

**CITY OF CRAIG, ALASKA
RESOLUTION 04-02**

**A RESOLUTION AUTHORIZING THE CITY OF CRAIG TO
ISSUE GENERAL OBLIGATION REFUNDING BONDS, 2004
IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED
\$1,050,000 TO REFUND CERTAIN OUTSTANDING
GENERAL OBLIGATION BONDS OF THE CITY, FIXING
CERTAIN DETAILS OF SUCH BONDS AND AUTHORIZING
THEIR SALE AND PROVIDING FOR RELATED MATTERS**

WHEREAS, the City of Craig, Alaska (the "City") is a municipal corporation of the State of Alaska; and

WHEREAS, there is now outstanding the principal amount of \$945,000 of the 1995 General Obligation Bonds of the City, maturing on or after June 1, 2006 (the "1995 Bonds") issued under Ordinance Nos. 95-398 and 95-402 and Resolution No. 95-10 of the City; and

WHEREAS, the council finds that it is in the best interest of the City to provide for the refunding, including the payment of principal of, and interest on, those callable maturities of the 1995 Bonds (the "Refunded Bonds") to be selected by the Mayor, the City Administrator or the Treasurer, by the issuance of general obligation refunding bonds in the aggregate principal amount of not to exceed \$1,050,000 (the "Bonds"); and

WHEREAS, the City may issue general obligation refunding bonds without ratification of the voters; and

WHEREAS, the Council finds that it is necessary and appropriate to delegate to each of the Mayor, the City Administrator and the Treasurer authority to determine the maturity amounts, interest rates and other details of the Bonds, and to determine other matters pertaining to the Bonds that are not provided for in this resolution; and

WHEREAS, there has been presented to the City the form of an Amendatory Loan Agreement between the Alaska Municipal Bond Bank and the City, which amends the Loan Agreement dated as of June 1, 1995 between the Alaska Municipal Bond Bank and the City to provide for the refunding of the Refunded Bonds through their exchange for refunding bonds to be issued by the City, and related matters.

NOW, THEREFORE, BE IT RESOLVED:

Section 1. Definitions. The following terms shall have the following meanings in this resolution:

(A) "Amendatory Loan Agreement" means the Amendatory Loan Agreement between the City and the Bond Bank, amending the Loan Agreement to provide for the refunding of the Refunded Bonds through their exchange for the Bonds, and related matters.

(B) "Bond" or "Bonds" means any of the "General Obligation Refunding Bonds, 2004" of the City of Craig, the issuance and sale of which are authorized herein.

(C) "Bond Bank" means the Alaska Municipal Bond Bank, a public corporation of the State of Alaska.

(D) "Bond Bank Bonds" means the General Obligation Refunding Bonds, 2004 of the Bond Bank.

(E) "Bond Register" means the registration books maintained by the Registrar, which include the names and addresses of the Registered Owners of the Bonds or their nominees.

(F) "City" means the City of Craig, a municipal corporation of the State of Alaska, organized under Title 29 of the Alaska Statutes.

(G) "Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all regulations applicable thereto.

(H) "Council" means the Council of the City of Craig, as the general legislative authority of the City of Craig, as the same shall be duly and regularly constituted from time to time.

(I) "Loan Agreement" means the Loan Agreement between the City and the Bond Bank dated as of June 1, 1995, as amended by the Amendatory Loan Agreement.

(J) "1995 Bonds" means the \$945,000 of 1995 General Obligation Bonds, of the City maturing on or after June 1, 2006.

(K) "Refunded Bonds" means the maturities of the 1995 Bonds whose refunding is approved by the Mayor, the City Administrator or the Treasurer under Section 13.

(L) "Registered Owner" means the person named as the registered owner of a Bond in the Bond Register.

(M) "Registrar" means the Treasurer.

(N) "Resolution" means this Resolution No. 04-02 of the City.

(O) "Treasurer" means the Treasurer of the City, and any person duly authorized to act in that capacity as Interim Treasurer or Acting Treasurer.

