

ALEUTIANS EAST BOROUGH, ALASKA

RESOLUTION NO. 11-02

A RESOLUTION OF THE ASSEMBLY OF THE ALEUTIANS EAST BOROUGH, ALASKA, AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE ALEUTIANS EAST BOROUGH, ALASKA, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED FIVE MILLION DOLLARS (\$5,000,000), IN ONE OR MORE SERIES, TO PAY THE COST OF ACQUISITION OF PROPERTY, PLANNING, DESIGN, CONSTRUCTION, RECONSTRUCTION, EXPANSION AND IMPROVEMENT OF THE AKUTAN AIRPORT AND OTHER TRANSPORTATION OR ECONOMIC DEVELOPMENT PROJECTS IN THE ALEUTIANS EAST BOROUGH, TOGETHER WITH ALL NECESSARY APPURTENANCES, EQUIPMENT AND FACILITIES IN CONNECTION THEREWITH, AND PLEDGING THE FULL FAITH AND CREDIT OF THE ALEUTIANS EAST BOROUGH TO THE PAYMENT THEREOF.

WHEREAS, on May 3, 2007, the Borough Assembly of the Aleutians East Borough (the "Borough") adopted Ordinance No. 07-07, authorizing the issuance of general obligation bonds of the Borough (the "Bonds") in an amount not to exceed Five Million Dollars (\$5,000,000), for the purpose of paying the cost, in whole or in part, of the acquisition of property, planning, design, construction, reconstruction, expansion and improvement of the Akutan Airport and other transportation or economic development projects in the Borough specified in plans adopted by the Borough Assembly (collectively, the "Project"); and

WHEREAS, pursuant to Ordinance No. 07-07, the Borough Assembly directed that a proposition approving Ordinance No. 07-07 and the Project and ratifying the authorization of the Bonds be submitted to the qualified voters of the Borough at a regular municipal election to be held on October 2, 2007; and

WHEREAS, on October 2, 2007, the qualified voters of the Borough approved Ordinance No. 07-07 and the Project and ratified the authorization of the Bonds; and

WHEREAS, the Assembly of the Borough deems it necessary and desirable and in the public interest to authorize the issuance of the Bonds in accordance with the terms and conditions set forth in this resolution; and

WHEREAS, the Alaska Municipal Bond Bank has agreed to purchase the Bonds pursuant to the terms of a loan agreement relating to the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE ALEUTIANS EAST BOROUGH, ALASKA, that:

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

(a) "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 the Borough's Ordinance No. 07-07.

(b) "Bond Bank" means the Alaska Municipal Bond Bank.

(c) "Bond Bank Bonds" means the bonds of the Bond Bank issued to provide funds to purchase the Bonds.

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

(e) "Borough" means the Aleutians East Borough, a municipal corporation duly organized as a second class borough under Title 29 of the Alaska Statutes.

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

(g) "Continuing Disclosure Certificate" means a certificate executed and delivered by the Borough with respect to compliance with paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission, as such certificate may be amended or supplemented from time to time in accordance with its terms.

(h) "Cost" or "Costs" means the cost of planning, designing, site preparation, construction, acquiring, renovating, installing and equipping the Project, including interest on the Bonds during the period of planning, designing, site preparation, constructing, acquiring, renovating, installing and equipping the Project, the cost whether incurred by the Borough 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 construction thereof, all related direct administrative and inspection expenses whether incurred by the Borough or by another in connection with the Project prior to or during construction thereof and allocation of portions of direct costs of the Borough, legal fees, 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, 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 incidental to determining the feasibility or practicability of the Project, and such other expenses not specified herein as may be necessary or incidental to the acquisition and development of the Project, the financing thereof and the putting of the same in use and operation.

(i) "Government Obligations" means direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

(j) "Loan Agreement" means the Loan Agreement between the Borough and the Bond Bank relating to the Bonds.

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

(l) "Registrar" means the Borough Administrator of the Borough, or any successor that the Borough may appoint by resolution.

(m) "Tax Exempt Bonds" means Bonds of any series, the interest on which is intended on the date of issuance thereof to be excluded from gross income for federal income tax purposes.

