

CITY OF HOMER  
HOMER, ALASKA

RESOLUTION NO. 89-106(S)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA PROVIDING FOR THE SALE OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,355,000; SETTING OTHER DETAILS OF THE BONDS; APPROVING THE EXECUTION OF LOAN AGREEMENTS BETWEEN THE CITY AND THE ALASKA MUNICIPAL BOND BANK AUTHORITY; AND PROVIDING FOR AN EFFECTIVE DATE.

RECITALS

WHEREAS, the City of Homer, Alaska (the "City") has heretofore authorized, pursuant to Ordinance No. 89-29(S) (the "Bond Ordinance"), the issuance of General Obligation Bonds, 1989 Series A in the amount of \$1,205,000 (the "Series A Bonds"), and the issuance of General Obligation Bonds, 1989 Series B in the amount of \$3,150,000 (the "Series B Bonds"), (collectively the "Bonds") for the purpose of financing part of the cost of planning, acquiring, constructing and reconstructing roads and related improvements within the City; and

WHEREAS, pursuant to the Bond Ordinance, the City Council provided for fixing the date, maturity schedules, redemption provisions and interest rates for the Bonds all by resolution of the City Council after final passage of the Bond Ordinance; and

WHEREAS, the City Manager and Finance Director, pursuant to the Bond Ordinance, has entered into negotiations for the sale of

\$4,355,000 aggregate principal amount of the Bonds and the City Manager recommends that the Bonds be sold to the Alaska Municipal Bond Bank Authority (the "Authority"), pursuant to the terms set forth in the Loan Agreements, dated December 15, 1989, in substantially the form attached hereto (the "Loan Agreements");

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HOMER, ALASKA, AS FOLLOWS:

Section 1. Words and Phrases. As used in this Resolution, capitalized words and phrases shall have the meanings set forth in the Bond Ordinance.

Section 2. Series A Bonds. The City has heretofore authorized, pursuant to the Bond Ordinance, the issuance of General Obligation Bonds, 1989, Series A (the "Series A Bonds"), in the aggregate principal amount of \$1,205,000. The Series A Bonds shall be dated December 15, 1989, shall bear interest at the rates per annum set forth in the following schedule, payable July 1, 1990 and semiannually thereafter on the first day of January and July, and shall mature on January 1 of the following years and in the following amounts:

<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1991	\$ 65,000	5.90
1992	90,000	6.00
1993	100,000	6.15
1994	115,000	6.25
1995	130,000	6.35
1996	150,000	6.45
1997	165,000	6.55
1998	185,000	6.65
1999	205,000	6.75

Section 3. Series B Bonds. The City has heretofore authorized, pursuant to the Bond Ordinance, the issuance of General Obligation Bonds, 1989, Series B (the "Series B Bonds"), in the aggregate principal amount of \$3,150,000. The Series B Bonds shall be dated December 15, 1989, shall bear interest at the rates per annum set forth in the following schedule, payable July 1, 1990 and semiannually thereafter on the first day of January and July, and shall mature on January 1 of the following years and in the following amounts:

<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2000	\$ 230,000	6.85
2001	255,000	6.90
2002	280,000	6.95
2008	2,385,000	7.20

Section 4. Redemption. The Series A Bonds are not subject to redemption prior to maturity. Subject to the provisions of the Loan Agreement, the Series B Bonds maturing on January 1, 2008 are subject to mandatory redemption through the application of sinking fund payments at a redemption price equal to the principal amount thereof, in the following principal amounts in January 1 in each of the following years:

<u>Year</u>	<u>Principal Amount</u>
2003	\$ 310,000
2004	340,000
2005	375,000
2006	415,000
2007	450,000
2008	495,000

Subject to the provisions of the Loan Agreement, the Series B Bonds maturing on or after January 1, 2001 are subject to redemption prior to maturity, at the option of the City on or after January 1, 2000, as a whole on any date, or in part on any interest payment date, at a redemption price equal to their principal amount plus accrued interest to the date of redemption.