Section 2. Authorization of Bonds and Purpose of Issuance. For the purpose of effecting the refunding by exchange of the Refunded Bonds in the manner set forth hereinafter and in the Amendatory Loan Agreement, the City hereby authorizes and determines to issue and sell the Bonds in the aggregate principal amount of not to exceed \$1,050,000.

Section 3. Obligation of Bonds. The Bonds shall be direct and general obligations of the City and the full faith and credit of the City are hereby pledged to the payment of the principal of and interest on the Bonds. The City hereby irrevocably pledges and covenants that it will levy and collect taxes upon all taxable property within the City without limitation as to rate or amount, in amounts sufficient, together with other funds legally available therefor, to pay the principal of and interest on the Bonds as the same become due and payable.

Section 4. Designation, Maturities, Interest Rates, and Other Details of Bonds. The Bonds shall be designated "City of Craig, Alaska, General Obligation Refunding Bonds, 2004." The Bonds shall be in the denomination of \$5,000 or any integral multiple thereof, shall be numbered separately in the manner and with such additional designation as the Registrar deems necessary for purposes of identification, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to the rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

A portion of the principal of the Bonds shall mature annually commencing on or after April 1, 2005 and continuing no later than 2015. The Bonds shall bear interest from their date, payable commencing on a date on or after October 1, 2004, and semi-annually thereafter in each year. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The dated date, the principal and interest payment dates, the aggregate principal amount, the principal amount of each maturity, and the interest rates on the Bonds shall be determined at the time of execution of the Amendatory Loan Agreement under Section 17.

Section 5. Optional Redemption. The Bonds maturing on or after April 1, 2015 are subject to optional redemption by the City, in whole or in part after April 1, 2014 at a price

of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Section 6. Selection of Bonds for Redemption; Notice of Redemption.

(A) Selection of Bonds for Redemption. As long as the Bond Bank is the Registered Owner of the Bonds, the selection of Bonds to be redeemed shall be made as provided in the Loan Agreement. If the Bond Bank is no longer the Registered Owner of the Bonds, the selection of Bonds to be redeemed shall be made as provided in this subsection (A). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such other manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City shall treat such Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal amount of a Bond is redeemed, upon surrender of such Bond at the office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations authorized herein.

(B) Notice of Redemption. As long as the Bond Bank is the Registered Owner of the Bonds, notice of any intended redemption of Bonds shall be given as provided in the Loan Agreement. If the Bond Bank is no longer the Registered Owner of the Bonds, notice of any intended redemption of Bonds shall be given as hereinafter provided. Notice of redemption shall be mailed not less than 30 nor more than 45 days prior to the date fixed for redemption by first class mail to Registered Owners of the Bonds to be redeemed at their addresses as they appear on the Bond Register on the day the notice is mailed. Notice of redemption shall be deemed to have been given when the notice is mailed as herein provided, whether or not it is actually received by the Registered Owners. All notices of redemption shall be dated and shall state: (1) the redemption date; (2) the redemption price; (3) if fewer than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office of the Registrar.

Official notice of redemption having been given, 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, 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 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. Upon surrender of any Bond for partial redemption, there shall be prepared for the Registered Owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Each check or other transfer of funds issued to pay the redemption price of Bonds shall bear the CUSIP number, if any, identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 7. Form of Bond. Each Bond shall be in substantially the following form, with such variations, omissions and insertions as may be required or permitted by this Resolution:

UNITED STATES OF AMERICA
STATE OF ALASKA

CITY OF CRAIG
(A Municipal Corporation of the State of Alaska)

