanding, other than  
6 Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically  
7 including but not limited to Balloon Maturity Bonds, an amount for any period equal to the  
8 amount which would have been payable for principal and interest on such Parity Bonds during  
9 such period computed on the assumption that the amount of Parity Bonds Outstanding as of the  
10 date of such computation would be amortized (i) in accordance with the mandatory redemption  
11 provisions, if any, set forth in the Series Ordinance authorizing the issuance of such Parity  
12 Bonds, or if mandatory redemption provisions are not provided, during a period commencing on  
13 the date of computation and ending on the date 30 years after the date of issuance (ii) at an  
14 interest rate equal to 80% of the yield to maturity set forth in the 40-Bond Index published in the  
15 edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the  
16 Municipality with the approval of the Consultant, if applicable) selected by the Municipality and  
17 published within ten days prior to the date of calculation or, if such calculation is being made in  
18 connection with the certificate required by Section 20 hereof, then within ten days of such  
19 certificate, (iii) to provide for essentially level annual debt service of principal and interest over  
20 such period; and

21 (d) the Municipality Payments required by contract to be paid to a Reciprocal  
22 Payor under any existing Derivative Product, offset by the Reciprocal Payments during the  
23 relevant period, on the assumption that if any such payment is not fixed at the time of execution

1 of the Derivative Product, the amount of such payment will be calculated at the Estimated  
2 Average Derivative Rate prevailing during the remaining term of the Derivative Product.

3 With respect to any Parity Bonds payable in other than U. S. Dollars, Debt Service shall  
4 be calculated as provided in the Series Ordinance authorizing the issuance of such Parity Bonds.  
5 Debt Service shall be net of any interest funded out of Parity Bond proceeds. Debt Service shall  
6 include reimbursement obligations to providers of Credit Facilities to the extent authorized in a  
7 Series Ordinance.

8 ***Derivative Facility*** means a letter of credit, an insurance policy, a surety bond or other  
9 credit enhancement device, given, issued or posted as security for the Municipality's obligations  
10 under one or more Derivative Products.

11 ***Derivative Payment Date*** means any date specified in the Derivative Product on which a  
12 Municipality Payment is due and payable under the Derivative Product.

13 ***Derivative Product*** means a written contract or agreement between the Municipality and  
14 a Reciprocal Payor, which provides that the Municipality's obligations thereunder will be  
15 conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment  
16 required thereunder when due and payable, and (ii) a default thereunder with respect to the  
17 financial status of the Reciprocal Payor; and

18 (a) under which the Municipality is obligated to pay, on one or more  
19 scheduled and specified Derivative Payment Dates, the Municipality Payments in exchange for  
20 the Reciprocal Payor's obligation to pay or to cause to be paid to the Municipality, on scheduled  
21 and specified Derivative Payment Dates, the Reciprocal Payments;

1 (b) for which the Municipality's obligations to make all or any portion of  
2 Municipality Payments may be secured by a pledge of and lien on Net Revenues on an equal and  
3 ratable basis with the Outstanding Parity Bonds;

4 (c) under which Reciprocal Payments are to be made directly into a bond fund  
5 for Outstanding Parity Bonds;

6 (d) for which the Municipality Payments are either specified to be one or more  
7 fixed amounts or are determined according to a formula set forth in the Derivative Product; and

8 (e) for which the Reciprocal Payments are either specified to be one or more  
9 fixed amounts or are determined according to a formula set forth in the Derivative Product.

10 ***Derivative Product Account*** means the Derivative Product Account, if any, created and  
11 established under a Series Ordinance.

12 ***DTC*** means The Depository Trust Company, New York, New York, a limited purpose  
13 trust company organized under the laws of the State of New York, as depository for the Bonds  
14 pursuant to Section 5 hereof.

15 ***Escrow Agent*** means the financial institution selected pursuant to the conditions set forth  
16 in Section 27 of this ordinance.

17 ***Escrow Agreement*** means the Escrow Agent Agreement pursuant to which the proceeds  
18 of the Refunding Bonds will be held by the Escrow Agent to defease the Refunded Bonds.

***Estimated Average Derivative Rate*** means:

(a) as to the variable rate payments to be made by a party under any Derivative Product,

(i) to the extent such variable rate payments have been made for a period of 12 months or more, the higher (in the case of variable rate Municipality Payments), or the lower (in the case of variable rate Reciprocal Payments) of:

(A) the weighted average rate of interest applicable to such payments during the immediately preceding 12-month period; or

(B) the rate applicable under the related Derivative Product as of the date of determination; or

(ii) to the extent such variable rate payments have not been made for a period of 12 months or more, the most current actual rate used in calculating such variable rate payments; and

(b) as to any Derivative Products which have been authorized to be entered into by the Municipality but have not yet been executed or become effective, the variable rate will be estimated by applying the variable rate formula specified in the contract to the most recently published rate for the floating rate index or other equivalent specified in the Derivative Product as the basis upon which the variable rate will be determined,

*provided that*, when the variable rate to be used in a Derivative Product is specified as the rate or rates applicable to one or more specified maturities of Parity Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified Parity Bonds, and *provided further that*, if two or more Derivative Products each specify the same index and formula for determining and setting

1 their respective variable rates, on the same dates, and for the same periods of time, and with  
2 respect to identical derivative principal amounts, all such Derivative Products shall be deemed to  
3 have the same Estimated Average Derivative Rate, calculated in accordance with  
4 paragraphs (a)(i) and (a)(ii) of this definition and, where applicable, with respect to the first of  
5 such Derivative Products to become effective.

6 ***Fiscal Year*** means the fiscal year of the Municipality which currently is the calendar  
7 year.

8 ***Fitch*** means Fitch, Inc., a corporation, organized and existing under the laws of the State  
9 of Delaware, its successors and their assigns, and, if such organization shall be dissolved or  
10 liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be  
11 deemed to refer to any other nationally-recognized securities rating agency (other than S&P or  
12 Moody's) designated by the Chief Fiscal Officer.

13 ***Fixed Rate Bonds*** means those Parity Bonds, other than Capital Appreciation Bonds,  
14 Original Issue Discount Bonds or Balloon Maturity Bonds issued under a Series Ordinance in  
15 which the rate of interest on such Parity Bonds is fixed and determinable through their final  
16 maturity or for a specified period of time. If so provided in the Series Ordinance authorizing  
17 their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their  
18 term.

19 ***Future Parity Bonds*** means revenue bonds or other revenue obligations issued by the  
20 Municipality in the future with a lien on Net Revenues equal to the lien thereon of the Bonds.

21 ***Government Obligations*** means any of the following: (i) any bonds or other obligations  
22 which, as to principal and interest, constitute direct obligations of, or are unconditionally  
23 guaranteed by, the United States of America; (ii) bonds, debentures, or other evidences of

1 indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter  
2 be created pursuant to an act of Congress as an agency or instrumentality of the United States of  
3 America; (iii) obligations of financial institutions insured by the federal government, to the  
4 extent insured; and (iv) bank certificates of deposit secured by obligations described in (i) and (ii)  
5 hereof.

6 **Gross Revenues** means all rates and charges and other income, (including income from  
7 Wastewater Fund investments) in each case derived by or for the account of the Municipality  
8 from the ownership, leasing or operation of the System, except proceeds from the sale of the  
9 bonds or notes, any grants received for the System and interest received and profits derived from  
10 the investment of moneys obtained from such sources or from moneys held in any fund solely to  
11 pay or secure the payment of any bonds or notes issued in connection with the System.

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

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

17 **Maximum Annual Debt Service** means, with respect to any Outstanding series of Parity  
18 Bonds the highest remaining Annual Debt Service for such series of Parity Bonds or Derivative  
19 Products, as the case may be.

20 **Mayor** means the Mayor of the Municipality, elected pursuant to Section 5.01 of the  
21 Charter.

22 **Municipal Manager** means the Municipal Manager of the Municipality.



1           **Moody's** means Moody's Investors Service, Inc., a corporation  
2 existing under and by virtue of the laws of the State of Delaware, and  
3 except that if such corporation shall be dissolved or liquidated or shall  
4 perform the functions of a securities rating agency, then the term Moody's shall mean  
5 any other nationally recognized securities rating agency (other than Fitch IBCA),  
6 Chief Fiscal Officer.

7           **MSRB** means the Municipal Securities Rulemaking Board  
8 and its staff.

9           **Municipal Bond Insurance Policy** shall mean the municipal bond insurance policy,  
10 if any, issued by the Bond Insurer insuring the payment when due of the  
11 principal of the Bonds as provided therein.

12           **Municipal Utility Service Assessments** means assessments levied by the Municipality  
13 pursuant to Ordinance No. AO 88-162, as amended by Ordinance No. AO 88-173, as the same may be  
14 amended from time to time and any successor assessments levied by the Municipality against the System,  
15 to be paid in lieu of property taxes for the System.

16           **Municipality** means Anchorage, Alaska, a municipal corporation organized under the  
17 Constitution and laws of the State of Alaska.

18           **Municipality Payment** means any payment, other than termination payments, made by or on behalf of the Municipality under a Derivative Product  
19 according to a formula set forth in a Derivative Product.  
20

21           **1999 Bond Ordinance** means Ordinance No. AO 99-119(S), passed by the Municipality on May 11, 1999.

1        **1999 Bonds** means the Municipality of Anchorage, Alaska, Wastewater Revenue Bonds,  
2        1999, issued pursuant to the 1999 Bond Ordinance, which remain outstanding in the principal  
3        amount of \$4,830,000.

4        **NRMSIR** means a nationally recognized municipal securities information repository.

5        **Net Proceeds**, when used with reference to the Bonds, means the principal amount of the  
6        Bonds, plus accrued interest and original issue premium, if any, and less original issue discount.

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

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

1 from Gross Revenues or Municipal Utility Service Assessments or any assessment levied in lieu  
2 of municipal taxes.

3 **Original Issue Discount Bonds** means Parity Bonds which are sold at an initial public  
4 offering price of less than 95% of their face value and which are specifically designated as  
5 Original Issue Discount Bonds in the Series Ordinance authorizing their issuance.

