

Introduced by: Mayor
Date: 11/18/03
Action: Adopted
Vote: 9 Yes, 0 No

**KENAI PENINSULA BOROUGH
RESOLUTION 2003-121**

A RESOLUTION OF THE KENAI PENINSULA BOROUGH, ALASKA, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED FORTY-NINE MILLION NINE HUNDRED THOUSAND AND NO/100 DOLLARS (\$49,900,000) IN AGGREGATE PRINCIPAL AMOUNT OF CENTRAL KENAI PENINSULA HOSPITAL SERVICE AREA ("SERVICE AREA") GENERAL OBLIGATION BONDS ("BONDS"), TO PAY COSTS RELATED TO CAPITAL IMPROVEMENTS FOR THE CENTRAL PENINSULA GENERAL HOSPITAL AND RELATED CAPITAL IMPROVEMENTS; FIXING CERTAIN DETAILS OF THE BONDS; PROVIDING FOR THE FORM AND MANNER OF SALE OF THE BONDS; PLEDGING THE FULL FAITH AND CREDIT OF THE SERVICE AREA TO THE PAYMENT THEREOF; AUTHORIZING THE FINANCE DIRECTOR OR CONTROLLER TO NEGOTIATE AND EXECUTE A CONTRACT FOR THE PURCHASE AND SALE OF THE BONDS; AND RELATED MATTERS.

WHEREAS, pursuant to Ordinance 2003-27 of the Borough passed and approved on August 5, 2003, the following question referred to at the general election held on October 7, 2003, as Proposition 2:

PROPOSITION NO. 2

Shall the Kenai Peninsula Borough incur indebtedness and issue up to \$49,900,000 of bonds for capital improvements related to the Central Peninsula General Hospital?

The bond proceeds of \$49,900,000 will be used to pay the costs of planning, designing, acquiring property for, site preparation, constructing, acquiring, renovating, installing and equipping the Central Peninsula General Hospital located within the Central Kenai Peninsula Hospital Service Area.

The indebtedness will be repaid from ad valorem taxes levied on all taxable property located within the Central Kenai Peninsula Hospital Service Area. The Central Kenai Peninsula Hospital Service Area will pledge its full faith and credit for repayment of the indebtedness; however, it is expected that a portion of the indebtedness may be repaid from revenues generated by the Central Peninsula Hospital.

Voter approval for this proposition authorizes an annual tax on real and personal property in the Central Kenai Peninsula Hospital Service Area in an amount sufficient to pay principal and interest on the proposed indebtedness when and as due. Based on the revenues that the Central Kenai Peninsula Hospital Service Area expects to receive from the Central Peninsula General Hospital, the amount of the annual tax would be approximately \$50 for each \$100,000 of assessed real and personal property in the Central Kenai Peninsula Hospital Service Area (based on the estimated 2003 tax year assessed valuation). Without those revenues, the amount of annual tax would be approximately \$121 for each \$100,000 of taxable assessed value.

(herein called "Proposition 2") was passed and approved and the general election has been duly canvassed and the results thereof certified and confirmed in accordance with law, \$49,900,000 principal amount of such general obligation bonds remain authorized, but unissued, under Proposition 2

WHEREAS, the Borough hereby determines that it is necessary to proceed to plan, design, acquire property for, construct, acquire, renovate, install and equip the capital improvements described in Proposition 2, and to pay the capital costs thereof (hereinafter referred to, as the "Project"); and

WHEREAS, it is deemed necessary and advisable and in the best interest of the Borough, the Service Area and their inhabitants that not to exceed \$49,900,000 principal amount of general obligation bonds be issued, as referred to in Proposition 2 consisting of the principal amount of unsold general obligation bonds referred to therein, as hereinafter authorized, fixed and determined, for the purpose of raising funds to pay the Costs (as hereinafter defined) of the Project;

NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. Purpose. The purpose of this Resolution is to authorize the issuance and sale of not to exceed Forty-Nine Million Nine Hundred Thousand and No/100 Dollars (\$49,900,000) of general obligation bonds of the Service Area (the "Bonds") to provide funds to pay the capital costs of the Project, to pay the costs of issuance of the Bonds authorized herein (including the bond insurance premium, if any), to fix certain details and to provide for the form and manner of sale of the Bonds.

SECTION 2. Definitions. The following terms shall have the following meanings in this Resolution:

(a) "Acquired Obligations" means any of the following securities, if and to the extent the same are at the time legal for investment of funds of the Borough: (1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed as to timely payment by, the United States of America; direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of

the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financings of the U.S. Maritime Administration; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; or (2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state, (a)(i) which are not callable at the option of the obligor prior to maturity, (ii) which are callable prior to maturity and the issuer has foregone the right to call the obligations and the obligations are irrevocably escrowed to maturity, or (iii) as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b)(i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) the principal of and interest on the bonds and obligations of the character described in clause (1) hereof have been deposited in such fund and, along with any cash on deposit in such fund, are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (c) such securities are unconditionally rated "Aaa" by Moody's Investors Service or unconditionally rated "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies.