Notice of Redemption shall be given by mailing notice thereof to the registered owner not more than 60 nor fewer than 30 days prior to said prepayment, provided if the Authority owns the Bonds, notice of redemption shall be given at the time and in the manner specified in the Loan Agreement.

Section 5. Approval of Loan Agreements. The City Council hereby finds and determines that the Loan Agreements are fair and reasonable and in the best interests of the City and that the Bonds shall be sold upon the terms and conditions set forth in said Loan Agreements and upon the basis of the representations therein set forth.

The City Council further finds and determines that all conditions precedent to or concurrent with the acceptance of the Loan Agreements by the City Council have been met.

The City Council hereby accepts the Loan Agreements and hereby authorizes and directs the Mayor and the Clerk of the City to execute the Loan Agreements and deliver them to the Authority.

The Bonds shall be issued and delivered to the Authority upon payment of the purchase price specified in the Loan Agreements,

plus accrued interest on the Bonds from their date to the date of delivery.

Section 6. Ratification of Past Acts and Authorization of Future Acts. All actions and proceedings heretofore taken by the officers, agents, attorneys and employees of the City in connection with the issuance and sale of the Bonds are hereby ratified, approved and confirmed.

The City Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to carry out or cause to be carried out all obligations of the City under the Loan Agreements and the Bond Ordinance and to perform such other acts as they shall consider necessary or advisable in connection with the printing, execution, sale and delivery of the Bonds and the application of the proceeds of the sale of the Bonds.

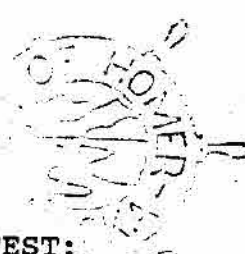
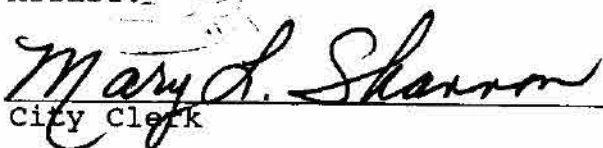
Section 8. Effective Date. This Resolution shall be in effect from and after its adoption in accordance with law.

ADOPTED at a special meeting of the City Council of the City of Homer, this 18<sup>th</sup> day of December, 1989.

CITY OF HOMER, ALASKA

  
\_\_\_\_\_  
Mayor

ATTEST:

  
  
\_\_\_\_\_  
City Clerk

## LOAN AGREEMENT

AGREEMENT, dated as of the 1st day of December 1989, between the Alaska Municipal Bond Bank (the "Bank"), a body corporate and politic constituted as an instrumentality of the State of Alaska (the "State") exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the "Act"), having its principal place of business at Anchorage, Alaska, and the City of Homer, Alaska, a duly constituted first class city of the State (the "City"):

### W I T N E S S E T H:

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

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

WHEREAS, the City is desirous of borrowing money from the Bank in the amount of \$1,205,000 and has submitted an application to the Bank for a Loan in such amount and the City has duly authorized the issuance of its fully registered bonds in the aggregate principal amount of \$1,205,000 (the "Municipal Bonds"), which bonds are to be purchased by the Bank as evidence of the Loan in accordance with this Agreement; and

WHEREAS, the application of the City contains the information required by the Bank; and

WHEREAS, to provide for the issuance of bonds of the Bank in order to obtain from time to time monies with which to make Loans, the Bank has adopted the General Bond Resolution on May 27, 1976, as amended (the "Bond Resolution"), authorizing the making of such Loan to the City and the purchase of the Municipal Bonds;

NOW, THEREFORE, the parties agree:

1. The Bank hereby makes the Loan and the City accepts the Loan in the amount of \$1,205,000. As evidence of the Loan made to the City and such money borrowed from the Bank by the City, the City hereby sells to the Bank the Municipal Bonds in the principal amounts, with the maturities, and bearing interest from their date at the rate or rates per annum, stated in Exhibit "A" appended hereto. For purposes of

this Loan Agreement the interest on the Municipal Bonds will be computed without regard to the provision in Section 7 hereof for the City to make funds available to the Trustee acting under the Bond Resolution for the payment of principal and interest at least seven business days prior to each respective principal and interest payment date.

