

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

For Reading: April 13, 2004

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CLERK'S OFFICE

APPROVED

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MUNICIPALITY OF ANCHORAGE, ALASKA

ORDINANCE NO. AO 2004-76

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 OF NOT TO EXCEED \$45,000,000 FOR THE PURPOSE OF PROVIDING PART OF THE FUNDS TO REFUND CERTAIN OUTSTANDING SENIOR LIEN WATER REVENUE BONDS OF THE MUNICIPALITY AND TO PROVIDE FOR CERTAIN IMPROVEMENTS TO THE WATER 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; AMENDING ORDINANCE NO. AO 98-71 AND ORDINANCE NO. AO 99-118(S); AND REPEALING ORDINANCE NO. AO 2003-103.

WHEREAS, the Municipality of Anchorage, Alaska (the "Municipality"), owns, operates and maintains a water 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 prior lien on the revenues of the System:

Authorizing Ordinance	Bond Designation	Date of Bonds	Original Principal Amount	Principal Amount Outstanding (4/1/04)
AO 93-144(S)	Senior Lien Water Revenue and Refunding Bonds, 1993 ("1993 Bonds")	September 1, 1993	\$ 18,585,000	\$ 4,695,000
AO 98-71	Senior Lien Water Revenue and Refunding Bonds, 1998 ("1998 Bonds")	June 1, 1998	28,930,000	21,790,000

(collectively, the "Prior Lien Bonds"); and

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

Authorizing Ordinance	Bond Designation	Date of Bonds	Original Principal Amount	Principal Amount Outstanding (4/1/04)
AO 99-118(S)	Subordinate Lien Water Revenue and Refunding Bonds, 1999	October 15, 1999	\$ 68,515,000	\$ 62,530,000

(the "1999 Bonds"); and

WHEREAS, the 1993 Bonds issued pursuant to Ordinance No. AO 93-144(S) passed on September 21, 1993, (the "1993 Bond Ordinance"), mature in principal amounts and bear interest as follows:

<u>Maturity Years (March 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2005	\$ 1,640,000	4.90%
2006	1,715,000	5.00
2013	1,340,000	5.25

1 ; and

2 WHEREAS, the 1993 Bond Ordinance authorizes the defeasance and optional
3 redemption of the 1993 Bonds maturing on or after March 1, 2004 at a price of par plus accrued
4 interest to the date of redemption, in whole on any date on and after March 1, 2003; and

5 WHEREAS, the 1998 Bonds issued pursuant to Ordinance No. AO 98-71 passed on
6 May 5, 1998, (the "1998 Bond Ordinance"), mature in principal amounts and bear interest as
7 follows:

<u>Maturity Years (August 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2004	\$ 1,530,000	4.75%
2005	1,610,000	4.75
2006	1,685,000	5.00
2007	1,770,000	5.25
2008	1,865,000	5.25
2009	1,960,000	5.00
2010	2,060,000	5.00
2011	2,160,000	5.00
2012	2,270,000	5.00
2013	2,380,000	5.00
2014	2,500,000	5.00

8 ; and

9 WHEREAS, the 1998 Bond Ordinance authorizes the defeasance and optional
10 redemption of the 1998 Bonds maturing on or after August 1, 2009, in whole or in part on any
11 date on and after August 1, 2008 (the "1998 Refunded Bonds") at the following applicable
12 redemption price, plus accrued interest, if any, to the date fixed for redemption

Redemption Dates (inclusive)	Redemption Prices
August 1, 2008 through July 31, 2009	101.0%
August 1, 2009 through July 31, 2010	100.5
August 1, 2010 and thereafter	100.0

; and

WHEREAS, the 1999 Bonds issued pursuant to Ordinance No. AO 99-118(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	\$ 1,500,000	4.750%
2005	1,565,000	4.875
2006	1,615,000	5.000
2007	1,685,000	5.100
2008	1,765,000	5.125
2009	1,835,000	5.250
2010	1,920,000	5.375
2011	2,000,000	5.400
2012	2,595,000	5.500
2013	2,735,000	5.625
2014	2,895,000	5.750
2015	3,060,000	5.875
2016	3,235,000	5.875
2017	3,425,000	6.000
2018	3,630,000	6.000
2019	3,845,000	6.000
2024	18,615,000	6.000
2029	4,610,000	6.000

; and

WHEREAS, the 1999 Bond Ordinance authorizes the defeasance and optional redemption of the 1999 Bonds maturing on or after September 1, 2010, in whole or in part on any date on and after September 1, 2009 (the "1999 Refunded Bonds") at the following applicable 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

1 ; and

2 WHEREAS, as a result of changed market conditions it appears that substantial debt
3 service savings may be obtained by refunding the 1993 Bonds, the 1998 Refunded Bonds and the
4 1999 Refunded Bonds (collectively, the "Refunded Bonds") through the issuance of the bonds
5 herein authorized (hereinafter defined as the "Refunding Bonds"); and

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

9 WHEREAS, in order to effect such refunding in the most economical manner it is
10 deemed necessary and advisable that the proceeds of the sale of the Refunding Bonds and, if
11 necessary, other moneys available and required for refunding purposes be invested in obligations
12 maturing in such amounts and at such times as are required to redeem and retire the Refunded
13 Bonds; and

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

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

1 WHEREAS, it appears to the Assembly that it is in the best interest of the Municipality
2 that the Improvement Bonds and Refunding Bonds be sold in a single issue of water revenue and
3 refunding bonds (hereinafter defined as the "Bonds") with an aggregate principal amount of not
4 to exceed \$45,000,000; and

5 WHEREAS, Ordinance No. AO 99-118(S) permits the Municipality to issue bonds in the
6 future on a parity with the 1999 Bonds upon compliance with the terms and conditions set forth
7 in the Ordinance No. AO 99-118(S); and

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

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

13 WHEREAS, Section 28(a) of Ordinance No. AO 98-71 provides that it may be amended
14 in regard to matters therein as the Assembly deems desirable which shall not adversely affect the
15 interests of Registered Owners of any Senior Lien Parity Bonds (as defined therein); and

16 WHEREAS, Section 30 of Ordinance No. AO 99-118(S) provides it may be amended in
17 regard to matters therein as the Assembly deems desirable which shall not adversely affect the
18 interests of Registered Owners of any Senior Lien Parity Bonds (as defined therein); and

19 WHEREAS, the Municipality passed and approved Ordinance No. AO 2003-103 on
20 July 15, 2003 providing for the issuance of the Bonds; and

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

1 WHEREAS, it would be in the best interest of the Municipality to repeal
2 Ordinance No. AO 2003-103 and replace it with this ordinance;

3 NOW, THEREFORE, THE MUNICIPALITY OF ANCHORAGE ORDAINS:

4 Section 1. Purpose. The purpose of this Series Ordinance is to authorize the issuance
5 and sale of not to exceed \$45,000,000 of subordinate lien water revenue and refunding bonds, to
6 fix the form, covenants and method of sale of said bonds and to provide for establishing the
7 amount, date, payment dates, redemption rights and maturities of said bonds. The purpose for
8 the issuance of the water revenue and refunding bonds authorized herein is to pay part of the cost
9 of refunding the Refunded Bonds, to pay and reimburse the Municipality for the cost of the
10 Projects described in Section 4 of this ordinance, fund a portion of the New Lien Reserve
11 Account Requirement, to capitalize interest on a portion of the Bonds and to pay costs of
12 issuance.