6 **Outstanding** when used with reference to Parity Bonds means all Parity Bonds  
7 authenticated and delivered under a Series Ordinance as of the time in question, except:

8 (a) All Parity Bonds theretofore cancelled or required to be cancelled under a  
9 Series Ordinance;

10 (b) Parity Bonds for the payment or redemption of which provision has been  
11 made in accordance with a Series Ordinance; provided that, if such Parity Bonds are being  
12 redeemed, the required notice of redemption shall have been given or irrevocable instructions  
13 therefor shall have been given to the Registrar; and

14 (c) Parity Bonds in substitution for which other Parity Bonds have been  
15 authenticated and delivered pursuant to a Series Ordinance.

16 **Outstanding Parity Bonds** means the Municipality of Anchorage, Alaska, Wastewater  
17 Revenue Bonds, 1999 described in the recitals of this ordinance.

18 **Owner** when all Bonds are held by a securities depository, means the beneficial owner of  
19 the Bond in question determined under the rules of that securities depository; otherwise **Owner**  
20 means Registered Owner.

21 **Parity Bonds** means the Outstanding Parity Bonds, the Bonds and any Future Parity  
22 Bonds.

1       **Private Person** means any natural person engaged in a trade or business or any trust,  
2       estate, partnership, association, company or corporation.

3       **Private Person Use** means the use of property in a trade or business by a Private Person if  
4       such use is other than as a member of the general public. Private Person Use includes ownership  
5       of the property by the Private Person as well as other arrangements that transfer to the Private  
6       Person the actual or beneficial use of the property (such as a lease, management or incentive  
7       payment contract or other special arrangement) in such a manner as to set the Private Person  
8       apart from the general public. Use of property as a member of the general public includes  
9       attendance by the Private Person at municipal meetings or business rental of property to the  
10      Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the  
11      rental paid by any Private Person who desires to rent the property. Use of property by nonprofit  
12      community groups or community recreational groups is not treated as Private Person Use if such  
13      use is incidental to the governmental uses of property, the property is made available for such use  
14      by all such community groups on an equal basis and such community groups are charged only a  
15      *de minimis* fee to cover custodial expenses.

16      **Projects** means the improvements made and to be made to the System, as described in  
17      Section 4 of this ordinance.

18      **Qualified Insurance** means any non-cancellable municipal bond insurance policy or  
19      surety bond issued by any insurance company licensed to conduct an insurance business in any  
20      state of the United States (or by a service corporation acting on behalf of one or more such  
21      insurance companies).

22      **Qualified Letter of Credit** means any irrevocable letter of credit issued by a financial  
23      institution, which institution maintains an office, agency or branch in the United States and as of

the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

**Rate Covenant** has the meaning given such term in Section 16(a) hereof.

**Rate Stabilization Account** means the special fund authorized to be created pursuant to Section 17 of Ordinance No. AO 99-119(S).

**Rating Agency** means Fitch, Moody's or S&P.

**Rating Category** means a generic rating category of the Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

**Rebate Amount** means the amount(s) computed pursuant to the Arbitrage and Tax Certification.

**Reciprocal Payment** means any payment to be made to, or for the benefit of, the Municipality under a Derivative Product by the Reciprocal Payor.

**Reciprocal Payor** means any bank or corporation whose guarantor maintains or who maintains for itself at least an "A" rating from each Rating Agency then maintaining a rating on Outstanding Parity Bonds and which is a party to a Derivative Product and which is obligated to make one or more Reciprocal Payments thereunder.

**Refunded Bonds** means some or all of the 1999 Bonds maturing on and after September 1, 2010.

**Refunding Account** means the Account by that name created pursuant to Section 26 of this ordinance.

**Refunding Bonds** means the portion of the Bonds issued pursuant to this ordinance for the purpose of refunding the Refunded Bonds.

**Refunding Candidates** means the 1999 Bonds maturing on and after September 1, 2010.

1       **Registered Owner** means the person named as the registered owner of a Bond in the Bond  
2 Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be  
3 the sole owner of the Bonds, except for purposes of Section 29 of this ordinance.

4       **Registrar** means U.S. Bank National Association, Seattle, Washington, and its successors  
5 appointed pursuant to Section 6 hereof.

6       **Reserve Account** means the special fund of that name heretofor created and maintained as  
7 described in Section 12 of Ordinance No. AO 99-119(S).

8       **Reserve Account Requirement** means an amount equal to the lesser of (i) 10% of the net  
9 proceeds of each series of Parity Bonds, (ii) Maximum Annual Debt Service (with respect to the  
10 series of Parity Bonds being secured by such Reserve Account Requirement), (iii) 1.25 times  
11 average Annual Debt Service (with respect to the series of Parity Bonds being secured by such  
12 Reserve Account Requirement) or (iv) such lesser amount as shall be required to maintain the  
13 exemption of interest of any Parity Bonds from taxation under the Code.

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

16       **S&P** means Standard & Poor's Ratings Services, a division of The McGraw-Hill  
17 Companies, and its successors and assigns, except that if such corporation shall be dissolved or  
18 liquidated or shall no longer perform the functions of a securities rating agency, then the term  
19 S&P shall be deemed to refer to any other nationally recognized securities rating agency (other  
20 than Moody's or Fitch) selected by the Chief Fiscal Officer.

21       **Series Ordinance** means Ordinance No. AO 99-119(S), this ordinance and any future  
22 ordinance of the Assembly authorizing the issuance of a series of Future Parity Bonds, as such  
23 ordinance(s) may thereafter be amended or supplemented.

**SID** means a state information depository for the State of Alaska (if one is created in the future).

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

**Underwriter** means Citigroup Global Markets Inc., Seattle, Washington and other underwriters, if any, which will be designated by the Chief Fiscal Officer.

**Wastewater Fund** means the special fund No. 550 maintained by the Municipality.

**Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this ordinance; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this ordinance as a whole and not to any particular Article, Section or subdivision hereof.

1        Section 3.      Compliance with Parity Conditions    The Municipality has reserved the  
2 right in Ordinance No. AO 99-119(S) to issue Future Parity Bonds upon compliance with certain  
3 conditions as set forth in Section 19 of Ordinance No. AO 99-119(S) (the "Parity Conditions").

4            The Assembly hereby finds and determines as follows:

5            That the Municipality has not have been in default of its Rate Covenant for the  
6 fiscal year immediately preceding the year of issuance of the Bonds (2003); and

7            That at the time of issuance of the Bonds, the Municipality shall have filed a  
8 verification with the Bond Counsel confirming fulfillment of the Coverage Requirement,  
9 commencing with the first full fiscal year following the Date of Commercial Operation of the  
10 Projects and for the following two fiscal years (such certificate delivered by the Municipality  
11 without a Consultant and based upon Net Revenues, from the financial statements of the  
12 Municipality for the Base Period, corroborated by the most recently audited financial statements  
13 of the System, audited by an independent certified public accounting firm.)

14            The Parity Conditions being complied with or assured, the Bonds shall have a lien and  
15 charge upon Net Revenues for the payment of the principal thereof and interest thereon equal to  
16 the lien and charge upon the Net Revenues of the Outstanding Parity Bonds.

17            The Municipality hereby further covenants and agrees that the Bonds will not be issued  
18 and delivered to the purchasers thereof as a bond on a parity with the Outstanding Parity Bonds  
19 until the certificate required herein, in form and contents satisfactory to the Municipality and its  
20 Bond Counsel, has been filed with the Municipality.

21        Section 4.      Authorization and Description of Bonds; Purposes.    The Municipality  
22 hereby authorizes the issuance and sale of not to exceed \$35,000,000 of wastewater revenue and  
23 refunding bonds (the "Bonds"), to be designated "Municipality of Anchorage, Alaska,



1 Wastewater Revenue and Refunding Bonds, 2004.” The Bonds shall be issued in fully registered  
2 form in the denomination of \$5,000 or in integral multiples of \$5,000 within a maturity, provided  
3 no Bond shall represent more than one maturity, and shall be numbered separately in the manner  
4 and with such additional designation as the Registrar deems necessary for purposes of  
5 identification. The Bonds shall bear interest from their date payable on the first days of each  
6 May and November, commencing on the interest payment date identified in the contract of  
7 purchase for the Bonds approved by the Chief Fiscal Officer and shall mature on May 1 and bear  
8 interest at the interest rates determined, all as provided in Section 23 of this ordinance.

9 The Bonds shall be deemed to mature on May 1 in the years and principal amounts set  
10 forth and approved in the contract of purchase for the Bonds approved by the Chief Fiscal Officer  
11 pursuant to Section 23 of this ordinance.

12 A portion of the Bonds in the estimated aggregate principal amount of not to exceed  
13 \$25,000,000 shall be designated as the Improvement Bonds. The proceeds of the Improvement  
14 Bonds shall be used to reimburse the Municipality for the costs of the certain additions,  
15 betterments and improvements to the System undertaken as a part of the 2001, 2002 and 2003  
16 capital improvement plans (approximately \$11.9 million); to pay a portion of the costs of the  
17 System’s 2004 through 2005 capital improvement plans (approximately \$4 million in general  
18 plant improvements, \$5 million in rehabilitation, repair and renovation of existing facilities; \$4  
19 million in trunk and interceptor facilities and \$100,000 in assessment district projects  
20 (collectively, the “Projects”); to fund a portion of the Reserve Account Requirement; to  
21 capitalize interest on a portion of the Bonds; and to pay costs of issuance.

22 For the purpose of refunding the Refunded Bonds and thereby effecting a substantial  
23 savings in debt service to the Municipality for the benefit of the ratepayers of the System, the

1 Municipality shall issue the remaining portion of the Bonds, designated as the Refunding Bonds,  
2 in the aggregate principal amount of not to exceed \$10,000,000.

3 The exact principal amount of the Bonds and the allocation of the principal amounts to  
4 Improvement Bonds and Refunding Bonds shall be determined at the time of marketing of the  
5 Bonds and shall be consistent with the pricing guidelines established in Section 23 of this  
6 ordinance.

7 Section 5. Place and Medium of Payment. The principal of and interest on the Bonds  
8 shall be payable in lawful money of the United States of America. Interest on the Bonds shall be  
9 calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are  
10 in book-entry only form, such payments of principal and interest thereon shall be made as  
11 provided in the operational arrangements of DTC as referred to in the Letter of Representations.

12 In the event that the Bonds are no longer in book-entry only form, interest on the Bonds  
13 shall be paid by check or draft mailed to the Registered Owners of the Bonds at the addresses for  
14 such Registered Owners appearing on the Bond Register on the 15th day of the month preceding  
15 the interest payment date. Principal of the Bonds shall be payable upon presentation and  
16 surrender of such Bonds by the Registered Owners at the principal office of the Registrar.