2. The City represents that it has duly adopted or will adopt all necessary ordinances or resolutions and has taken or will take all proceedings required by law to enable it to enter into this Loan Agreement and issue its binding obligations to the Bank.

3. Subject to any applicable legal limitations, the amount to be paid by the City pursuant to this Loan Agreement representing interest due on its Municipal Bonds (the "Municipal Bonds Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Bank in order to obtain the monies with which to make the Loan and to purchase the Municipal Bonds (the "Loan Obligations") and subject to Section 7 hereof, shall be paid by the City in such manner and at such times as set forth in Exhibit "A" as to provide funds sufficient to pay interest as the same becomes due on the Loan Obligations.

4. The amount to be paid by the City pursuant to this Loan Agreement representing principal due on its Municipal Bonds (the "Municipal Bonds Principal Payments"), subject to Section 7 hereof, shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay the principal of the Loan Obligations as the same matures based upon the maturity schedule stated in Exhibit "A".

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

6. In the event Loan Obligations have been refunded and the interest rate the Bank is required to pay on its refunding bonds in any year is less than the interest rate payable by the City on the Municipal Bonds for the corresponding year pursuant to Section 1 hereof, then both the Municipal Bonds Interest Payments and the Municipal Bonds Principal Payments will be adjusted in such a manner that (i)

the interest rate paid by the City in any year is equal to the interest rate paid by the Bank on the Bank's refunding bonds for such corresponding year and (ii) on a present value basis the resulting sum of the adjusted Municipal Bonds Interest Payments and Municipal Bonds Principal Payments is equal to or less than the sum of the Municipal Bonds Interest Payments and Municipal Bonds Principal Payments due over the remaining term of the Municipal Bonds as initially established under this Loan Agreement.

In the event of such a refunding of Loan Obligations, the Bank shall present to the City for the City's approval, a revised schedule of Municipal Bonds Interest Payments and Municipal Bonds Principal Payments. If approved by the City the revised schedule shall be attached hereto as Exhibit "A" and incorporated herein in replacement of the previous Exhibit "A" detailing said interest and principal payments.

7. The City is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the City shall be in an amount sufficient, together with the City's Allocable Proportion of other monies available therefor under the provisions of the Bond Resolution, and other monies available therefor, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Fund pursuant to paragraph (3) of Section 603 of the Bond Resolution:

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

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

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

During any period where the City's Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations is reduced in consideration of such prepayment, the City shall make funds available to the



Trustee for each Municipal Bonds Interest Payment and Municipal Bonds Principal Payment at least seven (7) business days before each respective principal and interest payment date.

8. The City is obligated to make the Municipal Bonds Principal Payments scheduled by the Bank. The first such Municipal Bonds Principal Payment is due on January 1, 1991, and thereafter on each January 1. The City is obligated to make the Municipal Bonds Interest Payments scheduled by the Bank and to pay any Fees and Charges imposed by the Bank on a semi-annual basis.

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

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

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

In the event the Loan Obligations have been refunded, the amount which the City shall be obligated to pay or the Bank shall receive under item (iii) above, when the refunded Loan

Obligations are to be redeemed, shall be the applicable premium, if any, on the Loan Obligations to be redeemed.

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

10. Simultaneously with the delivery of the Municipal Bonds to the Bank, the City shall furnish to the Bank evidence satisfactory to the Bank which shall set forth among other things, that said Bonds will constitute valid general obligations of the City.

11. The City shall be obligated to inform in writing the Bank and the corporate trust office of the Trustee under the Bond Resolution at least thirty (30) days prior to each interest payment date on the Municipal Bonds of the name of the official to whom invoices for the payment of interest and principal should be addressed.

12. Notwithstanding Paragraph 17 hereof, prior to payment of the amount of the Loan or any portion thereof, and the delivery of the Municipal Bonds to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

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

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

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

13. The obligation of the Bank under this Loan Agreement is contingent upon delivery of its 1989 Series C General Obligation Bonds and receipt of the proceeds thereof.