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

15 *Accreted Value* means (1) with respect to any Capital Appreciation Bonds, as of any date
16 of calculation, the sum of the amount set forth in the Series Ordinance as the amount
17 representing the initial principal amount of such Capital Appreciation Bonds plus the interest
18 accumulated, compounded and unpaid thereon as of the most recent compounding date, or
19 (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount
20 representing the initial public offering price of such Original Issue Discount Bonds plus the
21 amount of discounted principal which has accreted since the date of issue. In each case the
22 Accreted Value shall be determined in accordance with the provisions of the Series Ordinance
23 authorizing the issuance of such Capital Appreciation Bonds or Original Issue Discount Bonds.

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

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

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

1 ***Annual Debt Service*** means the total amount of Debt Service for any New Lien Bond or
2 series of New Lien Bonds in any fiscal year or Base Period.

3 ***Annual Debt Service Requirement*** means, with respect to any particular year and to any
4 specified bonds, an amount equal to

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

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

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

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

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

19 ***Available Revenues*** means for any fiscal year or other period of time, the Gross
20 Revenues and interest and profits derived from the investment of moneys held in the New Lien
21 Bond Fund during such period less Operating Expenses and the payments described in
22 paragraphs Second and Third of Section 12 of this ordinance for such period.

1 **Balloon Maturity Bonds** means any New Lien Bonds which are so designated in the
2 Series Ordinance pursuant to which such New Lien Bonds are issued. Commercial paper
3 (obligations with a maturity of not more than 270 days from the date of issuance) shall be
4 deemed to be Balloon Maturity Bonds.

5 **Base Period** means any consecutive 12-month period selected by the Municipality out of
6 the 30-month period next preceding the date of issuance of an additional series of New Lien
7 Bonds.

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

10 **Bond or Bonds** means any of the water revenue and refunding bonds of the Municipality
11 the issuance and sale of which are authorized herein, consisting of the Improvement Bonds and
12 the Refunding Bonds.

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

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

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

Call Date means the date designated by the Chief Fiscal Officer as the date on which the 1993 Bonds will be paid and redeemed (not more than 90 days after the date of closing and delivery of the Bonds).

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

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

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

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

Commission means the Securities and Exchange Commission.

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

1 nationally recognized financial advisor appointed by the Municipality for purposes of making
2 such calculation.

3 **Coverage Requirement** means (i) Net Revenues equal to or greater than 115% of the
4 maximum Annual Debt Service with respect to all Prior Lien Bonds and (ii) Available Revenues
5 equal to or greater than 115% of Maximum Annual Debt Service.

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 Bonds due or subject to mandatory redemption during such
21 period and for which no sinking fund installments have been established, (2) the amount of any
22 payments required to be made during such period into any sinking fund established for the
23 payment of any such New Lien Bonds, plus (3) all interest payable during such period on any

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

5 (c) with respect to all other series of New Lien 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 New Lien Bonds
9 during such period computed on the assumption that the amount of New Lien Bonds Outstanding
10 as of the date of such computation would be amortized (i) in accordance with the mandatory
11 redemption provisions, if any, set forth in the Series Ordinance authorizing the issuance of such
12 New Lien Bonds, or if mandatory redemption provisions are not provided, during a period
13 commencing on the date of computation and ending on the date 30 years after the date of
14 issuance (ii) at an interest rate equal to 80% of the yield to maturity set forth in the 40-Bond
15 Index published in the edition of *The Bond Buyer* (or comparable publication or such other
16 similar index selected by the Municipality with the approval of the Consultant, if applicable)
17 selected by the Municipality and published within ten days prior to the date of calculation or, if
18 such calculation is being made in connection with the certificate required by Section 20 hereof,
19 then within ten days of such certificate, (iii) to provide for essentially level annual debt service of
20 principal and interest over 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 New Lien Bonds payable in other than U. S. Dollars, Debt Service
4 shall be calculated as provided in the Series Ordinance authorizing the issuance of such New
5 Lien Bonds. Debt Service shall be net of any interest funded out of New Lien Bond proceeds.
6 Debt Service shall include reimbursement obligations to providers of Credit Facilities to the
7 extent authorized in a 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;

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

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

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

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

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

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

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

Escrow Agreement means the Escrow Agent Agreement pursuant to which the proceeds 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 New Lien 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 New Lien Bonds, and *provided further that*, if two or more Derivative Products each specify the same index and formula for determining and setting their respective

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

19 ***Future New Lien Bonds*** means revenue bonds or other revenue obligations issued by the
20 Municipality in the future with a lien on Available Revenues equal to the lien thereon of the 1999
21 Bonds and the Bonds.

22 ***Government Obligations*** means any of the following: (i) any bonds or other obligations
23 which, as to principal and interest, constitute direct obligations of, or are unconditionally

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

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

13 Gross Revenue shall include any withdrawal from the Rate Stabilization Account and
14 shall exclude transfers to the Rate Stabilization Account, as described in Section 18 of this
15 Ordinance.

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

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

21 **Maximum Annual Debt Service** means, with respect to any Outstanding series of New
22 Lien Bonds, the highest remaining Annual Debt Service for such series of New Lien Bonds or
23 Derivative Products, as the case may be.

1 **Mayor** means the Mayor of the Municipality, elected pursuant to Section 5.01 of the
2 Charter.

3 **Moody's** means Moody's Investors Service, Inc., a corporation duly organized and
4 existing under and by virtue of the laws of the State of Delaware, and its successors and assigns,
5 except that if such corporation shall be dissolved or liquidated or shall no longer perform the
6 functions of a securities rating agency, then the term Moody's shall be deemed to refer to any
7 other nationally recognized securities rating agency (other than Fitch or S&P) selected by the
8 Chief Fiscal Officer.

9 **MSRB** means the Municipal Securities Rulemaking Board or any successor to its
10 functions.

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

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

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

19 **Municipality** means Anchorage, Alaska, a municipal corporation organized and existing
20 under the Constitution and laws of the State of Alaska.

21 **Municipality Payment** means any payment, other than termination payments, required to
22 be made by or on behalf of the Municipality under a Derivative Product and which is determined
23 according to a formula set forth in a Derivative Product.

1993 Bond Ordinance means Ordinance No. AO 93-144(S), passed on September 21, 1993.

1998 Bond Ordinance means Ordinance No. AO 98-71, passed on May 5, 1998.

1999 Bond Ordinance means Ordinance No. AO 99-118(S), passed on October 12, 1999.

1993 Bonds means the Municipality of Anchorage, Alaska, Senior Lien Water Revenue and Refunding Bonds, 1993, issued pursuant to the 1993 Bond Ordinance, which remain outstanding in the principal amount of \$4,695,000.

1998 Bonds means the Municipality of Anchorage, Alaska, Senior Lien Water Revenue and Refunding Bonds, 1998, issued pursuant to the 1998 Bond Ordinance, which remain outstanding in the principal amount of \$21,790,000.

1999 Bonds means the Municipality of Anchorage, Alaska, Subordinate Lien Water Revenue and Refunding Bonds, 1999, issued pursuant to the 1999 Bond Ordinance, which remain outstanding in the principal amount of \$62,530,000.

1998 Refunded Bonds means some or all of the of the callable portion of the 1998 Bonds maturing on and after August 1, 2009.

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

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

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

1 ***New Lien Bond Fund*** means the special fund designated as the “Anchorage Water
2 Revenue Bond Fund” and maintained pursuant to Section 12 of Ordinance No. AO 99-118(S)
3 and Section 13 of this ordinance.

