

City of Carson City
Agenda Report

Item # 18B

Date Submitted: 5/25/10

Agenda Date Requested: 6/03/10

Time Requested: 10 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director

Subject Title: Action to introduce, on first reading, Bill No. _____, an ordinance of the Board of Supervisors of Carson City, Nevada providing for the issuance of general obligation (limited tax) water improvement bonds (additionally secured by pledged revenues), Series 2010A (taxable direct pay Build America Bonds), and general obligation (limited tax) water improvement and refunding bonds (additionally secured by pledged revenues), Series 2010B (tax-exempt); providing the form, terms and conditions thereof and covenants relating to the payment of said bonds; and providing other matters relating thereto. (Nick Providenti)

Staff Summary: The City Charter provides that the City may borrow money to acquire, improve, equip, operate and maintain a water project and for such purpose may issue bonds or other securities, and the Board has determined and declared that the Project is a municipal purpose within the meaning of said Charter provisions.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does this action require a Business Impact Statement: () Yes (xx) No

Recommended Board Action: I move to introduce, on first reading, Bill No. _____, an ordinance of the Board of Supervisors of Carson City, Nevada providing for the issuance of general obligation (limited tax) water improvement bonds (additionally secured by pledged revenues), Series 2010A (taxable direct pay Build America Bonds), and general obligation (limited tax) water improvement and refunding bonds (additionally secured by pledged revenues), Series 2010B (tax-exempt); providing the form, terms and conditions thereof and covenants relating to the payment of said bonds; and providing other matters relating thereto.

Explanation for Recommended Board Action: The Board of Supervisors has determined and hereby declares that the public interest, health and welfare necessitates making certain improvements to the Water System by acquiring, constructing, equipping and improving facilities pertaining to the Water System (the "Project").

Applicable Statute, Code, Policy, Rule or Regulation: NRS chapters 244 and 268, NRS 350.020 and 7.030 and 2.275 of the Charter.

Fiscal Impact: \$60,402,239 including principal and interest (estimated).

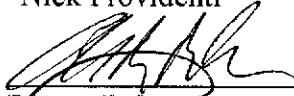
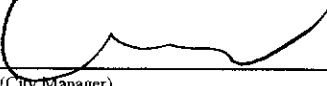

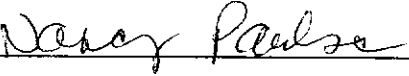
Explanation of Impact: Water Fund - ongoing debt service payment of approximately \$2,015,000.

Funding Source: Water Fund service charges.

Alternatives: Elect not to borrow money and accumulate funds to do the projects on a pay as you go basis.

Supporting Material: Ordinance

Prepared By: Nick Providenti

Reviewed By:  Date: 5-25-10
(Department Head)
:  Date: 5/25/10
(City Manager)
:  Date: 5-25-10
(District Attorney)
:  Date: 5/25/10
(Finance Director)

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____

(Vote Recorded By)

The following table provides the debt service requirements of the City's Outstanding Bonds secured by the Pledged Revenues and the pro forma debt service requirements of the Proposed Bonds. The Proposed Bonds will be issued on a parity lien to the Outstanding Bonds.

OUTSTANDING AND PRO FORMA DEBT SERVICE REQUIREMENTS
as of January 1, 2010

Fiscal Year Ending June 30	Outstanding Bonds			Proposed Bonds			Grand Total
	Principal	Interest	Subtotal	Principal	Interest ¹	Subtotal	
2010 ²	\$362,500	\$647,387	\$1,009,887	\$0	\$0	\$0	\$1,009,887
2011	1,591,892	1,258,611	2,850,503	535,000	1,480,000	2,015,000	4,865,503
2012	1,743,784	1,196,736	2,940,520	562,486	1,453,250	2,015,736	4,956,256
2013	1,823,784	1,127,830	2,951,614	585,512	1,425,711	2,011,223	4,962,837
2014	1,718,784	1,056,719	2,775,503	613,083	1,401,389	2,014,472	4,789,975
2015	1,812,084	988,108	2,800,192	635,884	1,375,838	2,011,722	4,811,914
2016	1,839,884	913,980	2,753,864	663,921	1,349,302	2,013,223	4,767,087
2017	1,811,984	843,775	2,655,759	692,200	1,321,523	2,013,723	4,669,482
2018	1,767,184	778,548	2,545,732	720,730	1,292,493	2,013,223	4,558,955
2019	1,835,184	710,855	2,546,039	749,516	1,262,206	2,011,722	4,557,761
2020	1,907,584	639,837	2,547,421	783,569	1,230,653	2,014,222	4,561,643
2021	1,983,084	564,999	2,548,083	817,896	1,197,577	2,015,473	4,563,556
2022	2,064,784	486,368	2,551,152	852,504	1,162,968	2,015,472	4,566,624
2023	2,149,384	404,181	2,553,565	887,403	1,126,819	2,014,222	4,567,787
2024	2,237,484	317,550	2,555,034	922,601	1,089,121	2,011,722	4,566,756
2025	2,169,584	234,803	2,404,387	963,108	1,049,865	2,012,973	4,417,360
2026	2,029,583	143,914	2,173,497	1,003,931	1,008,791	2,012,722	4,186,219
2027	2,110,483	62,939	2,173,422	1,045,082	965,890	2,010,972	4,184,394
2028	183,783	0	183,783	1,091,571	921,152	2,012,723	2,196,506
2029	183,783	0	183,783	1,138,405	874,317	2,012,722	2,196,505
2030	0	0	0	1,185,598	825,374	2,010,972	2,010,972
2031	0	0	0	1,235,000	777,500	2,012,500	2,012,500
2032	0	0	0	1,300,000	715,750	2,015,750	2,015,750
2033	0	0	0	1,365,000	650,750	2,015,750	2,015,750
2034	0	0	0	1,430,000	582,500	2,012,500	2,012,500
2035	0	0	0	1,500,000	511,000	2,011,000	2,011,000
2036	0	0	0	1,580,000	436,000	2,016,000	2,016,000
2037	0	0	0	1,655,000	357,000	2,012,000	2,012,000
2038	0	0	0	1,740,000	274,250	2,014,250	2,014,250
2039	0	0	0	1,825,000	187,250	2,012,250	2,012,250
2040	0	0	0	<u>1,920,000</u>	<u>96,000</u>	<u>2,016,000</u>	<u>2,016,000</u>
TOTAL	\$33,326,600	\$12,377,140	\$45,703,740	\$32,000,000	\$28,402,239	\$60,402,239	\$106,105,979

¹ Interest estimated at 4.76%. It is anticipated that the Proposed Bonds will be financed through the State Revolving Fund at a subsidized interest rate and a public bond offering.

² Represents partial year of debt service.

SOURCE: The City, compiled by JNA Consulting Group, LLC

Summary - An ordinance authorizing the issuance by Carson City, Nevada of its General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bonds), and its General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010B (Tax-Exempt).

BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF CARSON CITY, NEVADA PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010A (TAXABLE DIRECT PAY BUILD AMERICA BONDS), AND GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010B (TAX-EXEMPT); PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF SAID BONDS; AND PROVIDING OTHER MATTERS RELATING THERETO.

(1) **WHEREAS**, Carson City in the State of Nevada (the “City” and the “State,” respectively) is a political subdivision of the State duly organized and consolidated as a county under the provisions of Section 37A of Article 4 of the Nevada Constitution and operating pursuant to Nevada Revised Statutes (“NRS”) chapters 244 and 268 and the general laws of the State, when not inconsistent with the Statutes of Nevada 1969, Chapter 213 (the “Charter”); and

(2) **WHEREAS**, the City now owns and operates a municipal water system (the “Water System”); and

(3) **WHEREAS**, the Board of Supervisors of the City (the “Board”) has determined and hereby declares that the public interest, health and welfare necessitates making certain improvements to the Water System by acquiring, constructing, improving and equipping facilities pertaining to the Water System (the “Improvement Project”); and

(4) **WHEREAS**, §§ 7.030 and 2.275 of the Charter provide that the City may borrow money to acquire, improve, equip, operate and maintain a water project and for such purpose may issue bonds or other securities, and the Board has determined and declared that the Improvement Project is a municipal purpose within the meaning of said Charter provisions; and

(5) **WHEREAS**, there remain unpaid and outstanding certain bonds previously issued by the City and designated as the Carson City, Nevada General Obligation (Limited Tax) Refunding Water Bonds (Additionally Secured by Net Revenues), Series November 1, 1997; the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 1998C; the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 1999B; the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2000; the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2002; the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2003; the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2005A; the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2007; and the Carson City, Nevada General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2009 (collectively, the "Prior Bonds"); and

(6) **WHEREAS**, pursuant to the Charter, pursuant to NRS §§ 244A.011 through 244A.065, inclusive (the "County Bond Law"), and pursuant to Chapter 350 of NRS and all laws amendatory thereof which includes the Local Government Securities Laws, being §§ 350.500 through 350.720, NRS, and all laws amendatory thereof (the "Bond Act"), the City is authorized to borrow money and to: (a) issue general obligation bonds of the City for the purpose of defraying wholly or in part the cost of the Improvement Project; and (b) issue general obligation refunding bonds to refund, pay and discharge all or any part of the Prior Bonds designated in the Bond Purchase Agreement (as defined herein) for the purpose of effecting interest rate savings and modifying the payment of the Prior Bonds; and

(7) **WHEREAS**, if the Finance Director of the City determines that a refunding (the "Refunding Project" and together with the Improvement Project, the "Project") of the Prior Bonds designated in the Bond Purchase Agreement (the "Refunded Bonds") with certain of the bonds herein authorized to be sold for the purpose of effecting interest rate savings and a modification of the payment of such Prior Bonds is in the best interest of the City, the Board determines that it is necessary and for the best interest of the City to complete the Refunding Project and to issue the bonds authorized herein for such purpose; and

(8) **WHEREAS**, the Board submitted to the Debt Management Commission of Carson City, Nevada (the "Commission") the City's proposal to issue its general obligation (limited tax) water bonds (additionally secured by pledged revenues) in the maximum principal amount of \$32,000,000 (the "Proposal"); and

(9) **WHEREAS**, the Commission has heretofore duly approved the Proposal; and

(10) **WHEREAS**, pursuant to NRS § 350.020(3), the City published a notice of its intent to issue a maximum of \$32,000,000 of general obligation (limited tax) water bonds (additionally secured by pledged revenues), and no petition in conformity with NRS § 350.020(3) requesting an election on the bonds was presented to the Board within 90 days after such publication; and

(11) **WHEREAS**, none of the \$32,000,000 of the general obligation (limited tax) water bonds (additionally secured by pledged revenues) contemplated by the Proposal have previously been issued; and

(12) **WHEREAS**, the Board hereby determines that the bonds herein authorized to be issued shall be designated the "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured By Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bonds)" (the "2010A Bonds"), and the "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010B (Tax-Exempt)" (the "2010B Bonds" and, together with the 2010A Bonds, the "Bonds") in the aggregate principal amounts set forth in the Bond Purchase Agreement; and

(13) **WHEREAS**, after negotiating the purchase of the 2010A Bonds, the Director of Finance of the City, as chief financial officer of the City (the "Finance Director") or, in his absence, the City Manager of the City (the "City Manager") is hereby authorized to sell the 2010A Bonds in the aggregate principal amount not to exceed \$32,000,000 for the Improvement Project to Piper Jaffray & Co. (the "Underwriter"); and

(14) **WHEREAS**, after negotiating the purchase of the 2010B Bonds, the Finance Director, or in his absence, the City Manager is hereby authorized to sell the 2010B Bonds in the aggregate principal amount for the Improvement Project, which together with the aggregate principal amount of the 2010A Bonds does not exceed \$32,000,000, plus the aggregate principal amount necessary to effect the Refunding Project, to the Underwriter; to accept the bond purchase agreement for the Bonds submitted by the Underwriter (the "Bond Purchase Agreement"); and to specify in the Escrow Agreement (hereinafter defined) which maturities of the Prior Bonds, if any, will be refunded with a portion of the proceeds of the 2010B Bonds; and

(15) **WHEREAS**, the Bonds are to bear interest at the rates per annum provided in the Bond Purchase Agreement, and are to be sold at a price equal to the principal amount thereof, plus a premium or less a discount, plus any accrued interest to the date of delivery of the Bonds, all as specified in the Bond Purchase Agreement; and

(16) **WHEREAS**, pursuant to NRS § 350.155, a certificate of the City Manager, as chief administrative officer of the City and a report of the City's financial advisor have been submitted to the Board and are hereby approved; and

(17) **WHEREAS**, the 2010B Bonds issued to fund the Refunding Project (the "Refunding Bonds") will be paid within 25 years of the date of issuance of the Refunding Bonds, or the maturity of any Refunded Bond will not be extended beyond 1 year next following the date of the last outstanding maturity of the Refunded Bonds, whichever is later; the interest rate on the Bonds will not exceed the limit provided in NRS § 350.2011; and the principal amount of the Bonds will not be increased to an amount in excess of the City's debt limit; and

(18) **WHEREAS**, the Board hereby elects to have the provisions of Chapter 348 of NRS (the "Supplemental Bond Act") apply to the Bonds; and

(19) **WHEREAS**, the Board has determined and hereby declares:

(A) It is necessary and for the best interests of the City to effect the Project and to issue the Bonds;

(B) Each of the limitations and other conditions to the issuance of the Bonds in the Charter, the County Bond Law, the Bond Act, the Supplemental Bond Act, and in any other relevant act of the State or the Federal Government, has been met; and pursuant to NRS § 350.708, this determination of the Board that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary or gross abuse of discretion; and

(C) This Ordinance pertains to the sale, issuance and payment of the Bonds; this declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of NRS § 350.579(2).

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF CARSON CITY DO ORDAIN:

SECTION 1. **Short Title.** This Ordinance shall be known and may be cited as the “2010 Water Improvement and Refunding Bond Ordinance.”

SECTION 2. **Definitions.** The terms in this section and in the preambles hereof defined for all purposes of this Ordinance and of any instrument amendatory hereof or supplemental hereto, and of any other instrument or any other document relating hereto, except where the context by clear implication otherwise requires, shall have the meanings in this section and in said preambles specified:

“**1997 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Refunding Water Bonds (Additionally Secured by Net Revenues), Series November 1, 1997.

“**1998 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 1998C.

“**1999 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 1999B.

“**2000 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2000.

“**2002 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2002.

“2003 Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2003.

“2005 Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2005A.

“2007 Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2007.

“2009 Bond” means the Carson City, Nevada General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2009.

“BAB Credit” has the meaning set forth in Section 56, Paragraph (A) herein.

“Bond Requirements” means the principal of, the interest on and any prior redemption premiums due in connection with the Bonds, any Superior Securities, or any Parity Securities, as appropriate, as such principal, interest and premiums become due at maturity or on a Redemption Date, or otherwise.

For the purposes of calculating the Bond Requirements for the purposes of issuing Superior Securities (including refunding securities) or Parity Securities (including refunding securities) or complying with the Rate Covenant set forth in Section 54 herein, in making any calculation of the Bond Requirements to be paid for a period after the date of such calculation on any bonds payable from the Gross Revenues with respect to which the City expects to receive a BAB Credit, such as the 2010A Bonds, “interest” for any Bond Year shall be treated as the amount of interest to be paid by the City on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to interest payments on those bonds in that Bond Year and required by the ordinance or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year, or to reimburse the City for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as of the date of such calculation, “interest” shall be the total amount of interest to be paid by the City on the bonds without a deduction for the credit to be paid by the United States under § 6431 of the Tax Code. The Finance Director may certify in writing the expected amount and expected date of receipt

of any BAB Credit, and that certificate shall be conclusive for purposes of computing the Bond Requirements and for purposes of any other computation for the issuance of additional Superior Securities (including refunding securities) or Parity Securities (including refunding securities).

“Bond Year” means the 12-month period commencing on July 1 of a calendar year and ending on June 30 of the following calendar year.

“Commercial Bank” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation.

“Cost of the Project” means all or any part designated by the Board for the cost of the Project, or interest therein, which cost, at the option of the Board, except as limited by law, may include all or any part of the incidental costs relating to the Project, including, without limitation:

(A) Preliminary expenses advanced by the City from money available for use therefor, or advanced by the Federal Government, or from any other source, with the approval of the Board;

(B) The costs in the making of surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(C) The costs of premiums on builders’ risk insurance and performance bonds, or a reasonably allocable share thereof;

(D) The costs of appraising, printing, estimates, advice, services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help or other agents or employees;

(E) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Project, the filing or recordation of instruments, the taking of options, the issuance of the Bonds and any other securities relating to the Project and bank fees and expenses;

(F) The costs of contingencies;

(G) The costs of the capitalization with the proceeds of the Bonds or other securities relating to the Improvement Project of any operation and maintenance expenses appertaining to the Improvement Project and of any interest on the Bonds or other securities relating to the Improvement Project for any period not exceeding the period estimated by the Board to effect

the Improvement Project plus one year, of any discount on the Bonds or such other securities, and of any reserves for the payment of the principal of and interest on the Bonds or such other securities, of any replacement expenses, and of any other cost of the issuance of the Bonds or such other securities;

(H) The costs of amending any ordinance or other instrument authorizing the issuance of or otherwise appertaining to outstanding bonds or other securities of the City;

(I) The costs of funding any medium-term obligations, construction loans and other temporary loans of not exceeding ten years appertaining to the Improvement Project and of the incidental expenses incurred in connection with such loans;

(J) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

(K) The costs of demolishing, removing or relocating any buildings, structures or other facilities on land acquired for the Improvement Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;

(L) The administrative expenses and issuance costs of the Bonds; and

(M) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board including rebates to the United States under Section 148 of the Tax Code.

Federal Government means the United States, or any agency, instrumentality or corporation thereof.

Federal Securities means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States.

Fiscal Year means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year; but if the Nevada Legislature changes the statutory fiscal year relating to the City, the Fiscal Year shall conform to such modified statutory fiscal year from the time of each such notification, if any.

General Taxes means general (ad valorem) taxes levied by the City against all taxable property within the boundaries of the City (unless otherwise qualified).

“Gross Revenues” means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Water System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the City from the Water System, including, without limitation, all fees, rates, and other charges for the use of the Water System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. “Gross Revenues” shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues.

“Net Revenues” means the Gross Revenues remaining after the deduction of Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Water System, including, without limitation:

(A) engineering, auditing, reporting, legal and other overhead expenses relating to the administration, operation and maintenance of the Water System;

(B) fidelity bond and property and liability insurance premiums pertaining to the Water System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the Water System;

(C) payments to pension, retirement, health and hospitalization funds, and other insurance and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance;

(D) any general taxes, assessments, excise taxes or other charges which may be lawfully imposed upon the City, the Water System, revenues therefrom or the City's income from or operations of any properties under its control and pertaining to the Water System, or any privilege in connection with the Water System or its operations;

(E) the reasonable charges of any Paying Agent or Registrar and any depository bank pertaining to the Bonds or any other securities payable from Gross Revenues or otherwise pertaining to the Water System;

(F) contractual services, professional services, salaries, other administrative expenses and costs of materials, supplies, repairs and labor pertaining to the Water System or to the issuance of the Bonds, or any other securities relating to the Water System, including, without limitation, the expenses and compensation of any receiver or other fiduciary under the Bond Act;

(G) the costs incurred by the Board in the collection and any refunds of all or any part of Gross Revenues;

(H) any costs of utility services furnished to the Water System;

(I) any lawful refunds of any Gross Revenues; and

(J) all other administrative, general and commercial expenses pertaining to the Water System;

but excluding:

(1) any allowance for depreciation;

(2) any costs of extensions, enlargements, betterments and other improvements, or any combination thereof;

(3) any reserves for major capital replacements, other than normal repairs;

(4) any reserves for operation, maintenance or repair of the Water System;

(5) any allowance for the redemption of any Bond or other security or the payment of any interest thereon or any prior redemption premium due in connection therewith;

(6) any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the Water System, or otherwise;

(7) any liabilities imposed on the City for any ground legal liability not based on contract, including, without limitation, negligence in the operation of the Water System; and

(8) amounts transferred to the City's general fund as payments in lieu of taxes.