17 Section 6. Registration, Transfer and Exchange.

18 (a) *Appointment of Registrar.* The Bonds shall be issued only in registered  
19 form as to both principal and interest. U.S. Bank National Association, Seattle, Washington, is  
20 appointed initially to serve as the authenticating agent, paying agent and bond registrar (the  
21 "Registrar"). The Municipality is hereby authorized to enter into a written agreement with the  
22 Registrar to evidence the Registrar's commitment to act as Registrar in accordance with the  
23 terms set forth in this ordinance and providing for the payment of the fees and expenses of the

1 Registrar. The Registrar may be removed at any time at the option of the Municipality upon  
2 prior notice to the Registrar, the Bond Insurer, if any, DTC, each NRMSIR and SID, if any, and a  
3 successor Registrar appointed. Each Registrar shall warrant at the time of acceptance of its  
4 duties hereunder that it (i) is a trust company or bank in good standing located in or incorporated  
5 under the laws of a state of the United States; (ii) is duly authorized to exercise trust powers; and  
6 (iii) is subject to examination by a federal or state authority. No resignation or removal of the  
7 Registrar shall be effective until a successor shall have been appointed and until the successor  
8 Registrar shall have accepted the duties of the Registrar hereunder.

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

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

21 (c) *Municipality and Registrar Not Responsible for DTC.* Neither the  
22 Municipality nor the Registrar will have any responsibility or obligation to DTC participants or  
23 the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy

1 of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC  
2 participant of any amount in respect of the principal or interest on the Bonds, any notice which is  
3 permitted or required to be given to Registered Owners under this ordinance (except such notices  
4 as shall be required to be given by the Municipality to the Registrar and the Bond Insurer, if any,  
5 or to DTC), or any consent given or other action taken by DTC as the Registered Owner.

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

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

19 (1) *Bonds Registered in the Name Designated by DTC.* The Bonds  
20 shall be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond for  
21 each maturity in a denomination corresponding to the total principal therein designated to mature  
22 on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not  
23 thereafter be transferred except (i) to any successor of DTC or its nominee, *provided that* any

1 such successor shall be qualified under any applicable laws to provide the service proposed to be  
2 provided by it; (ii) to any substitute depository appointed by the Municipality pursuant to  
3 subparagraph (2) below or such substitute depository's successor; or (iii) to any person as  
4 provided in paragraph (4) below.

5 (2) *Substitute Depository.* Upon the resignation of DTC or its  
6 successor (or any substitute depository or its successor) from its functions as depository or a  
7 determination by the Municipality that it is no longer in the best interest of owners of beneficial  
8 interests in the Bonds to continue the system of book entry transfers through DTC or its  
9 successor (or any substitute depository or its successor), the Municipality may thereafter appoint  
10 a substitute depository. Any such substitute depository shall be qualified under any applicable  
11 laws to provide the services proposed to be provided by it.

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

18 (4) *Termination of Book-Entry System.* In the event that (i) DTC or its  
19 successor (or substitute depository or its successor) resigns from its functions as depository, and  
20 no substitute depository can be obtained, or (ii) the Municipality determines that it is in the best  
21 interest of the owners of beneficial interests in the Bonds that they be able to obtain Bond  
22 certificates, the ownership of Bonds may then be transferred to any person or entity as herein  
23 provided, and the Bonds shall no longer be held in book-entry only form. The Municipality shall

1 deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue  
2 Bonds as herein provided in any authorized denomination. Upon receipt of all then Outstanding  
3 Bonds by the Registrar together with a written request on behalf of the Municipality to the  
4 Registrar, new Bonds shall be issued in such denominations and registered in the names of such  
5 persons as are requested in such written request.

6 (f) *Transfer or Exchange of Registered Ownership; Change in*  
7 *Denominations.* If the Bonds are no longer held in immobilized, book-entry form, the registered  
8 ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be  
9 valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond  
10 duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a  
11 manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the  
12 surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or  
13 transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the  
14 same date, maturity and interest rate and for the same aggregate principal amount in any  
15 authorized denomination, naming as Registered Owner the person or persons listed as the  
16 assignee on the assignment form appearing on the surrendered Bond, in exchange for such  
17 surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged,  
18 without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and  
19 interest rate, in any authorized denomination. The Registrar shall not be obligated to transfer or  
20 exchange any Bond during the 15 days preceding any interest payment date or principal payment  
21 date. No charge shall be imposed upon Registered Owners in connection with any transfer or  
22 exchange, except for taxes or governmental charges related thereto.

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

4           Section 7.     Right of Prior Redemption and Purchase. The Bonds may be subject to  
5 optional or mandatory redemption prior to their scheduled maturity as determined in accordance  
6 with the terms of Section 23 of this ordinance. Notwithstanding the foregoing, the Municipality  
7 reserves the right, whenever it has money in the Wastewater Fund over and above the amounts  
8 necessary to satisfy the requirements of Section 12, First through Seventh, to use such money at  
9 any time to purchase any of the Bonds for retirement, but only if the same may be purchased at a  
10 price (including brokerage and similar charges) deemed advantageous to the Municipality by its  
11 Chief Fiscal Officer.

12           Section 8.     Notice of Redemption. Notice of any intended redemption of Bonds shall  
13 be given not less than 30 nor more than 45 days prior to the date fixed for redemption by United  
14 States mail to Registered Owners of the Bonds to be redeemed at their addresses as they appear  
15 on the Bond Register on the day the notice is mailed; *provided, however*, that for so long as the  
16 Bonds are held in book-entry only form, all notices shall be given only in accordance with the  
17 operational requirements then in effect at DTC, as referred to in the Letter of Representations.  
18 Neither the Municipality nor the Registrar will provide any notices to Beneficial Owners. The  
19 requirements of this section shall be deemed to be complied with when notice is mailed as herein  
20 provided, whether or not it is actually received by the Registered Owner or any Beneficial  
21 Owner.

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

23           (a)     the redemption date;

(b) the redemption price;

(c) if fewer than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts per maturity) of the Bonds to be redeemed;

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

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

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

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

In addition to the foregoing notice, further notice shall be given by the Registrar as set out below, but no defect in said further notice nor failure to give all or any portion of such further



notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Section 9. Form of Bonds. The Bonds shall be in substantially the following form with such additions and modifications as shall be appropriate to reflect the final negotiated terms of the Bonds.

## UNITED STATES OF AMERICA

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

\$ \_\_\_\_\_

STATE OF ALASKA  
ANCHORAGE, ALASKA

## WASTEWATER REVENUE AND REFUNDING BOND, 2004

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE &amp; CO.

PRINCIPAL AMOUNT:

Anchorage, Alaska (the "Municipality"), a municipal corporation of the State of Alaska, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or its registered assigns, solely out of the special fund of the Municipality known as the "Wastewater Revenue Bond Fund" (the "Bond Fund") created by authority of Ordinance No. AO 2004-75 of the Municipality (the "Bond Ordinance") on the Maturity Date identified above, the Principal Amount indicated above together with interest thereon at the Interest Rate shown above, payable on \_\_\_\_\_ 1, 2004, and semiannually thereafter on the first days of \_\_\_\_\_ and \_\_\_\_\_, or until such Principal Amount shall have been paid or duly provided for. Payments of principal of and interest on this bond shall be made as provided in The Depository Trust Company Operational Arrangements Memorandum dated December 12, 1994, as amended from time to time and referred to in the Blanket Issuer Letter of Representations dated July 1, 1995, between the Municipality and The Depository Trust Company (together, the "Letter of Representations") for so long as this bond is held in book entry only form. U.S. Bank National Association, Seattle, Washington has been appointed as the authentication agent, paying agent and registrar for the bonds of this issue (the "Registrar").

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 \$ \_\_\_\_\_ and is issued pursuant to the Constitution and statutes of the State of Alaska and the Home Rule

1 Charter and duly adopted ordinances and resolutions of the Municipality, including particularly,  
2 the Bond Ordinance for the purpose of paying the costs of and reimbursing the Municipality for  
3 costs of capital improvements to the Municipality's wastewater utility (the "System") and for the  
4 additional purpose of refunding certain outstanding wastewater revenue bonds of the  
5 Municipality. The definitions contained in the Bond Ordinance shall apply to capitalized terms  
6 contained herein.

7  
8 The bonds of this issue are subject to optional and/or mandatory redemption in the  
9 manner, at the times and at the redemption prices determined as provided in the Bond Ordinance.

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

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

20  
21 The amounts so pledged to be paid out of said Wastewater Fund into the Bond Fund are  
22 hereby declared to be a lien and charge upon the money in the Wastewater Fund and Gross  
23 Revenues superior to all other charges of any kind or nature except Operating Expenses  
24 (specifically excluding Municipal Utility Service Assessments and successor payments in lieu of  
25 property taxes) and equal in lien to the Municipality's outstanding Wastewater Revenue Bonds,  
26 1999 issued under date of October 15, 1999 and any revenue bonds of the Municipality issued in  
27 the future on a parity therewith and herewith.

28  
29 It is hereby certified that all acts, conditions and things required by the Constitution and  
30 statutes of the State of Alaska and the Home Rule Charter, resolutions and ordinances of the  
31 Municipality to be done precedent to and in the issuance of this bond have happened, been done  
32 and performed.

1 IN WITNESS WHEREOF, Anchorage, Alaska, has caused this bond to be executed with  
2 the manual or facsimile signature of its Municipal Manager or Mayor and to be countersigned  
3 with the manual or facsimile signature of its Clerk and the official seal of the Municipality to be  
4 impressed or imprinted hereon, this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

5  
6 ANCHORAGE, ALASKA

7  
8  
9 By /s/manual or facsimile signature  
10 [Municipal Manager][Mayor]

11  
12 Countersigned:

13  
14  
15 /s/manual or facsimile signature  
16 Clerk

17  
18 (Form of Certificate of Authentication)

19  
20 Date of Authentication:

21  
22 This bond is one of the Municipality of Anchorage, Alaska, Wastewater Revenue and  
23 Refunding Bonds, 2004, described in and issued pursuant to the within mentioned Bond  
24 Ordinance.