4 ***New Lien Bonds*** means the 1999 Bonds described in the recitals of this ordinance, the
5 Bonds and any Future New Lien Bonds.

6 ***New Lien Reserve Account*** means the special fund of that name created pursuant to
7 Section 12 of Ordinance No. AO 99-118(S).

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

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

16 ***Operating Expenses*** means the current expenses incurred for operation, maintenance or
17 repair of the System of a non-capital nature, and shall include, without limiting the generality of
18 the foregoing, payments required by any water purchase agreements, source of supply expenses,
19 fuel expenses, treatment, transmission and distribution expenses, customer accounts expenses,
20 administrative and general expenses, insurance premiums, lease rentals, legal, regulatory, and
21 engineering expenses, payments to pension, retirement, group life insurance, health and
22 hospitalization funds or other employee benefit funds which are properly chargeable to current
23 operations, interest on customers’ deposits, payroll tax expenses and any other expenses required

1 to be paid under the provisions of this ordinance or by law or permitted
2 public utility systems similar to the properties and business of the S
3 public ownership) and applicable in the circumstances. **Operating E**
4 any allowances for depreciation or amortization or any principal, rede
5 price of, or interest on, any obligations of the Municipality incurred
6 payable from Gross Revenues or Municipal Utility Service Assessment
7 in lieu of municipal taxes.

8 **Original Issue Discount Bonds** means New Lien Bonds wh
9 public offering price of less than 95% of their face value and which are
10 Original Issue Discount Bonds in the Series Ordinance authorizing their

11 **Outstanding** when used with reference to New Lien Bonds m
12 authenticated and delivered under a Series Ordinance as of the time in c

13 (a) All New Lien Bonds theretofore cancelled or
14 under the Series Ordinance;

15 (b) New Lien Bonds for the payment or redemption
16 been made in accordance with a Series Ordinance; provided that, if
17 being redeemed, the required notice of redemption shall have b
18 instructions therefor shall have been given to the Registrar; and

19 (c) New Lien Bonds in substitution for which oth
20 been authenticated and delivered pursuant to a Series Ordinance.

21 **Outstanding Prior Lien Bonds** means the prior lien water re
22 revenue bonds identified in the recitals of this ordinance.

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

4 **Prior Lien Bond Fund** means the Anchorage Senior Lien Water Revenue Bond Fund
5 created by Section 13 of Ordinance No. AO 84-136.

6 **Prior Lien Reserve Account** means the Reserve Account created in the Anchorage Senior
7 Lien Bond Fund by Section 13 of Ordinance No. AO 84-136.

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

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

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

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

7 **Qualified Letter of Credit** means any irrevocable letter of credit issued by a financial
8 institution, which institution maintains an office, agency or branch in the United States and as of
9 the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories
10 by one or more of the Rating Agencies.

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

12 **Rate Stabilization Account** means the special fund authorized to be created pursuant to
13 Section 17 of Ordinance No. AO 99-118(S).

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

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

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

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

21 **Reciprocal Payor** means any bank or corporation whose guarantor maintains or who
22 maintains for itself at least an "A" rating from each Rating Agency then maintaining a rating on

1 Outstanding New Lien Bonds and which is a party to a Derivative Product and which is obligated
2 to make one or more Reciprocal Payments thereunder.

3 **Refunded Bonds** means, collectively, the 1993 Bonds, the 1998 Refunded Bonds and the
4 1999 Refunded Bonds.

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

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

9 **Refunding Candidates** means the 1993 Bonds, a portion of the 1998 Bonds maturing on
10 and after August 1, 2009, and a portion of the 1999 Bonds maturing on and after September 1,
11 2010.

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

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

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

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

1 **Series Ordinance** means Ordinance No. AO 99-118(S), this ordinance and any future
2 ordinance of the Assembly authorizing the issuance of a series of Future New Lien Bonds, as
3 such ordinance(s) may thereafter be amended or supplemented.

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

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

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

14 **Water Fund** means the special fund of that name created by Section 6 of Ordinance
15 No. 1002 of the Municipality of Anchorage (a predecessor to the Municipality) as such section
16 was amended by Section 12 of Ordinance No. AO 84-136.

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.

Section 3. Compliance with Parity Conditions The Municipality has reserved the right in Ordinance No. AO 99-118(S) to issue Future New Lien Bonds upon compliance with certain conditions as set forth in Section 19 of Ordinance No. AO 99-118(S) (the "Parity Conditions").

The Assembly hereby finds and determines as follows:

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

That at the time of issuance of the Bonds, the Municipality shall have filed a verification with the Bond Counsel confirming fulfillment of the Coverage Requirement, commencing with the first full fiscal year following the Date of Commercial Operation of the Projects and for the following two fiscal years (such certificate delivered by the Municipality

1 without a Consultant and based upon Available Revenues, from the financial statements of the
2 Municipality for the Base Period, corroborated by the most recently audited financial statements
3 of the System, audited by an independent certified public accounting firm.)

4 The Parity Conditions being complied with or assured, the Bonds shall be New Lien
5 Bonds and shall have a lien and charge upon Available Revenues for the payment of the principal
6 thereof and interest thereon equal to the lien and charge upon the Available Revenues of the 1999
7 Bonds.

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

12 Section 4. Authorization and Description of Bonds. The Municipality hereby
13 authorizes the issuance and sale of not to exceed \$45,000,000 of water revenue and refunding
14 bonds (the "Bonds"), to be designated "Municipality of Anchorage, Alaska, Water Revenue and
15 Refunding Bonds, 2004." The Bonds shall be issued in fully registered form in the denomination
16 of \$5,000 or in integral multiples of \$5,000 within a maturity, provided no Bond shall represent
17 more than one maturity, and shall be numbered separately in the manner and with such additional
18 designation as the Registrar deems necessary for purposes of identification. The Bonds shall
19 bear interest from their date payable on the first days of each May and November, commencing
20 on the interest payment date identified in the contract of purchase for the Bonds approved by the
21 Chief Fiscal Officer and shall mature on May 1 and bear interest at the interest rates determined,
22 all as provided in Section 23 of this ordinance.

1 The Bonds shall be deemed to mature on May 1 in the years and principal amounts set
2 forth and approved in the contract of purchase for the Bonds approved by the Chief Fiscal Officer
3 pursuant to Section 23 of this ordinance.: A portion of the Bonds in the estimated aggregate
4 principal amount of not to exceed \$20,000,000 shall be designated as the Improvement Bonds.
5 The proceeds of the Improvement Bonds shall be used to reimburse the Municipality for the costs
6 of the certain additions, betterments and improvements to the System undertaken as a part of the
7 2001, 2002 and 2003 capital improvement plans (approximately \$7.9 million); to pay a portion of
8 the costs of the System's 2004 and 2005 capital improvement plans (approximately \$3 million in
9 general plant improvements, \$3 million in rehabilitation, repair and renovation of existing
10 facilities; \$5.1 million in transmission and distribution facilities and \$1 million in assessment
11 district projects (collectively, the "Projects"); to fund all or a portion of the New Lien Reserve
12 Account Requirement; to capitalize interest on a portion of the Bonds; and to pay costs of
13 issuance.

14 For the purpose of refunding the Refunded Bonds and thereby effecting a substantial
15 savings in debt service to the Municipality for the benefit of the ratepayers of the System, the
16 Municipality shall issue the remaining portion of the Bonds, designated as the Refunding Bonds,
17 in the aggregate principal amount of not to exceed \$25,000,000.

