

LOAN AGREEMENT

AGREEMENT, dated as of the 1st day of _____ 2004, between the Alaska Municipal Bond Bank Authority (the "Authority"), 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 Juneau, Alaska, and the City and Borough of Juneau, Alaska, a duly constituted home-rule City and Borough of the State (the "City"):

W I T N E S S E T H:

WHEREAS, pursuant to the Act, the Authority 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 Revenue Bond Resolution of the Authority hereinafter mentioned and pursuant to the Act is authorized to accept a Loan from the Authority to be evidenced by its municipal bonds purchased by the Authority; and

WHEREAS, the City is desirous of borrowing money from the Authority in the amount of \$_____ and has submitted an amended loan application to the Authority for a Loan in the amount of not to exceed \$_____, and the City has duly authorized the issuance of its fully registered bond in the aggregate principal amount of \$_____ (the "Municipal Bond"), which bond is to be purchased by the Authority as evidence of the Loan in accordance with this Agreement; and

WHEREAS, the application of the City contains the information requested by the Authority; and

WHEREAS, to provide for the issuance of bonds of the Authority in order to obtain from time to time money with which to make Loans, the Authority has adopted the Revenue Bond Resolution on _____, 2004 (the "Revenue Bond Resolution"), authorizing the making of such Loan to the City and the purchase of the Municipal Bond.

NOW, THEREFORE, the parties agree:

1. The Authority hereby makes the Loan and the City accepts the Loan in the principal amount of \$_____. As evidence of the Loan made to the City and such money borrowed from the Authority by the City, the City hereby sells to the Authority the Municipal Bond in the principal amount, with the principal installment payments, and bearing interest from its 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 Bond 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 Revenue 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, including Ordinance No. _____ approved by the City Assembly on _____, 2004 and Resolution No. _____ approved by the City Assembly on _____, 2004 (together, the "City's Ordinance"), and has taken or will take all proceedings required by law to enable it to enter into this Loan Agreement and issue its Municipal Bond to the Authority and that the Municipal Bond will constitute a special obligation of the City payable solely from revenues of the City's hospital as described in the City's Ordinance.

3. Subject to any applicable legal limitations, the amounts to be paid by the City pursuant to this Loan Agreement representing interest due on its Municipal Bond (the "Municipal Bond Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Authority in order to obtain the money with which to make the Loan and to purchase the Municipal Bond (the "Loan Obligations") and, unless required under Section 7 hereof, to be paid at least seven business days before the interest payment date, shall be paid by the City in such manner and at such times as to provide funds sufficient to pay interest as the same becomes due on the Loan Obligation.

4. The amounts to be paid by the City pursuant to this Loan Agreement representing principal due on its Municipal Bond (the "Municipal Bond Principal Payments"), unless required under Section 7 hereof, shall be paid at least seven business days before the maturity date, and shall be scheduled by the Authority in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bond) 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" appended hereto.

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 Revenue 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 Authority, with a copy provided to the City, as provided in the Act.

6. In the event Loan Obligations have been refunded and the interest rates the Authority is required to pay on its refunding bonds in any year are less than the interest rates payable by the City on the Municipal Bond for the corresponding year pursuant to Section 1 hereof, then both the Municipal Bond Interest Payments and the Municipal Bond Principal Payments will be adjusted in such a manner that (i) the interest rate paid by the City on any principal installment of the Municipal Bond is equal to the interest rate paid by the Authority on the corresponding principal installment of Authority's refunding bonds and (ii) on a present value basis the sum of the adjusted Municipal Bond Interest Payments and Municipal Bond Principal Payments is equal to or less than the sum of the Municipal Bond Interest Payments and Municipal Bond Principal Payments due over the remaining term of the Municipal Bond as previously established under this Loan Agreement. In the event

of such a refunding of Loan Obligations, the Authority shall present to the City for the City's approval, a revised schedule of principal installment amounts and interest rates for the Municipal Bond. 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 principal installment amounts and interest rates.

7. The City is obligated to pay to the Authority 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 money available therefor under the provisions of the Revenue Bond Resolution, and other money 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 Revenue Bond Resolution:

(a) to pay, as the same become due, the City's Allocable Proportion of the Administrative Expenses of the Authority; 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 the Municipal Bond outstanding bears to the total of all Loans then outstanding to all Governmental Units under the Revenue Bond Resolution, as certified by the Authority. The waiver by the Authority 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 the City so making funds available, the City shall make funds available to the Trustee for each Municipal Bond Interest Payment and Municipal Bond Principal Payment at least seven business days before the respective principal or interest payment date.

8. The City is obligated to make the Municipal Bond Principal Payments scheduled by the Authority. The first such Municipal Bond Principal Payment is due on the dates indicated on Exhibit "A" appended hereto, and thereafter on the anniversary thereof each year. The City is obligated to make the Municipal Bond Interest Payments scheduled by the Authority on a semi-annual basis commencing on the date indicated on Exhibit "A" appended hereto, and to pay any Fees and Charges imposed by the Authority within 30 days of receiving the invoice of the Authority therefor.

9. The Authority shall not sell and the City shall not redeem prior to maturity any portion of the Municipal Bond 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 Bond (or portion thereof) to be redeemed, (ii) the interest to accrue on the Municipal Bond (or portion thereof) to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the Municipal Bond (or portion thereof) to be redeemed, and (iv) the cost and expenses of the Authority in effecting the redemption of the Municipal Bond (or portion thereof) to be redeemed. The City shall give the Authority at least 50 days' notice of intention to redeem its Municipal Bond.