25  
26 U.S. BANK NATIONAL ASSOCIATION,  
27 Registrar

28  
29  
30 By \_\_\_\_\_  
31 Authorized Signer

32  
33 In the event the Bonds are no longer held in book-entry only form, the form of Bonds may  
34 be modified to conform to printing requirements and the terms of this ordinance.

35 Section 10. Execution of Bonds. The Bonds shall be executed on behalf of the  
36 Municipality with the manual or facsimile signature of the Municipal Manager or Mayor of the  
37 Municipality, attested with the manual or facsimile signature of the Municipal Clerk and  
38 authenticated by the manual signature of an authorized representative of the Registrar. The  
39 official seal of the Municipality shall be impressed or imprinted or otherwise reproduced on each

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

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

1        Section 12. Wastewater Fund and Priority of Use of Gross Revenues. There has  
2 heretofore been created and maintained by the Municipality a special fund No. 550 known as the  
3 “Wastewater Fund.” Gross Revenues and the moneys in the Wastewater Fund are hereby  
4 pledged to and shall be used only for the following purposes and in the following order of  
5 priority:

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

8                Second, to make all payments, including sinking fund payments, required to be  
9 made into the Bond Fund for the payment of the principal of and interest on any Parity Bonds  
10 and any publicly offered revenue bonds issued on a parity of lien therewith;

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

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

15               Fifth, to make all payments required to be made into a reserve account for bonds  
16 subordinate to the Bonds;

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

19               Seventh, to repay all loans received by the Municipality from the Alaska Clean  
20 Water Fund; and

21               Eighth, to make payments not otherwise made as Operating Expenses into any  
22 fund or account to pay or secure the payment of debt service on general obligation bonds issued  
23 for System purposes, to pay the costs of additions, betterments, improvements and repairs to and

1 extensions and replacements of the System, to make legally authorized payments into any other  
2 fund or account of the Municipality, to purchase or redeem wastewater revenue bonds or notes of  
3 the Municipality, or for any other proper purpose in connection with the operation of the System.

4 Section 13. Bond Fund and Account Therein. There has heretofore been created  
5 pursuant to Ordinance No. AO-119(S) and maintained a special fund of the Municipality known  
6 as the "Wastewater Revenue Bond Redemption Fund" (the "Bond Fund"), which fund is a trust  
7 fund to be drawn upon for the sole purpose of paying the principal of and interest and premium,  
8 if any, on all Parity Bonds. The Bond Fund includes a special account therein to be designated as  
9 the Reserve Account.

10 The Municipality hereby obligates and binds itself irrevocably to set aside and to pay (to  
11 the extent not otherwise provided) into the Bond Fund, certain fixed amounts from Net  
12 Revenues, without regard to any fixed proportion of said revenues, sufficient to pay the principal  
13 of and premium, if any, and interest on all Parity Bonds from time to time outstanding as the  
14 same respectively become due and payable either at the maturity thereof or in accordance with  
15 the terms of any sinking fund provided for the retirement of term Parity Bonds. The payments  
16 into the Bond Fund for the payment of the Parity Bonds shall constitute a charge and lien upon  
17 Net Revenues of equal rank with the charge and lien on said Net Revenues for the payments  
18 required to be made into the Bond Fund for the payment of the principal of, premium, if any, and  
19 interest on any Future Parity Bonds.

20 The Municipality hereby irrevocably obligates and binds itself to set aside and pay into  
21 the Bond Fund out of Net Revenues or out of any other moneys legally available therefor on or  
22 before the date on which any payment of Annual Debt Service is due such amounts as will be

1 sufficient to pay Annual Debt Service scheduled to become due on the date of maturity of such  
2 Parity Bonds.

3       The Bond Fund shall be drawn upon solely for the purpose of paying the principal of and  
4 premium, if any, and interest on Parity Bonds. Moneys set aside from time to time with the  
5 Registrar for such payments shall be held in trust for the owners of the Parity Bonds in respect of  
6 which the same shall have been so set aside. Until so set aside, all moneys in the Bond Fund  
7 shall be held in trust for the benefit of the owners of all Parity Bonds at the time outstanding  
8 equally and ratably.

9       Section 14. Reserve Account. The Municipality hereby covenants and agrees that it  
10 will set aside and pay into the Reserve Account from proceeds of the Bonds or otherwise, an  
11 amount, so that the amount on deposit in the Reserve Account will be at least equal to the  
12 Reserve Account Requirement no later than the date of issuance of the Parity Bonds.

13       The Reserve Account Requirement may be maintained by deposits of cash, a Qualified  
14 Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the  
15 Municipality obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash  
16 or securities in the Reserve Account, all or a portion of the money on hand in the Reserve  
17 Account shall be transferred to the fund or account, specified by the Chief Fiscal Officer within  
18 the limitations permitted by Section 19 of this ordinance. In computing the amount on hand in  
19 the Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at  
20 the face amount thereof, and all other obligations purchased as an investment of moneys therein  
21 shall be valued at cost. As used herein, the term "cash" shall include U.S. currency, cash  
22 equivalents and evidences thereof, including demand deposits, certified or cashier's check; and

1 the deposit to the Reserve Account may be satisfied by the transfer of qualified investments to  
2 such account.

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

9 The Municipality further covenants and agrees that when said required amounts have  
10 been deposited in the Reserve Account it will at all times maintain therein an amount at least  
11 equal to the Reserve Account Requirement until there is a sufficient amount in the Bond Fund,  
12 including the Reserve Account, to pay the principal of, premium, if any, and interest on all  
13 outstanding 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 22 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 with respect to all of the remaining Parity Bonds  
20 then Outstanding. The Municipality may, from time to time, transfer from the Reserve Account  
21 to the Bond Fund amounts in excess of the Reserve Account Requirement.

22 In the event there shall be a deficiency in the Bond Fund for meeting maturing  
23 installments of either principal of or interest on, or mandatory redemption requirements on,



1 Parity Bonds, such deficiency shall be made up from the Reserve Account by the withdrawal of  
2 cash therefrom, and then from a drawing on any Qualified Letter of Credit or Qualified  
3 Insurance. Any deficiency created in the Reserve Account by reason of any such withdrawal  
4 shall then be made up from the money in the Wastewater Fund first available therefor after  
5 making necessary provision for the required payments into the Bond Fund. Investments in the  
6 Reserve Account shall be valued at amortized cost except that in the event of a deficiency in the  
7 Reserve Account caused by the withdrawal or transfer of moneys therefrom, the amount of such  
8 deficiency shall be determined by valuing all investments in the Reserve Account at the then  
9 market value.

10 All money in the Reserve Account may be kept in cash or invested in Government  
11 Obligations. Such investments shall mature not later than the last maturity of outstanding Parity  
12 Bonds outstanding at the time of said purchase. Interest on any such investments and/or any  
13 profits realized from the sale thereof shall be deposited in and become a part of the Reserve  
14 Account.

15 Section 15. Adequacy of Net Revenues. The corporate authorities of the Municipality  
16 hereby declare that in fixing the amounts to be paid into the Bond Fund hereinbefore provided for  
17 they have exercised due regard for Operating Expenses and have not obligated the Municipality  
18 to set aside and pay into said Bond Fund a greater amount of Net Revenues than in their  
19 judgment will be available over and above Operating Expenses and such other payments.

20 Section 16. Specific Covenants. The Municipality hereby makes the following  
21 covenants with the Registered Owner of each of the outstanding Parity Bonds for as long as any  
22 of the same remain outstanding.

1                   (a)     *Rate Covenant.* The Municipality will establish, maintain and collect rates  
2 and charges for wastewater treatment service and all other services or facilities furnished or  
3 supplied by the System in each fiscal year that will provide Net Revenues in an amount equal to  
4 at least 1.15 times the Annual Debt Service Requirement for such year on all outstanding Parity  
5 Bonds.

6                   (b)     *Maintenance of System.* The Municipality will at all times maintain,  
7 preserve and keep the System and every part and parcel thereof in good repair, working order and  
8 condition; will from time to time make or cause to be made all necessary and proper repairs,  
9 renewals and replacements thereto so that the business carried on in connection therewith may be  
10 properly and advantageously conducted; and will at all times operate the System in an efficient  
11 manner and at a reasonable cost.

12                  (c)     *Insurance.* The Municipality will at all times carry fire insurance and such  
13 other forms of insurance on such of the buildings, equipment, property and facilities of the  
14 System as are ordinarily insured in such amounts and with such deductibles as under good  
15 business practice are ordinarily carried on such buildings, equipment, property and facilities.

16                  (d)     *Use of Money in Wastewater Fund.* The Municipality will not expend any  
17 of the money in the Wastewater Fund for any extensions or betterments which are not  
18 economically sound and which will not contribute to the operation of the System in an efficient  
19 and economical manner unless such extensions or betterments are required by law or by any  
20 regulatory body having valid jurisdiction.

21                  (e)     *Books and Accounts.* The Municipality will keep and maintain proper  
22 books and accounts with respect to the operation of the System in such manner as prescribed by  
23 any authorities having jurisdiction over the System; will cause its books and accounts to be

1 audited annually by a certified public accountant, copies of which audits shall, upon request, be  
2 furnished to the purchaser or purchasers or owners of the Parity Bonds. Said audit shall show  
3 whether or not the Municipality has in all respects performed and complied with the covenants  
4 set forth in this ordinance, including the payments into the Bond Fund and Reserve Account  
5 herein provided for.

6 (f) *Bonded Employees and Agents.* All employees and agents of the  
7 Municipality collecting or handling money of the Municipality in connection with the  
8 management and operation of the System shall be bonded in an amount commensurate with the  
9 funds they handle and in an amount sufficient to protect the Municipality from loss.