18 The exact principal amount of the Bonds and the allocation of the principal amounts to
19 Improvement Bonds and Refunding Bonds shall be determined at the time of marketing of the
20 Bonds and shall be consistent with the pricing guidelines established in Section 23 of this
21 ordinance.

22 Section 5. Place and Medium of Payment. The principal of and interest on the Bonds
23 shall be payable in lawful money of the United States of America. Interest on the Bonds shall be

1 calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are
2 in book-entry only form, such payments of principal and interest thereon shall be made as
3 provided in the operational arrangements of DTC as referred to in the Letter of Representations.

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

9 Section 6. Registration, Transfer and Exchange.

10 (a) *Appointment of Registrar.* The Bonds shall be issued only in registered
11 form as to both principal and interest. U.S. Bank National Association, Seattle, Washington, is
12 appointed initially to serve as the authenticating agent, paying agent and bond registrar (the
13 "Registrar"). The Municipality is hereby authorized to enter into a written agreement with the
14 Registrar to evidence the Registrar's commitment to act as Registrar in accordance with the
15 terms set forth in this ordinance and providing for the payment of the fees and expenses of the
16 Registrar. The Registrar may be removed at any time at the option of the Municipality upon
17 prior notice to the Registrar, the Bond Insurer, if any, DTC, each NRMSIR and SID, if any, and a
18 successor Registrar appointed. Each Registrar shall warrant at the time of acceptance of its
19 duties hereunder that it (i) is a trust company or bank in good standing located in or incorporated
20 under the laws of a state of the United States; (ii) is duly authorized to exercise trust powers; and
21 (iii) is subject to examination by a federal or state authority. No resignation or removal of the
22 Registrar shall be effective until a successor shall have been appointed and until the successor
23 Registrar shall have accepted the duties of the Registrar hereunder.

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

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

13 (c) *Municipality and Registrar Not Responsible for DTC.* Neither the
14 Municipality nor the Registrar will have any responsibility or obligation to DTC participants or
15 the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy
16 of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC
17 participant of any amount in respect of the principal or interest on the Bonds, any notice which is
18 permitted or required to be given to Registered Owners under this ordinance (except such notices
19 as shall be required to be given by the Municipality to the Registrar and the Bond Insurer, if any,
20 or to DTC), or any consent given or other action taken by DTC as the Registered Owner.

21 (d) *DTC as Registered Owner.* The Municipality and the Registrar, each in its
22 discretion, may deem and treat the Registered Owner as the absolute owner thereof for all
23 purposes, and neither the Municipality nor the Registrar shall be affected by any notice to the

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

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

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

20 (2) *Substitute Depository.* Upon the resignation of DTC or its
21 successor (or any substitute depository or its successor) from its functions as depository or a
22 determination by the Municipality that it is no longer in the best interest of owners of beneficial
23 interests in the Bonds to continue the system of book entry transfers through DTC or its

1 successor (or any substitute depository or its successor), the Municipality may thereafter appoint
2 a substitute depository. Any such substitute depository shall be qualified under any applicable
3 laws to provide the services proposed to be provided by it.

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

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

21 (f) *Transfer or Exchange of Registered Ownership; Change in*
22 *Denominations.* If the Bonds are no longer held in immobilized, book-entry form, the registered
23 ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be

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

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

18 Section 7. Right of Prior Redemption and Purchase. The Bonds may be subject to
19 optional or mandatory redemption prior to their scheduled maturity as determined in accordance
20 with the terms of Section 23 of this ordinance. Notwithstanding the foregoing, the Municipality
21 reserves the right, whenever it has money in the Water Fund over and above the amounts
22 necessary to satisfy the requirements of Section 12, First through Ninth, to use such money at any
23 time to purchase any of the New Lien Bonds for retirement, but only if the same may be

1 purchased at a price (including brokerage and similar charges) deemed advantageous to the
2 Municipality by its Chief Fiscal Officer.

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

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

- 14 (a) the redemption date;
- 15 (b) the redemption price;
- 16 (c) if fewer than all outstanding Bonds are to be redeemed, the identification
17 (and, in the case of partial redemption, the respective principal amounts per maturity) of the
18 Bonds to be redeemed;
- 19 (d) that on the redemption date the redemption price will become due and
20 payable upon each such Bond or portion thereof called for redemption, and that interest thereon
21 shall cease to accrue from and after said date; and
- 22 (e) the place where such Bonds are to be surrendered for payment of the
23 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

WATER REVENUE AND REFUNDING BOND, 2004

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE & 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 "Anchorage Water Revenue Bond Fund" (the "Bond Fund") created by authority of Ordinance No. AO 2004-76 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 Charter and duly adopted ordinances and resolutions of the Municipality, including particularly, the Bond Ordinance for the purpose of making certain capital improvements to the Municipality's water utility (the "System") and for the additional purpose of refunding certain outstanding water revenue bonds of the Municipality. The definitions contained in the Bond Ordinance shall apply to capitalized terms contained herein.

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

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

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

The amounts so pledged to be paid out of said Water Fund into the Bond Fund are hereby declared to be a lien and charge upon the money in the Water Fund and Gross Revenues superior

1 Section 10. Execution of Bonds. The Bonds shall be executed on behalf of the
2 Municipality with the manual or facsimile signature of the Municipal Manager or Mayor of the
3 Municipality, attested with the manual or facsimile signature of the Municipal Clerk and
4 authenticated by the manual signature of an authorized representative of the Registrar. The
5 official seal of the Municipality shall be impressed or imprinted or otherwise reproduced on each
6 Bond. In case any of the officers who shall have signed, attested or registered any of the Bonds
7 shall cease to be such officer before such Bonds have been actually issued and delivered, such
8 Bonds shall be valid nevertheless and may be issued by the Municipality with the same effect as
9 though the persons who had signed, attested or registered such Bonds had not ceased to be such
10 officers.

11 Section 11. Lost, Stolen, Destroyed or Mutilated Bonds. In case any Bonds shall at
12 any time become mutilated or be lost, stolen or destroyed, the Municipality in the case of such a
13 mutilated Bond shall, and in the case of such a lost, stolen or destroyed Bond in its discretion
14 may, execute and deliver a new Bond of the same interest rate and maturity and of like tenor and
15 effect in exchange or substitution for and upon the surrender and cancellation of such mutilated
16 Bond, or in lieu of or in substitution for such destroyed, stolen or lost Bond, or if such stolen,
17 destroyed or lost Bond shall have matured, instead of issuing a substitute therefor, the
18 Municipality may at its option pay the same without the surrender thereof. Except in the case
19 where a mutilated Bond is surrendered, the applicant for the issuance of a substitute Bond shall
20 furnish to the Registrar evidence satisfactory to it of the theft, destruction or loss of the original
21 Bond, and of the ownership thereof, and also such security and indemnity as may be required by
22 the Municipality, and no such substitute Bond shall be issued unless the applicant for the
23 issuance thereof shall reimburse the Municipality for the expenses incurred by the Municipality

1 in connection with the preparation, execution, issuance and delivery of the substitute Bond, and
2 any such substitute Bond shall be equally and proportionately entitled to the security of this
3 ordinance with all other Bonds issued hereunder, whether or not the Bond alleged to have been
4 lost, stolen or destroyed shall be found at any time or be enforceable by anyone.