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

The City shall not permit any of the proceeds of the Municipal Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986 (the "Code").

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

15. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

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

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

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

19. This Loan Agreement merges and supersedes all prior negotiations, representations, and agreements between the

parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

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

ALASKA MUNICIPAL BOND BANK

[ S E A L ]

By \_\_\_\_\_  
Executive Director

CITY OF HOMER, ALASKA

[ S E A L ]

By \_\_\_\_\_  
Title: \_\_\_\_\_

A T T E S T:

\_\_\_\_\_  
City Clerk

EXHIBIT "A" TO LOAN AGREEMENT BETWEEN THE  
CITY OF HOMER, ALASKA, AND  
THE ALASKA MUNICIPAL BOND BANK

City of Homer  
General Obligation Bonds, 1989 Series A

<u>Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1991	\$ 65,000	5.90%
1992	90,000	6.00
1993	100,000	6.15
1994	115,000	6.25
1995	130,000	6.35
1996	150,000	6.45
1997	165,000	6.55
1998	185,000	6.65
1999	205,000	6.75

The Bonds are not subject to redemption prior to maturity.

## LOAN AGREEMENT

AGREEMENT, dated as of the 15th day of December 1989, between the Alaska Municipal Bond Bank (the "Bank"), a body corporate and politic constituted as an instrumentality of the State of Alaska (the "State") exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the "Act"), having its principal place of business at Anchorage, Alaska, and the City of Homer, Alaska, a duly constituted first class city of the State (the "City"):

### W I T N E S S E T H:

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

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

WHEREAS, the City is desirous of borrowing money from the Bank in the amount of \$3,150,000 and has submitted an application to the Bank for a Loan in such amount and the City has duly authorized the issuance of its fully registered bonds in the aggregate principal amount of \$3,150,000 (the "Municipal Bonds"), which bonds are to be purchased by the Bank as evidence of the Loan in accordance with this Agreement; and

WHEREAS, the application of the City contains the information required by the Bank; and

WHEREAS, to provide for the issuance of bonds of the Bank in order to obtain from time to time monies with which to make Loans, the Bank has adopted the General Bond Resolution on May 27, 1976, as amended (the "Bond Resolution"), authorizing the making of such Loan to the City and the purchase of the Municipal Bonds;

NOW, THEREFORE, the parties agree:

1. The Bank hereby makes the Loan and the City accepts the Loan in the amount of \$3,150,000. As evidence of the Loan made to the City and such money borrowed from the Bank by the City, the City hereby sells to the Bank the Municipal Bonds in the principal amounts, with the maturities, and bearing interest from their date at the rate or rates per annum, stated in Exhibit "A" appended hereto. For purposes of

this Loan Agreement the interest on the Municipal Bonds will be computed without regard to the provision in Section 7 hereof for the City to make funds available to the Trustee acting under the Bond Resolution for the payment of principal and interest at least seven business days prior to each respective principal and interest payment date.

2. The City represents that it has duly adopted or will adopt all necessary ordinances or resolutions and has taken or will take all proceedings required by law to enable it to enter into this Loan Agreement and issue its binding obligations to the Bank.

3. Subject to any applicable legal limitations, the amount to be paid by the City pursuant to this Loan Agreement representing interest due on its Municipal Bonds (the "Municipal Bonds Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Bank in order to obtain the monies with which to make the Loan and to purchase the Municipal Bonds (the "Loan Obligations") and subject to Section 7 hereof, shall be paid by the City in such manner and at such times as set forth in Exhibit "A" as to provide funds sufficient to pay interest as the same becomes due on the Loan Obligations.

4. The amount to be paid by the City pursuant to this Loan Agreement representing principal due on its Municipal Bonds (the "Municipal Bonds Principal Payments"), subject to Section 7 hereof, shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay the principal of the Loan Obligations as the same matures based upon the maturity schedule stated in Exhibit "A".