(b) "Assembly" means the Assembly of the Borough, as the general legislative authority of the Borough, as the same shall be duly and regularly constituted from time to time.

(c) "Authorized Borough Representative" means the Finance Director, or Controller of the Borough.

(d) "Bond" or "Bonds" means any of the bonds of the Borough, the issuance and sale of which are authorized herein as the evidence of the indebtedness referred to in Proposition 2.

(e) "Bond Insurer" means, with respect to the Bonds, an insurance company which issues a policy of insurance with respect to payment of the interest on and principal of the Bonds.

(f) "Bond Register" means the registration books maintained by the Paying Agent (as "Bond Registrar"), as agent of the Borough, which include the names and addresses of the registered owners, or nominees of the registered owners if the Bonds are held in the Book-Entry System, of the Bonds.

(g) "Bond Registrar" means J.P. Morgan Trust Company National Association, Seattle, Washington, or its successors

(h) "Book-Entry System" means the system in which the Bonds (represented by one Bond certificate for each maturity of the Bonds) are delivered into the possession of DTC and are issued and fully-registered as to principal and interest in the name of Cede & Co., and whereby beneficial interests in the Bonds are purchased by investors through DTC Participants, such interests shown and transfers thereof effected only through the records maintained by the respective DTC Participants from whom each such investor acquired such beneficial interest.

(i) "Borough" means the Kenai Peninsula Borough, a second class borough incorporated January 1, 1964 under the laws of the State of Alaska.

(j) "Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

(k) "Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all regulations effective or promulgated and applicable thereto.

(l) "Commission" means the Securities and Exchange Commission.

(m) "Cost" or "Costs" means the cost of planning, designing, acquiring property for, constructing, acquiring, rehabilitating, replacing, installing and equipping the Project, including interest on the Bonds during the period of planning, designing, acquiring property for, constructing, acquiring, rehabilitating, replacing, installing and equipping the Project, the cost, whether incurred by the Borough, the Service Area or by another, of field surveys and advance planning undertaken in connection with the Project properly allocable to the Project, the cost of acquisition of any land or interest therein required as the site or sites of the Project or for use in connection therewith, the cost of any indemnity and surety bonds and premiums on insurance incurred in connection with the Project prior to or during acquisition or construction thereof, all related direct administrative and inspection expenses, whether incurred by the Borough, the Service Area or by another, in connection with the Project prior to or during acquisition or construction thereof and allocable portions of direct costs of the Borough, legal fees, fees and expenses of the Paying Agent, costs of issuance of the Bonds by the Borough, including financing charges and fees and expenses of bond counsel, financial advisors and consultants in connection therewith, the cost of any bond insurance premium, the cost of audits, the cost of all machinery, apparatus and equipment, the cost of engineering, architectural services, designs, plans, specifications and surveys, estimates of cost, the reimbursement of all moneys advanced from whatever source for the payment of any item or items of cost of the Project, and all other expenses necessary or incident to determining the feasibility or practicability of the Project, and such other expenses not specified herein as may be necessary or incident to the acquisition and development of the Project, the financing thereof and the putting of the same into use and operation.

(n) "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 6 hereof, and the term DTC shall include any corporate successor thereto.

(o) "Financial Advisor" means Western Financial Group, LLC.

(p) "Letter of Representations" means the Blanket Issuer Letter of Representations from the Borough to DTC dated October 23, 2003, including DTC's Operational Arrangements referenced in said letter, as they may be amended from time to time.

(q) "MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

(r) "NRMSIR" means a nationally recognized municipal securities information repository.

(s) "Paying Agent" means J.P. Morgan Trust Company National Association, Seattle, Washington, or its successors as described in Section 13 of this Ordinance. The Paying Agent shall also act as Bond Registrar pursuant to Section 13 hereof.

(t) "Paying Agent Agreement" means the Agreement between the Borough and the Paying Agent relating to the Bonds.

(u) "Resolution" means this Resolution of the Borough.

(v) "Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

(w) "Service Area" means the Central Kenai Peninsula Hospital Service Area, established in 1969.

(x) "SID" means a state information depository for the State of Alaska (should one be created).

SECTION 3. Authority for Resolution. The Borough has ascertained and hereby determines that each and every matter and thing as to which provision is made in this Resolution is necessary in order to carry out and effectuate the purposes of the Borough in accordance with the Constitution and statutes of the State of Alaska and the ordinances of the Borough, and to incur the indebtedness and issue the Bonds as referred to in Proposition 2.