"Outstanding" when used with reference to the Bonds or any other designated securities payable from Net Revenues and as of any particular date means all of the Bonds in any manner theretofore and thereupon being executed and delivered:

(A) Except any Bond or other security canceled by the City, the Paying Agent or otherwise on the City's behalf, at or before such date;

(B) Except any Bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of maturity or to any Redemption Date shall have theretofore been deposited with a Trust Bank in escrow or in trust for that purpose, as provided in Section 57 hereof; and

(C) Except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered.

"Parity Securities" means securities of the City pertaining to the Water System and payable from and secured by Net Revenues on a parity with the Bonds, including the 1997 Bonds, the 1998 Bonds, the 1999 Bonds, the 2000 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2007 Bonds, the 2009 Bond, and any securities hereafter issued on a parity with such bonds, to the extent issued in accordance with the terms, conditions and limitations hereof.

"Paying Agent" means Zions First National Bank or any successor thereto as paying agent for the Bonds.

"Person" means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State or any other body corporate and politic other than the City), partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

“Redemption Date” means a date fixed for the redemption prior to their respective maturities of any Bonds or other designated securities payable from any Net Revenues in any notice of prior redemption or otherwise fixed and designated by the City.

“Redemption Price” means, when used with respect to a Bond or other designated security payable from any Net Revenues, the principal amount thereof plus accrued interest thereon to the Redemption Date plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such Bond or other security on a Redemption Date in the manner contemplated in accordance with the security’s terms.

“Registrar” means Zions First National Bank or any successor thereto as registrar for the Bonds.

“Subordinate Securities” means securities of the City pertaining to the Water System and payable from and secured by Net Revenues subordinate and junior to the pledge thereof to the Bonds, to the extent issued in accordance with the terms, conditions and limitations hereof.

“Superior Securities” means securities of the City pertaining to the Water System secured by and payable from Net Revenues superior and senior to the pledge thereof to the Bonds and any Parity Securities, to the extent issued in accordance with the terms, conditions and limitations hereof.

“Tax Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds.

“Trust Bank” means a “commercial bank”, as defined herein, which bank is authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

“Water System” means the municipal water system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

Other capitalized terms used herein shall have the meanings given to such terms in the text hereof, except where the context by clear implication otherwise requires.

SECTION 3. **Acceptance of Bond Purchase Agreement; Authorization of Use of Preliminary Official Statement and Final Official Statement.** In accordance with the County Bond Law, the Bond Act and with this Ordinance, the Finance Director, or in his absence the City Manager, is authorized to proceed with the sale of the Bonds to the Underwriter on the terms and conditions provided herein, and to execute the Bond Purchase Agreement. The City hereby ratifies the preparation and distribution of the Preliminary Official Statement with respect to the Bonds and deems such Preliminary Official Statement final as of its date except for the dated date and except for the omission of information dependent upon the pricing of the issue, such as offering prices, interest rates, aggregate principal amount, principal amount per maturity, delivery dates and other terms of the Bonds dependent on the foregoing matters. The Finance Director is hereby authorized and directed to execute and deliver, on behalf of the City, the Final Official Statement, with such changes or additions as such officer determines is necessary or appropriate, the approval of such changes or additions to be conclusively evidenced by the execution and delivery of the Final Official Statement by such officer.

SECTION 4. **Ratification; Escrow Agreement.** All action heretofore taken by the Board and the officers of the City directed toward the Project and toward the issuance, sale and delivery of the Bonds is hereby ratified, approved and confirmed. The form, terms and provisions of the Escrow Agreement (the "Escrow Agreement") between the City and Zions First National Bank (the "Escrow Agent") are hereby ratified, approved and confirmed and the Finance Director is hereby authorized to execute the Escrow Agreement on behalf of the City with such changes as are approved by the Finance Director whose execution thereof shall be conclusive evidence of such officer's approval of any such changes.

SECTION 5. **Estimated Life of Facilities.** The Board, on behalf of the City, has determined and does hereby declare:

A. The estimated life or estimated period of usefulness of the Improvement Project to be acquired with the Bonds is not less than 30 years from the date of the Bonds;

B. The estimated life or estimated period of usefulness of the project refinanced by the Refunding Bonds is not less than 25 years from the date of the Refunding Bonds; and

C. The Bonds shall mature at such time or times not exceeding such estimated life or estimated period of usefulness.

SECTION 6. **Necessity of Project and Bonds.** It is necessary and in the best interests of the Board, its officers, and the inhabitants of the City, that the City effect the Project and defray wholly or in part the cost thereof by the issuance of the Bonds therefor; and it is hereby so determined and declared.

SECTION 7. **Authorization of Project.** The Board hereby authorizes the Project.

SECTION 8. **Ordinance to Constitute Contract.** In consideration of the purchase and the acceptance of the Bonds by those who shall own the same from time to time, the provisions hereof shall be deemed to be and shall constitute a contract between the City and the registered owners from time to time of the Bonds.

SECTION 9. **Bonds Equally Secured.** The covenants and agreements herein set forth to be performed shall be for the equal benefit, protection and security of the owners of any and all of the Outstanding Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction except as otherwise expressly provided in or pursuant to this Ordinance.

SECTION 10. **General Obligations.** All of the Bonds, as to the Bond Requirements, shall constitute general obligations of the City, which hereby pledges its full faith and credit for their payment. So far as possible, Bond Requirements shall be paid from Net Revenues of the Water System of which the Project is a part (the "Pledged Revenues"). The Bonds as to all Bond Requirements shall also be payable from the General Taxes (except to the extent that other moneys such as Net Revenues or a BAB Credit are available therefor) as herein provided.

SECTION 11. **Limitations upon Security.** The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City, except for the proceeds of General Taxes and any other moneys pledged for the payment of the Bonds. No property of the City, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds.

SECTION 12. **No Recourse Against Officers and Agents.** No recourse shall be had for the payment of the Bond Requirements of the Bonds or for any claim based thereon or otherwise upon this Ordinance or any other instrument relating thereto, against any individual member of the Board or any officer or other agent of the Board or City, past, present or future, either directly or indirectly through the Board or the City, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bonds and as a part of the consideration of their issuance specially waived and released.

SECTION 13. **Authorization of Bonds.** For the purpose of providing funds to pay all or a portion of the Cost of the Project allocable to the Improvement Project, the City shall issue its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured By Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bonds)" in the aggregate principal amount designated in the Bond Purchase Agreement. For the purpose of providing funds to pay all or a portion of the Cost of the Project, the City shall issue its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010B (Tax-Exempt) in the aggregate principal amount designated in the Bond Purchase Agreement. The Bonds shall be in the form substantially as set forth in Section 23 hereof.

SECTION 14. **Bond Details.** The Bonds shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with § 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The Bonds shall be dated initially as of the date of delivery thereof to the Underwriter, and except as otherwise provided in Section 17 hereof, shall be issued in denominations of \$5,000 or any integral multiple thereof (provided that no Bond may be in a denomination which exceeds the principal coming due on any maturity date, and no individual Bond will be issued with more than one maturity). Each series of the Bonds shall be numbered from 1 upward. The Bonds shall bear interest (calculated on the basis of a 360 day year consisting of twelve 30 day months) from their date until their respective maturity dates (or, if redeemed prior to maturity as provided below, their redemption dates) at the respective rates set forth in the Bond Purchase Agreement, and payable semiannually on May 1 and November 1 of each year

commencing on November 1, 2010; provided that those Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates set forth in the Bond Purchase Agreement from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from the date of the Bonds. The Bonds shall mature on the designated dates in the amounts of principal, as designated in the Bond Purchase Agreement. The principal of any Bond shall be payable to the owner thereof as shown on the registration records kept by the Registrar, upon maturity and upon presentation and surrender at the office designated by the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said Bond until the principal thereof is paid in full.

Except as otherwise provided in Section 17 hereof, payment of interest on any Bond shall be made to the owner thereof by check or draft mailed by the Paying Agent, on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), to the owner thereof, at his or her address as shown on the registration records kept by the Registrar as of the close of business on the fifteenth day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the "Regular Record Date"); but any such interest not so timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date and the date for payment of defaulted interest shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date and the date for payment of defaulted interest shall be given to the owners of the Bonds not less than ten days prior thereto by first-class mail to each such owner as shown on the Registrar's registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the

Paying Agent. All such payments of principal and interest shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

SECTION 15. Prior Redemption or Prepayment Option.

A. Optional Redemption or Prepayment.

(1) Except as otherwise provided in the Bond Purchase Agreement, 2010A Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after the date designated in the Bond Purchase Agreement, may be subject to redemption prior to their respective maturities, at the option of the City, on and after the date designated in the Bond Purchase Agreement, in whole or in part at any time from any maturities selected by the City and by lot within a maturity (giving proportionate weight to 2010A Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2010A Bond, or portion thereof, so redeemed, and the accrued interest thereon to the Redemption Date plus a premium, in the amount designated, and if so provided, in the Bond Purchase Agreement.

(2) 2010B Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after the date designated in the Bond Purchase Agreement, may be subject to redemption prior to their respective maturities, at the option of the City, on and after the date designated in the Bond Purchase Agreement, in whole or in part at any time from any maturities selected by the City and by lot within a maturity (giving proportionate weight to 2010B Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2010B Bond, or portion thereof, so redeemed, and the accrued interest thereon to the Redemption Date plus a premium, in the amount designated, and if so provided, in the Bond Purchase Agreement.

B. Mandatory Redemption. The 2010A Bonds maturing on the dates specified in the Bond Purchase Agreement, if any (the "Term 2010A Bonds"), and the 2010B Bonds maturing on the dates specified in the Bond Purchase Agreement, if any (the "Term 2010B Bonds" and together with the Term 2010A Bonds, the "Term Bonds"), are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date. As and for a sinking fund for the redemption of Term Bonds, there shall be deposited into the Bond Fund hereinafter created on or before the dates set forth in the Bond Purchase Agreement, a sum which, together with other moneys available therein, is sufficient to

redeem on the years and the principal amounts of Term Bonds as set forth in the Bond Purchase Agreement.

Term Bonds being redeemed in part will be selected by lot in such manner as the Registrar may determine. Not more than 60 days nor less than 30 days prior to the sinking fund payment dates for the Term Bonds, the Registrar shall proceed to select for redemption (in the manner described above) from all Outstanding Term Bonds, a principal amount of Term Bonds equal to the aggregate principal amount of Term Bonds redeemable with the required sinking fund payments.

At the option of the Board to be exercised by delivery of a written certificate to the Registrar not less than sixty days next preceding any sinking fund redemption date, it may (1) deliver to the Registrar for cancellation Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) in an aggregate principal amount desired by the Board or, (2) specify a principal amount of Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Registrar and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond or portion thereof so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Board on the sinking fund redemption dates and any excess shall be so credited against future sinking fund redemption obligations in such manner as the Board determines. In the event the Board shall avail itself of the provisions of clause (1) of the first sentence of this paragraph, the certificate required by the first sentence of this paragraph shall be accompanied by the respective Term Bonds or portions thereof to be canceled, or in the event the Bonds are registered in the name of Cede & Co. as provided in Section 17 of this Ordinance, the certificate required by the first sentence of this paragraph shall be accompanied by such direction and evidence of ownership as is satisfactory to The Depository Trust Company.

C. Make Whole Redemption of 2010A Bonds. Prior to the optional redemption date specified in subparagraph (1) of paragraph (A) of this Section, if any, the 2010A Bonds may be subject to redemption prior to their respective maturities, as set forth in the Bond Purchase Agreement, at the option of the City, in whole or in part (\$5,000 or any integral multiple

thereof) at any time, from any maturities selected by the City and by lot within a maturity (giving proportionate weight to 2010A Bonds in denominations larger than \$5,000), at the redemption price computed as provided in the Bond Purchase Agreement; provided, however, that if at any time such redemption price is a price that exceeds the price the City can legally agree to pay to redeem 2010A Bonds under the provisions of State law, the City shall not have an option to redeem 2010A Bonds at that time pursuant to the provisions of this paragraph (C).

D. Extraordinary Redemption of 2010A Bonds. Prior to the optional redemption date specified in subparagraph (1) of paragraph (A) of this Section, if any, the 2010A Bonds may be subject to extraordinary redemption prior to their respective maturities, at the option of the City, upon the occurrence of an Extraordinary Event (defined below), in whole or in part (\$5,000 or any integral multiple thereof) at any time, from any maturities selected by the City and by lot within a maturity (giving proportionate weight to 2010A Bonds in denominations larger than \$5,000) at a redemption price computed in accordance with the schedule set forth in the Bond Purchase Agreement; provided, however, that if at any time such redemption price is a price that exceeds the price the City can legally agree to pay to redeem 2010A Bonds under the provisions of State law, the City shall not have an option to redeem 2010A Bonds at that time pursuant to the provisions of this paragraph (D). For the purposes of this paragraph (D), Extraordinary Event means:

- (1) a material adverse change has occurred to Sections 54AA or 6431 of the Tax Code,
- (2) there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections, or
- (3) any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of a failure of the City to satisfy the requirements of paragraph(A) of Section 56 hereof;

and as a result thereof, the BAB Credit expected to be received with respect to the 2010A Bonds is suspended, eliminated or reduced, as reasonably determined by the Finance Director, which determination shall be conclusive.

E. Notice of Redemption. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of and on

direction of the Board by mailing a copy of an official redemption notice by registered or certified mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond register and to the Municipal Securities Rulemaking Board ("MSRB"). Actual receipt of mailed notice by any owner of Bonds or the MSRB shall not be a condition precedent to redemption of such Bond or Bonds. Failure to give such notice to the registered owner of any Bond or the MSRB, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds. A certificate by the Registrar that such notice has been given as herein provided shall be conclusive against all parties.

All official notices of redemption shall be dated and shall state:

- (1) The Redemption Date,
- (2) The Redemption Prices,
- (3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (4) That on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption (or installments of principal to be prepaid), and that interest thereon shall cease to accrue from and after said date, and
- (5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Paying Agent (accrued interest to the redemption date being payable by mail or as otherwise provided in this Ordinance).

Prior to or on any Redemption Date, the City shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Paying

Agent at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Notwithstanding the provisions of this section, any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

SECTION 16. **Negotiability.** The Bonds shall be fully negotiable within the meaning of and for the purpose of the Uniform Commercial Code - Investment Securities and each owner shall possess all rights enjoyed by holders of negotiable instruments under the Uniform Commercial Code - Investment Securities.

SECTION 17. **Custodial Deposit.**

A. Notwithstanding the foregoing provisions of Sections 14 to 16 hereof, the Bonds shall initially be evidenced by one Bond for each aggregate principal amount maturing in denominations equal to the aggregate principal amount of the Bonds of that series maturing or, in the case of the Bonds subject to mandatory sinking fund redemption, the Bonds shall initially be evidenced by one Bond for each term in denominations equal to the aggregate principal amount of the Bonds of that series maturing in that term. Such initially delivered Bonds shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company, the securities depository for the Bonds. The Bonds may not thereafter be transferred or exchanged except:

(1) To any successor of The Depository Trust Company or its nominee which successor of The Depository Trust Company must be both a "clearing corporation" as defined in NRS § 104.8102, and a qualified and registered "clearing agency" under § 17A of the Securities Exchange Act of 1934, as amended;

(2) Upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or this clause (2) of this Section 17(A) or a determination of the City that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions and the designation by the City of another depository institution, acceptable to the City and to the depository then holding the Bonds which new depository institution must be both a "clearing corporation" as defined in NRS § 104.8102 and a qualified and registered "clearing agency" under § 17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of The Depository Trust Company or such successor or new depository;

(3) Upon the resignation of The Depository Trust Company or a successor depository or new depository under clause (1) or (2) of this Section 17(A) or a determination by the City that The Depository Trust Company, or such successor or new depository is no longer able to carry out its functions and the failure by the City, after reasonable investigation, to locate another qualified depository institution under clause (2) to carry out the functions of The Depository Trust Company or such successor or new depository.

B. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) of Section 17(A) hereof or in the case of designation of a new depository pursuant to clause (2) of Section 17(A) hereof upon receipt of the Outstanding Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, a new Bond for each then Outstanding maturity of each series of the Bonds shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) of Section 17(A) hereof and the failure after reasonable investigation to locate another qualified depository institution for the Bonds as provided in clause (3) of Section 17(A) hereof, and upon receipt of the Outstanding Bond by the Registrar, together with written instructions for transfer satisfactory to the Registrar, new Bonds shall be issued in the denominations of \$5,000 or any integral multiple thereof, as provided in and subject to the limitations of this Section 17, registered in the names of such persons, and in such denominations as are requested in such written transfer instructions; however, the Registrar shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

C. The City and the Registrar and Paying Agent shall be entitled to treat the registered owner of any Bond as the absolute owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by any or all of them and the City, the Registrar and the Paying Agent shall have no responsibility for transmitting payments or notices to the beneficial owners of the Bond held by The Depository Trust Company or any successor or new depository named pursuant to Section 17(A) hereof.

D. The City, the Registrar and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of Section 17(A) hereof in effectuating payment of the Bond Requirements of the Bonds by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

E. Upon any partial redemption of any maturity of the Bonds, The Depository Trust Company or its nominee in its discretion may request the City to issue and authenticate a new Bond or shall make an appropriate notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Paying Agent prior to payment.

SECTION 18. **Registration, Transfer and Exchange of Bonds.** Except as otherwise provided in Section 17 hereof, the Bonds shall be subject to the following provisions relating to their registration, transfer and exchange:

A. Records for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the owner or his or her attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity and series, bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same maturity and series of other authorized denominations, as provided in Section 14 hereof. The Registrar shall authenticate and deliver a Bond or Bonds which the owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. For every exchange or transfer of

Bonds requested by the owner thereof, the Registrar may make a sufficient charge to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and may charge a sum sufficient to pay the cost of preparing and authenticating a new Bond. No such charge shall be levied in the case of an exchange resulting from an optional prior redemption of a Bond.

B. The Registrar shall not be required to transfer or exchange (1) any Bond subject to redemption during a period beginning at the opening of business five (5) days before the date of mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business on the date of such mailing, or (2) any Bond after the mailing of notice calling such Bond, or any portion thereof, for redemption as herein provided.

C. The person in whose name any Bond shall be registered, on the registration books kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes (except to the extent otherwise provided in Section 14 hereof with respect to interest payments); and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

D. If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the City may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity and series, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

E. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided herein, such Bond shall be promptly canceled by the Paying Agent or the Registrar, and counterparts of a certificate of such cancellation shall be furnished by the Paying Agent or the Registrar to the Board.

SECTION 19. Execution and Authentication.

A. Prior to the execution of any Bonds by facsimile signature, and pursuant to NRS § 350.638, to the act known as the Uniform Facsimile Signatures of Public Officials Act, cited as Chapter 351, NRS, and to the Supplemental Bond Act, the Mayor of the City (the "Mayor"), the City Treasurer (the "Treasurer") and the City Clerk (the "Clerk") shall each file with the Secretary of State of the State of Nevada his or her manual signature certified by him or her under oath.

B. The Bonds shall be approved, signed and executed in the name of and on behalf of the City with the manual or facsimile signature of the Mayor, shall be countersigned and executed with the manual or facsimile signature of the Treasurer, and shall bear a manual impression or a facsimile of an impression of the official seal of the City attested with the manual or facsimile signature of the Clerk.

C. No Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. By authenticating any of the Bonds initially delivered pursuant to this Ordinance, the Registrar shall be deemed to have assented to all of the provisions of this Ordinance.

D. The Mayor, the Treasurer and the Clerk are hereby authorized and directed to prepare and to execute the Bonds as herein provided.