5 Section 12. Water Fund and Priority of Use of Gross Revenues. There has heretofore
6 been created by Section 6 of Ordinance No. 1002 of the Municipality of Anchorage, a special
7 fund known as the "Water Fund." Gross Revenues and the moneys in the Water Fund are hereby
8 pledged to and shall be used only for the following purposes and in the following order of
9 priority:

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

12 Second, to make all payments, including sinking fund payments, required to be
13 made into the Prior Lien Bond Fund for the payment of the principal of and interest on any
14 Outstanding Prior Lien Bonds;

15 Third, to make all payments required to be made into the Prior Lien Reserve
16 Account;

17 Fourth, to make all payments, including sinking fund payments, required to be
18 made into the New Lien Bond Fund for the payment of the principal of and interest on any New
19 Lien Bonds;

20 Fifth, to make all payments required to be made into the New Lien Reserve
21 Account;

1 Sixth, to make all payments, including sinking fund payments, required to be
2 made into a new debt service account for the payment of the principal of and interest on any
3 bonds subordinate to the New Lien Bonds;

4 Seventh, to make all payments required to be made into a reserve account for
5 bonds subordinate to the New Lien Bonds;

6 Eighth, to make all required payments of Municipal Utility Service Assessments
7 or other assessments levied in lieu of municipal taxes;

8 Ninth, to repay all loans received by the Municipality from the Alaska Drinking
9 Water Fund; and

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

16 Section 13. New Lien Bond Fund and Accounts Therein. There has heretofore been
17 authorized, by Ordinance No. AO 99-118(S), to be created a special fund of the Municipality
18 known as the "Anchorage Water Revenue Bond Fund" (the "New Lien Bond Fund"), which fund
19 is a trust fund to be drawn upon for the sole purpose of paying the principal of and interest and
20 premium, if any, on all New Lien Bonds. The New Lien Bond Fund includes a special account
21 therein designated as the New Lien Reserve Account.

22 The Municipality hereby obligates and binds itself irrevocably to set aside and to pay (to
23 the extent not otherwise provided) into the New Lien Bond Fund, certain fixed amounts from

1 Available Revenues, without regard to any fixed proportion of said revenues, sufficient to pay the
2 principal of and premium, if any, and interest on all New Lien Bonds from time to time
3 outstanding as the same respectively become due and payable either at the maturity thereof or in
4 accordance with the terms of any sinking fund provided for the retirement of term New Lien
5 Bonds. The payments into the New Lien Bond Fund for the payment of the New Lien Bonds
6 shall constitute a charge and lien upon Available Revenues of equal rank with the charge and lien
7 on said Available Revenues for the payments required to be made into the New Lien Bond Fund
8 for the payment of the principal of, premium, if any, and interest on any Future New Lien Bonds.

9 The Municipality hereby irrevocably obligates and binds itself to set aside and pay into
10 the New Lien Bond Fund out of Available Revenues or out of any other moneys legally available
11 therefor on or before the date on which any payment of Annual Debt Service is due such amounts
12 as will be sufficient to pay Annual Debt Service scheduled to become due on the date of maturity
13 of such New Lien Bonds.

14 The New Lien Bond Fund shall be drawn upon solely for the purpose of paying the
15 principal of and premium, if any, and interest on New Lien Bonds. Moneys set aside from time
16 to time with the Registrar for such payments shall be held in trust for the owners of the New Lien
17 Bonds in respect of which the same shall have been so set aside. Until so set aside, all moneys in
18 the New Lien Bond Fund shall be held in trust for the benefit of the owners of all New Lien
19 Bonds at the time outstanding equally and ratably.

20 Section 14. New Lien Reserve Account. The Municipality hereby covenants and
21 agrees that it will set aside and pay into the New Lien Reserve Account from proceeds of the
22 Bonds or otherwise, an amount so that the amount on deposit in the New Lien Reserve Account

1 will be at least equal to the New Lien Reserve Account Requirement on the date of issuance of
2 the Bonds.

3 The New Lien Reserve Account Requirement may be maintained by deposits of cash, a
4 Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the
5 extent that the Municipality obtains a Qualified Letter of Credit or Qualified Insurance in
6 substitution for cash or securities in the New Lien Reserve Account, all or a portion of the money
7 on hand in the New Lien Reserve Account shall be transferred to the fund or account, specified
8 by the Chief Fiscal Officer within the limitations permitted by Section 19 of this ordinance. In
9 computing the amount on hand in the New Lien Reserve Account, Qualified Insurance and/or a
10 Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations
11 purchased as an investment of moneys therein shall be valued at cost. As used herein, the term
12 "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand
13 deposits, certified or cashier's check; and the deposit to the New Lien Reserve Account may be
14 satisfied by the transfer of qualified investments to such account.

15 The Municipality further covenants and agrees that in the event it issues any Future New
16 Lien Bonds hereafter it will provide in each ordinance authorizing the same that approximately
17 equal annual payments will be made into the New Lien Reserve Account out of the Water Fund
18 so that within five years or less from the date of issuance of such New Lien Bonds, the total
19 amount of such payments together with the money already in the New Lien Reserve Account,
20 including any amounts funded, will be equal to the New Lien Reserve Account Requirement.

21 The Municipality further covenants and agrees that when said required amounts have
22 been deposited in the New Lien Reserve Account it will at all times maintain therein an amount
23 at least equal to the New Lien Reserve Account Requirement until there is a sufficient amount in

1 the New Lien Bond Fund, including the New Lien Reserve Account, to pay the principal of,
2 premium, if any, and interest on all outstanding New Lien Bonds, at which time the money in the
3 New Lien Reserve Account may be used to pay such principal, premium, if any, and interest;
4 *provided, however*, that moneys in the New Lien Reserve Account may be withdrawn, or set
5 aside in a special account in the New Lien Bond Fund pursuant to Section 21 of this ordinance, to
6 pay (with or without other available funds) the principal, premium, if any, and interest on all of
7 the outstanding bonds of any single issue or series payable out of the New Lien Bond Fund, so
8 long as the moneys remaining on deposit in the New Lien Reserve Account are at least equal to
9 the New Lien Reserve Account Requirement with respect to all of the remaining New Lien
10 Bonds then Outstanding. The Municipality may, from time to time, transfer from the New Lien
11 Reserve Account to the New Lien Bond Fund amounts in excess of the New Lien Reserve
12 Account Requirement.

13 In the event there shall be a deficiency in the New Lien Bond Fund for meeting maturing
14 installments of either principal of or interest on, or mandatory redemption requirements on, New
15 Lien Bonds, such deficiency shall be made up from the New Lien Reserve Account by the
16 withdrawal of cash therefrom, and then by a drawing upon a Qualified Letter of Credit or
17 Qualified Insurance, if any. Any deficiency created in the New Lien Reserve Account by reason
18 of any such withdrawal shall then be made up from the money in the Water Fund first available
19 therefor after making necessary provision for the required payments into the New Lien Bond
20 Fund. Investments in the New Lien Reserve Account shall be valued at amortized cost except
21 that in the event of a deficiency in the New Lien Reserve Account caused by the withdrawal or
22 transfer of moneys therefrom, the amount of such deficiency shall be determined by valuing all
23 investments in the New Lien Reserve Account at the then market value.

1 All money in the New Lien Reserve Account may be kept in cash or invested in
2 Government Obligations. Such investments shall mature not later than the last maturity of
3 outstanding New Lien Bonds outstanding at the time of said purchase. Interest on any such
4 investments and/or any profits realized from the sale thereof shall be deposited in and become a
5 part of the New Lien Reserve Account.