SECTION 4. Obligation of Bonds; Pledge. The Bonds shall be direct and general obligations of the Service Area and the full faith and credit of the Service Area are hereby pledged to the payment of the principal of and interest on the Bonds. The Borough hereby irrevocably pledges and covenants that it will levy and collect taxes upon all taxable property within the Service Area 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. In the event that any Bond Insurer makes any payment under a bond insurance policy with respect to the Bonds, such payment shall not be deemed a payment of the Borough and such payment amounts shall continue to be due and payable by the Borough under this Resolution.

SECTION 5. Authorization of Bonds and Purpose of Issuance. For the purpose of raising funds to pay the Costs of acquiring and developing the Project as authorized by Proposition 2, and to pay all costs incidental thereto and to the issuance of the Bonds, general obligation bonds of the Service Area with such designation as is set forth in Section 6 hereof, are hereby authorized, and shall be issued by the Borough in the aggregate principal amount of not to exceed Forty-Nine Million Nine Hundred Thousand and No/100 Dollars (\$49,900,000).

SECTION 6. Designation, Maturities, Payment Dates, Rates and Bonds. The Bonds shall be designated "Kenai Peninsula Borough, Alaska, Central Kenai Peninsula Hospital Service Area General Obligation Bonds, Series 2003" or such other or additional designation as may be made by the Authorized Borough Representative, shall be issued in a single series, shall be dated and mature on such dates and may be redeemed in such manner as shall be established by the Authorized Borough Representative pursuant to Section 21 of this Resolution or by the Assembly by resolution adopted prior to delivery of the Bonds.

The Bonds shall bear interest from their date of delivery payable on such dates and at such rates as may be fixed and determined by the Authorized Borough Representative pursuant to Section 21 of this Resolution or by the Assembly by resolution adopted prior to the delivery of the Bonds.

The Bonds shall be registered as to principal and interest as herein provided. The Bonds shall each be of the denomination of Five Thousand (\$5,000) or any integral multiple thereof of the same interest rate and maturity approved by the Borough, such approval to be evidenced by the execution of such Bonds. Each Bond shall bear a number or letter, or a number and letter, distinguishing it from every other Bond in the manner and with such additional designation as the Paying Agent deems necessary for purposes of identification. The Bonds may be delivered with the aggregate principal amount of Bonds maturing on one date represented by one Bond, in typewritten, printed or lithographed form. The Bonds shall be substantially in the form of the Bond hereinafter set forth, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution, 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.

In order to induce DTC to accept the Bonds as eligible for deposit at DTC, the Borough has executed and delivered the Letter of Representations which has been accepted by DTC. Unless the Authorized Borough Representative, or the Assembly by resolution, shall otherwise determine, the Bonds initially issued shall be available for purchase only through brokers and dealers, who must be or act through participants in DTC, shall be held under the Book-Entry System by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations, shall be issued in denominations equal to the aggregate principal amount of each maturity of the Bonds and shall initially be registered in the name of Cede & Co., as the nominee of DTC.

Neither the Borough nor the Paying Agent will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal or redemption price of or interest on the Bonds, any notice which is permitted or required to be given to registered owners of the Bonds under this Resolution (except such notices as shall be required to be given by the Borough to the Paying Agent or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds or any consent given or other action taken by DTC as the owner of the Bonds. For so long as any Bonds are held under the Book-Entry System, DTC or its successor depository shall be deemed to be the owner of the Bonds for all purposes hereunder, and all references herein (except for Section 29) to the owner of the Bonds or similar terms shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in the Bonds.

SECTION 7. Additional Details of Bonds. Each of the Bonds shall be signed by the manual signature of the Mayor and the official seal of the Borough (or a facsimile thereof) shall be affixed, imprinted or otherwise reproduced on the Bonds and attested by the manual signature of the Borough Clerk. In case any officer whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

The Bonds shall contain a certificate of the Paying Agent in substantially the following form:

PAYING AGENT'S CERTIFICATE
OF AUTHENTICATION

This Bond is one of the Kenai Peninsula Borough, Alaska, Central Kenai Peninsula Hospital Service Area General Obligation Bonds, Series 2003 described in and issued pursuant to the Borough's Resolution 2003-121.

J.P. MORGAN TRUST COMPANY
NATIONAL ASSOCIATION,
as Paying Agent

Date of Authentication:

_____ By _____
Authorized Agent

The principal, redemption price of and the interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

For so long as all outstanding Bonds are held under the Book-Entry System, payment of principal and interest thereof shall be made as provided in the Letter of Representations.