Section 2. Authorization of Bonds and Purpose of Issuance. For the purpose of providing the funds required to pay a portion of the Costs of the Project and to pay all costs incidental thereto and to the issuance of the Bonds, the Borough hereby authorizes and determines to issue and to sell the Bonds in the aggregate principal amount of not to exceed \$5,000,000. The Bonds shall be designated "Aleutians East Borough Transportation Improvement General Obligation Bonds, 2010."

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 purpose of the Borough in accordance with the constitution and the statutes of the State of Alaska and to incur the indebtedness and issue the Bonds as referred to in Ordinance No. 07-07.

Section 3. Obligation of Bonds. The Bonds shall be direct and general obligations of the Borough, and the full faith and credit of the Borough 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 Borough 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. Dates, Maturities, Interest Rates, and Other Details of Bonds. The Bonds shall be dated the date of their initial delivery, shall be in the denomination of \$5,000 or any integral multiple thereof, or such other date and denominations as may be determined by the Borough Administrator, and shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification.

Unless the Borough Administrator determines otherwise, the Bonds shall bear interest payable semi-annually April 1 and October 1, commencing April 1, 2011, and shall mature and become due and payable on October 1 in each of the years and in the principal amounts to be set forth in the Loan Agreement.

Interest on the Bonds shall be computed on the basis of a 360-day year composed of twelve 30-day months. The Borough Administrator is authorized to fix and determine the principal amount, principal amount per series, tax status, prepayment rights, maturity date, principal installments and payment dates and the rate or rates of interest to be borne by such principal installments, provided that (i) no rate of interest on any principal installment shall exceed the rate of interest on the corresponding maturity of the Bond Bank Bonds; (ii) the true interest cost of the Bonds shall not exceed 8% unless approved by resolution of the Borough; and (iii) all of the Bonds shall mature on or before October 1, 2030.

Section 5. Place and Medium of Payment. Both principal of and interest on the Bonds shall be 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. For so long as the Bond Bank is the Registered Owner of all outstanding Bonds, payments of principal thereof and interest thereon shall be made as provided in the Loan Agreement. In the event that the Bond Bank is no longer the Registered Owner of all outstanding Bonds, payments of principal thereof and interest thereon will be made by check or draft mailed by first class mail to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the payment date, provided that the final installment of principal of and interest on the Bonds will be payable at the office of the Registrar upon surrender of the Bond to the Registrar. If the principal installment of any Bond is not paid when due, the Borough shall pay interest on such principal installment at the same rate provided therein from and after its due date until such principal installment is paid in full or provision for payment thereof has been made.

Section 6. Optional Prepayment. Unless the Borough Administrator determines otherwise, the principal installments of the Bonds due on or after October 1, 2021 shall be subject to prepayment, at the Borough's option, on any date on or after October 1, 2020, in whole or in part, at a prepayment price of 100% of the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment. If less than all the principal installments of the Bonds are to be prepaid, the principal installments to be prepaid shall be determined by the Borough. Notice of any such prepayment shall be sent by the Borough not less than 50 days prior to the date fixed

for prepayment by first class mail to the Registered Owner of each Bond at such Registered Owner's address as it then appears on the Bond Register. Notice of prepayment having been duly given and money for prepayment being held by the Borough, interest on the principal installments to be prepaid shall cease to accrue on the date fixed for prepayment.

Section 7. Form of Bond. Each Bond shall be in substantially the following form, subject to the provisions of the Loan Agreement and with such changes as the Borough Administrator approves:

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF ALASKA

ALEUTIANS EAST BOROUGH, ALASKA
TRANSPORTATION IMPROVEMENT
GENERAL OBLIGATION BOND, 2010

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The Aleutians East Borough, Alaska (the "Borough"), a municipal corporation of the State of Alaska, hereby acknowledges itself to owe and for value received promises to pay to the registered owner set forth above (the "Registered Owner"), or its registered assigns, the principal amount set forth above in the following installments on October 1 month of each of the following years, and to pay interest on each such principal installment from the date hereof until paid or provision for payment thereof has been made, payable on April 1, 2011, and semiannually thereafter on the first day of April and October of each year, at the following rates per annum:

<u>Year</u>	<u>Principal Installment</u>	<u>Interest Rate</u>
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For so long as the Alaska Municipal Bond Bank (the "Bond Bank") is the Registered Owner, payments of principal hereof and interest hereon shall be made as provided in the loan agreement between the Bond Bank and the Borough relating to this bond (the "Loan Agreement"). In the event that the Bond Bank is no longer the Registered Owner, payments of principal hereof and interest hereon will be made by check or draft mailed by first class mail to the Registered Owner at the address for such Registered Owner appearing on the Bond Register on the 15th day of the month preceding the payment date, provided that the final installment of principal of and interest on this bond will be payable at the office of the Borough Administrator (the

"Registrar") upon surrender of this bond to the Registrar. Interest on this bond shall be computed on the basis of a 360-day year composed of twelve 30-day months.