6 Section 15. Adequacy of Available Revenues. The corporate authorities of the
7 Municipality hereby declare that in fixing the amounts to be paid into the New Lien Bond Fund
8 hereinbefore provided for they have exercised due regard for Operating Expenses and the
9 payment priorities specified in paragraphs Second through Fifth of Section 12 of this ordinance
10 and have not obligated the Municipality to set aside and pay into said New Lien Bond Fund a
11 greater amount of Available Revenues than in their judgment will be available over and above
12 Operating Expenses and such other payments.

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

16 (a) *Rate Covenant.* The Municipality will establish, maintain and collect rates
17 and charges for water service and all other services or facilities furnished or supplied by the
18 System in each fiscal year that will provide Available Revenues in an amount equal to at least
19 1.15 times the Annual Debt Service Requirement for such year on all Outstanding New Lien
20 Bonds.

21 (b) *Maintenance of System.* The Municipality will at all times maintain,
22 preserve and keep the System and every part and parcel thereof in good repair, working order and
23 condition; will from time to time make or cause to be made all necessary and proper repairs,

renewals and replacements thereto so that the business carried on in connection therewith may be properly and advantageously conducted; and will at all times operate the System in an efficient manner and at a reasonable cost.

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

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

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

(f) *Bonded Employees and Agents.* All employees and agents of the Municipality collecting or handling money of the Municipality in connection with the

management and operation of the System shall be bonded in an amount commensurate with the funds they handle and in an amount sufficient to protect the Municipality from loss.

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

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

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

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

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

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

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

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

Section 17. Tax Covenants.

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

1 applicable to the Bonds) and the applicable regulations thereunder throughout the term of the
2 Bonds.

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

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

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

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

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

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

The Municipality further covenants that, if:

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

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

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

(B) derived from payments (whether or not made to the Municipality) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Projects, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of such projects to which the Private Person Use of such portion of the Projects relates. The Municipality further covenants that it will comply with any limitations on the use of the Projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

1 Section 18. Rate Stabilization Account. The Municipality has heretofore authorized,
2 by Section 17 of Ordinance No. 99-118(S), to be created a separate fund of the Municipality
3 designated as the “Rate Stabilization Account” in order to even out fluctuations in Net Revenues
4 and help to alleviate the need for short-term rate adjustments. Money in the Rate Stabilization
5 Account will be transferred as determined from time to time by the Municipality. The
6 Municipality may make payments into the Rate Stabilization Account from the Water Fund at
7 any time. Money in the Rate Stabilization Account may be withdrawn at any time and used for
8 the purpose for which the Gross Revenue may be used. Amounts withdrawn from the Rate
9 Stabilization Account shall increase Gross Revenue for the period for which they are withdrawn,
10 and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the
11 period for which they are deposited. Credits to or from the Rate Stabilization Account that occur
12 within 90 days after the end of a Fiscal Year may be treated as occurring within such Fiscal Year.
13 Earnings on the Rate Stabilization Account shall be credited to the Water Fund.

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

16 (a) *General Parity Tests.* The Derivative Product must satisfy the
17 requirements for additional New Lien Bonds described in Section 20 of this ordinance.

18 (b) *Notice to Rating Agencies.* Before entering into any Derivative Product,
19 the Municipality shall provide prior written notice to each Rating Agency then maintaining a
20 rating with respect to New Lien Bonds, together with drafts of the documentation evidencing the
21 Derivative Product.

22 (c) *Opinion of Bond Counsel.* The Municipality shall obtain an opinion of its
23 Bond Counsel on the due authorization and execution of such Derivative Product opining that the

1 action proposed to be taken is authorized or permitted by this ordinance or the applicable
2 provisions of any Series Ordinance and will not adversely affect the exclusion from regular
3 federal income tax of the interest on any Outstanding New Lien Bonds.

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

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

9 (i) create and establish a Derivative Product Account or provide for
10 some other way to account for the use of a Derivative Product; establish general provisions for
11 the retention of Available Revenues in amounts sufficient to make, when due, Municipality
12 Payments;

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

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

18 This ordinance may be amended in the future to reflect the lien position and priority of
19 any payments made in connection with a Derivative Product; *provided, however*, that no
20 amendment shall be made which permits a payment under a Derivative Product to constitute a
21 lien on Gross Revenue superior to that of Bonds, and, *provided, further*, that termination
22 payments under Derivative Products may not attain a parity lien with New Lien Bonds.

23 Section 20. Additional New Lien Bonds.

1 (a) *Prior Lien Closed.* The lien of the Prior Lien Bonds is closed, and the
2 Municipality shall issue no further Prior Lien Bonds in the future.

3 (b) *Limitations on Issuance of New Lien Bonds.* Except as provided in
4 subsection (c) below, the Municipality shall not issue any series of Future New Lien Bonds or
5 incur any additional indebtedness with a parity lien or charge on Available Revenues (*i.e.*, on a
6 parity of lien with New Lien Bonds at the time Outstanding) unless:

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

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

16 (c) *No Certificate Required.* The certificate described in the foregoing
17 subsection (b)(2) shall not be required as a condition to the issuance of New Lien Bonds:

18 (i) if the New Lien Bonds being issued are for the purpose of
19 refunding Outstanding New Lien Bonds upon compliance with the provisions of subsection (f);
20 or

21 (ii) if the New Lien Bonds are being issued to pay costs of construction
22 of facilities of the System for which New Lien Bonds have been issued previously and the
23 principal amount of such New Lien Bonds being issued for completion purposes does not exceed

1 an amount equal to an aggregate of 15% of the principal amount of New Lien Bonds theretofore
2 issued for such facilities and reasonably allocable to the facilities to be completed as shown in a
3 written certificate of the Chief Fiscal Officer, and there is delivered to Bond Counsel a
4 Consultant's certificate stating that the nature and purpose of such Facilities has not materially
5 changed.

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

19 (e) *Certificate of a Consultant.* Unless compliance with the requirements of
20 subsection (b)(ii) have been otherwise satisfied (as provided in (c) or (d) above), compliance with
21 the Coverage Requirement of this Section 20 shall be demonstrated conclusively by a certificate
22 of a Consultant.

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

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

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

9 (ii) The estimated annual Available Revenues to be derived from any
10 person, firm, association, private or municipal corporation under any executed contract for water
11 service, which Available Revenues were not previously included in any of the sources of
12 Available Revenues.

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

18 (iv) The estimated annual Available Revenues to be derived from the
19 operation of any additions and improvements to or extensions of the System being paid for out of
20 the proceeds of sale of such New Lien Bonds being issued.

21 (v) The estimated additional annual Available Revenues to be derived
22 from rate increases that have been fully approved by the regulatory authority with jurisdiction to

1 become effective thereafter if there has been any change in such rates and charges put into effect
2 or so approved during or after such 12-consecutive month rate period.

3 In the event the Municipality will not derive any Gross Revenues as a result of the
4 construction of the additions, improvements or extensions being or to be made to the System
5 within the provisions of subparagraphs (iii) and (iv) immediately above, the estimated Operating
6 Expenses of such additions, improvements and extensions shall be deducted from such Available
7 Revenues.