In the event that the Bonds are not or are no longer held under the Book-Entry System: (i) payment of principal on each principal payment date on all Bonds shall be payable upon presentment at the corporate trust office of the Paying Agent in [Seattle, Washington], or such other location as may be designated by the Paying Agent; and (ii) payment of interest on the Bonds shall be made by check or draft mailed by first class mail to the owner of record as of the 15th day of the month preceding each interest payment date at the address appearing on the Bond Register of the Borough kept by the Paying Agent, provided that any owner of Bonds in an aggregate principal amount of \$1,000,000 or more may, at its option, receive interest payments by wire transfer at any location within the United States of America upon written notice delivered to the Paying Agent not later than the 15th day of the month preceding any interest payment date.

SECTION 8. Redemption of Bonds. The Bonds may be subject to redemption by or on behalf of the Borough prior to maturity and upon notice as hereinafter provided, as a whole or in part as may be fixed and determined by the Authorized Borough Representative pursuant to Section 21 of this Resolution or by resolution of the Assembly adopted prior to or at the time of delivery of the Bonds. If fewer than all of the Bonds within a single maturity are to be called for redemption prior to their scheduled maturity, the portions of Bonds within a maturity to be redeemed shall be selected by the Paying Agent, acting as Bond Registrar, by lot in the manner chosen by the Paying Agent. In selecting Bonds to be redeemed in part within a single maturity, the Paying Agent shall treat each Bond as representing that number of Bonds of a \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. As long as the Bonds are held under the Book-Entry System, such selection shall be made by DTC in accordance with the Letter of Representations.

SECTION 9. Notice of Redemption. Except as hereafter provided in this Section 9, when the Borough determines to redeem any Bonds, the Paying Agent shall give notice of such redemption (which notice may be conditional) in the manner then provided by law, which notice shall state the redemption date and identify the Bonds to be redeemed by reference to their numbers and/or letters and further may be conditional or may state that on such redemption date there shall become due and payable upon each such Bond, or portion thereof, the principal amount thereof plus the applicable premium, if any (the "Redemption Price"), together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue. Such notice shall be given at least 30 days but not more than 60 days prior to the redemption date by first class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address of the registered owner appearing on the Bond Register; provided, however, that for so long as the Bonds are held under the Book-Entry System, all notices of redemption shall be given only as provided in the Letter of Representations. In addition to the above required mailing, the Paying Agent shall also cause to be mailed notice of such intended redemption to the managing underwriter(s) of the

Bonds or their respective business successors, if any, to each NRMSIR or the MSRB, to any SID and, when there is a bond insurance policy with respect to any Bonds, to the Bond Insurer, if any, by certified or registered mail.

If the Bonds are no longer held under the Book-Entry System, then, in addition to the foregoing notice, further notice of redemption shall be given by the Paying Agent 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.

Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus: (i) if fewer than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (ii) if the Bonds are no longer held under the Book-Entry System the Bonds are to be surrendered for payment at the corporate trust office of the Paying Agent in Los Angeles, California, or such other location as may be designated by the Paying Agent, (iii) the CUSIP numbers of all Bonds being redeemed, (iv) the dated date of the Bonds, (v) the rate of interest for each Bond being redeemed, (vi) the date of the notice, and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed.

The Borough shall notify the Paying Agent of any optional redemption at least 5 days prior to the date on which notice pursuant to this Section 9 is to be given to DTC or the registered owner of any Bond to be redeemed, as the case may be.

The foregoing notice provisions of this Section 9, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be, but is not required to be, amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

SECTION 10. Payment of Redeemed Bonds. Unconditional notice of redemption having been given in the manner provided in this Resolution, the Bonds so called for redemption shall become due and payable on the redemption date stated in said notice at the applicable redemption price on said date plus interest accrued and unpaid to the redemption date upon presentation and surrender thereof at the corporate trust office of the Paying Agent. If, on the redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued and unpaid to the redemption date, shall be held on behalf of the Borough at the corporate trust office of the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then from and after the redemption date the Bonds so called for redemption shall cease to bear interest.

Each check or other transfer of funds issued for the payment of the Redemption Price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 11. 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 or by subsequent ordinance or resolution of the Assembly:

UNITED STATES OF AMERICA
STATE OF ALASKA

KENAI PENINSULA BOROUGH

NO. _____

\$

*CENTRAL KENAI PENINSULA HOSPITAL SERVICE AREA
GENERAL OBLIGATION BONDS, SERIES 2003*

INTEREST RATE

MATURITY DATE:

CUSIP NO.