NO. _____

\$ _____

GENERAL OBLIGATION REFUNDING BOND, 2004

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The City of Craig (the "City"), 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, the Principal Amount indicated above in the following installments on April 1 of each of the following years, and to pay interest on such installments from the date hereof, payable on October 1, 2004 and semiannually thereafter on the 1st days of April and October of each year, at the rates per annum as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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For so long as this Bond is owned by the Alaska Municipal Bond Bank (the "Bond Bank"), payment of principal and interest shall be made as provided in the Loan Agreement between the Bond Bank and the City dated as of June 1, 1995 as amended by the Amendatory Loan Agreement dated [____], 2004 (the "Loan Agreement"). In the event that this Bond is no longer owned by the Bond Bank, installments of principal and interest on this Bond shall be paid by check or draft mailed by first class mail to the Registered Owner as of the close of business on the fifteenth day of the month preceding each installment payment date; provided that the final installment of principal and interest on this Bond shall be payable upon presentation and surrender of this Bond by the Registered Owner at the office of the Registrar. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. Both principal of and interest on this Bond are payable in lawful money of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

This Bond is one of the General Obligation Refunding Bonds, 2004 of the City of Craig, Alaska, of like tenor and effect except as to interest rate, serial number and maturity, aggregating \$_____ in principal amount, and constituting Bonds authorized for the purpose of refunding certain general obligation bonds issued by the City, and is issued under Resolution No. 04-02 of the City entitled:

A RESOLUTION AUTHORIZING THE CITY OF CRAIG TO ISSUE
GENERAL OBLIGATION REFUNDING BONDS, 2004 IN THE
PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,050,000 TO REFUND
CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE
CITY, FIXING CERTAIN DETAILS OF SUCH BONDS AND
AUTHORIZING THEIR SALE AND PROVIDING FOR RELATED
MATTERS

(the "Resolution").

The maturity installments of this Bond maturing on and after April 1, 2015 are subject to redemption prior to maturity at the option of the City on any date on or after April 1, 2014, either as a whole or in part and from such maturities as the City shall determine, and by lot within a maturity, at a redemption price equal to the principal amount of the maturity installment of this Bond to be redeemed plus accrued interest to the date of redemption.

This Bond is transferable as provided in the Resolution, (i) only upon the bond register of the City, and (ii) upon surrender of this Bond together with a written instrument of transfer duly executed by the registered owner or the duly authorized attorney of the registered owner, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount and maturity shall be issued to the transferee in exchange therefor as provided in the Resolution and upon the payment of charges, if any, as therein prescribed. The City may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on

account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a general obligation of the City of Craig, and the full faith and credit of the City are pledged for the payment of the principal of and interest on the Bond as the same shall become due.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts or things required by the constitution or statutes of the State of Alaska and the ordinances of the City to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed, and that the series of Bonds of which this is one, together with all other indebtedness of the City, is within every debt and other limit prescribed by said constitution, statutes, or ordinances.

IN WITNESS WHEREOF, THE CITY OF CRAIG, ALASKA, has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor and its corporate seal (or a facsimile thereof) to be impressed or otherwise reproduced hereon and attested by the manual or facsimile signature of its Clerk, all as of the _____ day of _____, 2004.

DENNIS WATSON, Mayor

A T T E S T:

VICKI HAMILTON, City Clerk

[SEAL]

Section 8. Execution. The Bonds shall be executed in the name of the City by the Mayor or his designee, and its corporate seal shall be impressed or otherwise reproduced thereon and attested by the City Clerk. The execution of a Bond on behalf of the City by persons who at the time of the execution are duly authorized to hold the proper offices shall be valid and sufficient for all purposes, although any such person shall have ceased to hold office at the time of authentication of the Bond or shall not have held office on the date of the Bond.

Section 9. Payment of Principal and Interest. The Bonds shall be payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts. As long as the Bond Bank is the Registered Owner

of the Bonds, payment of principal and interest on the Bonds shall be made as provided in the Loan Agreement. If the Bond Bank is no longer the Registered Owner of the Bonds, installments of principal and interest on the Bonds shall be paid by check mailed by first class mail to the Registered Owner as of the fifteenth day of the month preceding each installment payment date at the address appearing on the Bond Register; provided that the final installment of principal and interest on a Bond shall be payable upon presentation and surrender of the Bond by the Registered Owner at the office of the Registrar.