10 (g) *Disposal of Properties.* The Municipality will not mortgage, sell, lease, or  
11 in any manner encumber or dispose of all or substantially all the property of the System  
12 (voluntarily or involuntarily), unless provision is made for payment into the Bond Fund of a sum  
13 sufficient to pay the principal of, premium, if any, and interest on all outstanding bonds payable  
14 therefrom, nor will it mortgage, sell, lease, or in any manner encumber or dispose of (including  
15 but not limited to a disposition by transfer to another public or private organization) voluntarily  
16 or involuntarily any part of the System that is used, useful and material to the operation of the  
17 System unless

18 (i) the Municipality certifies, based upon reasonable expectations, that  
19 the remaining assets of the System shall be sufficient to continue regular operations of the  
20 Municipality on a financially sound basis for a period of at least five years, and

21 (ii) provision is made for replacement thereof or for payment into the  
22 Bond Fund of the total amount of revenue received which shall not be less than an amount which  
23 shall bear the same ratio to the amount of outstanding Parity Bonds as the greater of:

1 (1) the Net Revenues for such outstanding Parity Bonds for the  
2 12 months preceding such sale, lease, encumbrance or disposal from the portion of the System  
3 sold, leased, encumbered or disposed of bears to the Net Revenues for such Parity Bonds from  
4 the entire System for the same period;

5 (2) the Gross Revenues for the 12 months preceding such sale,  
6 lease, encumbrance or disposal from the portion of the System sold, leased, encumbered or  
7 disposed of bears to the Gross Revenues of the System for the same period;

8 (3) the proportion of assets (on a depreciated basis) allocable to  
9 the assets being sold, leased, encumbered or disposed of bears to the total assets of the System; or

10 (4) the proportion of customers of the Municipality allocable to  
11 the assets being sold, leased, encumbered or disposed of bears to the total number of customers  
12 of the System, *provided, however*, that the Municipality may dispose of any portion of the  
13 facilities of the System up to an aggregate of five percent of the book value of the total assets of  
14 the System without the requirement for any deposit to the Bond Fund as hereinabove provided.

15 Any such moneys so paid into the Bond Fund shall be used to retire such outstanding  
16 Parity Bonds at the earliest possible date. Any money received by the Municipality as  
17 condemnation awards, insurance proceeds or the proceeds of sale, if not deposited to the Bond  
18 Fund, shall be used for the replacement of facilities of the System.

1           Section 17.   Tax Covenants.

2                   (a)   *Covenants Regarding Arbitrage and Private Activity Bonds.*   The  
3   Municipality hereby covenants that it will not make any use of the proceeds of sale of the Bonds  
4   or any other funds of the Municipality which may be deemed to be proceeds of such Bonds  
5   pursuant to Section 148 of the Code which will cause the Bonds to be “arbitrage bonds” within  
6   the meaning of said section and the applicable regulations thereunder.   The Municipality will  
7   comply with the requirements of Section 148 of the Code (or any successor provision thereof  
8   applicable to the Bonds) and the applicable regulations thereunder throughout the term of the  
9   Bonds.

10           The Municipality will take any action determined by the Municipality, after consultation  
11   with its bond counsel, to be legal and practicable and required to be taken by the Municipality  
12   under future federal laws or regulations in order to maintain the exemption of the interest on the  
13   Bonds from federal income taxation.

14                   (b)   *Arbitrage Rebate.*   The Municipality shall compute and pay the Rebate  
15   Amount, if necessary, as provided in the Arbitrage and Tax Certification.

16                   (c)   *Qualification Under Section 265(b) of the Code.*   The Municipality has not  
17   designated the Bonds as “qualifying tax-exempt obligations” pursuant to Section 265(b) of the  
18   Code for investment by financial institutions.   The Municipality anticipates that it will issue more  
19   than \$10,000,000 in tax exempt obligations during 2004.

20                   (d)   *Private Person Use Limitation for Bonds.*   The Municipality covenants  
21   that for as long as the Bonds are outstanding, it will not permit:

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

1 (2) More than 10% of the principal or interest payments on the Bonds  
2 in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be  
3 used for any Private Person Use or secured by payments in respect of property used or to be used  
4 for any Private Person Use, or (B) derived from payments (whether or not made to the  
5 Municipality) in respect of property, or borrowed money, used or to be used for any Private  
6 Person Use.

7 The Municipality further covenants that, if:

8 (3) More than five percent of the Net Proceeds of the Bonds are to be  
9 used for any Private Person Use; and

10 (4) More than five percent of the principal or interest payments on the  
11 Bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement)  
12 directly or indirectly:

13 (A) secured by any interest in property used or to be used for  
14 any Private Person Use or secured by payments in respect of property used or to be used for any  
15 Private Person Use, or

16 (B) derived from payments (whether or not made to the  
17 Municipality) in respect of property, or borrowed money, used or to be used for any Private  
18 Person Use, then, (i) any Private Person Use of the Projects described in subsection (3) hereof or  
19 Private Person Use payments described in subsection (4) hereof that is in excess of the five  
20 percent limitations described in such subsections (3) or (4) will be for a Private Person Use that  
21 is related to the state or local governmental use of the Projects, and (ii) any Private Person Use  
22 will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental  
23 use portion of such Projects to which the Private Person Use of such portion of the Projects

1 relates. The Municipality further covenants that it will comply with any limitations on the use of  
2 the Projects by other than state and local governmental users that are necessary, in the opinion of  
3 its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of  
4 this section are specified solely to assure the continued exemption from regular income taxation  
5 of the interest on the Bonds.

6       Section 18. Rate Stabilization Account. The Municipality has heretofore authorized,  
7 by Section 17 of Ordinance No. 99-119(S), to be created a separate fund of the Municipality  
8 designated as the "Rate Stabilization Account" in order to even out fluctuations in Net Revenues  
9 and help to alleviate the need for short-term rate adjustments. Money in the Rate Stabilization  
10 Account will be transferred as determined from time to time by the Municipality. The  
11 Municipality may make payments into the Rate Stabilization Account from the Wastewater Fund  
12 at any time. Money in the Rate Stabilization Account may be withdrawn at any time and used for  
13 the purpose for which the Gross Revenue may be used. Amounts withdrawn from the Rate  
14 Stabilization Account shall increase Gross Revenue for the period for which they are withdrawn,  
15 and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the  
16 period for which they are deposited. Credits to or from the Rate Stabilization Account that occur  
17 within 90 days after the end of a Fiscal Year may be treated as occurring within such Fiscal Year.  
18 Earnings on the Rate Stabilization Account shall be credited to the Wastewater Fund.

19       Section 19. Derivative Products. The following shall be conditions precedent to the  
20 use of any Derivative Product on a parity with Bonds under this ordinance:

21               (a) *General Parity Tests.* The Derivative Product must satisfy the  
22 requirements for Future Parity Bonds described in Section 20 of this ordinance.

1                   (b)     *Notice to Rating Agencies.* Before entering into any Derivative Product,  
2 the Municipality shall provide prior written notice to each Rating Agency then maintaining a  
3 rating with respect to Parity Bonds, together with drafts of the documentation evidencing the  
4 Derivative Product.

5                   (c)     *Opinion of Bond Counsel.* The Municipality shall obtain an opinion of its  
6 Bond Counsel on the due authorization and execution of such Derivative Product opining that the  
7 action proposed to be taken is authorized or permitted by this ordinance or the applicable  
8 provisions of any Series Ordinance and will not adversely affect the exclusion from regular  
9 federal income tax of the interest on any Outstanding Parity Bonds.

10                  (d)     *Payments.* Each Derivative Product shall set forth the manner in which  
11 the Municipality Payments and Reciprocal Payments are to be calculated and a schedule of  
12 Derivative Payment Dates.

13                  (e)     *Series Ordinances to Govern Derivative Products.* Prior to entering into a  
14 Derivative Product, the Municipality shall adopt a Series Ordinance, which shall:

15                         (i)     create and establish a Derivative Product Account or provide for  
16 some other way to account for the use of a Derivative Product; establish general provisions for  
17 the retention of Net Revenues in amounts sufficient to make, when due, Municipality Payments;

18                         (ii)    establish general provisions for the rights of providers of  
19 Derivative Products or Derivative Facilities; and

20                         (iii)   set forth such other matters as the Municipality deems necessary or  
21 desirable in connection with the management of Derivative Products as are not clearly  
22 inconsistent with the provisions of this ordinance.



1 This ordinance may be amended in the future to reflect the lien position and priority of  
2 any payments made in connection with a Derivative Product; *provided, however*, that no  
3 amendment shall be made which permits a payment under a Derivative Product to constitute a  
4 lien on Gross Revenue superior to that of Parity Bonds, and, *provided, further*, that termination  
5 payments under Derivative Products may not attain a parity lien with Parity Bonds.

6 Section 20. Future Parity Bonds.

7 (a) *Limitations on Issuance of Bonds.* Except as provided in subsection (b)  
8 below, the Municipality shall not issue any series of Parity Bonds or incur any additional  
9 indebtedness with a parity lien or charge on Net Revenues (*i.e.*, on a parity of lien with Parity  
10 Bonds at the time Outstanding) unless:

11 (i) the Municipality shall not have been in default of its Rate  
12 Covenant for the immediately preceding fiscal year, and

13 (ii) there shall have been filed with Bond Counsel a certificate  
14 (prepared as described in subsection (c) or (d) below) demonstrating fulfillment of the Coverage  
15 Requirement, commencing with the first full fiscal year following the later of (1) the Date of  
16 Commercial Operation of the Facilities to be financed with the proceeds of the Parity Bonds or  
17 (2) the date on which any portion of interest on the series of Parity Bonds then being issued no  
18 longer will be paid from the proceeds of such series of Parity Bonds and for the following two  
19 fiscal years.

20 (b) *No Certificate Required.* The certificate described in the foregoing  
21 subsection (a)(ii) shall not be required as a condition to the issuance of Bonds:

22 (i) if the Parity Bonds being issued are for the purpose of refunding  
23 Outstanding Bonds upon compliance with the provisions of subsection (e); or

(ii) if the Parity Bonds are being issued to pay costs of construction of facilities of the System for which Parity Bonds have been issued previously and the principal amount of such Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of the Chief Fiscal Officer, and there is delivered to Bond Counsel a Consultant's certificate stating that the nature and purpose of such Facilities has not materially changed.

(c) *Certificate of the Municipality Without A Consultant.* If required pursuant to the foregoing subsection (a)(ii), a certificate may be delivered by the Municipality without a Consultant if Net Revenues, based upon the financial statements of the Municipality for the Base Period, corroborated by the most recently audited financial statements of the System, audited by an independent certified public accounting firm, demonstrate that the Coverage Requirement will be fulfilled commencing with the first full fiscal year following the later of (i) the Date of Commercial Operation of the facilities to be financed with the proceeds of the Bonds as reasonably estimated by the Municipality, or (ii) the date on which any portion of interest on the series of Parity Bonds then being issued will not be paid from the proceeds of such series of Parity Bonds and for the following two fiscal years; provided, however, the certificate of the Municipality may make an adjustment to Net Revenues to reflect rate increases fully approved and in effect to the extent that the revenue impact is not fully reflected in the audited financial statements.