%

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT:

The Kenai Peninsula Borough, a second-class borough of the State of Alaska (the "Borough"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, upon presentation and surrender hereof, the Principal Amount shown above, and to pay interest on such principal sum from the date hereof until its obligation with respect to the payment of such principal sum shall be discharged, at the Interest Rate per annum shown above, payable on the first days of February and August in each year beginning August 1, 2004. The principal, interest and redemption price of this Bond shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Principal shall be paid to the Registered Owner or assigns upon presentation and surrender of this Bond at the corporate trust office of J.P. Morgan Trust Company National Association (hereinafter called the Paying Agent), or its successors. Payment of interest shall be made by check or draft mailed to the Registered Owner, as of the 15th day of the month preceding the interest payment date, at the address appearing on the Bond Register of the Borough kept at the corporate trust office of the Paying Agent. Notwithstanding the foregoing, if this Bond is held in fully immobilized form, payment of principal and interest shall be as provided in the Blanket Issuer Letter of Representations between the Borough and The Depository Trust Company, dated October 23, 2003, and The Depository Trust Company Operational Arrangements referred to therein, as they may be amended from time to time (together, the "Letter of Representations").

This Bond is one of the Borough's Central Kenai Peninsula Hospital Service Area General Obligation Bonds, Series 2003, of like tenor and effect except as to interest rate, number, redemption terms and maturity, aggregating \$_____ in principal amount, and constituting Bonds authorized for the purpose of raising funds to pay the costs of capital improvements in the Central Kenai Peninsula Hospital Service Area ("Service Area"), with the question of their issuance for such purpose approved and ratified by a majority vote of the qualified voters of the Service Area who voted on Proposition 2 at a general election held in the Borough on October 7, 2003, and is issued pursuant to Resolution No. 2003-____ of the Borough entitled:

A RESOLUTION OF THE KENAI PENINSULA BOROUGH, ALASKA, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED FORTY-NINE MILLION NINE HUNDRED THOUSAND AND NO/100 DOLLARS (\$49,900,000) IN AGGREGATE PRINCIPAL AMOUNT OF CENTRAL KENAI PENINSULA HOSPITAL SERVICE AREA ("SERVICE AREA") GENERAL OBLIGATION BONDS ("BONDS"), TO PAY COSTS RELATED TO CAPITAL IMPROVEMENTS FOR THE CENTRAL PENINSULA GENERAL HOSPITAL AND RELATED CAPITAL IMPROVEMENTS; FIXING CERTAIN DETAILS OF THE BONDS; PROVIDING FOR THE FORM AND MANNER OF SALE OF THE BONDS; PLEDGING THE FULL FAITH AND CREDIT OF THE SERVICE AREA TO THE PAYMENT THEREOF; AUTHORIZING THE FINANCE DIRECTOR OR CONTROLLER TO NEGOTIATE AND EXECUTE A CONTRACT FOR THE PURCHASE AND SALE OF THE BONDS; AND RELATED MATTERS.

(the "Resolution").

The Bonds maturing in the years 2004 through 2013, inclusive, are not subject to redemption prior to maturity. The Bonds maturing on and after August 1, 2014, are subject to redemption at the option of the Borough on and after August 1, 2013, in whole on any date or in part in increments of \$5,000 with maturities selected by the Borough on any interest payment date prior to maturity, at the following prices expressed as a percentage of the principal amount thereof, plus accrued interest to the date of redemption, upon notice as provided in the Resolution and the Letter of Representations:

<u>Redemption Date</u>	<u>Redemption Price</u>
_____ 1, ____ through _____ 31, ____ _____ 1, ____ and thereafter	%

Unless previously redeemed pursuant to the foregoing optional redemption provision, the Bonds maturing on _____ 1, 20__ are subject to mandatory redemption on _____ 1 of the following years, and in the following principal amounts, beginning on _____ 1, 20__, at a price of 100% of the principal amount thereof, plus accrued interest, if any, to the date of redemption, upon notice as provided in the Resolution and the Letter of Representations:

<u>Redemption Year</u>	<u>Term Bonds</u>	<u>Principal Amount</u>
20__		\$
20__		
20__		
20__		
20__*		

* Final Maturity

Interest on any Bonds unconditionally called for redemption shall cease to accrue on the date fixed for redemption unless such Bonds are not redeemed upon presentation pursuant to such call. Notice of any redemption of Bonds shall be given as provided in the Resolution and the Letter of Representations.

This Bond is transferable as provided in the Resolution and the Letter of Representations. The Borough and the Paying Agent 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 Service Area, and the full faith and credit of the Service Area are pledged for the payment of the principal of and interest on the Bonds. The Borough hereby irrevocably pledges and covenants that it will levy and collect taxes upon all taxable property within the Service Area 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.

