

SECOND AMENDMENT TO LOAN AGREEMENT

This SECOND AMENDMENT TO LOAN AGREEMENT (“Amendment”), dated as of _____, 2016, amends the LOAN AGREEMENT (“Loan Agreement”) dated as of March 25, 2013, by and between the KENAI PENINSULA BOROUGH (“Lender”), an Alaska municipal corporation, and the CITY OF HOMER (“Borrower”), an Alaska municipal corporation.

R E C I T A L S

WHEREAS, by Ordinance 13-03(S)(2), adopted February 25, 2013, Borrower authorized the issuance to Lender of a Natural Gas Distribution Special Assessment Bond (“Bond”) in a principal amount equal to the aggregate amount of all advances under the Loan Agreement, but not to exceed \$12,700,000, and the execution and delivery of the Loan Agreement; and

WHEREAS, all Advances that will be made under the Loan Agreement have been made, and the aggregate amount of such advances is \$12,359,388, and such amount may be documented by amending the Loan Agreement; and

WHEREAS, by Resolution 15-017, adopted March 23, 2015, Borrower confirmed the assessment roll for the Homer Natural Gas Distribution Special Assessment District (“District”); and

WHEREAS, due to delays in the assessment process, the first assessment payments were due on September 1, 2015, and subsequent assessment installment payments will be due on July 1 of each year; and

WHEREAS, as of the September 1, 2015 assessment payment date, Borrower made a payment of principal and interest on the Bond to Lender from assessment payments received by Borrower as of that date; and

WHEREAS, to allow prompter payments under the Loan Agreement the due date for installment payments on the Loan should be changed from April 1 to September 1 commencing with the installment payment that is due in 2016.

NOW, THEREFORE, in consideration of the mutual covenants herein, the parties hereto covenant and agree as follows:

Section 1. Section 3.01 of the Loan Agreement is amended to read as follows:

Section 3.01 Loan to Borrower. The Lender hereby makes the Loan to the Borrower in the principal amount of \$12,359,388, which is equal to the aggregate amount of the Advances that the Lender has made to the Borrower under this Loan Agreement. Upon the execution of the Second Amendment to the Loan Agreement, the Borrower shall execute and deliver to the Lender a new

special assessment bond in the form authorized by City of Homer Ordinance 13-03(S) payable to the order of the Lender for the principal amount of the Loan, in exchange for the special assessment bond that the Borrower issued to the Lender at the time of execution of the original Loan Agreement. Thereafter, all references to the Bond herein shall be to such new special assessment bond.

Lender consents to Borrower's amendment of Borrower's Ordinance 13-03(S)(2) to authorize the issuance of an amended Bond with a principal amount conforming to the principal amount stated herein.

Section 2. Section 3.02 of the Loan Agreement is amended to read as follows:

Section 3.02 Payment of Principal and Interest. Borrower shall pay the principal amount of the Loan together with interest on each Advance from the date of the Advance at the rate of Four Percent (4.00%) per annum, in two payments of interest only on the 1st day of April 2014 and 2015, a payment of principal and interest that was received by Lender as of the September 1, 2015 assessment due date, and nine equal annual installments of principal and interest, commencing September 1, 2016 and on each September 1 thereafter until September 1, 2024, when the remaining principal balance of the Loan, plus accrued interest, shall be due and payable. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Both principal of and interest on the Loan shall be payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Installments of principal and interest on the Loan shall be payable on the due date in immediately available funds at the principal office of the Lender in Soldotna, Alaska, or at another location specified at the option of the Lender; provided that the final installment of the principal of the Loan, plus accrued interest, shall be payable upon presentation and surrender of the Bond by the Registered Owner at the office of the Registered Owner in Soldotna, Alaska.

Lender consents to Borrower's amendment of Borrower's Ordinance 13-03(S)(2) to authorize the issuance of an amended Bond with payment dates conforming to the amended Loan payment dates herein.

Section 3. Except as expressly amended herein, all terms and conditions of the Loan Agreement as originally executed and previously amended shall remain in full force and effect.

IN WITNESS WHEREOF, the Lender and the Borrower have caused this Amendment to be executed in their respective names all by their duly authorized officers, as of the date first set forth above.

LENDER: KENAI PENINSULA BOROUGH

By: _____
Mike Navarre, Mayor

ATTEST:

Johni Blankenship, Borough Clerk

BORROWER: CITY OF HOMER

By: _____
Mary K. Koester, City Manager

ATTEST:

Jo Johnson, City Clerk