SECTION 20. Use of Predecessor's Signature. The Bonds bearing the signatures of the officers in office at the time of the execution of the Bonds shall be valid and binding obligations of the City, notwithstanding that before their delivery any or all of the persons who executed them shall have ceased to fill their respective offices. The Mayor, the Treasurer, and the Clerk at the time of the execution of a signature certificate relating to the Bonds, may each adopt as and for his own facsimile signature the facsimile signature of his predecessor in office if such facsimile signature appears upon any of the Bonds.

SECTION 21. Incontestable Recital. Pursuant to NRS § 350.628, the Bonds shall contain a recital that they are issued pursuant to the Bond Act, which recital shall be conclusive evidence of the validity of the Bonds and the regularity of their issuance.

SECTION 22. **State Tax Exemption.** Pursuant to NRS § 350.710, the Bonds, their transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

SECTION 23. **Bond Form.** Subject to the provisions of this Ordinance, the Bonds shall be in substantially the following form, with such omissions, insertions, endorsements, and variations as may be required by the circumstances, be required or permitted by this Ordinance, including without limitation Section 17 hereof, or be consistent with this Ordinance and necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

CARSON CITY, NEVADA

**[GENERAL OBLIGATION (LIMITED TAX)
WATER IMPROVEMENT BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010A (TAXABLE DIRECT PAY BUILD AMERICA BONDS)]**

**[GENERAL OBLIGATION (LIMITED TAX)
WATER IMPROVEMENT AND REFUNDING BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010B (TAX-EXEMPT)]**

No. _____ \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated As of</u>	<u>CUSIP</u>
__% per annum	_____, 20__	_____, 2010	

REGISTERED OWNER: **Cede & Co.**

PRINCIPAL AMOUNT: _____ DOLLARS

Carson City (the "City"), in the State of Nevada (the "State"), for value received, hereby acknowledges itself to be indebted and promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless called for earlier redemption), and to pay interest thereon on May 1 and November 1 of each year, commencing on November 1, 2010, at the interest rate per annum specified above, until the principal sum is paid or payment has been provided for or, if such payment date is not a business day, on or before the next succeeding business day. This bond shall bear interest (calculated on the basis of a 360 day year consisting of twelve 30 day months) from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of the initial delivery of the series of bonds of which this Bond is one (the "Bond"). The principal of and redemption premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of the City's paying agent for the Bonds (as hereinafter defined) or any successor (the "Paying Agent"), presently Zions First National Bank, who is also now acting as the City's Registrar

for the Bonds (the "Registrar"). Interest on this Bond will be paid on or before each interest payment date (or, if such date is not a business day, on or before the next succeeding business day) by check or draft mailed to the person in whose name this Bond or any predecessor bond is registered (the "registered owner") in the registration records of the City maintained by the Registrar, at the address appearing thereon, as of the close of business on the fifteenth day of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid for shall cease to be payable to the person who is the registered owner as of the close of business on the Regular Record Date and shall be payable to the person who is the registered owner as of the close of business on a special record date for the payment of any defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owner not less than ten (10) days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the registered owner and the Paying Agent, as provided in the Ordinance of the Board of Supervisors of the City (the "Board") authorizing the issuance of the Bonds and designated in Section 1 thereof as the "2010 Water Improvement and Refunding Bond Ordinance" (the "Ordinance"), duly adopted by the Board on June 17, 2010. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or the Registrar. If this Bond is not paid upon presentation at its maturity, interest at the rate specified above shall continue to be borne hereby until the principal hereof is discharged as provided in the Ordinance.

This Bond is one of a series of Bonds (the "Bonds") issued by the City upon its behalf and upon the credit thereof for the purpose of defraying wholly or in part the cost of the Improvement Project [and the Refunding Project] as defined in the Ordinance, all as more fully described in the Ordinance, under the authority of and in full compliance with the Constitution and laws of the State and pursuant to the Ordinance.

This Bond is issued pursuant to Chapter 213, Statutes of Nevada, 1969, as amended (the "Charter"); pursuant to Nevada Revised Statutes ("NRS") §§ 350.500 through 350.720, and all laws amendatory thereof designated in § 350.500 thereof as the Local Government Securities Law (the "Bond Act"); pursuant to NRS § 350.020(3); pursuant to NRS Chapter 348; and pursuant to NRS §§ 244A.011 through 244A.065, inclusive; pursuant to NRS § 350.628, this recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance; and pursuant to NRS § 350.710, the Bonds, their transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

The Bonds, or portions thereof, are subject to redemption prior to their maturity date as provided in the Ordinance and the Bond Purchase Agreement. Redemption shall be made upon not less than 30 days' prior mailed notice in the manner and upon the conditions provided in the Ordinance. If this Bond is called for redemption and payment is duly provided for as specified in the Ordinance, interest shall cease to accrue hereon from and after the date fixed for redemption.

It is hereby certified, recited and warranted that all of the requirements of law have been fully complied with by the proper officers of the City in the issuance of this Bond; that the total indebtedness of the City, including that of this Bond does not exceed any limit of indebtedness prescribed by the Constitution or by the laws of the State or the Charter of the City; that provision has been made for the levy and collection of annual general (ad valorem) taxes ("General Taxes") against all of the taxable property within the City sufficient to pay the principal of, interest on, and any prior redemption premiums due on this Bond (the "Bond Requirements") when the same become due (except to the extent other revenues are available therefor), subject to the limitations imposed by the Constitution and by the statutes of the State; and that the full faith and credit of the City are hereby irrevocably pledged to the punctual payment of Bond Requirements of this Bond according to its terms.

Payment of the principal of and interest on the Bonds is additionally secured by a pledge of the net revenues (herein called the "Net Revenues") derived by the City from the operation and use of, and otherwise pertaining to, the water system of the City of which the Project is a part, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City, through purchase, construction or otherwise, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, machinery, apparatus, structures, and buildings, and related or appurtenant furniture, fixtures and other equipment or any combination thereof (herein called the "Water System"), whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Water System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Water System, which Net Revenues are so pledged as more specifically provided in the Ordinance.

The Bonds are equitably and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues on a parity with the lien thereon of any Parity Securities (as defined in the Ordinance) outstanding or hereafter issued and subordinate and junior to the lien thereon of any Superior Securities (as defined in the Ordinance) hereafter issued. Additional securities may be issued and made payable from the Net Revenues having a lien thereon superior to, on a parity with, or subordinate to such pledge, in each case subject to the conditions of and in accordance with the provisions of the Ordinance.

Reference is made to the Ordinance and to the Bond Act, for an additional description of the nature and extent of the security for the Bonds, the accounts, funds, or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owners of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued, and a statement of rights, duties, immunities, and obligations of the City, and other rights and remedies of the owners of the Bonds.

To the extent and in the respects permitted by the Ordinance, the provisions of the Ordinance may be amended or otherwise modified by action of the City taken in the manner and subject to the conditions and exceptions prescribed in the Ordinance. The pledge of Net Revenues under the Ordinance may be discharged at or prior to the respective maturities or prior redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Ordinance.

This Bond shall not be entitled to any benefit under the Ordinance, or be valid or obligatory for any purpose until the Registrar shall have manually signed the certificate of authentication hereon.

The Bonds are issuable solely in fully registered form in denominations of \$5,000 each or any integral multiple thereof, and are exchangeable for fully registered Bonds of the same maturity in equivalent aggregate principal amounts and in authorized denominations at the aforesaid office of the Registrar but only in the manner, subject to the limitations, and on payment of charges provided in the Ordinance.

This Bond is fully transferable by the registered owner in person or by his or her duly authorized attorney on the registration records kept by the Registrar upon surrender of this Bond together with a duly executed written instrument of transfer satisfactory to the Registrar. Upon such transfer a new fully registered Bond of authorized denomination or denominations of the same aggregate principal amount and maturity will be issued to the transferee in exchange for this Bond, on payment of the charges and subject to the terms and conditions as set forth in the Ordinance. The City, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of payment and for all other purposes, except to the extent otherwise provided hereinabove and in the Ordinance with respect to Regular and Special Record Dates for the payment of interest.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration or transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

The Registrar will not be required to transfer or exchange (1) any Bond subject to redemption during the period beginning at the opening of business five (5) days before the day of mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business on the day of such mailing, or (2) any Bond after the mailing of a notice calling such Bond or any portion thereof for prior redemption.

No transfer of this Bond shall be valid unless made on the registration records maintained at the principal office of the Registrar by the registered owner or his or her attorney duly authorized in writing.

****The Bonds are not transferable or exchangeable, except as set forth in the Ordinance.****

****Upon any partial prior redemption of this Bond, Cede & Co., in its discretion, may request the City to issue and authenticate a new Bond or shall make an appropriate notation on this Bond indicating the date and amounts of prepayment, except in the case of final maturity, in which case this Bond must be presented to the Paying Agent prior to payment.****

No recourse shall be had for the payment of the Bond Requirements of this Bond or for any claim based thereon or otherwise in respect to the Ordinance or other instrument pertaining thereto against any individual member of the Board, or any officer or other agent of the City, past, present, or future, either directly or indirectly through the Board or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of this Bond and as a part of the consideration of its issuance specially waived and released.

IN WITNESS WHEREOF, Carson City, Nevada, has caused this Bond to be executed in its name with the manual or facsimile signature of the Mayor, to be attested with the manual or facsimile signature of the City Clerk, has caused a manual or facsimile impression of the seal of the City to be affixed hereon, and has caused this Bond to be countersigned with the manual or facsimile signature of the City Treasurer, all as of date hereof.

CARSON CITY, NEVADA

By: (Manual or Facsimile Signature)
Mayor

Countersigned:

By: (Manual or Facsimile Signature)
City Treasurer

(MANUAL OR FACSIMILE
CITY SEAL)

Attest:

(Manual or Facsimile Signature)
City Clerk

- * Insert only if issued as serial bonds pursuant to Section 17(A) hereof.
- ** Insert only if issued as book entry bonds pursuant to Section 17(A) hereof.

(End of Form of Bond)

(Form of Registrar's Certificate of Authentication for Bonds)

Date of authentication
and registration _____

This is one of the Bonds described in the within-mentioned Ordinance, and this Bond has been duly registered on the registration records kept by the undersigned as Registrar for such Bonds.

ZIONS FIRST NATIONAL BANK, as Registrar

By (Manual Signature) _____

(End of Form of Registrar's Certificate of Authentication for Bonds)

(Form of Prepayment Panel)

The following installments of principal (or portions thereof) of this Bond have been prepaid by the City, in accordance with the terms of the Ordinance authorizing the issuance of this Bond.

<u>Date of Prepayment</u>	<u>Principal</u>	<u>Signature of Authorized Representative of DTC</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(End of Form of Prepayment Panel)

(Form of Assignment for Bonds)

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the records kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Name of Transferee:

Address of Transferee:

Social Security or other tax
identification number of
Transferee:

NOTE: The signature to this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

NOTICE: TRANSFER FEES MUST BE PAID TO THE REGISTRAR IN ORDER TO TRANSFER OR EXCHANGE THIS BOND AS PROVIDED IN THE WITHIN-MENTIONED ORDINANCE.

(End of Form of Assignment for Bonds)

SECTION 24. **Delivery of Bonds; Deposit of Proceeds.**

A. When the 2010A Bonds have been duly executed, the Treasurer shall deliver them to the Underwriter upon receipt of the agreed purchase price, as stated in the Bond Purchase Agreement. The Treasurer shall cause the proceeds of the 2010A Bonds to be deposited into a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured By Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bonds), Acquisition Account" (the "2010A Acquisition Account") to be held by the City. Moneys in the 2010A Acquisition Account shall be used solely to defray wholly or in part the Cost of the Project allocable to the Improvement Project including, without limitation, as provided in NRS § 350.516, the costs of issuing the 2010A Bonds not to exceed two percent of the principal amount of the 2010A Bonds, and the costs of rebates to the United States under § 148 of the Tax Code, which the Board hereby determines are necessary and desirable and appertain to the Improvement Project. After the Improvement Project is complete and after all expenses have been paid or adequate provision therefor is made, pursuant to NRS § 350.650, any unexpended balance of 2010A Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the 2010A Acquisition Account shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bonds.

B. When the 2010B Bonds have been duly executed, the Treasurer shall deliver them to the Underwriter upon receipt of the agreed purchase price, as stated in the Bond Purchase Agreement. The Treasurer shall cause the proceeds of the 2010B Bonds to be applied as follows:

(1) First, there shall be deposited into a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010B&D (Tax-Exempt), Escrow Account" (the "Escrow Account") to be held by the Escrow Agent, an amount from the proceeds of the 2010B Bonds and any other moneys therein (including moneys deposited therein, if any, from the debt service fund(s) for the Refunded Bonds), and any initial cash remaining uninvested, fully sufficient to establish the Escrow Account and to buy the Federal Securities designated in the Escrow Agreement for credit to the Escrow Account, to be used

solely for the purpose of paying the Bond Requirements of the Refunded Bonds as provided in the Escrow Agreement. After completion of the Refunding Project, any unexpended balance of 2010B Bond proceeds in the Escrow Account shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bonds.

(2) The balance of the proceeds received from the sale of the 2010B Bonds shall be deposited into a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010B (Tax-Exempt), Acquisition Account" (the "2010B Acquisition Account") to be held by the City. Moneys in the 2010B Acquisition Account shall be used solely to defray wholly or in part the Cost of the Project including, without limitation, as provided in NRS § 350.516, the costs of issuing the Bonds, and the costs of rebates to the United States under § 148 of the Tax Code, which the Board hereby determines are necessary and desirable and appertain to the Project. After the Project is complete and after all expenses have been paid or adequate provision therefor is made, pursuant to NRS § 350.650, any unexpended balance of 2010B Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the 2010B Acquisition Account shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bonds.

SECTION 25. **Completion of Project.** The City, with the proceeds derived from the sale of the Bonds, shall proceed to complete the Project with due diligence.

SECTION 26. **Use of Investment Gain.**

A. Pursuant to NRS § 350.658, and except as may otherwise be required herein, any gain from any investment and any reinvestment of any proceeds of the 2010A Bonds shall be deposited promptly upon the receipt of such gain at any time or from time to time into the 2010A Acquisition Account to defray, in part, the Cost of the Project allocable to the Improvement Project or, if adequate provision has been made for the Improvement Project, into the Bond Fund hereinafter created, for the respective payment of the principal of or interest on the Bonds or any combination thereof. As provided herein, the annual General Taxes for the payment of the principal of or interest on the Bonds levied after such deposits of any such investment or reinvestment gain

may be diminished to the extent of the availability of such deposit for the payment of such principal or interest.

B. Pursuant to NRS § 350.658, and except as may otherwise be required herein, any gain from any investment and any reinvestment of any proceeds of the 2010B Bonds shall be deposited promptly upon the receipt of such gain at any time or from time to time into the 2010B Acquisition Account to defray, in part, the Cost of the Project or, if adequate provision has been made for the Project, into the Bond Fund hereinafter created, for the respective payment of the principal of or interest on the Bonds or any combination thereof. As provided herein, the annual General Taxes for the payment of the principal of or interest on the Bonds levied after such deposits of any such investment or reinvestment gain may be diminished to the extent of the availability of such deposit for the payment of such principal or interest.

SECTION 27. **Prevention of Bond Default.** Subject to the provisions of this Ordinance, the Treasurer shall use any Bond proceeds credited to the 2010A Acquisition Account and the 2010B Acquisition Account, without further order or warrant, to pay the Bond Requirements of the Bonds as the same become due whenever and to the extent moneys otherwise available therefor are insufficient for that purpose, unless such Bond proceeds shall be needed to defray obligations accrued and to accrue under any contracts then existing and relating to the Improvement Project. The Treasurer shall promptly notify the Board of any such use.

SECTION 28. **Underwriter Not Responsible.** The validity of the Bonds shall not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Project, or any part thereof, or to the completion of the Project. Neither the Underwriter, nor any subsequent owner of any Bond shall in any manner be responsible for the application or disposal by the City or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys referred to in this Ordinance.

SECTION 29. **General Tax Levies.** So far as possible, the Bond Requirements of the Bonds shall be paid from the Net Revenues of the Water System. However, pursuant to NRS § 350.596, at any time when there are not on hand sufficient funds on deposit in the Bond Fund to pay, when due the principal of and interest on the Bonds, the Bond Requirements shall be paid out of the 2010A Acquisition Account or the 2010B Acquisition Account, or out of a general fund of the

City or out of any other funds that may be available for such purpose, including, without limitation, any proceeds of General Taxes. For the purpose of repaying any moneys so paid from any such fund or funds (other than any moneys available without replacement for the payment of such Bond Requirements on other than a temporary basis), and for the purpose of creating funds for the payment of the Bond Requirements, there are hereby created two separate accounts designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Bonds (Additionally Secured By Pledged Revenues) Series 2010A&B, Interest Account" (the "Interest Account") and the "Carson City, Nevada, General Obligation (Limited Tax) Water Bonds (Additionally Secured By Pledged Revenues) Series 2010A&B, Principal Account" (the "Principal Account" and collectively with the Interest Account, the "Bond Fund"). Pursuant to NRS §§ 350.592 and 350.594, there shall be duly levied immediately after the issuance of the Bonds and annually thereafter, until all of the Bond Requirements shall have been fully paid, satisfied and discharged, a General Tax on all property, both real and personal, subject to taxation within the boundaries of the City, including the net proceeds of mines, fully sufficient to reimburse such fund or funds for any such amounts temporarily advanced to pay such initial installments of principal and interest, and to pay the interest on the Bonds becoming due after such initial installment, and to pay and retire the Bonds as they thereafter become due at maturity as herein provided, after there are made due allowances for probable delinquencies. The proceeds of such annual levies shall be duly credited to such separate accounts for the payment of such Bond Requirements. In the preparation of the annual budget or appropriation resolution or ordinance for the City, the Board shall first make proper provisions through the levy of sufficient General Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the City, including, without limitation, the Bonds, subject to the limitation imposed by NRS § 361.453 and Section 2, art. 10, of the State Constitution, and the amount of money necessary for this purpose shall be a first charge against all such revenues received by the City.

SECTION 30. **Priorities for Bonds.** As provided in NRS § 361.463, in any year in which the total General Taxes levied against the property in the City by all overlapping units within the boundaries of the City exceeds the limitation imposed by NRS § 361.453, or a lesser or greater amount fixed by the State Board of Examiners in any Fiscal Year, and it becomes necessary by

reason thereof to reduce the levies made by any and all such units, the reductions so made shall be in General Taxes levied by such unit or units (including, without limitation, the City and the State) for purposes other than the payment of their bonded indebtedness, including interest thereon. The General Taxes levied for the payment of such bonded indebtedness and the interest thereon shall always enjoy a priority over General Taxes levied by each such unit (including, without limitation, the City and the State) for all other purposes where reduction is necessary in order to comply with the limitation of NRS § 361.453.

SECTION 31. **Correlation of Levies.** Such General Taxes shall be levied and collected in the same manner and at the same time as other taxes are levied and collected. The proceeds thereof for the Bonds shall be kept in the Principal Account and in the Interest Account, which accounts shall be used for no other purpose than the payment of principal and interest, respectively, on the Bonds as the same fall due.

SECTION 32. **Use of General Fund.** Any sums becoming due on the Bonds at any time when there are on hand from such General Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from general funds on hand belonging to the City, reimbursement to be made for such general funds in the amounts so advanced when the General Taxes herein provided for have been collected, pursuant to NRS § 350.596.

SECTION 33. **Use of Other Funds.** Nothing in this Ordinance prevents the City from applying any funds (other than General Taxes but including Net Revenues) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, fall due, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS § 350.598.

SECTION 34. **Legislative Duties.** In accordance with NRS § 350.592, it shall be the duty of the Board annually, at the time and in the manner provided by law for levying other General Taxes of the City, if such action shall be necessary to effectuate the provisions of this Ordinance, to ratify and carry out the provisions hereof with reference to the levy and collection of General Taxes; and the Board shall require the officers of the City to levy, extend and collect such General Taxes in the manner provided by law for the purpose of creating funds for the payment of the principal of the

Bonds and the interest thereon. Such General Taxes when collected shall be kept for and applied only to the payment of the principal of and the interest on the Bonds as hereinbefore specified.