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 Borough 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 Service Area, is within every debt and other limit prescribed by said Constitution, statutes or Charter.

IN WITNESS WHEREOF, THE KENAI PENINSULA BOROUGH, ALASKA, has caused this Bond to be signed in its name and on its behalf by the manual signature of its Mayor and its corporate seal to be hereunto impressed or imprinted or otherwise reproduced and attested by the manual signature of its Borough Clerk, all as of the ____ day of _____, 2003.

[S E A L]

Dale Bagley, Mayor

A T T E S T:

Linda Murphy, Borough Clerk

In the event the Bonds are not or are no longer held under the Book-Entry System, the form of the Bonds may be modified to conform to printing requirements and the terms of this Resolution.

SECTION 12. Disposition of Proceeds and Establishment of Funds. The net proceeds of the sale of the Bonds shall be deposited in the hereby authorized funds and accounts of the Borough. There is hereby authorized to be created certain funds of the Borough to be held and maintained in the custody of the Paying Agent pursuant to the terms of the Paying Agent Agreement. The funds maintained by the Paying Agent may be further subdivided into accounts or subaccounts.

All moneys and securities deposited with the Paying Agent pursuant to the terms of the Paying Agent Agreement shall be applied, and invested, only in accordance with the provisions of the Paying Agent Agreement. All income earned, or gains realized, as a result of the investment of amounts in funds or accounts created pursuant to the terms of the Paying Agent Agreement shall be deposited therein and constitute a part thereof.

SECTION 13. Paying Agent and Bond Registrar. (a) J.P. Morgan Trust Company, National Association, Seattle, Washington, is hereby appointed the Paying Agent for the Bonds and the term "Paying Agent" shall include any business successor or successors thereto. Any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, provided such company shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to the Paying Agent without the execution or filing of any paper or the performance of any further act.

The Paying Agent shall maintain a Bond Register which shall include the names and addresses of the registered owners or nominees of the owners of the Bonds and which shall provide for the registration, transfer and exchange of Bonds. The Borough 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 Paying Agent may become the owner of or may deal in Bonds as fully and with the same rights as if it was not the Paying Agent.

(b) Concerning the use of DTC,

(1) Unless otherwise provided by resolution of the Assembly, the Bonds shall be registered initially in the name of Cede & Co., as nominee of DTC, with one Bond maturing on each of the maturity dates established in a denomination corresponding to the total principal amount therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the Borough pursuant to (2) below or such substitute depository's successor; or (iii) to any person as provided in (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Assembly that it is no longer in the best interest of owners of beneficial interests in the Bonds to continue the system of book-entry transfers through DTC or its successors (or any substitute depository or its successor), the Borough may thereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (i) or (ii) of (1) above, the Paying Agent shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Borough, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Borough.

(4) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository and no substitute depository can be obtained, or (ii) the Borough determines that it is in the best interest of the registered owners of the Bonds that they be able to obtain Bond certificates, the ownership of Bonds may then be transferred to any person or entity as herein provided and the Bonds shall no longer be held under the Book-Entry System. The Borough shall deliver a written request to the Paying Agent, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt of all then outstanding Bonds by the Paying Agent, together with a written request on behalf of the Borough to the Paying Agent, new Bonds shall be issued in such denominations and registered in the names of such persons as are requested in such written request.

SECTION 14. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Borough may cause to be executed, and shall deliver, a new Bond of like interest rate, principal amount, maturity and series in exchange and substitution for and upon cancellation of such mutilated Bond, or in lieu of and in substitution for such Bond destroyed, stolen or lost, in each case upon the registered owner thereof paying the reasonable expenses and charges of the Borough and the Paying Agent in connection therewith and in the case of a Bond destroyed, stolen or lost, filing by the owner with the Paying Agent evidence satisfactory to the Paying Agent and the Borough that such Bond was destroyed, stolen or lost and the owner's ownership thereof, and furnishing the Borough and the Paying Agent with indemnity satisfactory to them. Any new

Bond so delivered may bear a number differing from the number of the Bond it replaces.

SECTION 15. Transfer of Bonds and Delivery of New Bonds. If the Bonds are no longer held in the Book-Entry System or immobilized form, any Bond may be transferred only upon the books kept for the registration and transfer of Bonds by the Paying Agent, upon surrender thereof at the corporate trust office of the Paying Agent in Seattle, Washington, or such other location as may be designated by the Paying Agent, together with an assignment duly executed by the registered owner or the registered owner's attorney in such form as shall be satisfactory to the Paying Agent. Upon the transfer of any such Bond, there shall be executed in the name of the transferee, and the Borough shall cause to be authenticated and delivered, a new registered Bond or Bonds of the same maturity and aggregate principal amount in any of the authorized denominations.