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

12 (f) New Lien Bonds may be issued at any time for the purpose of refunding
13 (including by purchase) New Lien Bonds or Prior Lien Bonds, including amounts to pay
14 principal thereof and redemption premium, if any, and interest thereon to the date of redemption
15 (or purchase) and the expenses of issuing such New Lien Bonds to purchase or refund the same
16 and of effecting such refunding upon delivery of a certificate as provided in (e) above. Such
17 refunding New Lien Bonds also may be issued without a certificate if the Maximum Annual Debt
18 Service on all New Lien Bonds to be Outstanding after the issuance of the refunding New Lien
19 Bonds shall not be greater than the Maximum Annual Debt Service were such refunding not to
20 occur.

21 (g) New Lien Bonds may be issued at any time for the purpose of refunding
22 (including by purchase) any other bonds of the Municipality, including amounts to pay principal
23 thereof and redemption premium, if any, and interest thereon to the date of redemption of such

1 bonds (or purchase) and the expenses of issuing the New Lien Bonds to purchase or refund the
2 same and of effecting such refunding; *provided, however*, that prior to the issuance of such New
3 Lien Bonds the Municipality must provide a certificate if required by (e) above.

4 (h) New Lien Bonds may be issued for the purpose of refunding (including by
5 purchase) at any time within one year prior to maturity, any New Lien Bonds for the payment of
6 which sufficient Available Revenues or other moneys are not available, without the requirement
7 of a certificate pursuant to (e) above.

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

12 Section 22. Defeasance. In the event that money and/or Acquired Obligations
13 maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to
14 redeem and retire any or all of the Bonds in accordance with their terms are set aside in a special
15 trust account in the New Lien Bond Fund to effect such redemption or retirement and such
16 money and the principal of and interest on such obligations are irrevocably set aside and pledged
17 for such purpose, then no further payments need be made into the New Lien Bond Fund for the
18 payment of the principal of and interest on such Bonds, and such Bonds shall cease to be entitled
19 to any lien, benefit or security of this ordinance except the right to receive the funds so set aside
20 and pledged, and such Bonds shall be deemed not to be outstanding hereunder or under any other
21 Series 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 1993 Bonds, the 1998 Bonds and the 1999 Bonds
4 may be called for redemption prior to their scheduled maturities. All or some of these bonds may
5 be refunded and refinanced with the proceeds of the Refunding Bonds authorized by this
6 ordinance ("Refunding Candidates"). The Chief Fiscal Officer may select some or all of the
7 Refunding Candidates and designate those Refunding Candidates as the "Refunded Bonds" in the
8 purchase contract for the Bonds if and to the extent that the aggregate savings to be realized as a
9 result of the refunding of the Refunded Bonds (*i.e.*, the present value of (i) the aggregate debt
10 service on the Refunded Bonds minus (ii) the aggregate debt service on the Refunding Bonds,
11 after payment of all costs of issuance of the Refunding Bonds), exceeds 3% of the principal
12 amount of the Refunded Bonds.

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

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

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

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

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

1 Section 25. General Authorization to Municipal Officials.

2 officials of the Municipality are hereby authorized and directed to d
3 complete such sale and delivery of the Bonds to the Underwriter upon
4 price thereof.

5 Section 26. Refunding Account. There is hereby authorized
6 known as the "Refunding Account" which account is to be drawn up
7 paying the interest on the Refunded Bonds until their date of redempti
8 price of the Refunded Bonds on the date of redemption of the Refund
9 related to the refunding of the Refunded Bonds.

10 The proceeds of sale of the Refunding Bonds (exclusive of
11 which shall be paid into the New Lien Bond Fund) shall be credited to

12 Money in the Refunding Account shall be used immediatel
13 defease the Refunded Bonds as authorized by their respective ord
14 issuance allocable to the Refunding Bonds. The Municipality shall de
15 and discharge such obligations by the use of money in the Refunding A
16 Government Obligations, bearing such interest and maturing as to pri
17 amounts and at such times which, together with any necessary beg
18 provide for the payment of:

- 1 (a) interest on the 1993 Bonds through the Call Date;
- 2 (b) the redemption price of the 1993 Bonds being redeemed on the Call Date;
- 3 (c) interest on the 1998 Refunded Bonds through August 1, 2008;
- 4 (d) the redemption price of the 1998 Refunded Bonds being redeemed on
- 5 August 1, 2008;
- 6 (e) interest on the 1999 Refunded Bonds through September 1, 2009; and
- 7 (f) the redemption price of the 1999 Refunded Bonds being redeemed on
- 8 September 1, 2009.

9 A beginning cash balance, if any, and Acquired Obligations shall be deposited

10 irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The

11 proceeds of the Refunding Bonds remaining in the Refunding Account after acquisition of the

12 Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to

13 pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the

14 issuance of the Refunding Bonds.

15 Section 27. Call For Redemption of Refunded Bonds. The Municipality hereby

16 irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds

17 of the Refunding Bonds to make the payments described in Section 26 of this ordinance.

18 The Municipality hereby irrevocably calls the 1993 Bonds for redemption on the Call

19 Date in accordance with the provisions of the 1993 Bond Ordinance authorizing the redemption

20 and retirement of the 1993 Bonds prior to their fixed maturity, the 1998 Refunded Bonds for

21 redemption on August 1, 2008 in accordance with the provisions of the 1998 Bond Ordinance

22 authorizing the redemption and retirement of the 1998 Refunded Bonds prior to their fixed

23 maturity, and the 1999 Refunded Bonds for redemption on September 1, 2009 in accordance with

1 the provisions of the 1999 Bond Ordinance authorizing the redemption and retirement of the
2 1999 Refunded Bonds prior to their fixed maturity.

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

6 The Chief Fiscal Officer is hereby requested and directed to select a financial institution
7 to serve as the Escrow Agent for the Refunded Bonds (the ("Escrow Agent")). The Escrow Agent
8 is hereby authorized and directed to provide for the timely giving of notice of the redemption of
9 the Refunded Bonds in accordance with the applicable provisions of the 1993 Bond Ordinance,
10 the 1998 Bond Ordinance and the 1999 Bond Ordinances, respectively. The Chief Fiscal Officer
11 is authorized and requested to provide whatever assistance is necessary to accomplish such
12 redemption and the giving of notice therefor. The costs of publication of such notice shall be an
13 expense of the Municipality.

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

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

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

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

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

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

(3) To provide for the issuance of New Lien 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 New Lien 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 New Lien 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 New Lien 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 New Lien Bond so affected; or

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

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

It shall not be necessary for the consent of the Registered Owners of the New Lien 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 New Lien 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) New Lien Bonds executed and delivered after the execution of any supplemental ordinance adopted pursuant to the provisions of this section may bear a notation as

1 to any matter provided for in such supplemental ordinance, and if such supplemental ordinance
2 shall so provide, New Lien Bonds so modified as to conform, in the opinion of the Assembly, to
3 any modification of this ordinance contained in any such supplemental ordinance may be
4 prepared by the Municipality and delivered without cost to the owners of New Lien Bonds then
5 outstanding, upon surrender for cancellation of such Bonds or New Lien Bond in equal aggregate
6 principal amounts.

7 Section 32. Amending Section 25 of Ordinance No. AO 98-71. Section 25 of
8 Ordinance No. AO 98-71 shall be amended to read as follows (deletions are shown as stricken
9 text and additions are shown as underscored):

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

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

29 Such annual information and operating data described above shall be
30 available on or before seven months from the end of each fiscal year. If the fiscal
31 year of the Municipality is changed, the Municipality may adjust such date by
32 providing written notice of the change of fiscal year and the new reporting date to
33 each then existing NRMSIR and the SID, if any. In lieu of providing such annual
34 financial information and operating data, the Municipality may cross-reference to
35 other documents the Municipality provides to the NRMSIRs, the SID or to the
36 Commission and, if such document is a final official statement within the meaning
37 of the Rule, available from the MSRB.