(d) *Certificate of a Consultant.* Unless compliance with the requirements of subsection (a)(ii) have been otherwise satisfied (as provided in (b) or (c) above), compliance with

1 the Coverage Requirement of this Section 20 shall be demonstrated conclusively by a certificate  
2 of a Consultant.

3 In making the computations of Net Revenues for the purpose of certifying compliance  
4 with the Coverage Requirement of this Section 20 the Consultant shall use as a basis the Net  
5 Revenues for the Base Period.

6 In making such computations the Consultant shall make such adjustments as follows:

7 (i) The Net Revenues derived from those customers of the System that  
8 have become customers during such Base Period or thereafter and prior to the date of such  
9 certificate, adjusted to reflect an estimate of a full year's Net Revenues from each such customer  
10 to the extent such Net Revenues were not previously included.

11 (ii) The estimated annual Net Revenues to be derived from any person,  
12 firm, association, private or municipal corporation under any executed contract for wastewater  
13 treatment, which Net Revenues were not previously included in any of the sources of Net  
14 Revenues.

15 (iii) The estimated annual Net Revenues to be derived from the  
16 operation of any additions or improvements to or extensions of the System under construction  
17 but not completed at the time of such certificate and not being paid for out of the proceeds of sale  
18 of such Parity Bonds being issued, and which Net Revenues were not otherwise included in any  
19 of the sources of Net Revenues.

20 (iv) The estimated annual Net Revenues to be derived from the  
21 operation of any additions and improvements to or extensions of the System being paid for out of  
22 the proceeds of sale of such Parity Bonds being issued.

(v) The estimated additional annual Net Revenue rate increases that have been fully approved by the regulatory authority become effective thereafter if there has been any change in such rates or so approved during or after such 12-consecutive month rate period.

In the event the Municipality will not derive any Gross Revenue from the construction of the additions, improvements or extensions being or within the provisions of subparagraphs (iii) and (iv) immediately above, the Expenses of such additions, improvements and extensions shall be paid from Revenues.

The computation of Net Revenues shall be adjusted to reflect the charges effective on the date of such certificate or approved by the regulatory authority to become effective thereafter if there has been any change in such rates put into effect or so approved during or after the Base Period.

(e) *Refunding of Parity Bonds.* Parity Bonds may be issued for the purpose of refunding (including by purchase) Parity Bonds, the principal thereof and redemption premium, if any, and interest thereon (or purchase) and the expenses of issuing such Parity Bonds to purchase of effecting such refunding upon delivery of a certificate as provided in the refunding Parity Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Parity Bonds to be Outstanding after the issuance of such refunding shall not be greater than the Maximum Annual Debt Service were such refunding not effected.

(f) *Refunding of Other Bonds.* Parity Bonds may be issued for the purpose of refunding (including by purchase) any other bonds of the Municipality.

1 Municipality, including amounts to pay principal thereof and redemption premium, if any, and  
2 interest thereon to the date of redemption of such bonds (or purchase) and the expenses of issuing  
3 the Parity Bonds to purchase or refund the same and of effecting such refunding; *provided*,  
4 *however*, that prior to the issuance of such Parity Bonds the Municipality must provide a  
5 certificate if required by (d) above.

6 (g) *Refunding by Necessity.* Parity Bonds may be issued for the purpose  
7 of refunding (including by purchase) at any time within one year prior to maturity, any Parity  
8 Bonds for the payment of which sufficient Net Revenues or other moneys are not available,  
9 without the requirement of a certificate pursuant to (d) above.

10 Section 21. Liens Subordinate to Bonds. Nothing herein contained shall prevent the  
11 Municipality from issuing revenue bonds or other obligations which are a charge upon the Gross  
12 Revenue junior or inferior to the payments required by this ordinance to be made out of such  
13 Gross Revenue to pay and secure the payment of any Parity Bonds.

14 Section 22. Defeasance. In the event that money and/or Acquired Obligations  
15 maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to  
16 redeem and retire any or all of the Bonds in accordance with their terms are set aside in a special  
17 trust account in the Bond Fund to effect such redemption or retirement and such money and the  
18 principal of and interest on such obligations are irrevocably set aside and pledged for such  
19 purpose, then no further payments need be made into the Bond Fund for the payment of the  
20 principal of and interest on such Bonds, and such Bonds shall cease to be entitled to any lien,  
21 benefit or security of this ordinance except the right to receive the funds so set aside and pledged,  
22 and such Bonds shall be deemed not to be outstanding hereunder or under any other Series  
23 Ordinance.

1           Section 23.    Designation of Refunded Bonds; Sale of Bonds.

2                   (a)    *Designation of Refunded Bonds.*    As outlined in the recitals to this  
3 ordinance, certain principal maturities of the 1999 Bonds may be called for redemption prior to  
4 their scheduled maturities. All or some of these bonds may be refunded and refinanced with the  
5 proceeds of the Refunding Bonds authorized by this ordinance ("Refunding Candidates"). The  
6 Chief Fiscal Officer may select some or all of the Refunding Candidates and designate those  
7 Refunding Candidates as the "Refunded Bonds" in the purchase contract for the Bonds if and to  
8 the extent that the aggregate savings to be realized as a result of the refunding of the Refunded  
9 Bonds (*i.e.*, the present value of (i) the aggregate debt service on the Refunded Bonds minus  
10 (ii) the aggregate debt service on the Refunding Bonds, after payment of all costs of issuance of  
11 the Refunding Bonds), exceeds 3.0% of the principal amount of the Refunded Bonds.

12                   (b)    *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter.  
13 The Chief Fiscal Officer of the Municipality is hereby authorized to negotiate terms for the  
14 purchase of the Bonds and execute a purchase contract with the Underwriter. The Assembly has  
15 been advised by the Underwriter that market conditions, which are particularly critical in  
16 maximizing the savings effected by the issuance of the Bonds, are fluctuating and, as a result, the  
17 most favorable market conditions may occur on a day other than a regular meeting date of the  
18 Assembly. The Assembly has determined that it would be inconvenient to hold a special meeting  
19 on short notice and, accordingly, has determined that it would be in the best interest of the  
20 Municipality to delegate to the Chief Fiscal Officer for a limited time the authority to approve  
21 final principal maturities on the Bonds and interest rates on the Bonds and other terms and  
22 conditions. The final interest rates for the Bonds shall be determined by agreement among the  
23 Underwriter, financial advisor and the Chief Fiscal Officer and shall be set forth as an exhibit to

1 the purchase contract for the Bonds. The Chief Fiscal Officer is hereby authorized to approve the  
2 final principal maturities and final maturity amounts of the Bonds and the final interest rates and  
3 yields for the Bonds in the manner provided hereafter for so long as the true interest cost on the  
4 Bonds does not exceed 5.5% and the net present value of savings effected as a result of the  
5 issuance of the Refunding Bonds shall be at least equal to the lesser of 3% of the principal  
6 amount of the Refunded Bonds. In determining the maturities, principal amounts, redemption  
7 terms and rate or rates of interest of the Bonds, the Chief Fiscal Officer shall, in consultation  
8 with the Municipality's financial advisor, take into account those factors which, in his judgment,  
9 will result in the lowest net effective interest cost on the Bonds to their maturity, including, but  
10 not limited to current financial market conditions and current interest rates for obligations  
11 comparable in tenor and quality to the Bonds. The Chief Fiscal Officer is hereby authorized to  
12 execute the final form of the purchase contract for the Bonds, upon his approval of the final  
13 principal maturities on the Bonds, redemption provisions and the interest rates set forth therein.  
14 The authority granted to the Chief Fiscal Officer by this Section 23 shall expire in 90 days from  
15 the date of approval of this ordinance, and if final interest rates have not been approved by the  
16 Chief Fiscal Officer in accordance with the delegated authority of this Section 23 within 90 days,  
17 no final Bond terms shall be approved without further advice and consultation of the Assembly at  
18 a regular or special meeting.

19 Section 24. Application of Bond Proceeds. From the monies derived from the sale of  
20 the Bonds;

21 (a) the accrued interest, if any, to the date of delivery of the Bonds shall be  
22 deposited in the Bond Fund and shall be used to pay the interest on the Bonds coming due on the  
23 first date on which interest is due and payable;

(b) an amount designated by the Chief Fiscal Officer shall be deposited in the Reserve Account to satisfy a portion of the Reserve Account Requirement;

(c) the balance of the proceeds of the Improvement Bonds shall be deposited in the fund of the Municipality designated in the closing memorandum executed by the Chief Fiscal Officer (or his designee) on the date of delivery of the Improvement Bonds and used to pay an allocable share of costs of issuance, to capitalize interest on a portion of the Bonds; and pay or reimburse the Municipality for the costs of the Projects; and

(d) the balance of the proceeds of the Refunding Bonds and other available funds shall be deposited into the Refunding Account to implement the refunding plan outlined in Sections 26 and 27 of this ordinance and to pay allocable costs of issuance.

Certain funds of the Municipality may be held and maintained in the custody of the Registrar, as depository, under the terms of the written agreement with the Registrar. Those funds may be further subdivided into accounts or subaccounts for accounting purposes. All such money and securities held by the Registrar, as depository, shall be applied and invested only in accordance with the terms of the agreement with the Registrar. All interest earnings from investment, if any, of money held in any fund or account held by the Registrar shall accrue for the benefit of the invested fund or account. All money, accounts and funds of the Municipality that may be held by the Registrar, as depository, shall be and continue to be funds of the Municipality and subject to the terms of this ordinance.

Section 25. General Authorization to Municipal Officials. After the sale, the proper officials of the Municipality are hereby authorized and directed to do everything necessary to complete such sale and delivery of the Bonds to the Underwriter upon payment of the purchase price thereof.



1        Section 26.    Refunding Account. There is hereby authorized to be created an account  
2 known as the "Refunding Account" which account is to be drawn upon for the sole purpose of  
3 paying the interest on the Refunded Bonds until their date of redemption, paying the redemption  
4 price of the Refunded Bonds on the date of redemption of the Refunded Bonds and paying costs  
5 related to the refunding of the Refunded Bonds.

6        The proceeds of sale of the Refunding Bonds (exclusive of accrued interest thereon,  
7 which shall be paid into the Bond Fund) shall be credited to the Refunding Account.