SECTION 35. **Appropriation of General Taxes.** In accordance with NRS § 350.602, there is hereby specially appropriated the proceeds of such General Taxes to the payment of such principal of and interest on the Bonds; and such appropriations will not be repealed nor the General Taxes postponed or diminished (except as herein otherwise expressly provided) until the Bond Requirements of the Bonds have been wholly paid.

SECTION 36. **Pledge of Net Revenues.** Subject only to the provisions of this Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are hereby additionally pledged to secure the payment of the principal of and interest on the Bonds in accordance with its terms and the provisions of this Ordinance, all of the Net Revenues of the Water System. This pledge shall be valid and binding from and after the date of the delivery of the Bonds, and the Net Revenues as received by the City shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City (except as herein otherwise provided) irrespective of whether such parties have notice thereof. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall be subordinate and junior to the lien thereon of any Superior Securities hereafter issued but shall have priority over any and all other obligations and liabilities of the City payable from the Net Revenues, except as herein otherwise provided. The lien of this pledge for the Bonds is on a parity with the pledge of the Net Revenues for the Parity Securities. The Bonds and the Parity Securities shall be equitably and ratably secured by the pledge of Net Revenues hereunder, and the Bonds and the Parity Securities are not entitled to any priority one over the other in the application of Net Revenues.

SECTION 37. **Revenue Fund.** So long as any of the Bonds hereby authorized shall be Outstanding as to any Bond Requirements, the entire Gross Revenues of the Water System upon their receipt from time to time by the City shall be set aside and credited immediately to a special account heretofore created designated as the "Carson City Water System Gross Revenues Fund" (the "Revenue Fund"). So long as any of the Bonds hereby authorized shall be Outstanding as to any

Bond Requirements each Fiscal Year, the Revenue Fund shall be administered and the moneys on deposit in each account shall be applied in the order of priority specified in Sections 38 through 43 hereof.

SECTION 38. **Operation and Maintenance Fund**. First, as a first charge on the Revenue Fund, so long as any of the Bonds hereby authorized shall be Outstanding as to any Bond Requirements, there shall be set aside in and credited to a separate account from time to time (such account heretofore created) and known as the "Carson City Water System Operation and Maintenance Fund" (the "Operation and Maintenance Fund") money sufficient to pay Operation and Maintenance Expenses of the Water System, such Operation and Maintenance Expenses of the Water System are to be as budgeted and approved in accordance with the Budget Act and as such expenses become due and payable thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses of the Water System shall be transferred to the Revenue Fund and shall be used for the purposes thereof as herein provided.

SECTION 39. **Superior Securities**. Second, from any moneys thereafter remaining in the Revenue Fund, i.e., from the Net Revenues, there shall be transferred and credited to the funds and accounts established for the Superior Securities such transfers and credits as are required by the bond ordinances authorizing the Superior Securities prior to the application of Net Revenues for securities that are subordinate to the Superior Securities.

SECTION 40. **Bond Funds**. Third, from any moneys thereafter remaining in the Revenue Fund and concurrent with transfers to the bond funds created with respect to any Parity Securities, there shall be concurrently transferred and credited to the Bond Fund as follows:

A. Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds, and monthly thereafter, commencing on each interest payment date, one-sixth of the amount necessary, together with any other moneys from time to time available therefor and on deposit therein from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds.

B. Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal on the Outstanding Bonds, and monthly thereafter, commencing on each principal payment date, one twelfth of the amount necessary to pay the next maturing installments of principal of the Outstanding Bonds. The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds as such Bond Requirements become due.

C. The City hereby covenants to deposit any BAB Credit received with respect to the 2010A Bonds in the Bond Fund to the extent needed to provide for the next succeeding interest payment due on the Bonds; but, if taking into account the amount already deposited into the Bond Fund all or any portion of the BAB Credit is not needed to pay the next succeeding interest payment on the Bonds, the portion not so needed shall be used to reimburse the City for the amount already deposited into the Bond Fund as shall be applied as otherwise provided in Sections 37 through 43 hereof.

SECTION 41. **Rebate Accounts.** Fourth, after the aforementioned deposits, and from the Net Revenues there shall be concurrently transferred to any fund or account established for payment of amounts due the United States under § 148(f) of the Tax Code in connection with any Parity Securities the amounts required to be deposited therein and to a special and separate account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Bonds (Additionally Secured By Pledged Revenues) Series 2010A&B, Rebate Account" (the "Rebate Account") such amounts as are required to be deposited therein to meet the City's obligations under the covenant contained in Section 56 hereof, in accordance with § 148(f) of the Tax Code. Such deposits shall be made at such times as are required by § 148(f) of the Tax Code and such covenant and amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and § 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund, as directed by the Finance Director.

SECTION 42. **Payment of Subordinate Securities.** Fifth, any moneys thereafter remaining in the Revenue Fund may be used by the City for the payment of the principal of and

interest on, and payments to the United States required by Section 148(f) of the Tax Code with respect to, Subordinate Securities; and may be used to create reasonable reserves for such securities.

SECTION 43. **Surplus Revenues.** Sixth, any moneys thereafter remaining in the Revenue Fund may be used by the City at the end of any Fiscal Year of the City, or whenever there shall have been credited all amounts required to be deposited in the respective foregoing separate accounts for all of that Fiscal Year, for any lawful purposes of the City, as the Board may from time to time determine, including, without limitation, for the creation of operation and maintenance reserves and capital reserves, the payment of capital costs and major maintenance costs of the Water System, to pay any other obligations pertaining to the Water System or otherwise.

SECTION 44. **Termination of Deposits.** No payment need be made into the Bond Fund if the amounts in that fund total a sum at least equal to the entire amount of the Outstanding Bonds as to all Bond Requirements to their respective maturities both accrued and not accrued, in which case moneys in such fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due.

SECTION 45. **Equal Security.** The Bonds and any Parity Securities from time to time Outstanding shall be equally and ratably secured by the pledge of Net Revenues hereunder and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds and any Parity Securities.

SECTION 46. **Defraying Delinquencies.** If at any time the City shall for any reason fail to pay into the Bond Fund or the Rebate Account the full amount above stipulated from the Net Revenues, then an amount shall be paid first into the Bond Fund and second into the Rebate Account at such time equal to the difference between that paid from the Net Revenues and the full amount so stipulated. If Parity Securities are Outstanding, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve fund or rebate account therefor, then the moneys replaced in such funds shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bonds and the then Outstanding Parity Securities, as moneys become

available therefor, first into all of such bond funds and reserve funds and second into all such rebate accounts.

SECTION 47. Conditions to Issuance of Superior Securities.

A. Nothing herein, except as expressly hereinafter provided, shall prevent the issuance by the City of securities payable from Net Revenues and constituting a lien thereon superior and senior to the lien thereon of the Bonds and any Parity Securities, provided, however, that the following are express conditions to the authorization and issuance of any such Superior Securities:

(1) The 1997 Bonds, the 1998 Bonds, the 1999 Bonds, the 2000 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2007 Bonds, and the 2009 Bond shall all no longer be Outstanding.

(2) At the time of adoption of the instrument authorizing the issuance of the additional Superior Securities, the City shall not be in default in the payment of the principal of or interest on the Bonds.

(3) The Pledged Revenues (subject to adjustments as hereinafter provided) projected by the Finance Director, the City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Superior Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Superior Securities, including the Superior Securities proposed to be issued, will be sufficient to pay at least an amount equal to the Bond Requirements (to be paid during that Fiscal Year) of the Outstanding Bonds, any Outstanding Superior Securities and the Superior Securities proposed to be issued (excluding any reserves therefor).

(4) The Superior Securities proposed to be issued shall not be issued as general obligations but shall be issued solely as special obligations secured by and payable from the Net Revenues of the Water System.

B. In any determination of whether or not additional Superior Securities may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in Operation and Maintenance Expenses that will result

from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Superior Securities.

C. In any determination of whether or not additional Superior Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any Trust Bank, including the known minimum yield from any investment in Federal Securities.

D. A written certificate or written opinion by the Finance Director, the City Engineer, or an independent accountant or consulting engineer that the foregoing earnings test is met shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional Superior Securities.

E. In connection with the authorization of any such additional securities the Board may on behalf of the City adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the City herein and no such covenant or agreement may be materially adverse to the interests of the holders of the Bonds. Any finding of the Board to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of this Ordinance.

SECTION 48. Conditions to Issuance of Additional Parity Securities.

A. Nothing herein, except as expressly hereinafter provided, shall prevent the issuance by the City of additional securities payable from Net Revenues and constituting a lien thereon on a parity with the lien thereon of the Bonds, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

(1) At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the City shall not be in default in the payment of the principal of or interest on the Bonds.

(2) The Pledged Revenues (subject to adjustments as hereinafter provided) projected by the Finance Director, City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal

Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to the Bond Requirements (to be paid during that Fiscal Year) of the Outstanding Bonds, any Outstanding Superior Securities, any Outstanding Parity Securities and the Parity Securities proposed to be issued (excluding any reserves therefor).

B. In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in Operation and Maintenance Expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Parity Securities.

C. In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any Trust Bank, including the known minimum yield from any investment in Federal Securities.

D. A written certificate or written opinion by the Finance Director, the City Engineer, or an independent accountant or consulting engineer that the foregoing earnings test is met shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional Parity Securities.

E. In connection with the authorization of any such additional securities the Board may on behalf of the City adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the City herein and no such covenant or agreement may be materially adverse to the interests of the holders of the Bonds. Any finding of the Board to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of this Ordinance.

SECTION 49. **Subordinate Securities**. Nothing herein, except as expressly hereinafter provided, shall prevent the City from issuing additional securities payable from Net

Revenues and constituting a lien thereon subordinate to the lien thereon of the Bonds and any Parity Securities.

SECTION 50. **Issuance of Refunding Bonds.**

A. At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the City shall find it desirable to refund any Outstanding Bonds, any Outstanding Superior Securities, any Outstanding Parity Securities, or any Outstanding Subordinate Securities, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the City's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Net Revenues is changed. Bonds or other securities issued to refund Outstanding Superior Securities may be issued as Superior Securities provided such bonds or other securities (1) are issued in compliance with Section 47 hereof or (2) are issued in compliance with subsection (C)(1) of this Section 50 and are issued solely as special obligations secured by and payable from the Net Revenues of the Water System. Except as provided in the immediately preceding sentence, and notwithstanding subsection (C)(3) or any other provision of this Section 50, no refunding bonds or other refunding securities may be issued as Superior Securities.

B. Any refunding bonds or other refunding securities payable from any Net Revenues shall be issued with such details as the Board may by ordinance provide, subject to the provisions of this Section but without any impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bonds).

C. If only a part of the Outstanding Bonds and other Outstanding securities of any issue or issues payable from the Net Revenues is refunded, then such securities may not be refunded without the consent of the owner or owners of the unrefunded portion of such securities:

(1) Unless the refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by the

refunding securities and by the Outstanding securities not refunded on and before the last maturity date or last Redemption Date, if any, whichever is later, of the unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Net Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

(2) Unless the lien on any Net Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

(3) Unless the refunding bonds or other refunding securities are issued in compliance with Section 47 or 48 hereof.

SECTION 51. **Operation of the System.** The City shall at all times operate the Water System properly and in a sound and economical manner and shall maintain, preserve and keep the Water System properly, or cause the same so to be maintained, preserved and kept, in good repair, working order and condition. The City also shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the Water System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating water and sanitary systems of like size and character.

Except for the use of the Water System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the Water System shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of until all of the Bonds have been paid in full, or unless provision has been made therefor as hereinafter provided.

SECTION 52. **Payment of Taxes, Etc.** The City shall pay or cause to be paid all taxes, assessments and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Water System or any part thereof, or upon any portion of the Gross Revenues, when the same shall become due. The City shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water System or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The City shall not create or suffer to be created any lien or charge on the Water System or any part thereof, or upon the Gross Revenues, except the pledge and lien created

by this Ordinance for the payment of the Bonds and any Superior Securities, Parity Securities, or Subordinate Securities issued in accordance herewith, and except as herein otherwise permitted. The City shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Water System or any part thereof, or upon the Gross Revenues. Nothing herein contained requires the City to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith by appropriate legal proceedings.

SECTION 53. **No Competing Facilities.** The City shall neither construct nor permit to be constructed other facilities or structures to be operated by the City separate from the Water System and competing for Gross Revenues otherwise available for the payment of the Bonds or any other securities payable from Net Revenues; provided, however, that nothing herein contained shall impair the police powers of the City or otherwise cause the City to violate any applicable law.

SECTION 54. **Rate Covenant.** The City shall not provide free service through the Water System. The City shall charge against users or against purchasers of services or commodities pertaining to the Water System such fees, rates and other charges as shall be sufficient to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the City at least equal to the sum of:

- (A) an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year;
- (B) an amount equal to the Bond Requirements due in such Fiscal Year on the then Outstanding Bonds, any Outstanding Superior Securities, and any Outstanding Parity Securities; and
- (C) any other amounts payable from the Net Revenues and pertaining to the Water System, including, without limitation, debt service on any Outstanding Subordinate Securities and any other securities pertaining to the Water System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

The foregoing rate covenant is subject to compliance by the City with any legislation of the United States of America, the State or other governmental body, or any regulation or other action taken by the United States, the State or any agency or political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of fees, rates and other charges collectible by the City for the use of or otherwise pertaining to, and all services rendered by, the Water System.

Subject to the foregoing, the City shall cause all fees, rates and other charges pertaining to the Water System to be collected as soon as reasonable and shall provide methods of collection and penalties to the end that the Gross Revenues shall be adequate to meet the requirements hereof.

SECTION 55. **Accounts and Records.** So long as any of the Bonds remain Outstanding, proper accounts and records shall be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Water System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues.

SECTION 56. **Tax Covenants.**

A. The City hereby makes an irrevocable election that Section 54AA of the Tax Code shall apply to the 2010A Bonds and that subsection (g) of Sections 54AA will also apply to the 2010A Bonds so that the City will directly receive the credit provided in Section 6431 of the Tax Code in lieu of any credit otherwise available to the 2010A Bond holders under Section 54AA(a) of the Tax Code (the credit described in Section 6431 is herein, the "BAB Credit"). None of the 2010A Bond holders shall be entitled to any credit under Section 54AA(a) of the Tax Code. The City covenants that it will not take any action or omit to take any action with respect to the 2010A Bonds, the proceeds thereof, any other funds of the City or any project financed with the proceeds of the 2010A Bonds if such action or omission would cause the City to not be entitled to the BAB Credit with respect to the 2010A Bonds. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2010A Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met. The City shall timely file any document required by the Internal Revenue Service to be filed in order

to claim the BAB Credit. Any BAB Credit received by the City under Section 6431 of the Tax Code with respect to the 2010A Bonds shall be applied as described in paragraph (C) of Section 39 of this Ordinance.

B. The City covenants for the benefit of the registered owners of the 2010B Bonds that it will not take any action or omit to take any action with respect to the 2010B Bonds, the proceeds thereof, any other funds of the City or any facilities financed or refinanced with the proceeds of the 2010B Bonds if such action or omission (1) would cause the interest on the 2010B Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (2) would cause interest on the 2010B Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of calculating the alternative minimum taxable income of corporations. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2010B Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

SECTION 57. **Defeasance.** When all Bond Requirements of any Bond have been duly paid, the pledge, the lien, and all obligations hereunder as to that Bond shall thereby be discharged and the Bond shall no longer be deemed to be Outstanding within the meaning of this Ordinance. There shall be deemed to be such due payment when the City has placed in escrow or in trust with a Trust Bank, an amount sufficient (including the known minimum yield available for such purpose from the Federal Securities in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of the Bond, as the same become due to the final maturity of the Bond, or upon any redemption date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond for payment then. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and the Trust Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the schedule. For the purpose of this Section "Federal Securities" shall include only Federal Securities which are

not callable for redemption prior to their maturities except at the option of the owner thereof. When such defeasance is accomplished the Paying Agent shall mail written notice of the defeasance to the registered owner of the Bond at the addresses last shown on the registration records for the Bonds maintained by the Registrar. In the case of the 2010A Bonds, the City is obligated to contribute additional securities or monies to the escrow or trust if necessary to provide sufficient amounts to satisfy the payment obligations on the 2010A Bonds.

SECTION 58. **Amendments.** This Ordinance may be amended or supplemented by instruments adopted by the City, without receipt by the City of any additional consideration, but with the written consent of the insurer of the Bonds, if any, or the owners of 66% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding Bonds which may then be held or owned for the account of the City, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds if the refunding securities are not owned by the City. No such instrument shall permit:

(A) A change in the maturity or in the terms of redemption of the principal or any installment thereof of any Outstanding Bond or any installment of interest thereon;

(B) A reduction in the principal amount of any Bond, the rate of interest thereon, without the consent of the owner of the Bond; or

(C) A reduction of the principal amount or percentages or otherwise affecting the description of Bonds the consent of the owners of which is required for any modification or amendment; or

(D) The establishment of priorities as between Bonds issued and Outstanding under the provisions of this Ordinance; or

(E) The modification of, or other action which materially and prejudicially affects the rights or privileges of the owners of less than all of the Bonds then Outstanding.

Whenever the City proposes to amend or modify this Ordinance under the provisions hereof, it shall cause notice of the proposed amendment to be mailed within 30 days to the insurer of the Bonds, if any, or each registered owner of each registered Bond. The notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the City Clerk for public inspection.

Whenever the insurer of the Bonds, if any, shall specifically consent to and approve the amendments, or at any time within one year from the date of such notice there shall be filed in the office of the City Clerk an instrument or instruments executed by the owners of at least 66% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in the notice and shall specifically consent to and approve the adoption of the instrument; thereupon, but not otherwise, the Board may adopt the amendatory instrument and the instrument shall become effective.

If the insurer of the Bonds, if any, or the owners of at least 66% in aggregate principal amount of the Bonds Outstanding, at the time of the adoption of the amendatory instrument, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no owner of any Bond, whether or not the owner shall have consented thereto, shall have any right or interest to object to the adoption of the amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin the City from taking any action pursuant to the provisions thereof. Any consent given by the insurer of the Bonds, if any, or the holder of a Bond pursuant to the provisions hereof shall be irrevocable.

Bonds authenticated and delivered after the effective date of any action taken as provided in this Section may bear a notation by endorsement or otherwise in form approved by the City as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the owner of any Bond Outstanding at such effective date and upon presentation of his Bond, suitable notation shall be made on the Bond as to any such action. If the City so determines, new Bonds so modified as in the opinion of the City to conform to such action shall be prepared, registered and delivered; and upon demand of the owner of any Bond then outstanding, shall be exchanged without cost to the owner for Bonds then Outstanding upon surrender of such Bonds.

SECTION 59. **Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Board shall reasonably determine that said Registrar or Paying Agent has become incapable of performing its duties hereunder, the Board may, upon notice mailed to each owner of any Bond at his address last shown on the registration records, appoint a successor Registrar or Paying Agent, or both. No resignation or

dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. It shall not be required that the same person or institution serve as both Registrar and Paying Agent hereunder, but the City shall have the right to have the same person or institution serve as both Registrar and Paying Agent. Any successor by merger with the Registrar and Paying Agent is automatically appointed as Registrar and Paying Agent hereunder without any further action of the Board, as long as the successor otherwise is qualified to act as Registrar and Paying Agent pursuant to this Section. Any bank, trust company or national banking association into which the Registrar and/or Paying Agent or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or otherwise transfer all or substantially all of its corporate trust business shall be the successor of the Registrar and/or Paying Agent under this Ordinance with the same rights, powers, duties and obligations and subject to the same restrictions, limitations, and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 60. **Continuing Disclosure Undertaking**. The City covenants for the benefit of the holders and beneficial owners of the Bonds to comply with the provisions of the final Continuing Disclosure Certificate in substantially the form now on file with the Clerk and is hereby authorized to be executed by the Finance Director and delivered in connection with the delivery of the Bonds.