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

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

In the event the Loan Obligation has been refunded, the amount which the City shall be obligated to pay or the Authority shall receive under item (iii) above, when the refunded Loan Obligation is to be redeemed, shall be the applicable premium, if any, on the Loan Obligation to be redeemed.

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

10. Simultaneously with the delivery of the Municipal Bond to the Authority, the City shall furnish to the Authority evidence satisfactory to the Authority which shall set forth, among other things, that the Municipal Bond will constitute a valid special obligation of the City.

11. Invoices for payments under this Loan Agreement shall be addressed to the City and Borough of Juneau, 155 South Seward Street, Juneau, Alaska 99801, Attention: Finance Director. The City shall give the Authority and the corporate trust office of the Trustee under the Revenue Bond Resolution at least 30 days' written notice of any change in such address.

12. Prior to payment of the amount of the Loan or any portion thereof, and the delivery of the Municipal Bond to the Authority or its designee, the Authority 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 Authority in connection with its application to the Authority for the 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 Bartlett Regional Hospital, owned and operated by the City, has, in the opinion of the Authority, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the Municipal Bond to the Authority.

13. The obligation of the Authority under this Loan Agreement is contingent upon delivery of its 2004 Series B Revenue Bonds (the "2004 Series B Bonds") and receipt of the proceeds thereof.

14. The City agrees that it will provide the Authority with written notice of any default in covenants under the City's Ordinance within 30 days from the date thereof.

15. 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 the 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 Bond, or any facilities financed with such proceeds, to be used in any manner that would cause the Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code.

The City shall make no use or investment of the proceeds of the Municipal Bond which will cause the Municipal Bond to be an "arbitrage bond" subject to taxation by reason of Section 148 of the Code. So long as the Municipal Bond is outstanding, the City, with respect to the proceeds of the Municipal Bond, 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 Authority 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 Bond.

16. The Authority shall cause to be prepared an Official Statement (the "Official Statement") for the 2004 Series B Bonds. The City shall provide promptly to the Authority the information concerning the City and the Municipal Bond (the "Municipal Information") (i) that the Authority requests for inclusion in the Official Statement, and (ii) that the City considers to be material to the purposes for which the Official Statement is to be used.

As a condition to the payment of the amount of the Loan or any portion thereof, the City shall provide to the Authority a certificate, dated the date of issue of the 2004 Series

B Bonds, of an authorized officer of the City that (i) the Municipal Information consists of fair and accurate statements or summaries of the matters therein set forth and such information does not contain any untrue statement of material fact or omit to state a material fact that should be stated therein for the purposes for which it is to be used or that is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; and (ii) to the best knowledge of such officer, no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or that it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect.

The City will undertake in the Disclosure Certificate for the benefit of the Beneficial Owners of the 2004 Series B Bonds to provide or cause to be provided to each nationally recognized municipal securities information repository ("NRMSIR") and to a state information depository ("SID"), if one is established in the State, annual financial information and operating data which shall be substantially similar to the financial information found in Appendix D to the Official Statement as required by Rule 15c2-12(b)(5) of the Securities and Exchange Act of 1934, as the same may be amended from time to time (the "Rule"). The City will provide to each NRMSIR or to the Municipal Securities Rulemaking Board, and to the SID, timely notice of a failure by the City to provide required annual financial information on or before the date specified below. The annual financial information that the City will provide will consist of annual financial statements for the City, prepared in accordance with generally accepted accounting principles, as such principles may be changed from time to time; and will be provided not later than nine months after the end of each fiscal year of the City, as such fiscal year may be changed from time to time, commencing with the City's fiscal year ending June 30, 2003.

17. 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.

18. 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.

19. 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.

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

21. 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 AUTHORITY

[S E A L]

By _____
DEVEN J. MITCHELL
Executive Director

CITY AND BOROUGH OF JUNEAU, ALASKA

[S E A L]

By _____

Title

**EXHIBIT "A" TO LOAN AGREEMENT BETWEEN THE
CITY AND BOROUGH OF JUNEAU, ALASKA, AND
THE ALASKA MUNICIPAL BOND BANK AUTHORITY**

City and Borough of Juneau, Alaska
Hospital Revenue Bonds, 2004 Series

Principal Date <u>(January 1)</u>	Principal <u>Amount</u> \$	Interest <u>Rate</u> %
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The Bonds shall mature on January 1 in each of the years, and in the principal amounts set forth above. Interest on the Bonds shall be payable on January 1, 2005, and thereafter on July 1 and January 1 of each year.

Redemption Terms:

(1) *Optional Redemption.* The Bonds maturing on and after July 1, 2015 are subject to redemption, in whole or in part, on and after July 1, 2014, at the option of the City, on any date, at a price of 100% of the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

(2) *Extraordinary Optional Redemption.* In the event that all or any substantial portion of the facilities of the Hospital shall have been damaged or destroyed (i) to the extent that they cannot, in the City's judgment, be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the City is thereby prevented, in its judgment, from carrying on its normal operations at the Hospital for a period of six months or more, then the City may at any time thereafter, at its option, redeem the Bonds in whole or in part, and if in part with maturities to be selected by the City, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.