Section 10. Registration. The Bonds shall be issued only in registered form as to both principal and interest. The City designates the Treasurer as Registrar for the Bonds. The Registrar shall keep, or cause to be kept, the Bond Register at the principal office of the City. The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code. The City and the Registrar may treat the person in whose name any Bond shall be registered as the absolute owner of such Bond for all purposes, whether or not the Bond shall be overdue, and all payments of principal of and interest on a Bond made to the Registered Owner thereof or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor the Registrar shall be affected by any notice to the contrary.

Section 11. Transfer and Exchange. Bonds shall be transferred only upon the books for the registration and transfer of Bonds kept at the office of the Registrar. Upon surrender for transfer or exchange of any Bond at such office, with a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner or the duly authorized attorney of the Registered Owner, the City shall execute and deliver an equal aggregate principal amount of Bonds of the same maturity of any authorized denominations, subject to such reasonable regulations as the City may prescribe and upon payment sufficient to reimburse it for any tax, fee or other governmental charge required to be paid in connection with such transfer or exchange. All Bonds surrendered for transfer or exchange shall be canceled by the Registrar.

Section 12. Bonds Mutilated, Destroyed, Stolen or Lost. Upon surrender to the Registrar of a mutilated Bond, the City shall execute and deliver a new Bond of like maturity and principal amount. Upon filing with the Registrar of evidence satisfactory to the City that a Bond has been destroyed, stolen or lost and of the ownership thereof, and upon furnishing the City with indemnity satisfactory to it, the City shall execute and deliver a new Bond of like maturity and principal amount. The person requesting the execution and delivery of a new Bond under this section shall comply with such other reasonable regulations as the City may prescribe and pay such expenses as the City may incur in connection therewith.

Section 13. Designation of Refunded Bonds. The Mayor, the City Administrator and the Treasurer each is authorized to designate which maturities of the 1995 Bond

authorized to be refunded in this Resolution shall be refunded, provided that the refunding of the 1995 Bonds so designated shall realize a debt service savings of at least 5.5% over the Refunded Bonds, net of all issuance costs and underwriting discount, on a present value basis.

Section 14. Tax Covenants. The City covenants to comply with any and all applicable requirements set forth in the Code in effect from time to time to the extent that such compliance shall be necessary for the exclusion of the interest on the Bonds from gross income for federal income tax purposes. The City covenants that it will make no use of the proceeds of the Bonds which will cause the Bonds or the Refunded Bonds to be "arbitrage bonds" subject to federal income taxation by reason of section 148 of the Code.

Section 15. Amendatory and Supplemental Resolutions.

(A) The Council from time to time and at any time may adopt a resolution or resolutions supplemental hereto, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more of the following purposes:

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

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

Any such supplemental resolution may be adopted without the consent of the Registered Owner of any of the Bonds at any time outstanding, notwithstanding any of the provisions of subsection (B) of this section.

(B) With the consent of the Registered Owners of not less than 60 percent in aggregate principal amount of the Bonds at the time outstanding, the Council may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall:

(1) extend the fixed maturity of any of the Bonds, or reduce the rate of interest thereon, 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 Owners of each Bond so affected; or

(2) reduce the aforesaid percentage of Registered Owners of Bonds required to approve any such supplemental resolution without the consent of the Registered Owners of all of the Bonds then outstanding.

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

(C) Upon the adoption of any supplemental resolution under this section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the City and all Registered Owners of outstanding Bonds shall thereafter be subject in all respects to such modification and amendment, and all the terms and conditions of the supplemental resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

(D) Bonds executed and delivered after the execution of any supplemental resolution adopted under this section may bear a notation as to any matter provided for in such supplemental resolution, and if such supplemental resolution shall so provide, new Bonds modified so as to conform, in the opinion of the City, to any modification of this Resolution contained in any such supplemental resolution may be prepared by the City and delivered without cost to the Registered Owners of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 16. Defeasance. In the event money and/or non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America or an agency or instrumentality of the United States of America, maturing at such times and bearing interest to be earned thereon in amounts sufficient to redeem and retire any or all of the Bonds in accordance with their terms are set aside in a special trust account to effect such redemption or retirement and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made to pay or secure the payment of the principal of and interest on such Bonds and such Bonds shall be deemed not to be outstanding.