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

6. In the event Loan Obligations have been refunded and the interest rate the Bank is required to pay on its refunding bonds in any year is less than the interest rate payable by the City on the Municipal Bonds for the corresponding year pursuant to Section 1 hereof, then both the Municipal Bonds Interest Payments and the Municipal Bonds Principal Payments will be adjusted in such a manner that (i)

the interest rate paid by the City in any year is equal to the interest rate paid by the Bank on the Bank's refunding bonds for such corresponding year and (ii) on a present value basis the resulting sum of the adjusted Municipal Bonds Interest Payments and Municipal Bonds Principal Payments is equal to or less than the sum of the Municipal Bonds Interest Payments and Municipal Bonds Principal Payments due over the remaining term of the Municipal Bonds as initially established under this Loan Agreement.

In the event of such a refunding of Loan Obligations, the Bank shall present to the City for the City's approval, a revised schedule of Municipal Bonds Interest Payments and Municipal Bonds Principal Payments. If approved by the City the revised schedule shall be attached hereto as Exhibit "A" and incorporated herein in replacement of the previous Exhibit "A" detailing said interest and principal payments.

7. The City is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the City shall be in an amount sufficient, together with the City's Allocable Proportion of other monies available therefor under the provisions of the Bond Resolution, and other monies available therefor, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Fund pursuant to paragraph (3) of Section 603 of the Bond Resolution:

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

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

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

During any period where the City's Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations is reduced in consideration of such prepayment, the City shall make funds available to the



Trustee for each Municipal Bonds Interest Payment and Municipal Bonds Principal Payment at least seven (7) business days before each respective principal and interest payment date.

8. The City is obligated to make the Municipal Bonds Principal Payments scheduled by the Bank. The first such Municipal Bonds Principal Payment is due on January 1, 2001, and thereafter on each January 1. The City is obligated to make the Municipal Bonds Interest Payments scheduled by the Bank and to pay any Fees and Charges imposed by the Bank on a semi-annual basis.

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

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

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

In the event the Loan Obligations have been refunded, the amount which the City shall be obligated to pay or the Bank shall receive under item (iii) above, when the refunded Loan

Obligations are to be redeemed, shall be the applicable premium, if any, on the Loan Obligations to be redeemed.

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

10. Simultaneously with the delivery of the Municipal Bonds to the Bank, the City shall furnish to the Bank evidence satisfactory to the Bank which shall set forth among other things, that said Bonds will constitute valid general obligations of the City.

11. The City shall be obligated to inform in writing the Bank and the corporate trust office of the Trustee under the Bond Resolution at least thirty (30) days prior to each interest payment date on the Municipal Bonds of the name of the official to whom invoices for the payment of interest and principal should be addressed.

12. Notwithstanding Paragraph 17 hereof, prior to payment of the amount of the Loan or any portion thereof, and the delivery of the Municipal Bonds to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

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

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

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

13. The obligation of the Bank under this Loan Agreement is contingent upon delivery of its 1989 Series D General Obligation Bonds and receipt of the proceeds thereof.

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

The City shall not permit any of the proceeds of the Municipal Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986 (the "Code").

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

15. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

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

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

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

19. This Loan Agreement merges and supersedes all prior negotiations, representations, and agreements between the

parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

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

ALASKA MUNICIPAL BOND BANK

[ S E A L ]

By \_\_\_\_\_  
Executive Director

CITY OF HOMER, ALASKA

[ S E A L ]

By \_\_\_\_\_  
Title: \_\_\_\_\_

A T T E S T:

\_\_\_\_\_  
City Clerk

EXHIBIT "A" TO LOAN AGREEMENT BETWEEN THE  
CITY OF HOMER, ALASKA, AND  
THE ALASKA MUNICIPAL BOND BANK

City of Homer  
General Obligation Bonds, 1989 Series B

<u>Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2000	\$230,000	6.85%
2001	255,000	6.90
2002	280,000	6.95
2003	310,000	7.20
2004	340,000	7.20
2005	375,000	7.20
2006	415,000	7.20
2007	450,000	7.20
2008	495,000	7.20

The Bonds maturing on and after January 1, 2001 shall be subject to redemption on and after January 1, 2000, at the option of the City, as a whole on any date, or in part on any interest payment date in inverse order of maturity and by lot within a maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.