SECTION 61. **Call for Prior Redemption; Notice of Redemption**. The City hereby authorizes the Finance Director to irrevocably call, on behalf of the City, for prior redemption the Refunded Bonds designated in the Escrow Agreement on the dates specified therein. The Finance Director and the Escrow Agent are hereby authorized and directed to give forthwith upon the issuance of the Bonds a notice of prior redemption and defeasance of the Refunded Bonds and are hereby authorized and directed to give notice of prior redemption in the manner and at such time and otherwise in accordance with the provisions of the bond ordinances authorizing the Refunded Bonds.

SECTION 62. **Maintenance of the Escrow Account**. The Escrow Account shall be maintained by the City in an amount at the time of the initial deposits therein and at all times subsequently at least sufficient, together with the known minimum yield to be derived from the initial investment and any temporary reinvestment of the deposits therein or any part thereof in

Federal Securities, to pay the interest due in connection with the Refunded Bonds, both accrued and not accrued, as the same become due up to and including the redemption date therefor, and to redeem on such dates all of the Refunded Bonds for the principal amount thereof, accrued interest to the redemption date therefor, and a premium, if any, designated in the Escrow Agreement.

SECTION 63. **Use of Escrow Account.** Moneys shall be withdrawn by the Escrow Agent from the Escrow Account in sufficient amounts and at such times to permit the payment without default of the interest due in connection with the Refunded Bonds on and after the first interest payment date for such Refunded Bonds and on and before the date designated in the Escrow Agreement, and the principal, interest and redemption premium due thereon, when the City shall call for prior redemption all of the Refunded Bonds.

SECTION 64. **Insufficiency of Escrow Account.** If for any reason the amount in the Escrow Account shall at any time be insufficient for the purposes of Sections 60 and 61, the City shall forthwith from the first moneys available therefor deposit in such account such additional moneys as shall be necessary to permit the payment in full of the principal, interest and redemption premium due in connection with the Refunded Bonds as provided herein.

SECTION 65. **Delegated Powers.** The officers of the City are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

A. The printing of the Bonds, including, without limitation, and if appropriate, a statement of insurance, if any;

B. The execution of such certificates as may be reasonably required by the Underwriter, relating, inter alia,

- (1) to the signing of the Bonds,
- (2) to the tenure and identity the officials of the City,
- (3) to the assessed valuation of the taxable property in and the indebtedness of the City,
- (4) to the rate of taxes levied against the taxable property within the City,

- (5) to the qualification of the 2010A Bonds under Section 54AA of the Tax Code;
- (6) to the exemption of interest on the 2010B Bonds from federal income taxation,
- (7) to the delivery of the Bonds and the receipt of the Bond purchase price,
- (8) to the completeness and accuracy of any information provided in connection with the Bonds as of the date of delivery of the Bonds, and
- (9) to, if it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity of the Bonds;

C. The execution and delivery of the Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate; and

D. The assembly and dissemination of financial and other information concerning the City and the Bonds.

SECTION 66. **Implied Repealer**. All resolutions and ordinances, bylaws and orders, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any resolution, ordinance, bylaw, order, or part thereof, heretofore repealed.

SECTION 67. **Severability**. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

SECTION 68. **Publication of Proposed Ordinance**. When first proposed, this Ordinance must be read to the Board by title, after which an adequate number of copies of this Ordinance must be filed with the Clerk for public distribution. Notice of the filing must be published once in a newspaper published and having general circulation in the City at least 10 days before the adoption of the Ordinance, such publication to be in substantially the following form:

(Form of Publication of Notice of Filing of an Ordinance)

BILL NO. _____
ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF CARSON CITY, NEVADA PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010A (TAXABLE DIRECT PAY BUILD AMERICA BONDS), AND GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010B (TAX-EXEMPT); PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF SAID BONDS; AND PROVIDING OTHER MATTERS RELATING THERETO.

PUBLIC NOTICE IS HEREBY GIVEN that an adequate number of typewritten copies of the above-numbered and entitled proposed Ordinance are available for public inspection and distribution at the office of the City Clerk of Carson City at 2621 Northgate Lane, No. 56, Carson City, Nevada and that such Ordinance was proposed by Supervisor _____ on June 3, 2010, and will be considered for adoption at the regular meeting of the Board of Supervisors of Carson City held on June 17, 2010.

/s/ Alan Glover
City Clerk

(End of Form of Publication of Notice of Filing of an Ordinance)

SECTION 69. **Publication and Effective Date.** After this Ordinance is signed by the Mayor and attested and sealed by the Clerk, this Ordinance shall be in effect, after its publication once by its title only, together with the names of the members of the Board voting for or against its passage and a statement that typewritten copies of this Ordinance are available for inspection by all interested parties at the offices of the Clerk. Such publication shall be made in the Nevada Appeal, a newspaper published and having a general circulation in the City, and such publication to be in substantially the following form:

(Form of Publication of Adoption of Ordinance)

BILL NO. _____
ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF CARSON CITY, NEVADA PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010A (TAXABLE DIRECT PAY BUILD AMERICA BONDS), AND GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010B (TAX-EXEMPT); PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF SAID BONDS; AND PROVIDING OTHER MATTERS RELATING THERETO.

PUBLIC NOTICE IS HEREBY GIVEN that the above entitled Ordinance was proposed by Supervisor _____ at the regular meeting of the Carson City Board of Supervisors held on June 3, 2010, and was passed and adopted at the regular meeting of the Carson City Board of Supervisors held on June 17, 2010 by the following vote of the Board of Supervisors:

Those Voting Aye: Robert L. Crowell
Shelly Aldean
Pete Livermore
Molly Walt
Robin Williamson

Those Voting Nay: _____

Those Absent and Not Voting: _____

Those Abstaining: _____

This Ordinance shall be in full force and effect from and after June __, 2010, i.e., the date of publication of this Ordinance by its title only.

IN WITNESS WHEREOF, the Board of Supervisors of the Carson City, Nevada has caused this Ordinance to be published by title only.

DATED this June 17, 2010.

/s/ Robert L. Crowell
Mayor

Attest:

/s/ Alan Glover
City Clerk

(End of Form of Publication of Adoption of Ordinance)

PASSED AND ADOPTED BY THE BOARD OF SUPERVISORS OF CARSON
CITY, THIS JUNE 17, 2010.

Proposed on June 3, 2010.

Passed on the June 17, 2010.

Those Voting Aye:

Robert L. Crowell
Shelly Aldean
Pete Livermore
Molly Walt
Robin Williamson

Those Voting Nay:

Those Absent and Not Voting:

Those Abstaining:

Mayor

(SEAL)

City Clerk

This Ordinance shall be force and effect from and after June __, 2010, i.e., the date of publication of this Ordinance by its title only.

STATE OF NEVADA)
) ss.
CARSON CITY)

I, Alan Glover, the duly elected, qualified and acting City Clerk of Carson City (herein "City"), Nevada, do hereby certify:

1. The foregoing pages constitute a true, correct and compared copy of an ordinance introduced at a meeting on June 3, 2010, and passed and adopted by the Board of Supervisors of the City (the "Board") at a meeting of the Board held on June 17, 2010; and the original ordinance has been approved and authenticated by the signature of the Mayor and myself as City Clerk, and sealed with the seal of the City, and has been recorded in the minute book of the Board kept for that purpose in my office, which record has been duly signed by such officers and properly sealed.

2. Members of the Board voted on the passage of the ordinance as set forth in such ordinance.

3. All members of the Board were given due and proper notice of such meetings held on June 3, 2010 and June 17, 2010.

4. Public notice of such meetings was given and such meetings were held and conducted in full compliance with the provisions of NRS § 241.020. A copy of the notices of meetings and excerpts from the agendas for the meetings relating to the ordinance, as posted at least 3 working days in advance of the meetings at the City's website and at the:

- (A) Community Center
851 East William Street
Carson City, Nevada
- (B) Public Safety Complex
885 East Musser Street
Carson City, Nevada
- (C) City Hall
201 North Carson
Carson City, Nevada
- (D) Carson City Library
900 North Roop Street
Carson City, Nevada

are attached as Exhibit A hereto.

5. Prior to 9:00 a.m. at least 3 working days before such meetings, such notices were mailed to each person, if any, who has requested notice of the meetings of the Board in compliance with NRS § 241.020(3)(b) by United States Mail, or if feasible and agreed to by the requestor, by electronic mail.

6. An affidavit of publication of the notice of filing of the ordinance is attached hereto as Exhibit B.

7. An affidavit of publication of the notice of adoption of the ordinance is attached hereto as Exhibit C.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Carson City, Nevada, this June 17, 2010.

(SEAL)

City Clerk

EXHIBIT "A"

(Attach Copy of Notices of Meetings on June 3, 2010 and June 17, 2010)

EXHIBIT "B"

(Attach Affidavit of Publication of Notice of Filing of an Ordinance)

EXHIBIT "C"

(Attach Affidavit of Publication of Notice of Adoption of an Ordinance)

EXHIBIT "D"

(Attach Certificate of City Manager and Report of the City's Financial Advisor)



JNA Consulting Group, LLC

Independent Public Finance Advisors

To: Larry Werner, City Manager, Carson City

Nick Providenti, Finance Director, Carson City

From: JNA Consulting Group

Date: May 20, 2010

RE: Use of American Reinvestment and Recovery Act Bond Options for Upcoming Water and Sewer Bond Issues and Proposed Method of Sale

The passage in 2009 of the American Reinvestment and Recovery Act ("ARRA") created new bonding programs which the City can utilize on its upcoming bond issues. Among these are Build America Bonds (BABs). This memo relates to the proposed issuance of BABs and the use of a negotiated bond sale process.

With a BAB, the City agrees to pay a taxable interest rate to bondholders and in exchange receives a 35% subsidy on the interest from the Federal government. The subsidy will be in the form of a direct payment to the City on each interest payment date. As far as the City is concerned the only difference on the bond issue is that the rate is taxable instead of tax exempt.

The City is proposing to issue \$32 million general obligation water bonds (additionally secured by pledged water system revenues) and \$4 million of general obligation sewer bonds (additionally secured by pledged sewer system revenues). It is currently assumed that the State Drinking Water State Revolving Fund will fund \$21.9 million of the water bonds and the Clean Water State Revolving Fund will fund \$2.8 million of the sewer bonds. The remaining bonds will be sold by Carson City as either BABs or traditional tax-exempt bonds. The proceeds of the bonds will fund various capital improvements. In addition to the bonds being issued to fund capital improvements, the City plans to include refunding bonds to refinance outstanding bonds for interest savings.

Under current market conditions, we believe the City will be best served utilizing a negotiated sale process for the bonds. This recommendation is based on multiple factors that apply to the City's proposed bonds. The size of the publicly offered sewer bonds makes it too small to generate much attention for a competitive sale. At competitive sale, we believe the interest rate and underwriting compensation would be higher on the sewer bonds. Underwriter compensation will likely be lower on a negotiated sale. The negotiated sale process will help the City to optimize the split between BABs and tax-exempt bonds, since the split can be adjusted during the pricing process. A negotiated sale will allow for more pre-sale activity by the underwriter as compared to a competitive bond sale. By utilizing a negotiated sale we believe the City could save at least \$100,000 through a combination of lower interest rates, the optimal split of BABs/tax exempt bonds and lower underwriting fees. Additional flexibility in terms of call provisions and other structuring issues could provide additional benefits to the City.

If you have any questions please contact Scott Nash at (702) 294-5100.

PRELIMINARY OFFICIAL STATEMENT

Carson City, Nevada General Obligation (Limited Tax)

\$ __, ____, 000
Water Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010A
(Taxable Direct Pay Build America Bonds)

\$ __, ____, 000
Water Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010B
(Tax-Exempt)

\$ __, ____, 000
Sewer Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010C
(Taxable Direct Pay Build America Bonds)

\$ __, ____, 000
Sewer Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010D
(Tax-Exempt)



PiperJaffray®

\$ _____
Series 2010A (Taxable Direct Pay Build America Bonds)

Maturities, Principal Amounts, Interest Rates and Yields or Prices

Maturity Date (November 1)	Principal	Interest Rate*	Price or Yield*	CUSIP ^{®**} (Base _____)
-------------------------------	-----------	----------------	--------------------	--------------------------------------

*As provided by the Underwriter.

**The CUSIP number listed above is being provided solely for the convenience of Bondowners only at the time of issuance of the 2010A Bonds, and neither the City nor the Underwriter can make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

CUSIP[®] A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

\$ _____
Series 2010B (Tax-Exempt)

Maturities, Principal Amounts, Interest Rates and Yields or Prices

Maturity Date (November 1)	Principal	Interest Rate*	Price or Yield*	CUSIP ^{®**} (Base _____)
-------------------------------	-----------	----------------	--------------------	--------------------------------------

*As provided by the Underwriter.

**The CUSIP number listed above is being provided solely for the convenience of Bondowners only at the time of issuance of the 2010B Bonds, and neither the City nor the Underwriter can make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

CUSIP[®] A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

\$ _____
Series 2010C (Taxable Direct Pay Build America Bonds)

Maturities, Principal Amounts, Interest Rates and Yields or Prices

Maturity Date (November 1)	Principal	Interest Rate*	Price or Yield*	CUSIP ^{®**} (Base _____)
-------------------------------	-----------	----------------	--------------------	--------------------------------------

*As provided by the Underwriter.

**The CUSIP number listed above is being provided solely for the convenience of Bondowners only at the time of issuance of the 2010C Bonds, and neither the City nor the Underwriter can make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

CUSIP[®] A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

\$ _____
Series 2010D (Tax-Exempt)

Maturities, Principal Amounts, Interest Rates and Yields or Prices

Maturity Date (November 1)	Principal	Interest Rate*	Price or Yield*	CUSIP ^{®**} (Base _____)
-------------------------------	-----------	----------------	--------------------	--------------------------------------

*As provided by the Underwriter.

**The CUSIP number listed above is being provided solely for the convenience of Bondowners only at the time of issuance of the 2010D Bonds, and neither the City nor the Underwriter can make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

CUSIP[®] A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

Carson City, Nevada
General Obligation (Limited Tax)

\$ _____
Water Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010A
(Taxable Direct Pay Build America Bonds)

\$ _____
Water Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010B
(Tax-Exempt)

\$ _____
Sewer Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010C
(Taxable Direct Pay Build America Bonds)

\$ _____
Sewer Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010D
(Tax-Exempt)

NEW ISSUE – FULL BOOK-ENTRY

Ratings Requested:
Moody's: _____
Standard & Poor's: _____
See "BOND RATINGS", herein.

DATED: As of Delivery

DUE: November 1, as shown on inside covers

The Bonds, when issued, will be fully registered in denominations of \$5,000, or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of DTC, securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See Appendix G – Book-Entry-Only System. The Bonds will be dated the date of delivery, and will be due on November 1, as shown on pages i-iv of this Official Statement. The Bonds bear interest at the rates set forth on pages i-iv, payable on November 1, 2010, and semiannually thereafter on May 1 and November 1 of each year, to and including the maturity dates shown on pages i-iv (unless the Bonds are redeemed earlier), to the registered owners of the Bonds (initially Cede & Co.). The principal of the Bonds will be payable upon presentation and surrender at the principal corporate trust office of Zions First National Bank, Los Angeles, or its successor, as the Paying Agent for the Bonds. See "THE BONDS".

The Bonds constitute direct and general obligations of the City. The full faith and credit of the City are pledged for the payment of principal of and interest on the Bonds, subject to State constitutional and statutory limitations on the aggregate amount of property taxes as described herein. The 2010A and 2010B Bonds are additionally secured by pledged Water System Revenues. The 2010C and 2010D Bonds are additionally secured by pledged Sewer System Revenues. See "THE BONDS – Security for the Bonds", "THE WATER SYSTEM – Additional Security for the Water Bonds", and "THE SEWER SYSTEM – Additional Security for the Sewer Bonds".

The Bonds, or portions thereof, may be subject to optional, mandatory, or, in the case of the 2010A and 2010C Bonds, extraordinary prior redemption before their respective maturities. See "THE BONDS – Prior Redemption".

In the opinion of Bond Counsel, interest on the 2010A Bonds and the 2010 C Bonds is included in gross income for federal tax purposes pursuant to the Tax Code. The owners of the 2010A Bonds or the 2010C Bonds will not receive a tax credit as a result of holding the 2010A or 2010C Bonds. See "TAX MATTERS – Federal Tax Matters" herein.

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2010B Bonds and the 2010D Bonds is excluded from gross income pursuant to Section 103 of the Tax Code, and interest on the 2010B and 2010D Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS – Federal Tax Matters" herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The Bonds are offered when, as and if issued, and subject to the approval of validity and enforceability by Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling, Yocca, Carlson & Rauth, a Professional Corporation, Newport Beach, California.

It is expected that the Bonds will be available for delivery through the facilities of the DTC on or about July 14, 2010.

PiperJaffray®

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may they be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

This Official Statement, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriter of the Bonds.

Information for investors regarding the City and the Bonds is contained in this Official Statement. While the City maintains an internet website for various purposes, the information presented there is not a part of this Official Statement and none of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City and should not be relied upon in making an investment decision with respect to the Bonds.

The information set forth in this Official Statement has been obtained from the City and from sources referenced throughout this Official Statement which the City believes to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information provided from sources other than the City, and nothing contained herein is or shall be relied upon as a guarantee of the City.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates and/or expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the information, estimates or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER HEREOF, IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE PAYING AGENT ASSUMES NO RESPONSIBILITY FOR THIS OFFICIAL STATEMENT AND HAS NOT REVIEWED OR UNDERTAKEN TO VERIFY ANY INFORMATION CONTAINED HEREIN.

SECURITIES PRODUCTS AND SERVICES ARE OFFERED THROUGH PIPER JAFFRAY & CO. MEMBER SIPC AND NYSE, INC.

**Carson City, Nevada
General Obligation (Limited Tax)**

\$, __ , 000
Water Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010A
(Taxable Direct Pay Build America Bonds)

\$, __ , 000
Water Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010B
(Tax-Exempt)

\$, __ , 000
Sewer Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010C
(Taxable Direct Pay Build America Bonds)

\$, __ , 000
Sewer Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010D
(Tax-Exempt)

**CARSON CITY, NEVADA
BOARD OF SUPERVISORS**

Bob Crowell, Mayor

Robin Williamson, Ward 1
Pete Livermore, Ward 3

Shelly Aldean, Ward 2
Molly Walt, Ward 4

CARSON CITY OFFICIALS

Robert L. Werner, City Manager
Alvin P. Kramer, Treasurer
Alan Glover, Clerk/Recorder
Nick Providenti, Finance Director
Andrew Burnham, Public Works Director
Neil Rombardo, District Attorney

SPECIAL SERVICES

FINANCIAL ADVISOR

JNA Consulting Group, LLC
1400 Wyoming ST, Suite 3
Boulder City, NV 89005
(702) 294-5100

BOND COUNSEL

Swendseid & Stern
a member in Sherman & Howard, LLC
50 W Liberty, Suite 1000
Reno, NV 89501
(775) 323-1980

REGISTRAR, ESCROW & PAYING AGENT

Zions First National Bank
550 South Hope ST, Suite 2650
Los Angeles, CA 90071
(213) 593-3151

ESCROW VERIFICATION AGENT

Causey, Demgen, & Moore Inc.
1801 California Street
Denver, CO 80202
(303) 296-2229

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*Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended.