This bond is one of the Transportation Improvement General Obligation Bonds, 2010 of the Borough (the "Bonds"), together aggregating \$5,000,000 in principal amount and constituting bonds authorized for the purpose of paying the Costs of the Project, and issued under Resolution No. 11-_____ of the Borough titled:

A RESOLUTION OF THE ASSEMBLY OF THE ALEUTIANS EAST BOROUGH, ALASKA, AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE ALEUTIANS EAST BOROUGH, ALASKA, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED FIVE MILLION DOLLARS (\$5,000,000), IN ONE OR MORE SERIES, TO PAY THE COST OF ACQUISITION OF PROPERTY, PLANNING, DESIGN, CONSTRUCTION, RECONSTRUCTION, EXPANSION AND IMPROVEMENT OF THE AKUTAN AIRPORT AND OTHER TRANSPORTATION OR ECONOMIC DEVELOPMENT PROJECTS IN THE ALEUTIANS EAST BOROUGH, TOGETHER WITH ALL NECESSARY APPURTENANCES, EQUIPMENT AND FACILITIES IN CONNECTION THEREWITH, AND PLEDGING THE FULL FAITH AND CREDIT OF THE ALEUTIANS EAST BOROUGH TO THE PAYMENT THEREOF

(the "Resolution").

The principal installments of this bond due on or after October 1, 2021 shall be subject to prepayment, at the Borough's option, on and after October 1, 2020, in whole or in part, at a prepayment price of 100% of the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment. If less than all the principal installments of the Bonds are to be prepaid, the principal installments to be prepaid shall be determined by the Borough. Notice of any such prepayment shall be sent by the Borough not less than 50 days prior to the date fixed for prepayment by first class mail to the Registered Owner of each Bond at such Registered Owner's address as it then appears on the Bond Register. Notice of prepayment having been duly given and money for prepayment being held by the Borough, interest on the principal installments to be prepaid shall cease to accrue on the date fixed for prepayment.

This bond is transferable as provided in the Resolution, (i) only upon the Bond Register 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 unpaid principal amount, series and maturity shall be issued to the transferee in exchange therefor as provided in the Resolution upon the payment of charges, if any, as therein prescribed. The Borough 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 prepayment price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This bond is a direct and general obligation of the Borough, and the full faith and credit of the Borough are pledged to the payment of the principal hereof and interest hereon. The Borough has irrevocably pledged and covenanted to levy and collect taxes upon all taxable property within the Borough without limitation as to rate or amount, in amounts sufficient, together with other funds legally available therefor, to pay the principal hereof and interest hereon as the same become due and payable.

Reference is hereby made to the Resolution and any resolution supplemental thereto for a description of the rights of the Registered Owner of this bond and of the rights and obligations of the Borough thereunder, to all of the provisions of which Resolution the Registered Owner of this bond, by acceptance hereof, assents and agrees.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts or things required by the constitution or statutes of the State of Alaska or the ordinances or resolutions 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 Borough, is within every debt and other limit prescribed by said constitution, statutes, ordinances or resolutions.

IN WITNESS WHEREOF, THE ALEUTIANS EAST BOROUGH, ALASKA, has caused this bond to be signed in its name and on its behalf by its Mayor and its corporate seal to be hereunto impressed or otherwise reproduced and attested by its Clerk, all as of the _____ day of _____, 2010.

ALEUTIANS EAST BOROUGH, ALASKA

_____/specimen/
Stanley Mack, Mayor

ATTEST:

_____/specimen/
Tina Anderson, Borough Clerk

Section 8. Execution. The Bonds shall be executed in the name of the Borough by the Mayor, and its corporate seal shall be impressed or otherwise reproduced thereon and attested by the Borough Clerk. The execution of a Bond on behalf of the Borough by persons that 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 delivery of the Bond or shall not have held office on the date of the Bond.