Section 17. Exchange of Bonds; Amendatory Loan Agreement. The Bonds shall be delivered to the Bond Bank in exchange for the Refunded Bonds. The City has been advised by the Bond Bank that bond market conditions are fluctuating and that the most favorable market conditions for the sale of the Bond Bank Bonds may not occur on the date of a regular Council meeting. The Council has determined that it would be inconvenient to hold a special meeting on short notice to approve the terms of the Bonds. Therefore, the Council hereby determines that it is in the best interest of the City to delegate the authority to approve the terms of the Bonds as provided herein. Each of the Mayor, the City Administrator and the Treasurer is hereby authorized to determine, among other things, the aggregate principal amount, maturity amounts, interest rates, yields, dated date, principal and interest payment dates, and redemption terms, if any, for the Bonds,

so that such terms of the Bonds conform to the terms of the corresponding Bond Bank Bonds; provided that (i) the principal amount of each maturity of the Bonds shall not exceed the principal amount of the portion of the corresponding maturity of the Bond Bank Bonds that is allocated to the making of a loan to the City; and (ii) the interest rate on each maturity of the Bonds shall not exceed the interest rate on the corresponding maturity of the Bond Bank Bonds. Based upon the foregoing determinations, the Mayor, the City Administrator and the Treasurer each is authorized to execute the Amendatory Loan Agreement, in substantially the form presented at this meeting. The authority granted to the Mayor, the City Administrator and the Treasurer by this section shall expire 180 days after the effective date of this Resolution. If the Mayor, the City Administrator or the Treasurer has not executed the Amendatory Loan Agreement within 180 days from the effective date of this Resolution, the Amendatory Loan Agreement may not be executed on behalf of the City without further authorization from the Council.

Section 18. Official Statement. The information in the preliminary Official Statement relating to the City and the Bonds may be modified as the Mayor, the City Administrator or the Treasurer may determine. The Mayor, the City Administrator and the Treasurer each is hereby authorized to approve the form of the preliminary and the final Official Statement for the Bond Bank Bonds as it pertains to the City and the Bonds.

Section 19. Authority of Officers. The Mayor, the City Administrator, the Treasurer, and the City Clerk are, and each of them hereby is, authorized and directed to do and perform all things and determine all matters not determined by this Resolution, to the end that the City may carry out its obligations under the Bonds and this Resolution.

Section 20. Miscellaneous.

(A) All payments made by the City of, or on account of, the principal of or interest on the Bonds shall be made on the several Bonds ratably and in proportion to the amount due thereon, respectively, for principal or interest as the case may be.

(B) No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or on this Resolution against any member of the Council or officer of the City or any person executing the Bonds. The Bonds are not and shall not be in any way a debt or liability of the State of Alaska or of any political subdivision thereof, except the City, and do not and shall not create or constitute an indebtedness or obligation, either legal, moral or otherwise, of said state or of any political subdivision thereof, except the City.

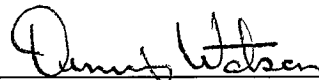
Section 21. Continuing Disclosure. The City hereby covenants and agrees that it will execute and carry out all of the provisions of a Continuing Disclosure Certificate in form and substance satisfactory to the Bond Bank. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default of the City's obligations under this Resolution or the Bonds; however, the beneficial owner of any Bond or Bond Bank Bond may bring an action for

specific performance, to cause the City to comply with its obligations under this section.

Section 22. Severability. If any one or more of the provisions of this Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.


Section 23. Effective Date. This resolution shall take effect upon adoption by the Craig City Council.

PASSED AND APPROVED 2-19-04



Dennis Watson, Mayor

ATTEST:



Vicki Hamilton, City Clerk

(City Seal)