**Carson City, Nevada
General Obligation (Limited Tax)**

\$,__,__,000
Water Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010A
(Taxable Direct Pay Build America Bonds)

\$,__,__,000
Water Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010B
(Tax-Exempt)

\$,__,__,000
Sewer Improvement Bonds
(Additionally Secured by Pledged Revenues)
Series 2010C
(Taxable Direct Pay Build America Bonds)

\$,__,__,000
Sewer Improvement and Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010D
(Tax-Exempt)

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices, has been prepared to provide information regarding Carson City, Nevada (the "City" and the "State" respectively) in connection with the sale of its \$,__,__,000 General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bonds) (the "2010A Bonds"), its \$,__,__,000 General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010B (Tax-Exempt) (the "2010B Bonds" and, together with the 2010A Bonds, the "Water Bonds"), its \$,__,__,000 General Obligation (Limited Tax) Sewer Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2010C (Taxable Direct Pay Build America Bonds) (the "2010C Bonds"), its \$,__,__,000 General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues, Series 2010D (Tax-Exempt) (the "2010D Bonds" and, together with the 2010C Bonds, the "Sewer Bonds"). The 2010A Bonds, 2010B Bonds, 2010C Bonds, and the 2010D Bonds are collectively referred to herein as the "Bonds". The Water Bonds will be issued pursuant to a water bond ordinance (the "Water Bond Ordinance") and the Sewer Bonds will be issued pursuant to a sewer bond ordinance (the "Sewer Bond Ordinance" or collectively, the "Bond Ordinances") scheduled to be adopted by the City Board of Supervisors (the "Board") on June 17, 2010.

The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. Detachment or other use of this "INTRODUCTION" without the entire Official Statement, including the cover page and appendices, is unauthorized. Unless otherwise provided, capitalized terms used herein, which are not defined, have the meanings given such terms as set forth in the Bond Ordinances.

The Bonds

The Bonds will be initially dated as of delivery, and mature on November 1 in each of the years and amounts as shown on pages i-iv of this Official Statement. Interest on the Bonds is payable on May 1 and November 1, commencing November 1, 2010. Principal on the Bonds will be payable at maturity at the office of the Paying Agent (hereinafter defined) upon presentation and surrender thereof. (See "THE BONDS – General.")

Security

The Bonds constitute direct and general obligations of the City, and the full faith and credit of the City is pledged for the payment of principal, interest and any prior redemption premium due thereon, subject to Nevada constitutional and statutory limitation on the aggregate amount of property taxes.

The Water Bonds are also secured by a pledge of the revenues derived by the City consisting generally of the revenues derived from the City's water system remaining after deductions of operation and maintenance expenses (the "Water Pledged Revenues"). (See "THE WATER SYSTEM – Additional Security for the Water Bonds.")

The Sewer Bonds are also secured by a pledge of the revenues derived by the City consisting generally of the revenues derived from the City's sewer system remaining after deductions of operation and maintenance expenses (the "Sewer Pledged Revenues"). (See "THE SEWER SYSTEM – Additional Security for the Sewer Bonds.")

Purpose

The proceeds of the 2010A Bonds will be used for the purpose of acquiring, constructing, improving and equipping water projects and to pay the costs of issuing the 2010A Bonds. The proceeds of the 2010B Bonds will be used for the purpose of acquiring, constructing, improving and equipping water projects, to refund outstanding City water bonds, and to pay the costs of issuing the 2010B Bonds. (See "THE PROJECTS – Use of Proceeds.")

The proceeds of the 2010C Bonds will be used for the purpose of acquiring, constructing, improving and equipping sewer projects and to pay the costs of issuing the 2010C Bonds. The proceeds of the 2010D Bonds will be used for the purpose of acquiring, constructing, improving and equipping sewer projects, to refund outstanding City sewer bonds, and to pay the costs of issuing the 2010D Bonds. (See "THE PROJECTS – Use of Proceeds.")

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State, and to evidence such borrowing by the issuance of bonds in accordance with the provisions of and to all modifications and amendments thereof, to NRS 350.105 to 350.195, and all laws amendatory thereof (the "Bond Sale Act"), NRS 350.500 through 350.720, cited in 350.500 thereof by the short title "Local Government Securities Law" (the "Bond Act"), to NRS 244A.011 to 244A.065 thereof by the short title (the "County Bond Law"), to Chapter 213 of the Statutes of Nevada, 1969 (the "City Charter"), and the Bond Ordinances.

Professionals

Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada is serving as Bond Counsel to the City in connection with the Bonds. JNA Consulting Group, LLC, Boulder City, Nevada is providing financial advisory services to the City. (See "FINANCIAL ADVISOR".) Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling, Yocca, Carlson & Rauth, a Professional Corporation, Newport Beach, California. The Comprehensive Annual Financial Report attached as Appendix B of this Official Statement includes the report of Kafoury, Armstrong & Co., Reno, NV, certified public accountants. (See "INDEPENDENT AUDITORS.") Zions First National Bank will act as Registrar, Escrow Agent and Paying Agent for the Bonds. (The "Registrar", "Escrow Agent" and "the "Paying Agent"). Certain mathematical computations with respect to the Water Refunding Project and the Sewer Refunding Project will be verified by Causey Demgen & Moore Inc., Certified Public Accountants, Denver, Colorado. See "THE PROJECTS – Verification of Mathematical Computations."

Tax Matters

2010A and 2010C Bonds – In the opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, interest on the 2010A Bonds and the 2010C Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended to the date of delivery of the 2010A Bonds and the 2010C Bonds (the "Tax Code"). The Owners of the 2010A Bonds or the 2010C Bonds will not receive a tax credit as a result of holding the 2010A or 2010C Bonds.

2010B and 2010D Bonds – In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Tax-Exempt Bonds is excluded from gross income pursuant to Section 103 of the Tax Code, and interest on the Tax-Exempt Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS – Federal Tax Matters".

Under the laws of the State in effect as of the date of delivery of the Bonds, the Bonds, their transfer, and the income therefrom, are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS. See "TAX MATTERS – State Tax Exemptions."

Bondholder's Risks

General – The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed decision. Such risks include, but are not limited to, the factors described below.

2010A and 2010C Bonds as Qualified Build America Bonds – Issuance of the 2010A and 2010C Bonds is dependent on market conditions, and the City, in its sole discretion, may determine not to issue the 2010A or the 2010C Bonds and to instead issue the Series 2010B or 2010D Bonds in an increased principal amount sufficient to fund all of the purposes for which the Bonds would have been issued. In the event that any 2010A or 2010C Bonds are issued, the City will make an irrevocable election to treat the 2010A or 2010C Bonds as Qualified Build America Bonds. As a result of this election, interest on the 2010A and 2010C Bonds will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the 2010A and 2010C Bonds will not be entitled to any tax credits as a result of either ownership of the 2010A and 2010C Bonds or receipt of any interest payments on the 2010A and 2010C Bonds. Holders of the 2010A and 2010C Bonds should consult their tax advisors with respect to the inclusion of interest on the 2010A and 2010C Bonds in gross income for federal income tax purposes.

The City intends to apply for BAB Credits from the Treasury under the “Build America Program” pursuant to Section 6431 of the Tax Code. Such credits, if received by the City, will be used under the Bond Ordinances to pay interest on, or reimburse the City for the payment of interest on, the 2010A and 2010C Bonds.

No assurances are provided that the City will receive the BAB Credit. The amount of any BAB Credit is subject to legislative changes by Congress. BAB Credits will only be paid if the 2010A and 2010C Bonds are Qualified Build America Bonds. For the 2010A and 2010C Bonds to be and remain Qualified Build America Bonds, the City must comply with certain covenants and the City must establish certain facts and expectations with respect to the 2010A and the 2010C Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a BAB Credit after the 45th day prior to an interest payment date; therefore, if the City fails to file the necessary tax return in a timely fashion, it is possible that the City will never receive such BAB Credit. Also, BAB Credits are subject to offset against certain amounts that may, for unrelated reasons, be owed by the City to an agency of the United States of America.

Changes in Laws – Various State laws apply to the imposition, collection, and expenditure of property taxes (sometimes referred to as “General Taxes”) as well as to the operation and finances of the City. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the City and the imposition, collection, and expenditure of its revenues, including property taxes.

Certain Risks Related to Property Taxes – Although the Bonds are general obligations of the City, the City may only levy property taxes to pay debt service on the Bonds in accordance with State law. For a description of the State laws regulating the collection of property taxes, see Appendix A. Due to the statutory process required for the levy of property taxes, in any year in which the City is required to levy property taxes, there may be a delay in the availability of property tax revenues to pay debt service on the Bonds.

Numerous other factors over which the City has no control may impact the timely receipt of property tax revenues in the future. These include the valuation of property within the City, the number of homes which are in foreclosure, bankruptcy proceedings of property taxpayers or their lenders, and the ability or willingness of property owners to pay taxes in a timely manner.

Secondary Market – No guarantee can be made that a secondary market for the Bonds will develop or be maintained by the Underwriter or others. Thus, prospective investors should be prepared to hold the Bonds to maturity.

Continuing Disclosure Undertaking

As described in Appendix F, the City has agreed to certain covenants relating to compliance with Rule 15(c)2-12 promulgated by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934 ("SEC Rule 15c2-12").

The City will execute a continuing disclosure certificate (the "Disclosure Certificate") at the time of the closing for the Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Bonds and the City has covenanted in the Bond Ordinances to comply with its terms. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the City will annually provide certain financial information and operating data as set forth in the Disclosure Certificate in accordance with SEC Rule 15(c)2-12 and will provide notice of certain material events to the Municipal Securities Rulemaking Board ("MSRB"), in compliance with the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix F. Failure of the City to provide such information will not cause a default under the Bond Ordinances.

The City has not failed to materially comply with any prior continuing disclosure undertaking entered into pursuant to the Rule.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These statements are included in this Official Statement under the sections discussing the 2010 budget for the City, among others. When used in this Official Statement, the words "estimate", "forecast", "intend", "expect", and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results.

Prior Redemption

The Bonds, or portions thereof, may be subject to optional, mandatory, or, in the case of the 2010A and 2010C Bonds, extraordinary prior redemption before their respective maturities. See "THE BONDS – Prior Redemption."

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Additional Information

This introduction is only a brief summary of the provisions of the Bonds and potential investors should review this entire Official Statement. Brief descriptions of the City, the Bonds and the Bond Ordinances are included in this Official Statement. All references herein to the Bonds, the Bond Ordinances and other documents are qualified in their entirety by reference to such documents and all capitalized terms used herein, which are not defined, have the meanings given such terms as set forth in the Bond Ordinances. **This Official Statement speaks only as of its date and the information contained herein is subject to change.**

Additional information and copies of the documents referred to herein are available from the City and the Financial Advisor at the addresses set forth below:

Director of Finance
Carson City
201 N Carson Street
Carson City, NV 89701
(775) 887-2133

JNA Consulting Group, LLC
1400 Wyoming Street, Suite 3
Boulder City, NV 89005
(702) 294-5100

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THE BONDS

General

The Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated as of the date of delivery and mature as shown on pages i-iv of this Official Statement. The Bonds will be initially registered in the name of Cede & Co., as nominee for DTC, the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates evidencing their beneficial ownership interest in the Bonds. See Appendix G.

Interest on the Bonds is payable on May 1, and November 1, (each an interest payment date), commencing November 1, 2010, by check or draft mailed by the Paying Agent on the interest payment date, or if such day is not a business day, on the next succeeding business day, to the person in whose name each Bond is registered (i.e., Cede & Co.) on the 15th day of the month preceding the interest payment date (the "Regular Record Date"), at the address shown on the registration records maintained by the Registrar as of the close of business on the Regular Record Date. However, if there is a default in payment or provision of interest due with respect to a Bond on any interest payment date, such interest thereafter will be paid to the owner of such Bond as of a special record date (the "Special Record Date") to be established by the Registrar whenever moneys become available for payment of the defaulted interest. Notice of the Special Record Date will be given to the owners of the Bonds not less than 10 days prior thereto, by first-class mail, to each owner, as shown on the Registrar's registration records on a date selected by the Registrar, stating the date of the Special Record Date and the date selected for the payment of the defaulted interest.

Principal on the Bonds will be payable at maturity or earlier redemption at the principal corporate trust office of the Paying Agent (or at such other office designated by the Paying Agent) upon presentation and surrender thereof. Any Bond not paid upon presentation and surrender at or after redemption or maturity shall continue to draw interest at the rate stated in the Bond until the principal is paid in full. All such payments of principal and interest shall be made in lawful money of the United States of America. Payments to beneficial owners are to be made as described in Appendix G.

Prior Redemption

The 2010A Bonds

Optional Prior Redemption – The 2010A Bonds, or portions thereof, maturing on and after November 1, 2020, may be subject to redemption before their respective maturities, at the option of the City, on or after May 1, 2020, in whole or in part, at any time, from any maturity selected by the City, and by lot within a maturity, at a price equal to the principal amount of each Bond, or portion thereof so redeemed, plus accrued interest thereon to the redemption date.

Prior to May 1, 2020, the 2010A Bonds may be subject to optional redemption prior to their respective maturities, at the option of the City, in whole or in part, at any time, from any maturity selected by the City, and by lot within a maturity, at the "Optional Make-Whole Redemption Price".

"Optional Make-Whole Redemption Price" means the amount equal to the greater of the following:

1. the issue price of the 2010A Bonds set forth on the page i of this Official Statement (but not less than 100%) of the principal amount of the 2010A Bonds to be redeemed; or
2. the sum of the present value of the remaining scheduled payments of principal and interest on the 2010A Bonds to be redeemed to the maturity date of such 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010A Bonds are to be redeemed, discounted to the date on which the 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (defined below), plus __ basis points, plus in each case accrued interest on the 2010A Bonds to be redeemed to the redemption date. In the event the Optional Make-Whole Redemption Price exceeds the price the City can legally agree to pay to redeem the 2010A Bonds (currently 109 percent of the par amount to be redeemed), the City will not be able to exercise this redemption feature at that time.

Mandatory Sinking Fund Redemption – The 2010A Bonds maturing November 1, __ will be subject to redemption by lot as set forth in the following table:

<u>November 1 of the Year</u>	<u>Principal Amount</u>
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Extraordinary Redemption – Prior to May 1, 2020, the 2010A Bonds are subject to extraordinary redemption prior to their respective maturities, at the option of the City, as a whole or in part, from any maturities selected by the City and by lot within a maturity, at the "Extraordinary Make-Whole Redemption Price" (defined below) upon such time as:

1. a material adverse change has occurred to Section 54AA or 6431 of the Tax Code
2. there is any guidance published by the IRS or the Treasury with respect to such Sections, or
3. any other determination by the IRS or the Treasury, which determination is not the result of a failure of the City to satisfy the requirements of the tax covenant applicable to the 2010A Bonds as set forth in the Water Bond Ordinance,

and as a result thereof, the BAB Credit expected to be received with respect to the 2010A Bonds is eliminated or reduced, as reasonably determined by the Finance Director of the City, which determination shall be conclusive.

The "Extraordinary Make-Whole Redemption Price" means the amount equal to the greater of the following:

1. the issue price of the 2010A Bonds set forth on page i of this Official Statement (but not less than 100%) of the principal amount of the 2010A Bonds to be redeemed; or
2. the sum of the present value of the remaining scheduled payments of principal and interest on the 2010A Bonds to be redeemed to the maturity date of such 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010A Bonds are to be redeemed, discounted to the date on which the 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus __ basis points, plus in each case accrued interest on the 2010A Bonds to be redeemed to the redemption date. In the event the Extraordinary Make-Whole Redemption Price exceeds the price that the City can legally agree to pay to redeem the 2010A Bonds (currently 109% of the par amount to be redeemed), the City will not be able to exercise this extraordinary redemption feature at that time.

For the purpose of determining either the Extraordinary Make-Whole Redemption Price or the Optional Make-Whole Redemption Price, the following definition applies:

"Treasury Rate" means, with respect to any redemption date for a particular 2010A Bond, the yield to maturity as of such redemption date of Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2010A Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year shall be used.

Selection of 2010A Bonds for Redemption – Redemption payments on the 2010A Bonds being redeemed in part pursuant to the optional, extraordinary, and mandatory sinking fund redemption provisions of the Water Bond Ordinance will be made from any maturities selected by the City and by lot within a maturity to each owner in whose name such 2010A Bonds are registered on the Record Date immediately preceding a redemption date.

The 2010B Bonds

Optional Prior Redemption – The 2010B Bonds, or portions thereof, maturing on and after November 1, 2020, will be subject to redemption before their respective maturities, at the option of the City, on and after May 1, 2020, in whole or in part at any time, from any maturity selected by the City and by lot within a maturity, at a price equal to the principal amount of each 2010B Bond, or portion thereof, so redeemed and accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption – The 2010B Bonds maturing ____, __ will be subject to redemption by lot as set forth in the following table:

<u>November 1 of the Year</u>	<u>Principal Amount</u>
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The 2010C Bonds

Optional Prior Redemption – The 2010C Bonds, or portions thereof, maturing on and after November 1, 2020, may be subject to redemption before their respective maturities, at the option of the City, on or after May 1, 2020, in whole or in part, at any time, from any maturity selected by the City, and by lot within a maturity, at a price equal to the principal amount of each Bond, or portion thereof so redeemed, plus accrued interest thereon to the redemption date.

Prior to May 1, 2020, the 2010C Bonds may be subject to optional redemption prior to their respective maturities, at the option of the City, in whole or in part, at any time, from any maturity selected by the City, and by lot within a maturity, at the "Optional Make-Whole Redemption Price".

"Optional Make-Whole Redemption Price" means the amount equal to the greater of the following:

1. the issue price of the 2010C Bonds set forth on page iii of this Official Statement (but not less than 100%) of the principal amount of the 2010C Bonds to be redeemed; or
2. the sum of the present value of the remaining scheduled payments of principal and interest on the 2010C Bonds to be redeemed to the maturity date of such 2010C Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010C Bonds are to be redeemed, discounted to the date on which the 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (defined below), plus __ basis points, plus in each case accrued interest on the 2010C Bonds to be redeemed to the redemption date. In the event the Optional Make-Whole Redemption Price exceeds the price the City can legally agree to pay to redeem the 2010C Bonds (currently 109 percent of the par amount to be redeemed), the City will not be able to exercise this redemption feature at that time.

Mandatory Sinking Fund Redemption – The 2010C Bonds maturing November 1, __ will be subject to redemption by lot as set forth in the following table:

<u>November 1 of the Year</u>	<u>Principal Amount</u>
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Extraordinary Redemption – Prior to May 1, 2020, the 2010C Bonds are subject to extraordinary redemption prior to their respective maturities, at the option of the City, as a whole or in part, from any maturities selected by the City and by lot within a maturity, at the "Extraordinary Make-Whole Redemption Price" (defined below) upon such time as:

1. a material adverse change has occurred to Section 54AA or 6431 of the Tax Code
2. there is any guidance published by the IRS or the Treasury with respect to such Sections, or
3. any other determination by the IRS or the Treasury, which determination is not the result of a failure of the City to satisfy the requirements of the tax covenant applicable to the 2010C Bonds as set forth in the Sewer Bond Ordinance,

and as a result thereof, the BAB Credit expected to be received with respect to the 2010C Bonds is eliminated or reduced, as reasonably determined by the Finance Director of the City, which determination shall be conclusive.

The "Extraordinary Make-Whole Redemption Price" means the amount equal to the greater of the following:

1. the issue price of the 2010C Bonds set forth on page iii of this Official Statement (but not less than 100%) of the principal amount of the 2010C Bonds to be redeemed; or
2. the sum of the present value of the remaining scheduled payments of principal and interest on the 2010C Bonds to be redeemed to the maturity date of such 2010C Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010C Bonds are to be redeemed, discounted to the date on which the 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus __ basis points, plus in each case accrued interest on the 2010C Bonds to be redeemed to the redemption date. In the event the Extraordinary Make-Whole Redemption Price exceeds the price that the City can legally agree to pay to redeem the 2010C Bonds (currently 109% of the par amount to be redeemed), the City will not be able to exercise this extraordinary redemption feature at that time.

For the purpose of determining either the Extraordinary Make-Whole Redemption Price or the Optional Make-Whole Redemption Price, the following definition applies:

"Treasury Rate" means, with respect to any redemption date for a particular 2010C Bond, the yield to maturity as of such redemption date of Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2010C Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year shall be used.