Section 9. Registration.

(a) The Bonds shall be issued only in registered form as to both principal and interest. The Borough designates the Borough Administrator as Registrar for the Bonds. The Registrar shall keep, or cause to be kept, the Bond Register at the office of the Borough.

(b) The Borough, in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes, and neither the Borough nor the Registrar shall be affected by any notice to the contrary. Each payment made as described in Section 5 shall be valid and shall satisfy and discharge the liability of the Borough on the Bonds to the extent of the amount or amounts so paid.

(c) Bonds may be transferred only upon the Bond Register. Upon surrender for transfer or exchange of any Bond at the office of the Registrar, 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 its duly authorized attorney, the Borough shall execute and the Registrar shall deliver an equal aggregate principal amount of Bonds of the same series and maturity of any authorized denominations, subject to such reasonable regulations as the Registrar 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.

(d) 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.

Section 10. Mutilated, Destroyed, Stolen or Lost Bonds. Upon surrender for cancellation to the Registrar of a mutilated Bond, the Borough shall execute and deliver a new Bond of like series, maturity and principal amount. Upon filing with the Registrar of evidence satisfactory to the Borough that a Bond has been destroyed, stolen or lost and of the ownership thereof and upon furnishing the Borough with indemnification satisfactory to it, the Borough shall execute and deliver a new Bond of like series, maturity and principal amount. The person requesting the execution and delivery of a new Bond pursuant to this section shall comply with such other reasonable regulations as the Borough may prescribe and pay such expenses as the Borough may incur in connection therewith. Any Bonds issued pursuant to this section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Borough, whether or not the Bonds alleged to be destroyed, stolen or lost be at any time enforceable by anyone.

Section 11. Disposition of the Sale Proceeds of the Bonds. The sale proceeds of the Bonds shall be applied to pay Costs of the Project and shall be deposited in the appropriate funds or accounts of the Borough for such purposes.

Section 12. Tax Matters. The Borough 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 Tax Exempt Bonds from gross income for federal income tax purposes. The Borough covenants that it will make no use of the proceeds of the Tax Exempt Bonds which will cause the Tax Exempt Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. The Borough covenants that it will not take or permit any action that would cause the Tax Exempt Bonds to be "private activity bonds" as defined in Section 141 of the Code. The Borough hereby determines and certifies that (a) the Tax Exempt Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation, but including any bonds issued by the Bond Bank to fund its reserve account that are allocable to the Borough) which the Borough and any entity subordinate to the Borough (including any entity that the Borough controls, that derives its authority to issue tax-exempt obligations from the Borough, or that issues tax-exempt obligations on behalf of the Borough), will issue during the calendar year in which the Tax Exempt Bonds are issued will not exceed \$30,000,000; and (c) the amount of tax-exempt obligations, including the Tax Exempt Bonds, designated by the Borough as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Tax Exempt Bonds are issued does not exceed \$30,000,000. The Borough hereby designates the Tax Exempt Bonds and the Bond Bank Bonds issued to fund the Bond Bank reserve account that are allocable to the Borough as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

The Borough Administrator, on behalf of the Borough, is hereby authorized to irrevocably elect to have the applicable provisions of the Code apply to one or more series of the Bonds so that such series of Bonds are treated as "Build America Bonds" or "Recovery Zone Economic Development Bonds" and further to have the applicable provisions of the Code apply to such series of Bonds so that such series of Bonds are treated as "qualified bonds" with respect to which the Borough will be allowed a credit payable by the United States Treasury to or to the order of the Borough in the applicable percentage of the interest payable on such series of Bonds on each interest payment date. The Borough Administrator is hereby authorized to take such actions as are necessary or appropriate for the Borough to receive or cause to be received from the United States Treasury the applicable federal credit payments in respect of such series of Bonds, including but not limited to the timely filing with the Internal Revenue Service of Form 8038-CP – "Return for Credit Payments to Issuers of Qualified Bonds" and the execution of a calculation agency agreement.