8        Money in the Refunding Account shall be used immediately upon receipt thereof to  
9 defease the Refunded Bonds as authorized by the 1999 Bond Ordinance and pay costs of issuance  
10 allocable to the Refunding Bonds. The Municipality shall defease the Refunded Bonds and  
11 discharge such obligations by the use of money in the Refunding Account to purchase certain  
12 Government Obligations, bearing such interest and maturing as to principal and interest in such  
13 amounts and at such times which, together with any necessary beginning cash balance, will  
14 provide for the payment of:

- 15            (a)    interest on the 1999 Refunded Bonds through September 1, 2009; and  
16            (b)    the redemption price of the 1999 Refunded Bonds being redeemed on  
17 September 1, 2009.

18        A beginning cash balance, if any, and Acquired Obligations shall be deposited  
19 irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The  
20 proceeds of the Refunding Bonds remaining in the Refunding Account after acquisition of the  
21 Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to  
22 pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the  
23 issuance of the Refunding Bonds.

1        Section 27. Call For Redemption of Refunded Bonds. The Municipality hereby  
2        irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds  
3        of the Refunding Bonds to make the payments described in Section 26 of this ordinance.

4        The Municipality hereby irrevocably calls the Refunded Bonds for redemption on  
5        September 1, 2009 in accordance with the provisions of the 1999 Bond Ordinance authorizing  
6        the redemption and retirement of the Refunded Bonds prior to their fixed maturity.

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

10       The Chief Fiscal Officer is hereby requested and directed to select a financial institution  
11       to serve as the Escrow Agent for the Refunded Bonds (the ("Escrow Agent")). The Escrow Agent  
12       is hereby authorized and directed to provide for the timely giving of notice of the redemption of  
13       the Refunded Bonds in accordance with the applicable provisions of the 1999 Bond Ordinance.  
14       The Chief Fiscal Officer is authorized and requested to provide whatever assistance is necessary  
15       to accomplish such redemption and the giving of notice therefor. The costs of publication of  
16       such notice shall be an expense of the Municipality.

17       The Escrow Agent is hereby authorized and directed to pay to the Chief Fiscal Officer, or,  
18       at the direction of the Chief Fiscal Officer, to the paying agent for the Refunded Bonds, sums  
19       sufficient to pay, when due, the payments specified in of Section 26 of this ordinance. All such  
20       sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent  
21       pursuant to Section 26 of this ordinance and the income therefrom and proceeds thereof. All  
22       such sums so paid to or at the direction of said Chief Fiscal Officer shall be credited to the  
23       Refunding Account. All moneys and Acquired Obligations deposited with said Escrow Agent

1 and any income therefrom shall be held, invested (but only at the direction of the Chief Fiscal  
2 Officer) and applied in accordance with the provisions of the Escrow Agreement.

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

6 In order to carry out the purposes of Section 26 of this ordinance and of this section, the  
7 Chief Fiscal Officer is authorized and directed to execute and deliver to the Escrow Agent a copy  
8 of the Escrow Agreement.

9 Section 28. Approval of Official Statement. The Chief Fiscal Officer is hereby  
10 authorized to review and approve on behalf of the Municipality the preliminary Official  
11 Statement and to execute a certificate evidencing compliance with the Rule with such additions  
12 and changes as may be deemed necessary or advisable to him. The Chief Fiscal Officer is hereby  
13 authorized and directed to review and approve on behalf of the Municipality a final official  
14 statement with respect to the Bonds.

15 Section 29. Undertaking to Provide Ongoing Disclosure. The Chief Fiscal Officer is  
16 authorized to, in his discretion, execute and deliver an Ongoing Disclosure Agreement to assist  
17 the Underwriter in complying with the Rule.

18 Section 30. Municipal Bond Insurance Policy. The payments of the principal of and  
19 interest on the Bonds may be insured by the issuance of the Municipal Bond Insurance Policy.  
20 The Chief Fiscal Officer, with the assistance of the Underwriter, shall solicit proposals from  
21 municipal bond insurance companies, and the Chief Fiscal Officer, in consultation with the  
22 financial advisor, is hereby authorized to review such proposals and may select the proposal  
23 which is deemed to be the most cost effective and further to execute a commitment with such

insurance company (the "Bond Insurer") which may include such covenants and conditions as shall be approved by the Chief Fiscal Officer.

Section 31. Amendatory and Supplemental Ordinances.

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

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

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

(3) To provide for the issuance of Bonds in a different form of book-entry or certificated obligations.

Any such supplemental ordinance of the Assembly may be approved without the consent of the Registered Owner or Beneficial Owner of any of the Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) With the consent of the Registered Owners of not less than 60% in aggregate principal amount of any Bonds at the time Outstanding, the Assembly may approve an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or

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

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

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

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

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

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

(d) Bonds executed and delivered after the execution of any supplemental ordinance adopted pursuant to the provisions of this section may bear a notation as to any matter provided for in such supplemental ordinance, and if such supplemental ordinance shall so provide, new Bonds so modified as to conform, in the opinion of the Assembly, to any modification of this ordinance contained in any such supplemental ordinance may be prepared by the Municipality and delivered without cost to the owners of Bonds then outstanding, upon surrender for cancellation of such Bonds or Bond in equal aggregate principal amounts.

Section 32. Amending Section 26 of Ordinance No. AO 99-119(S). Section 26 of Ordinance No. AO 99-119(S) shall be amended to read as follows (deletions are shown as stricken text and additions are shown as underscored):

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

(b) *Financial Statements/Operating Data.* The Municipality agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, annual financial information and operating data for the prior fiscal year (commencing in 2000 for the fiscal year ended December 31, 1999), including annual financial statements for the System prepared in accordance with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (or its successor) from time to time and generally of the type included in the official statement for the Bonds under the in the tables titled "Number of Customers"; "Daily Average Production/Demand"; [~~Capital Improvement Program Financial Summary Anchorage Wastewater Utility~~]; "Wastewater Utility Rate Increases" "Current Wastewater Rates—Anchorage Wastewater Utility"; "Statement of Revenues, Expenses and Debt Service Coverage—Anchorage Wastewater Utility"; and "Revenue Bonds Debt Service—Anchorage Wastewater Utility" or in the Comprehensive Annual Financial Report under comparable headings.

Such annual information and operating data described above shall be available on or before seven months from the end of each fiscal year. If the fiscal year of the Municipality is changed, the Municipality may adjust such date by providing written notice of the change of fiscal year and the new reporting date to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the Municipality may cross-reference to

1 other documents the Municipality provides to the NRMSIRs, the SID or to the  
2 Commission and, if such document is a final official statement within the meaning  
3 of the Rule, available from the MSRB.

4 If not provided as part of the annual financial information discussed above,  
5 the Municipality shall provide the Municipality's audited annual financial  
6 statements prepared in accordance with generally accepted accounting principles  
7 as prescribed by the Government Accounting Standards Board (or its successor)  
8 from time to time when and if available to each then existing NRMSIR and the  
9 SID, if any.

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

- 14 • Principal and interest payment delinquencies;
- 15 • Non-payment related defaults;
- 16 • Unscheduled draws on debt service reserves reflecting financial  
17 difficulties;
- 18 • Unscheduled draws on credit enhancements reflecting financial  
19 difficulties;
- 20 • Substitution of credit or liquidity providers, or their failure to  
21 perform;
- 22 • Adverse tax opinions or events affecting the tax-exempt status of  
23 the Bonds;
- 24 • Optional, contingent or unscheduled Bond calls other than  
25 scheduled sinking fund redemptions for which notice is given  
26 pursuant to Exchange Act Release 34-23856;
- 27 • Modifications to rights of Registered Owners;
- 28 • Defeasances;
- 29 • Release, substitution or sale of property securing the repayment of  
30 the Bonds; and
- 31 • Rating changes.

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

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

40 (e) *Termination/Modification.* The Municipality's obligations  
41 to provide annual financial information and notices of material events shall  
42 terminate upon the defeasance or payment in full of all of the Bonds. This  
43 section, or any provision hereof, shall be null and void if the Municipality  
44 (1) obtains an opinion of nationally recognized bond counsel to the effect that  
45 those portions of the Rule which require this section, or any such provision, are

invalid, have been repealed retroactively or otherwise do not apply to the Bonds and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section. Notwithstanding any other provision of this ordinance, the Municipality may amend this Section 26 and any provision of this Section 26 may be waived, provided that the following conditions are satisfied:

i. If the amendment or waiver relates to the provisions of Section 26(b) or (c), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

ii. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment of or waiver of a provision of this Section 26, the Municipality shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Municipality. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Subsection (c), and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if practical, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

As amended by this ordinance, Ordinance No. AO 99-119(S) is hereby ratified, approved and confirmed.



1        Section 33. Amending Section 12 of Ordinance No. AO 99-119(S). Section 12 of  
2 Ordinance No. AO 99-119(S) shall be amended to read as follows (deletions are shown as  
3 stricken text and additions are shown as underscored):

4            There is hereby authorized to be created a special fund of the Municipality  
5 known as the "Wastewater Revenue Bond Redemption Fund" (the "Bond Fund"),  
6 which fund is a trust fund to be drawn upon for the sole purpose of paying the  
7 principal of and interest and premium, if any, on all Parity Bonds. The Bond Fund  
8 shall include a special account therein to be designated as the Reserve Account.

9            The Municipality hereby obligates and binds itself irrevocably to set aside  
10 and to pay (to the extent not otherwise provided) into the Bond Fund, certain fixed  
11 amounts from Net Revenues, without regard to any fixed proportion of said  
12 revenues, sufficient to pay the principal of and premium, if any, and interest on all  
13 Parity Bonds from time to time outstanding as the same respectively become due  
14 and payable either at the maturity thereof or in accordance with the terms of any  
15 sinking fund provided for the retirement of term Parity Bonds. The payments into  
16 the Bond Fund for the payment of the Parity Bonds shall constitute a charge and  
17 lien upon Net Revenues of equal rank with the charge and lien on said Net  
18 Revenues for the payments required to be made into the Bond Fund for the  
19 payment of the principal of, premium, if any, and interest on any Future Parity  
20 Bonds.