Selection of 2010C Bonds for Redemption – Redemption payments on the 2010C Bonds being redeemed in part pursuant to the optional, extraordinary, and mandatory sinking fund redemption provisions of the Sewer Bond Ordinance will be made from any maturities selected by the City and by lot within a maturity to each owner in whose name such 2010C Bonds are registered on the Record Date immediately preceding a redemption date.

The 2010D Bonds

Optional Prior Redemption – The 2010D Bonds, or portions thereof, maturing on and after November 1, 2020, will be subject to redemption before their respective maturities, at the option of the City, on and after May 1, 2020, in whole or in part at any time, from any maturity selected by the City and by lot within a maturity, at a price equal to the principal amount of each 2010D Bond, or portion thereof, so redeemed and accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption – The 2010D Bonds maturing ____, __ will be subject to redemption as set forth in the following table:

<u>November 1 of the Year</u>	<u>Principal Amount</u>
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Notice of Redemption

Notice of any redemption prior to maturity of the Bonds will be given by the Registrar by first class, postage prepaid mail, at least 30 days but not more than 60 days prior to the redemption date, to the registered owner of any Bonds, all or a part of which is called for redemption, at his address as it last appears on the registration records of the Registrar, in the manner and upon the conditions to be provided in the Bond Ordinances. The notice will identify the Bonds or portions thereof (in the case of redemption of the Bonds in part but not in whole) to be redeemed, specify the redemption date and state that on the redemption date, the principal amount thereof, accrued interest and premium, if any, thereon will become due and payable at the office of the Paying Agent, or such other office as may be designated by the Paying Agent, and that after the redemption date, no further interest will accrue on the principal of any Bonds called for redemption. Actual receipt of mailed notice by the owners of Bonds is not a condition precedent to redemption of such Bonds.

A notice of redemption may contain a statement that the redemption is conditional upon receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

Tax Covenants

In the Bond Ordinances, the City covenants for the benefit of the owners of the Series 2010B and 2010D Bonds that it will not take any action or omit to take any action with respect to the Series 2010B and 2010D Bonds, the proceeds thereof, any other funds of the City or any project financed with the proceeds of the Series 2010B or 2010D Bonds if such action or omission (i) would cause the interest on the Series 2010B or 2010D Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Series 2010B or 2010D Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations.. The foregoing covenant shall remain in full force and effect, notwithstanding the payment in full or defeasance of the Series 2010B or 2010D Bonds, until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

The City also makes in the Bond Ordinances an irrevocable election that Section 54AA of the Tax Code shall apply to the 2010A and 2010C Bonds and that subsection (g) of Sections 54AA will also apply to the 2010A and 2010C Bonds so that the City will directly receive the BAB Credit. None of the holders of the 2010A or 2010C Bonds shall be entitled to any credit under Section 54AA(a) of the Tax Code. The City covenants in the Bond Ordinances that it will not take any action or omit to take any action with respect to the 2010A or 2010C Bonds, the proceeds thereof, any other funds of the City or any project financed with the proceeds of the 2010A or 2010C Bonds if such action or omission would cause the City to not be entitled to the BAB Credit with respect to the 2010A or 2010C Bonds. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2010A or 2010C Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met. The City covenants in the Bond Ordinances to timely file any document required by the IRS to be filed in order to claim the BAB Credit. Any BAB Credit received by the City under Section 6431 of the Tax Code with respect to the 2010A or 2010C Bonds shall be deposited into the Water or Sewer Bond Fund, respectively, when received and applied as described in the Bond Ordinances to the extent needed to provide for the next succeeding interest payment due on the Bonds; but if taking into account the amount already deposited into the Water or Sewer Bond Fund all or any portion of the BAB Credit is not needed to pay the next succeeding interest payment on the Bonds, the portion not so needed shall be used to reimburse the City for the amount already deposited into the Water or Sewer Bond Fund, and shall be applied as otherwise provided in the Bond Ordinances.

Defeasance

When all bond requirements of any Bond have been duly paid, the pledge and lien and all obligations under the Bond Ordinances shall thereby be discharged and the Bond shall no longer be deemed to be outstanding within the meaning of the Bond Ordinances. There will be deemed to be such due payment when the City has placed in escrow or in trust with a trust bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all bond requirements of the Bond, as the same become due to the final maturity of the Bond, or upon any redemption date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bonds for payment. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and the bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the owners thereof to assure availability as so needed to meet the schedule. For the purpose of this section "Federal Securities" shall be defined in NRS 350.222, and shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the holder thereof. The City is obligated to contribute additional securities or monies to the escrow or trust if necessary to provide sufficient amounts to satisfy the payment obligations on the 2010A and the 2010C Bonds.

Book-Entry-Only System

The Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the Bonds. The Bonds will initially be registered in the name of Cede & Co., as nominee of DTC. Purchases of the Bonds under the DTC system must be made by or through a DTC Participant, and ownership interest in the Bonds or any transfer thereof, will be recorded as entries on the books of said participants. See Appendix G.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

None of the City, the Registrar, or the Paying Agent will have any responsibility or obligation to DTC's Participants or Indirect Participants (defined in Appendix G), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants, or the beneficial owners of the Bonds as further described in Appendix G to this Official Statement.

Security for the Bonds

The Bonds constitute direct and general obligations of the City, and the full faith and credit of the City is pledged for the payment of principal, interest and any redemption premium due thereon, subject to Nevada constitutional and statutory limitations on the aggregate amount of property taxes that may be levied by and within the City. (See "APPENDIX A – Carson City, Nevada, Financial Information – Property Tax Limitations.") The Bonds are additionally secured by certain pledged revenues. (See "THE WATER SYSTEM – Additional Security for the Water Bonds" and "THE SEWER SYSTEM – Additional Security for the Sewer Bonds.") The City expects the revenues pledged to be sufficient to pay the debt service on the Bonds; therefore, the City does not expect to levy property taxes to pay the Bonds. In the event, however, that the pledged revenues are insufficient therefore, the City is obligated to levy a general (property) tax on all taxable property within the City, subject to the limitations provided in the constitution and statutes of the State.

In any year in which the total property taxes levied within the City by all overlapping units (e.g., the State, any town, the City, or any special district) exceed such tax limitations, the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness, including interest on such indebtedness.

Nevada statutes provide that no act concerning the Bonds or their security may be repealed, amended, or modified in such a manner as to impair adversely the Bonds or their security until all of the Bonds have been discharged in full or provision for their payment and redemption has been fully made.

THE WATER SYSTEM

Overview

General – The City's water system is generally defined in the Water Bond Ordinance as the water system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, improvements, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof (collectively, the "Water System").

The City is responsible for operation and maintenance of the water production (wells), disinfections (chlorination), distribution (booster pumps, storage tanks, and transmission mains), and system expansion. The City performs water quality testing and monitoring in conformance with established health and safety standards.

City water is derived from both ground water and surface water. The City practices conjunctive use water management which utilizes the source of water that is in priority or available. For example, in drought periods the City will supply its customers with predominately groundwater; however, in high precipitation times the Water System will utilize as much surface water as possible.

The City owns the rights to pump groundwater basins within the City's boundaries. It has rights to surface water in Kings Canyon Creek, Ash Canyon Creek and the Carson River. The City has an on-going Water Purchase Agreement with the State for the use of Marlette and Hobart Reservoir water at a rate of 46 cents per thousand gallons. The City also owns water rights in Clear Creek, but cannot presently utilize these rights due to its location.

Currently, the City owns water rights, permitted at an annual amount of 17,633.81 acre-feet, 43% of which is surface water and 57% ground water. Only 16,660.81 acre-feet of the permitted amount is usable within the existing municipal water system infrastructure, however, this amount serves a population of 75,000, which will meet anticipated demands beyond the year 2020.

The City has in place a growth management ordinance which controls allocation of residential building permits at an increase of only three percent per year. This ordinance provides a sound foundation from which the Water System can plan for acquiring water resources and infrastructure expansion for new development.

The City practices a variety of programs, such as reclaimed water reuse, odd and even day watering, recharge, meter repair and maintenance, leak detection, customer education, wellhead protection, well rehabilitation and conjunctive use, all of which are sound water management and conservation practices.

The State Engineer's Order 1140 allows the City to pump additional Eagle Valley groundwater during drought years. This order will allow the City to pump a maximum of 11,700 acre-feet from the Eagle Valley ground water basin for a one year period, provided that the average amount of ground water pumped from Eagle Valley over a period of five consecutive drought years will not exceed 9,900 acre-feet annually.

The City has entered into a regional water system project which will result in the interconnection of the Minden water system, the North Douglas County water system, the Indian Hill General Improvement water system, the Water System and the Lyon County (Dayton) water system. Minden will supply up to 12,000 gallons per minute of water to the regional system.

The City will acquire capability for up to 4,500 gallons per minute of water delivery from the project which compared to current peak summer demands of 17,000 gallons per minute is quite substantial and will provide for needed reserves for the Water System. The City is purchasing 1,250 acre-feet of water rights from the Town of Minden, and together with almost 2,000 acre-feet of water currently owned by the City within the Carson Valley Groundwater Basin, the Water System will have access to 3,250 acre-feet of new water. Phase I of the project would be constructed beginning summer of 2010 and be completed in fall of 2011. See "THE PROJECTS – Use of Proceeds."

Customer Base – Customer base information is often expressed in terms of number of equivalent units (generally an equivalent unit is equal to a typical single family home). The City currently has approximately 17,000 water customers. These connections range in size from 5/8" residential meters to 10" commercial meters.

System Rates and Charges – The City currently charges typical residential water customers a base rate of \$12.08 per month plus \$0.81 per thousand gallons for the first 5,000 gallon used, \$1.20 per thousand gallons for the next 10,000 used, \$1.68 per thousand gallons for the next 35,000 used, \$2.61 per thousand for the next 50,000 used, and \$3.00 per thousand gallons for water used in excess of 100,000 gallons per month.

Connection Fees – Effective October 1, 2009, connection fees for water decreased 90% from \$4,543 to \$454 per equivalent unit for new water service. The City will reevaluate connection fees annually and the Board may adjust the fees based on new evaluations.

Rate Adjustments – For fiscal year 2009, the Board adopted a rate increase for water rates and fees. The increase was effective July 1, 2008 and resulted in approximately a 6% increase in water rates over fiscal year 2007. For fiscal year 2010 (effective July 1, 2009), the adopted rate increase for water rates resulted in approximately a 5% increase. The water rate increase approved on June 3, 2010 and effective July 1, 2010 will result in an approximate increase of 30% over fiscal year 2010.

Effective July 1, 2010, the City will charge typical residential water customers a base rate of \$21.00 per month with an included 5,000 gallons of usage at no additional cost plus \$1.75 per thousand gallons for the next 25,000 gallons used, \$3.00 per thousand gallons for the next 20,000 gallons used, and effective October 1, 2010, the City will charge \$4.75 per thousand gallons for water used in excess of 50,000 gallons per month. The graduated rates are intended to encourage conservation. Effective July 1, 2010, the City will charge commercial customers a base rate ranging from \$23.00 to \$460.00 per month depending on the size of the meter with an included 6,000 gallons of usage at no additional cost plus \$1.60 per thousand gallons for the next 14,000 gallons used, \$2.40 per thousand for the next 30,000 gallons used, and \$3.70 per thousand for usage over 50,000 gallons per month. **[subject to language approved by the Board at next meeting]**

Rates were adjusted to fund system replacements (depreciation) and increased operating costs for regulatory compliance (such as arsenic and uranium treatment), as well as to meet bonded debt service covenants. The City intends to review both user fees and other fees, such as connection fees, annually so that fees can be set at proper levels to recover costs.

Environmental and Other Regulatory Matters – The City's Public Works Department is unaware of any environmental or regulatory issues which may impact its ability to continue water services if bond funding is obtained.

Additional Security for the Water Bonds

The Water Bonds will be additionally secured by pledged revenues derived by the City from the operation and use of, and otherwise pertaining to, the Water System or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Water System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Water System (collectively, the "Water Pledged Revenues"), which Water Pledged Revenues are so pledged as more specifically provided in the Water Bond Ordinance.

The Water Bonds are equally and ratably secured by such pledge of the Water Pledged Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Water Pledged Revenues on a parity with the lien of the Outstanding Water Parity Bonds. See table "WATER BONDS SECURED BY WATER PLEDGED REVENUES" on page 19 for a list of the Outstanding Water Parity Bonds.

Reference is made to the Water Bond Ordinance for an additional description of the nature and extent of the security for the Water Bonds, the accounts, funds or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owners of the Water Bonds with respect thereto, the terms and conditions upon which the Water Bonds will be issued, and a statement of rights, duties, immunities, and obligations of the City, and other rights and remedies of potential owners of the Water Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE WATER BOND ORDINANCE" for additional information.

Water Rate Covenant

The City will covenant in the Water Bond Ordinance to fix and collect rates and other charges for the services or commodities pertaining to the Water System in amounts sufficient to pay the following items of cost and expense in the order listed: (1) Operation and Maintenance Expenses, (2) debt service requirements for the Water Bonds and any Outstanding Water Parity Bonds, and (3) other amounts and debt service on all other securities payable from Water Pledged Revenues. Enforcement of this covenant may be subject to the limitation that rates and charges must be reasonable. The City annually places all delinquent water accounts on the property tax rolls for collection. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE WATER BOND ORDINANCE" for additional information.

The foregoing rate covenant is subject to compliance by the City with any legislation of the United States of America, the State, or other governmental body, or any regulation or other action taken by the United States, the State, or any agency or political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of fees, rates, and other charges collectible by the City for the use of or otherwise pertaining to, and all services rendered by, the Water System.

Subject to the foregoing, the City shall cause all fees, rates, and other charges pertaining to the City's Water System to be collected as soon as reasonable, and shall provide methods of collection and penalties to the end that the Water Pledged Revenues shall be adequate to meet the requirements of the Water Bond Ordinance.

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WATER BONDS SECURED BY WATER PLEDGED REVENUES
Carson City, Nevada
as of June 1, 2010

	Date Issued	Maturity Date	Original Amount	Amount Outstanding
Parity Lien Water Bonds				
Water Bonds, Series November 1, 1997	11/01/97	01/01/13	\$1,820,000	\$150,000 ²
Water Bonds, Series 1998C	10/15/98	11/01/13	1,700,000	130,000 ²
Water Bonds, Series 1999B	10/01/99	11/01/14	1,525,000	115,000 ²
Water Bonds, Series 2000	12/19/00	12/01/15	1,330,000	95,000 ²
Water Bonds, Series 2002	02/01/02	02/01/22	3,465,000	1,970,000
Water Bonds, Series 2003	11/01/03	11/01/23	9,365,000	5,590,000
Water Bonds, Series 2005A	06/01/05	06/01/25	9,000,000	7,355,000
Water Bonds, Series 2007	06/21/07	12/01/18	12,394,100	7,903,600 ²
Water Bonds, Series 2009	11/13/09	07/01/29	3,400,000	3,400,000
Water Bonds, Series 2010A (this issue)*	07/14/10	11/01/20	10,100,000	10,100,000
Water Bonds, Series 2010B (this issue)*	07/14/10	11/01/39	5,895,000	5,895,000
Water Bonds, Series 2010E (proposed) ^{1,*}	07/30/10	07/01/30	21,900,000	<u>21,900,000</u>
TOTAL Parity Lien Bonds				\$64,603,600

¹ To be issued to the Nevada State Department of Environmental Protection Drinking Water Revolving Loan Fund. Closing is estimated to occur on July 30, 2010.

² Includes estimated impact of refunding.

SOURCE: Carson City Finance Department, compiled by JNA Consulting Group, LLC

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The following table illustrates the ability of the Water Pledged Revenues to pay debt service on the Water Bonds.

WATER PLEDGED REVENUES

	2006 (Audited)	2007 (Audited)	2008 (Audited)	2009 (Audited)	2010 (Budgeted)	2011 (Projected)
GROSS REVENUE						
Charges for Service	6,533,182	7,579,552	9,023,177	9,366,028	10,004,301	13,462,618 ¹
Non-Operating Revenues:						
Interest	129,697	506,216	796,056	389,052	400,000	240,000
Misc/Intergovernmental	117,528	13,656	71	165,506	175,495	174,932
Connection Fees	<u>1,218,542</u>	<u>1,140,483</u>	<u>462,870</u>	<u>251,180</u>	<u>50,000</u>	<u>25,000</u>
Total Other Revenues	1,465,767	1,660,355	1,258,997	805,738	625,495	439,932
Working Capital Contribution	363,398	13,533	0	0	0	0
TOTAL GROSS REVENUE	8,362,347	9,253,440	10,282,174	10,171,766	10,629,796	13,902,550
EXPENSES						
Operating & Maintenance Expenses						
Salaries & Benefits	1,624,063	1,766,197	1,840,652	1,922,000	2,200,440	2,266,453
Services & Supplies	<u>3,697,617</u>	<u>4,291,395</u>	<u>4,511,585</u>	<u>5,003,005</u>	<u>4,936,546</u>	<u>5,220,777</u>
Total Operating Expenses	5,321,680	6,057,592	6,352,237	6,925,005	7,136,986	7,487,230
Total Expenses	5,321,680	6,057,592	6,352,237	6,925,005	7,136,986	7,487,230
Net Pledged Revenues	3,040,667	3,195,848	3,929,937	3,246,761	3,492,810	6,415,320
Debt Service	3,040,667	3,195,848	3,105,752	3,139,643	3,142,072	4,900,105 ²
Coverage	1.000	1.000	1.265	1.034	1.112	1.309

¹ Prior to issuance of the Water Bonds, a rate increase will be implemented effective July 1, 2010.

² Includes estimated impact of refunding; includes the 2010E Water Bonds; depicts maximum annual debt service occurring in fiscal year ____; excludes the impact of receipt of the BAB Credit.

SOURCE: Carson City Finance Department, compiled by JNA Consulting Group, LLC

The following table illustrates the debt service requirements of the City's Outstanding Water Bonds and the proposed Water Bonds which are secured by the Water Pledged Revenues.

**DEBT SERVICE ON OUTSTANDING AND PROPOSED BONDS
SECURED BY WATER PLEDGED REVENUES**

Year Ended June 30	Existing Bonds ¹	2010E Water Bonds ^{2,3}	Proposed Water Bonds*			GRAND TOTAL
			Principal	Interest ³	Total	
2011	\$2,543,601	\$600,134	\$55,000	\$692,412	\$747,412	\$3,891,147
2012	2,132,179	1,076,539	555,000	862,570	1,417,570	4,626,288
2013	2,140,168	1,530,461	375,000	851,395	1,226,395	4,897,024
2014	2,138,126	1,530,460	390,000	839,920	1,229,920	4,898,506
2015	2,133,774	1,530,461	410,000	825,870	1,235,870	4,900,105
2016	2,139,601	1,530,461	415,000	809,370	1,224,370	4,894,432
2017	1,973,424	1,530,461	500,000	791,070	1,291,070	4,794,955
2018	1,643,536	1,530,462	745,000	766,170	1,511,170	4,685,168
2019	1,644,546	1,530,460	780,000	731,770	1,511,770	4,686,776
2020	1,648,655	1,530,462	815,000	691,895	1,506,895	4,686,012
2021	1,650,386	1,530,460	855,000	650,145	1,505,145	4,685,991
2022	2,551,152	1,530,461	0	628,770	628,770	4,710,383
2023	2,553,565	1,530,461	0	628,770	628,770	4,712,796
2024	2,555,033	1,530,461	0	628,770	628,770	4,714,264
2025	2,404,386	1,530,461	0	628,770	628,770	4,563,617
2026	2,173,498	1,530,460	0	628,770	628,770	4,332,728
2027	2,173,422	1,530,460	0	628,770	628,770	4,332,652
2028	183,784	1,530,461	0	628,770	628,770	2,343,015
2029	183,784	1,530,461	0	628,770	628,770	2,343,015
2030	0	1,530,461	0	628,770	628,770	2,159,231
2031	0	0	755,000	605,705	1,360,705	1,360,705
2032	0	0	800,000	558,200	1,358,200	1,358,200
2033	0	0	850,000	507,792	1,357,792	1,357,792
2034	0	0	905,000	454,177	1,359,177	1,359,177
2035	0	0	960,000	397,201	1,357,201	1,357,201
2036	0	0	1,025,000	335,534	1,360,534	1,360,534
2037	0	0	1,090,000	268,806	1,358,806	1,358,806
2038	0	0	1,160,000	197,819	1,357,819	1,357,819
2039	0	0	1,235,000	122,256	1,357,256	1,357,256
2040	<u>0</u>	<u>0</u>	<u>1,320,000</u>	<u>41,646</u>	<u>1,361,646</u>	<u>1,361,646</u>
TOTAL	\$36,566,620	\$29,224,968	\$15,995,000	\$17,660,653	\$33,655,653	\$99,447,241

¹ Includes estimated impact of proposed refunding bonds.