In all cases in which Bonds may be transferred under this Resolution, there shall be executed, and the Borough shall authenticate and deliver, Bonds in accordance with the provisions of this Resolution. Any such transfer shall be without cost to the registered owner, except that the Borough and the Paying Agent may make a charge for every such registration, exchange or transfer of Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such registration, exchange or transfer, and such charge or charges shall be paid before any such new Bond shall be delivered. Neither the Borough nor the Paying Agent shall be required to make any such registration, exchange or transfer of a Bond during (i) the 15 days next preceding an interest payment date for such Bond, (ii) during a period of 15 days preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption or (iii) following any publication of notice of redemption of such Bond.

SECTION 16. Ownership of Bonds. As to any Bond, the person in whose name the same shall be registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes (except for Section 26 hereof), and payment of or on account of the principal on such Bond and the interest on such Bond shall be made only to or upon the order of the registered owner thereof or the registered owner's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

The Bonds shall be uncertificated securities to the extent provided by Alaska Statutes, Chapter 45.08. The Borough and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the absolute owner thereof for all purposes of this Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or the Borough. Neither the Borough nor the Paying Agent will have any responsibility or obligation, legal or otherwise, to any other party, except to the registered owners of the Bonds.

SECTION 17. Arbitrage Covenant. The Borough covenants with the registered owners of all Bonds at any time outstanding that it will make no use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, so long as any of the Bonds are outstanding, the Borough, with respect to the proceeds of the Bonds, shall comply with all requirements of said Section 148 and the regulations thereunder to the extent that such requirements are, at the time, applicable and in effect.

SECTION 18. Compliance with Code. The Borough hereby 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 exemption from federal income taxes of the interest on the Bonds. The Borough hereby further covenants to observe any and all applicable requirements in any future federal tax legislation to the extent that such compliance is determined by the Borough to be legal and practicable and required for such exemption.

The covenants of this Section 18 shall also be deemed to have been made for the benefit of any Bond Insurer for so long as a Bond Insurer maintains a policy of insurance with respect to any of the Bonds.

SECTION 19. Rebate Requirement. The Borough covenants and agrees that it will pay any amounts required to comply with the arbitrage rebate requirements of Section 148(f) of the Code.

SECTION 20. Defeasance. In the event money and/or Acquired Obligations 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. If the Bonds are insured, any defeasance of the Bonds shall be made by cash and/or direct, non-callable obligations of the United States of America and/or agencies of the United States of America.

SECTION 21. Sale of Bonds, Final Terms, Approval of Official Statement. The Bonds shall be sold at negotiated sale to the Underwriters (as hereinafter defined). The Authorized Borough Representative, with the assistance of the Financial Advisor (as defined herein), is hereby authorized to negotiate terms for the purchase of the Bonds by George K. Baum & Company, as representative of itself; and RBC Dain Rauscher (collectively, the "Underwriters"), and to execute a purchase contract with the representative of the Underwriters, for the purchase of the Bonds ("Purchase Contract") which is in the best interest of the Borough.

The Borough has been advised by its financial advisor, Western Financial Group (the "Financial Advisor"), that market conditions continue to fluctuate and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Assembly. The Assembly has determined that it would be inconvenient, perhaps impossible, to hold a special meeting on short notice and, accordingly, has determined that it would be in the best interest of the Borough to delegate to the Authorized Borough Representative for a limited time the authority to approve certain details of the Bonds including the date and the delivery date, the principal amount of each maturity, the purchase price, the maturity and interest payment dates, the redemption provisions and the interest rates of each maturity. The latest date on which the Bonds shall mature is August 1, 2025. The interest rates for the Bonds of each maturity and the corresponding principal amount of Bonds shall be determined by agreement among the Underwriters and the Authorized Borough Representative with the advice of the Financial Advisor. The Authorized Borough Representative shall take into account those factors which, in his judgment, will result in the lowest true interest cost on the Bonds, and shall be set forth as an exhibit to the purchase contract for the Bonds; provided that the true interest cost on the Bonds is not more than 6.00% and payment to the Underwriters does not exceed .50% of the par value of the Bonds plus direct expenses.

The Authorized Borough Representative is hereby authorized to execute the Purchase Contract with the Underwriters for the Bonds upon his approval of the details of the Bonds including the date and the delivery date, the aggregate principal amount and the principal amount of each maturity, the purchase price, the maturity and interest payment dates, the redemption provisions and the interest rate of each maturity, the underwriters' discount and the true interest cost on the Bonds. The authority granted to the Authorized Borough Representative by this Section 21 shall expire in 120 days from the date of approval of this Resolution. If the Purchase Contract has not been executed by the Authorized Borough Representative in accordance with the delegated authority of this Section 21 by said date, the Bonds may only be sold in the manner provided in the following paragraph.