21            ~~[Commencing 12 months prior to the date of maturity of any Parity~~  
22 ~~Bonds,]~~ [T]he Municipality hereby irrevocably obligates and binds itself to set  
23 aside and pay into the Bond Fund out of Net Revenues or out of any other moneys  
24 legally available therefor on or before the [20th day of each month such amounts,  
25 in approximately equal monthly installments, ][date on which any payment of  
26 Annual Debt Service is due such amounts] as will be sufficient to pay Annual  
27 Debt Service scheduled to become due on the date of maturity of such Parity  
28 Bonds.

29            The Bond Fund shall be drawn upon solely for the purpose of paying the  
30 principal of and premium, if any, and interest on Parity Bonds. Moneys set aside  
31 from time to time with the Registrar for such payments shall be held in trust for  
32 the owners of the Parity Bonds in respect of which the same shall have been so set  
33 aside. Until so set aside, all moneys in the Bond Fund shall be held in trust for the  
34 benefit of the owners of all Parity Bonds at the time outstanding equally and  
35 ratably.

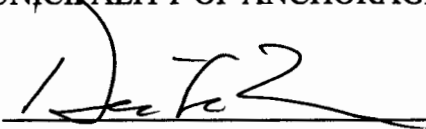
36  
37            As amended by this ordinance, Ordinance No. AO 99-119(S) is hereby ratified, approved  
38 and confirmed.

1        Section 34.    Repeal of Ordinance No. AO 2003-104.    The Assembly hereby repeals  
2 Ordinance No. AO 2003-104 in its entirety.

3        Section 35.    Severability.    If any one or more of the covenants or agreements provided  
4 in this ordinance to be performed on the part of the Municipality shall be declared by any court of  
5 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or  
6 agreements shall be null and void and shall be deemed separable from the remaining covenants  
7 and agreements in this ordinance and shall in no way affect the validity of the other provisions of  
8 this ordinance or of the Bonds.

9        PASSED AND APPROVED by the Assembly of the Municipality of Anchorage this <sup>27</sup>~~20~~<sup>BSL</sup>  
10 day of April, 2004.

11  
12 MUNICIPALITY OF ANCHORAGE, ALASKA

13  
14 By   
15  
16 Chair

17  
18 ATTEST:

19  
20   
21 Municipal Clerk  
22

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

For Reading: April 13, 2004

Prepared by: Cynthia M. Weed  
Preston Gates & Ellis LLP

---

MUNICIPALITY OF ANCHORAGE, ALASKA

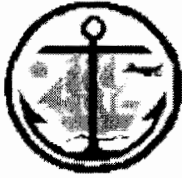
ORDINANCE NO. AO 2004-75

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, PROVIDING FOR THE ISSUANCE OF WASTEWATER REVENUE AND REFUNDING BONDS OF THE MUNICIPALITY IN THE AGGREGATE AMOUNT OF NOT TO EXCEED \$35,000,000 FOR THE PURPOSE OF PROVIDING PART OF THE FUNDS TO REFUND CERTAIN OUTSTANDING WASTEWATER REVENUE BONDS OF THE MUNICIPALITY AND TO PROVIDE FOR CERTAIN IMPROVEMENTS TO THE WASTEWATER UTILITY AND TO PAY COSTS OF ISSUANCE; FIXING CERTAIN COVENANTS AND PROTECTIVE PROVISIONS SAFEGUARDING THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; PROVIDING FOR THE DATE, FORM, TERMS, MATURITIES AND MANNER OF SALE OF THE BONDS; DELEGATING TO THE CHIEF FISCAL OFFICER THE APPROVAL OF FINAL MATURITY AMOUNTS AND INTEREST RATES ON SAID BONDS; AUTHORIZING AN OFFICIAL STATEMENT; AUTHORIZING THE APPOINTMENT OF AN ESCROW AGENT AND THE EXECUTION OF AN ESCROW AGREEMENT; AUTHORIZING THE SALE OF SUCH BONDS; AMENDING ORDINANCE NO. AO 99-119(S); AND REPEALING ORDINANCE NO. AO 2003-104.

---

## TABLE OF CONTENTS

	Page
Section 1. Purpose.....	5
Section 2. Definitions.....	6
Section 3. Compliance with Parity Conditions .....	24
Section 4. Authorization and Description of Bonds; Purposes.....	24
Section 5. Place and Medium of Payment .....	26
Section 6. Registration, Transfer and Exchange .....	26
Section 7. Right of Prior Redemption and Purchase.....	31
Section 8. Notice of Redemption .....	31
Section 9. Form of Bonds .....	33
Section 10. Execution of Bonds.....	35
Section 11. Lost, Stolen, Destroyed or Mutilated Bonds.....	36
Section 12. Wastewater Fund and Priority of Use of Gross Revenues .....	37
Section 13. Bond Fund and Account Therein.....	38
Section 14. Reserve Account .....	39
Section 15. Adequacy of Net Revenues .....	41
Section 16. Specific Covenants.....	41
Section 17. Tax Covenants .....	45
Section 18. Rate Stabilization Account .....	47
Section 19. Derivative Products.....	47
Section 20. Future Parity Bonds.....	49
Section 21. Liens Subordinate to Bonds .....	53
Section 22. Defeasance .....	53
Section 23. Designation of Refunded Bonds; Sale of Bonds.....	54
Section 24. Application of Bond Proceeds .....	56
Section 25. General Authorization to Municipal Officials .....	57
Section 26. Refunding Account .....	57
Section 27. Call For Redemption of Refunded Bonds.....	58
Section 28. Approval of Official Statement.....	59
Section 29. Undertaking to Provide Ongoing Disclosure .....	60
Section 30. Municipal Bond Insurance Policy .....	60
Section 31. Amendatory and Supplemental Ordinances.....	60
Section 32. Amending Section 26 of Ordinance No. AO 99-119(S).....	63
Section 33. Amending Section 12 of Ordinance No. AO 99-119(S).....	65
Section 34. Repeal of Ordinance No. AO 2003-104.....	66
Section 35. Severability .....	66



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

AM No. 287-2004

Meeting Date: April 13, 2004

**From:** Mayor

**Subject:** **AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA PROVIDING FOR THE ISSUANCE OF WASTEWATER REVENUE AND REFUNDING BONDS OF THE MUNICIPALITY IN THE AGGREGATE AMOUNT OF NOT TO EXCEED \$35,000,000 AND AMENDING ORDINANCE NO. AO99-119(S) AND REPEALING ORDINANCE NO. AO 2003-104 AND AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA PROVIDING FOR THE ISSUANCE OF SUBORDINATE LIEN WATER REVENUE AND REFUNDING BONDS OF THE MUNICIPALITY IN THE AGGREGATE AMOUNT NOT TO EXCEED \$45,000,000 AND AMENDING ORDINANCE NO. AO. 98-71 AND ORDINANCE NO. AO 99-118(S) AND REPEALING ORDINANCE NO. AO 2003-59**

Attached Ordinance No. AO 2004-75 provides for an issuance of not to exceed \$35,000,000 of Wastewater Revenue and Refunding Bonds approximately \$25,000,000 of which will be used for capital projects included in the Utility's Capital Improvement Program. Approximately \$10,000,000 may be issued to refund Wastewater Bonds if interest rates remain favorable. In addition this Assembly Ordinance amends Ordinance NO. AO 99-119(s) and repeals Ordinance No. AO 2003-104.

Attached Ordinance No. AO 2004-76 provides for an issuance of Subordinate Water Revenue and Refunding Bonds in Aggregate not to exceed \$45,000,000 approximately \$20,000,000 of which will be used for capital projects included in the Utility's Capital Improvement Program. Approximately \$25,000,000 may be issued to refund Senior and/or Junior Lien Water Revenue and Refunding Bonds, if interest rates remain favorable. In addition this Assembly Ordinance amends Ordinance NO. AO 98-71 and Ordinance NO. AO 99-118(s) and repeals Ordinance No. AO 2003-103.

AO 2004-75/AO 2004-76

3  
4  
5  
6 The current schedule calls for a retail order period on May 25, pricing on May 26 and closing  
7 on June 9, 2004. The schedule is flexible, however, allowing us to postpone if market conditions  
8 warrant.

9  
10 Section 23 of the Ordinance authorizes the Chief Fiscal Officer and/or Acting Chief Fiscal  
11 Officer to negotiate terms and to execute a contract for purchase of the Bonds.

12  
13  
14 THE ADMINISTRATION RECOMMENDS APPROVAL OF AO NO. 2004 -75 AND  
15 AO NO. 2004 -76.

16  
17  
18 Recommended by: Jeffrey E. Sinz, Chief Fiscal Officer

19 Concurrence: Denis C. LeBlanc., Municipal Manager

20 Respectfully submitted: Mark Begich, Mayor

**Content Information****Content ID :** 001720**Type:** Ordinance - AO

An Ordinance Providing for the Issuance of Wastewater Revenue

**Title:** and Refunding Bonds in the Amount Not to Exceed \$35,000,000,  
Finance**Author:** pruittns**Initiating Dept:** Finance**Review Depts:** AWWU, AWWU**Date Prepared:** 4/5/04 3:25 PM**Director Name:** Jeffrey E. Sinz**Assembly Meeting** <sup>13</sup>  
**Date MM/DD/YY:** 04/20/04**Public Hearing Date** <sup>05/11/04</sup> 4/20/04  
**MM/DD/YY:****Workflow History**

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOrdinanceWorkflow	4/5/04 3:28 PM	Checkin	pruittns	Public	001720
Finance_SubWorkflow	4/5/04 4:55 PM	Approve	sinzje	Public	001720
AWWU_SubWorkflow	4/6/04 7:11 AM	Approve	premomc	Public	001720
AllOrdinanceWorkflow	4/6/04 10:43 AM	Reject	pearcydl	Public	001720
AllOrdinanceWorkflow	4/6/04 1:39 PM	Checkin	pruittns	Public	001720
Finance_SubWorkflow	4/6/04 3:26 PM	Approve	sinzje	Public	001720
AWWU_SubWorkflow	4/6/04 3:59 PM	Approve	premomc	Public	001720
OMB_SubWorkflow	4/6/04 5:57 PM	Approve	pearcydl	Public	001720
Legal_SubWorkflow	4/7/04 10:51 AM	Approve	fehlenrl	Public	001720
MuniManager_SubWorkflow	4/7/04 11:23 AM	Approve	leblancdc	Public	001720
MuniMgrCoord_SubWorkflow	4/8/04 4:18 PM	Approve	katkusja	Public	001720