Section 13. Sale of the Bonds; Official Statement; Loan Agreement; Continuing Disclosure Certificate. The sale of not to exceed \$5,000,000 aggregate principal amount of the Bonds, as provided in the Loan Agreement and this resolution, is hereby authorized and approved. The preliminary official statement relating to the Bond Bank Bonds in substantially the form filed with this resolution, a final official statement relating

to the Bond Bank Bonds in substantially the form of such preliminary official statement and the distribution of each in connection with the sale of the Bond Bank Bonds are hereby approved. The Mayor and the Borough Administrator are each hereby authorized to provide such information for inclusion in such preliminary official statement and final official statement as such officials may deem necessary or desirable in connection with the sale of the Bond Bank Bonds. The Loan Agreement and the Continuing Disclosure Certificate in substantially the form filed with this resolution are hereby approved. The Mayor and the Borough Administrator are each hereby authorized to execute and deliver the Loan Agreement and the Continuing Disclosure Certificate in such forms, together with such changes not inconsistent herewith as may be approved by the Mayor or the Borough Administrator (such approval to be conclusively evidenced by such official's execution and delivery of such document).

Section 14. Authority of Officers. The Mayor, the Borough Administrator and the Borough Clerk are each hereby authorized and directed execute such documents, agreements and certificates and to do and perform such things and determine such matters necessary and desirable for the Borough to carry out its obligations under the Bonds, the Loan Agreement, the Continuing Disclosure Certificate and this resolution.

Section 15. 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:

(i) to add to the covenants and agreements of the Borough 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; or

(ii) 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 interest of the Registered Owners.

Any such supplemental resolution may be adopted without the consent of any Registered Owner, notwithstanding any of the provisions of subsection (b) of this section.

(b) With the consent of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, the Assembly 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:

(i) extend the stated maturity date of any of the Bonds, or reduce the amount or change the payment date of any principal installment, or reduce the rate of interest thereon, or extend the stated dates for payments of such interest, or reduce any prepayment price, without the consent of the Registered Owner of each Bond so affected; or

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

It shall not be necessary for the consent of the Registered Owners 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 Borough and all Registered Owners 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 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, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 16. Defeasance. Payment of any Bonds may be provided for by the irrevocable deposit in trust of cash, noncallable Governmental Obligations or any combination thereof. The cash and the maturing principal and interest income on such Government Obligations, if any, must be sufficient and available without reinvestment to pay when due the principal, whether at maturity or upon fixed prepayment dates, of and interest on such Bonds. The cash and Government Obligations shall be held irrevocably in trust for the Registered Owners of such Bonds solely for the purpose of paying the principal or prepayment price of and interest on such Bonds as the same shall mature or become payable upon prepayment, and, if applicable, upon the giving of notice of prepayment and notification of all Registered Owners of affected Bonds that the deposit required by this section has been made and that such Bonds are deemed to be paid in accordance with this resolution. Bonds the payment of which has been provided for in accordance with this section shall no longer be deemed outstanding hereunder. The obligation of the Borough in respect of such Bonds shall nevertheless continue but the Registered Owners thereof shall thereafter be entitled to payment only

from the cash and Government Obligations deposited in trust to provide for the payment of such Bonds.

Section 17. Miscellaneous.

(a) All payments made by the Borough 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.

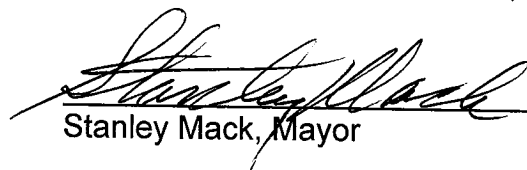
(b) No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or on this resolution against any member of the Assembly or officer of the Borough or any person executing the Bonds. The Bonds are not and shall not be in any way a debt or liability of the State of Alaska or of any political subdivision thereof, except the Borough, 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 Borough.

Section 18. 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.

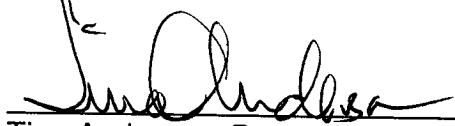
Section 19. Effective date. This resolution shall take effect immediately.

ADOPTED BY THE ASSEMBLY OF THE ALEUTIANS EAST BOROUGH, on this 24th day of August, 2010.

ALEUTIANS EAST BOROUGH, ALASKA


Stanley Mack, Mayor

ATTEST:


Tina Anderson, Borough Clerk