The terms of this paragraph apply only if the Authorized Borough Representative has not entered into a Purchase Contract for the Bonds within 120 days of approval of this Resolution. The Authorized Borough Representative is hereby authorized to solicit an offer or offers for the purchase of the Bonds in such manner as he deems appropriate, and thereafter to negotiate a contract for the purchase of the Bonds which is in the best interest of the Borough, said contract or contracts be executed by the Authorized Borough Representative after approval of a Resolution by the Assembly.

The Authorized Borough Representative is hereby authorized to solicit commitments for a policy of insurance with respect to payment of the interest on and principal of the Bonds and thereafter to accept such commitment from an insurer (the "Bond Insurer") which in his judgment is in the best interest of the Borough. The Authorized Borough Representative is hereby further authorized to enter into such agreements with the Bond Insurer related to said policy as are not inconsistent with this Resolution and are, in his opinion, in the best interest of the Borough.

The Authorized Borough Representative is authorized to approve the final terms of, and to execute on behalf of the Borough, the Paying Agent Agreement.

The Authorized Borough Representative is further authorized to review and to deem final (in the case of the preliminary official statement) and approve and execute (in the case of the final official statement), on behalf of the Borough, the preliminary official statement and final official statement relating to the issuance and sale of the Bonds with such changes, if any, as may be deemed by him to be appropriate, including changes necessary in order to evidence compliance with Section (b)(5) of the Rule.

SECTION 22. Authority of Officers. The Mayor, the Finance Director, the Controller, the Borough Attorney, and the Borough Clerk, are, and each of them is, hereby authorized and directed to do and perform all things and determine all matters not determined by this Resolution, or to be determined by a subsequent ordinance or resolution of the Borough, to the end that the Borough may carry out its obligations under the Bonds and this Resolution.

SECTION 23. Amendatory and Supplemental Resolutions. (a) The Assembly 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 Borough contained 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 Borough.

(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 Assembly may deem necessary or desirable and not inconsistent with this Resolution and which shall not materially adversely affect the interests of the registered owners of the Bonds.

Any such supplemental resolution of the Assembly 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 23.

(b) With the consent of the registered owners of not less than 60% in aggregate principal amount of the Bonds at the time outstanding affected by the supplemental resolution, the Assembly may adopt a resolution 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 with respect to the Bonds; 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 reduce the amount or change the date of any sinking fund installment, 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;

and provided, further, that if the Bonds are insured any such supplemental resolution may not be adopted without the prior written consent of the Bond Insurer.

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 pursuant to the provisions of this Section 23, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the Borough under this Resolution and all registered owners of Bonds outstanding hereunder affected by such supplemental resolution 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 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 pursuant to the provisions of this Section 23 may bear a notation as to any matter provided for in such supplemental resolution, and if such supplemental resolution shall so provide, new Bonds so modified so as to conform, in the opinion of the Borough, to any modification of this Resolution contained in any such supplemental resolution may be prepared by the Borough 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 24. Prohibited Sale of Bonds. No person, firm or corporation, or any agent or employee thereof, acting as financial consultant to the Borough under an agreement for payment in connection with the sale of the Bonds, is eligible to purchase the Bonds as a member of the original underwriting syndicate either at public or private sale.

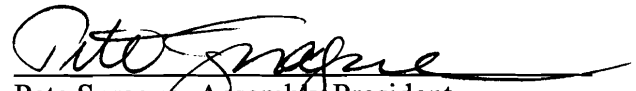
SECTION 25. Miscellaneous. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or on this Resolution against any member of the Assembly or officer of the Borough or any person executing the Bonds. The Bonds are not and shall not be in any way a debt or liability of the State of Alaska, and do not and shall not create or constitute an indebtedness or obligation, either legal, moral or otherwise, of the State.

SECTION 26. Undertaking to Provide Ongoing Disclosure. The Borough will execute a certificate for ongoing disclosure in form and substance satisfactory to the Underwriters, and the Authorized Borough Representative is hereby authorized and directed to execute such certificate.

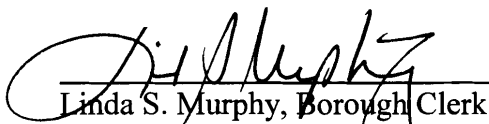
SECTION 27. Severability. If any one or more of the covenants and agreements provided in this Resolution to be performed on the part of the Borough shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

SECTION 28. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 18TH DAY OF NOVEMBER, 2003.


Pete Sprague, Assembly President

ATTEST:


Linda S. Murphy, Borough Clerk