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

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

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

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

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

37 (e) Termination/Modification. The Municipality's obligations
38 to provide annual financial information and notices of material events shall
39 terminate upon the defeasance or payment in full of all of the Bonds. This
40 section, or any provision hereof, shall be null and void if the Municipality
41 (1) obtains an opinion of nationally recognized bond counsel to the effect that
42 those portions of the Rule which require this section, or any such provision, are
43 invalid, have been repealed retroactively or otherwise do not apply to the Bonds
44 and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion
45 and the cancellation of this section. Notwithstanding any other provision of this

ordinance, the Municipality may amend this Section 25 and any provision of this Section 25 may be waived, provided that the following conditions are satisfied:

i. If the amendment or waiver relates to the provisions of Section 25(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 25, 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) Registered Owner's Remedies Under This Section. A Registered 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 98-71 is hereby ratified, approved and confirmed.

Section 33. Amending Section 28 of Ordinance No. AO 99-118(S). Section 28 of Ordinance No. AO 99-118(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 Water Utility";~~] "Water Utility Rate Increases"; "Current Water Rates - Anchorage Water Utility"; "Statement of Revenues, Expenses and Debt Service Coverage - Anchorage Water Utility"; and "Revenue Bonds Debt Services - Anchorage Water 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 other documents the Municipality provides to the NRMSIRs, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

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

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

- Principal and interest payment delinquencies;
- Non-payment related defaults;

- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;
- Modifications to rights of Registered Owners;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the Bonds; and
- Rating changes.

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

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

(e) *Termination/Modification.* The Municipality's obligations to provide annual financial information and notices of material events shall terminate upon the defeasance or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the Municipality (1) obtains an opinion of nationally recognized bond counsel to the effect that 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 28 and any provision of this Section 28 may be waived, provided that the following conditions are satisfied:

i. If the amendment or waiver relates to the provisions of Section 28(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

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

6 In the event of any amendment of or waiver of a provision of this
7 Section 28, the Municipality shall describe such amendment in the next annual
8 report, and shall include, as applicable, a narrative explanation of the reason for
9 the amendment or waiver and its impact on the type (or in the case of a change of
10 accounting principles, on the presentation) of financial information or operating
11 data being presented by the Municipality. In addition, if the amendment relates to
12 the accounting principles to be followed in preparing financial statements,
13 (i) notice of such change shall be given in the same manner as for a material event
14 under Subsection (c), and (ii) the annual report for the year in which the change is
15 made should present a comparison (in narrative form and also, if practical, in
16 quantitative form) between the financial statements as prepared on the basis of the
17 new accounting principles and those prepared on the basis of the former
18 accounting principles.

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

25 As amended by this ordinance, Ordinance No. AO 99-118(S) is hereby ratified, approved
26
27 and confirmed.

28 Section 34. Amending Section 12 of Ordinance No. AO 98-71. Section 12 of
29 Ordinance No. AO 98-71 shall be amended to read as follows (deletions are shown as stricken
30 text and additions are shown as underscored):

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

From and after the time of issuance and delivery of the Bonds and as long thereafter as any of the same remain outstanding, the Municipality hereby irrevocably obligates and binds itself to set aside and pay into the Debt Service Account out of Gross Revenues and moneys in the Water Fund or out of any other moneys legally available therefor on or before the ~~[20th day of each month the following:]~~ **[date on which any payment of debt service on the Bonds is due]**

~~[(a) S]such amounts[, in approximately equal monthly installments, as will be sufficient to accumulate the amount]~~ required to pay the interest scheduled to become due on the Senior Lien Parity Bonds on the ~~[next]~~ interest payment date; and

~~[(b) S]such amounts[, in approximately equal monthly installments,]~~ as will be sufficient to ~~[accumulate]~~ **[pay]** (i) any required sinking fund installment, (ii) the amount required to pay the next maturing principal of all Senior Lien Parity Bonds, and (iii) the principal amounts of, and any redemption premium on, all Senior Lien Parity Bonds payable **[on such payment date]** as a result of any mandatory redemption provisions~~[, in each case during the next 12 months].~~

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

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

As amended by this ordinance, Ordinance No. AO 98-71 is hereby ratified, approved and confirmed.

Section 35. Repeal of Ordinance No. AO 2003-103. The Assembly hereby repeals Ordinance No. AO 2003-103 in its entirety.

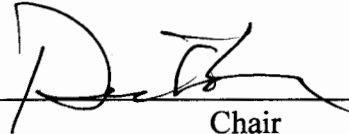
Section 36. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the Municipality shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants

and agreements in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

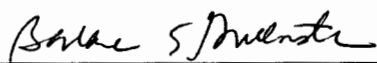
PASSED AND APPROVED by the Assembly of the Municipality of Anchorage this ²⁷~~30~~th day of April, 2004.

MUNICIPALITY OF ANCHORAGE, ALASKA

By


Chair

ATTEST:


Municipal Clerk

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 2004-76

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 OF NOT TO EXCEED \$45,000,000 FOR THE PURPOSE OF PROVIDING PART OF THE FUNDS TO REFUND CERTAIN OUTSTANDING SENIOR LIEN WATER REVENUE BONDS OF THE MUNICIPALITY AND TO PROVIDE FOR CERTAIN IMPROVEMENTS TO THE WATER 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; AMENDING ORDINANCE NO. AO 98-71 AND ORDINANCE NO. AO 99-118(S); AND REPEALING ORDINANCE NO. AO 2003-103.

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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 :** 001721**Type:** Ordinance - AO

An Ordinance Providing for the Issuance of Subordinate Lien Water

Title: Revenue & Refunding Bonds in an Amount Not to Exceed \$45,000,000,
Finance**Author:** pruittns**Initiating Dept:** Finance**Review Depts:** AWWU**Date Prepared:** 4/5/04 3:29 PM**Assembly Meeting**
Date MM/DD/YY: 04/13/04**Public Hearing**
Date MM/DD/YY: 05/11/04 4/20/04**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 3:32 PM	Checkin	pruittns	Public	001721
Finance_SubWorkflow	4/5/04 4:57 PM	Approve	sinzje	Public	001721
AWWU_SubWorkflow	4/6/04 7:14 AM	Approve	premomc	Public	001721
AllOrdinanceWorkflow	4/6/04 10:42 AM	Reject	pearcydl	Public	001721
AllOrdinanceWorkflow	4/6/04 1:42 PM	Checkin	pruittns	Public	001721
Finance_SubWorkflow	4/6/04 3:26 PM	Approve	sinzje	Public	001721
AWWU_SubWorkflow	4/6/04 3:59 PM	Approve	premomc	Public	001721
OMB_SubWorkflow	4/6/04 5:57 PM	Approve	pearcydl	Public	001721
Legal_SubWorkflow	4/7/04 10:45 AM	Approve	fehlenrl	Public	001721
MuniManager_SubWorkflow	4/7/04 11:23 AM	Approve	leblancdc	Public	001721
MuniMgrCoord_SubWorkflow	4/8/04 4:18 PM	Approve	katkusja	Public	001721

ADDENDUM – CONSENT AGENDA – INTRODUCTION