² The Series 2010E Bonds will be issued through the Nevada State Department of Environmental Protection Drinking Water Revolving Fund program.

³ Excludes the impact of receipt of the BAB Credit by the City.

SOURCE: Carson City Finance Department, compiled by JNA Consulting Group, LLC

Additional Water Bonds

Additional Water Parity Bonds (other than refunding securities) may be issued pursuant to the Water Bond Ordinance provided that (a) the City is not in default in the payment of principal of or interest on the Water Bonds and (b) the Water Pledged Revenues projected by the Finance Director, the Director of Public Works or an independent accountant or consulting engineer to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the additional Bonds are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any outstanding Water Parity Bonds including the bonds proposed to be issued will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that fiscal year) of the Outstanding Water Parity Bonds and the bonds proposed to be issued (excluding any reserves therefor). In any computation of such earnings test, the estimated increase or decrease in operation and maintenance expenses that will result from the expenditure of the additional bond proceeds shall be considered.

Refunding securities which refund bonds issued on a parity with the Water Bonds and the Outstanding Water Parity Bonds may also be issued under certain circumstances pursuant to the Water Bond Ordinance. No restriction is placed upon the City's ability to issue bonds secured by a lien on the Water Pledged Revenues subordinate to the Water Bonds. When all of the Outstanding Water Bonds issued prior to the Water Bonds are no longer Outstanding, the City may issue additional special obligations with a lien on the Water Pledged Revenues which is superior to the lien on the Water Bonds. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE WATER BOND ORDINANCE.”

THE SEWER SYSTEM

Overview

General – The City's sewer system is generally defined in the Sewer Bond Ordinance as the municipal sanitary sewer system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof (collectively, the “Sewer System”).

The City is responsible for operation and maintenance of the collection system (sewer mains, lift stations, and force mains) and treatment plant. No change in the overall treatment capacity is anticipated at this time; however, interceptor, and lift station upgrades will allow increased collection capabilities.

The wastewater is treated at the Carson City Wastewater Treatment Plant. The treated effluent is reused for irrigation at the Eagle Valley, Empire Ranch, and Silver Oak golf courses, Prison Farm, cemetery, Edmonds Sports Complex and the Governor's Field Complex.

Customer Base – Customer base information is often expressed in terms of number of equivalent units (generally an equivalent unit is equal to a typical single family home). The City currently has approximately 15,400 sewer customers.

System Rates and Charges – The City currently charges typical residential and commercial sewer customers a base rate of \$6.39 per month. The meter information for water is also used for sewer billing calculations. There is an additional volume charge for all general commercial customers of \$2.57 per 1,000 gallons of wastewater with no maximum. The additional volume charge for typical residential customers is \$2.57 per 1,000 gallons of wastewater based on a maximum of winter sewer average.

Connection Fees – On October 1, 2009, the Board approved a decrease in connection fees for sewer service of 90% from \$5,777 to \$577 per water equivalent unit. The City will reevaluate connection fees annually and the Board may adjust the fees based on new evaluations.

Rate Adjustments – For fiscal year 2009, the Board adopted a rate increase for sewer rates and fees. The increase was effective July 1, 2008 and resulted in approximately a 24% increase in sewer rates over fiscal year 2007. On May 5, 2008, the Board approved a reduction of 20% for sewer rates and fees charged to commercial laundry users effective July 1, 2008. For fiscal year 2010, the Board adopted a rate increase for sewer rates and fees resulting in an approximate 5% increase in sewer rates over fiscal 2009 and effective July 1, 2009. Effective July 1, 2010, the base rate charged to all customers will increase to \$7.30 and the additional volume charges for commercial and residential customers will increase to \$2.93 per 1,000 gallons of wastewater. The methods for calculating the maximum volume charges are unchanged. The sewer rate increase approved on June 3, 2010 and effective July 1, 2010 will result in an approximate increase of 14% over fiscal year 2010.

Rates were adjusted to fund system replacements (depreciation) and increased operating costs, as well as to meet bonded debt service covenants. The City intends to review both user fees and other fees, such as connection fees, annually so that fees can be set at proper levels to recover costs.

Environmental and Other Regulatory Matters – The City's Public Works Department is unaware of any environmental or regulatory issues which may impact its ability to continue sewer services.

Additional Security for the Sewer Bonds

The Sewer Bonds will be additionally secured by pledged revenues derived by the City from the operation and use of, and otherwise pertaining to, the Sewer System or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Sewer System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Sewer System (collectively, the "Sewer Pledged Revenues"), which Sewer Pledged Revenues are so pledged as more specifically provided in the Sewer Bond Ordinance.

The Sewer Bonds are equally and ratably secured by such pledge of the Sewer Pledged Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Sewer Pledged Revenues on a parity lien with the lien of the Outstanding Sewer Parity Bonds. See table "SEWER BONDS SECURED BY SEWER PLEDGED REVENUES" on page 25 for a list of the Outstanding Sewer Parity Bonds.

Reference is made to the Sewer Bond Ordinance for an additional description of the nature and extent of the security for the Sewer Bonds, the accounts, funds or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owners of the Sewer Bonds with respect thereto, the terms and conditions upon which the Sewer Bonds will be issued, and a statement of rights, duties, immunities, and obligations of the City, and other rights and remedies of potential owners of the Sewer Bonds. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SEWER BOND ORDINANCE."

Sewer Rate Covenant

The City will covenant in the Sewer Bond Ordinance to fix and collect rates and other charges for the services or commodities pertaining to the Sewer System in amounts sufficient to pay the following items of cost and expense in the order listed: (1) Operation and Maintenance Expenses, (2) debt service requirements for the Sewer Bonds and any Outstanding Sewer Parity Bonds, and (3) other amounts and debt service on all other securities payable from Sewer Pledged Revenues. Enforcement of this covenant may be subject to the limitation that rates and charges must be reasonable. The City annually places all delinquent sewer accounts on the property tax rolls for collection. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SEWER BOND ORDINANCE."

The foregoing rate covenant is subject to compliance by the City with any legislation of the United States of America, the State, or other governmental body, or any regulation or other action taken by the United States, the State, or any agency or political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of fees, rates, and other charges collectible by the City for the use of or otherwise pertaining to, and all services rendered by, the City's Sewer System.

Subject to the foregoing the City shall cause all fees, rates, and other charges pertaining to the City's Sewer System to be collected as soon as reasonable, and shall provide methods of collection and penalties to the end that the Sewer Pledged Revenues shall be adequate to meet the requirements of the Bond Ordinance.

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SEWER BONDS SECURED BY SEWER PLEDGED REVENUES
Carson City, Nevada
as of June 1, 2010

	Date Issued	Maturity Date	Original Amount	Amount Outstanding
Parity Lien Sewer Bonds				
Sewer Bonds, Series 1994	07/16/94	01/01/13	\$2,400,000	\$783,618
Sewer Bonds, Series 1995	09/15/95	11/01/13	2,120,000	791,434
Sewer Bonds, Series 1998	08/01/98	11/01/14	6,096,302	3,340,938
Sewer Bonds, Series 1998D	10/15/98	12/01/15	1,200,000	95,000 ³
Sewer Bonds, Series 2000	12/19/00	02/01/22	2,765,000	200,000 ³
Sewer Bonds, Series 2002	02/01/02	11/01/23	3,215,000	1,835,000
Sewer Bonds, Series 2003	11/01/03	06/01/25	5,410,000	4,055,000
Water Bonds, Series 2010C (this issue) ¹	07/14/10	11/01/29	0	0
Water Bonds, Series 2010D (this issue) ¹	07/14/10	11/01/29	2,715,000	2,715,000
Sewer Bonds, Series 2010F (proposed) ^{1, 2}	07/30/10	07/01/30	2,800,000	<u>2,800,000</u>
TOTAL Parity Lien Bonds				\$16,615,990

¹ Preliminary, subject to change

² To be issued to the Nevada State Department of Environmental Protection Clean Water Revolving Loan Fund. Closing is estimated to occur on July 30, 2010.

³ Includes estimated impact of refunding.

SOURCE: Carson City Finance Department, compiled by JNA Consulting Group, LLC

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The following table illustrates the ability of the Sewer Pledged Revenues to pay debt service on the Sewer Bonds.

SEWER PLEDGED REVENUES

	2006 (Audited)	2007 (Audited)	2008 (Audited)	2009 (Audited)	2010 (Budgeted)	2011 (Projected)
GROSS REVENUE						
Operating Revenues:						
Charges for Service	<u>4,941,436</u>	<u>5,065,655</u>	<u>5,074,830</u>	<u>6,068,372</u>	<u>6,388,591</u>	<u>7,282,994</u> ¹
Non-Operating Revenues						
Interest Income	173,769	434,373	163,770	107,152	200,000	200,000
Miscellaneous	6,475	18,759	3,830	2,550	10,000	10,000
Connection Fees	<u>1,856,648</u>	<u>1,545,814</u>	<u>469,303</u>	<u>529,310</u>	<u>50,000</u>	<u>25,000</u>
Total Non-Operating Revenues	2,036,892	1,998,946	636,903	639,012	260,000	235,000
Working Capital Contribution	0	0	1,077,933	126,718	74,032	
TOTAL REVENUES	6,978,328	7,064,601	6,789,666	6,834,102	6,722,623	7,517,994
EXPENSES						
Operating & Maint. Expenses						
Salaries & Benefits	1,595,883	1,530,306	1,638,048	1,617,350	1,720,502	1,772,117
Services & Supplies	<u>2,855,072</u>	<u>2,927,216</u>	<u>3,201,209</u>	<u>3,264,443</u>	<u>3,047,021</u>	<u>3,107,961</u>
Total Operating Exp	4,450,955	4,457,522	4,839,257	4,881,793	4,767,523	4,880,078
TOTAL EXPENSES	4,450,955	4,457,522	4,839,257	4,881,793	4,767,523	4,880,078
NET PLEDGED REVENUES	2,527,373	2,607,079	1,950,409	1,952,309	1,955,100	2,637,916
Debt Service	1,930,556	1,946,443	1,950,409	1,952,309	1,955,100	2,251,474 ²
COVERAGE	1.309	1.339	1.000	1.000	1.000	1.172

¹ Prior to issuance of the Sewer Bonds, a rate increase will be implemented effective July 1, 2010.

² Includes estimated impact of refunding; includes the 2010F Sewer Bonds; depicts maximum annual debt service occurring in fiscal year ____; excludes the impact of receipt of the BAB Credit.

SOURCE: Carson City Finance Department, compiled by JNA Consulting Group, LLC

The following table illustrates the debt service requirements of the City's Outstanding Sewer Bonds and the proposed Sewer Bonds which are secured by the Sewer Pledged Revenues.

**DEBT SERVICE ON OUTSTANDING AND PROPOSED BONDS
SECURED BY SEWER PLEDGED REVENUES**

Year Ended June 30	Existing Bonds ¹	2010F Sewer Bonds ^{2,3}	Proposed Sewer Bonds			GRAND TOTAL
			Principal	Interest ³	Total	
2011	\$1,895,926	\$76,729	\$0	\$86,500	\$86,500	\$2,059,155
2012	1,588,494	137,640	355,000	104,952	459,952	2,186,086
2013	1,594,063	195,675	360,000	96,002	456,002	2,245,740
2014	1,595,821	195,676	375,000	84,977	459,977	2,251,474
2015	1,398,933	195,676	280,000	73,752	353,752	1,948,361
2016	1,241,331	195,675	285,000	62,452	347,452	1,784,458
2017	1,068,223	195,676	50,000	55,752	105,752	1,369,651
2018	756,669	195,675	50,000	53,752	103,752	1,056,096
2019	304,128	195,676	50,000	51,502	101,502	601,306
2020	303,475	195,675	55,000	48,877	103,877	603,027
2021	306,788	195,675	60,000	45,675	105,675	608,138
2022	304,200	195,675	60,000	42,021	102,021	601,896
2023	306,019	195,675	65,000	38,215	103,215	604,909
2024	307,125	195,675	70,000	34,104	104,104	606,904
2025	0	195,675	75,000	29,689	104,689	300,364
2026	0	195,675	80,000	24,969	104,969	300,644
2027	0	195,675	85,000	19,945	104,945	300,620
2028	0	195,675	90,000	14,616	104,616	300,291
2029	0	195,675	95,000	8,983	103,983	299,658
2030	<u>0</u>	<u>195,675</u>	<u>100,000</u>	<u>3,045</u>	<u>103,045</u>	<u>298,720</u>
TOTAL	\$12,971,195	\$3,736,523	\$2,640,000	\$979,780	\$3,619,780	\$20,327,498

¹ Includes impact of proposed refunding bonds.

² The Series 2010F Bonds will be issued through the Nevada State Department of Environmental Protection Clean Water Revolving Fund program.

³ Excludes the impact of receipt of the BAB Credit by the City.

SOURCE: Carson City Finance Department, compiled by JNA Consulting Group, LLC

Additional Sewer Bonds

Additional Sewer Parity Bonds (other than refunding securities) may be issued pursuant to the Sewer Bond Ordinance provided that (a) the City is not in default in the payment of principal of or interest on the Sewer Bonds and (b) the Sewer Pledged Revenues projected by the Finance Director, the Director of Public Works or an independent accountant or consulting engineer to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the additional Bonds are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any outstanding Sewer Parity Bonds including the bonds proposed to be issued will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that fiscal year) of the Outstanding Sewer Parity Bonds and the bonds proposed to be issued (excluding any reserves therefor). In any computation of such earnings test, the estimated increase or decrease in operation and maintenance expenses that will result from the expenditure of the additional bond proceeds shall be considered.

Refunding securities which refund bonds issued on a parity with the Sewer Bonds and the Outstanding Sewer Parity Bonds may also be issued under certain circumstances pursuant to the Sewer Bond Ordinance. No restriction is placed upon the City's ability to issue bonds secured by a lien on the Sewer Pledged Revenues subordinate to the Sewer Bonds. When all of the Outstanding Sewer Bonds issued prior to the Sewer Bonds are no longer Outstanding, the City may issue additional special obligations with a lien on the Sewer Pledged Revenues which is superior to the lien on the Sewer Bonds. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SEWER BOND ORDINANCE."

THE PROJECTS

Use of Proceeds

Water Bonds: The proceeds of the 2010A Bonds will be used for the purpose of acquiring, constructing, improving and equipping water projects and to pay the costs of issuing the 2010A Bonds. The proceeds of the 2010B Bonds will be used for the purpose of acquiring, constructing, improving, and equipping water projects, to refund outstanding City water bonds, and to pay the costs of issuing the 2010B Bonds.

The City anticipates using a portion of the 2010A and 2010B Bonds for the Carson City Regional Water Line Intertie Project, which will interconnect the following water systems: Town of Minden, North Douglas County, the Indian Hill General Improvement District, and Lyon County (Dayton). The Town of Minden will supply up to 12,000 gallons per minute of water to the regional water system. The City will acquire capability of up to 4,500 gallons per minute. This will provided needed reserves for the City's current peak summer demand of 17,000 gallons per minute. The City plans to purchase 1,250 acre-feet of water rights from the Town of Minden for \$10 million. The Minden water rights, together with almost 2,000 acre-feet of water currently owned by the City within the Carson Valley Groundwater Basin will give the City access to 3,250 acre-feet of new water. This project will allow the City to forgo having to construct a more expensive uranium treatment plant since the new water brought into the water system will allow the City to meet federal standards. The new water provided by the project will also allow for a more efficient operation of the water system, since more expensively produced water will not need to be utilized, unless needed to meet peak requirements.

Sewer Bonds: The proceeds of the 2010C Bonds will be used for the purpose of acquiring, constructing, improving, and equipping sewer projects and to pay the costs of issuing the 2010C Bonds. The proceeds of the 2010D Bonds will be used for the purpose of acquiring, constructing, improving, and equipping sewer projects, to refund outstanding City sewer bonds, and to pay the costs of issuing the 2010D Bonds.

The City anticipates using the proceeds of the 2010C and 2010D Bonds for the North Lift Station

Upgrades at the Waste Water Reclamation Plant and for the Roop Street sewer line relocation projects, along with other sewer system improvements.

Estimated Sources and Uses of Funds

The sources and uses of the proceeds of the Bonds are set forth in the following table.

SOURCES and USES OF FUNDS
Carson City, Nevada

Sources of Funds	2010A Bonds	2010B Bonds	2010C Bonds	2010D Bonds	TOTAL
Par Amount of Bonds					\$0.00
Original Issue Premium					0.00
Cash Contribution					<u>0.00</u>
Total Sources	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Uses of Funds					
Project Fund					\$0.00
Refunding Escrow					0.00
Issuance Costs					<u>0.00</u>
Total Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

¹ Includes legal and financing fees and printing costs, rating fees and other miscellaneous expenses relating to the issuance of the Bonds.

SOURCE: Carson City, compiled by JNA Consulting Group, LLC

The Water Refunding Project

General – Simultaneously with the delivery of the 2010B Bonds, the City will have entered into an escrow agreement (the "Escrow Agreement") with Zions First National Bank (the "Escrow Bank") to provide for the defeasance of the Refunded Water Bonds. The Water Bond Ordinance creates an irrevocable escrow account (the "Escrow Account") which is to be held pursuant to the Escrow Agreement by the Escrow Bank into which certain proceeds of the 2010B Bonds, as set forth above, will be deposited and applied solely to the payment of the Refunded Water Bonds. See table "PLAN OF WATER BOND REFUNDING" on page 30.

Upon receipt of such proceeds, the Escrow Bank, pursuant to the Escrow Agreement, will invest such proceeds in direct obligations of the United States of America or obligations guaranteed by the United States of America (the "Federal Securities"), maturing in amounts and bearing interest at rates which, without reinvestment, will be sufficient to pay the principal of the Refunded Water Bonds, and redemption premiums, together with accrued interest thereon. Specific details of the Refunded Water Bonds are set forth in the tables below. The Escrow Account, including the interest earnings on the Federal Securities, is pledged solely for the benefit of the holders of the Refunded Water Bonds subject to the terms of the Escrow Agreement. The Escrow Bank is required by the Escrow Agreement to hold and administer the Escrow Account and is required to apply the maturing principal of and interest on the Federal Securities to payments of principal, interest and the redemption premiums (if any) on the Refunded Water Bonds as they become due on the redemption dates.

PLAN OF WATER BOND REFUNDING*

Refunded Bonds	Amount	Coupon	Redemption Date	Redemption Price
Water Series 1997C				
November 1, 2011	\$160,000	5.000%	August 13, 2010	100.00
November 1, 2012	<u>165,000</u>	5.000	August 13, 2010	100.00
Sub-Total	\$325,000			
Water Series 1998C				
November 1, 2011	\$135,000	4.500	August 13, 2010	100.00
November 1, 2012	145,000	4.600	August 13, 2010	100.00
November 1, 2013	<u>150,000</u>	4.700	August 13, 2010	100.00
Sub-Total	\$430,000			
Water Series 1999B				
November 1, 2011	\$120,000	5.000	August 13, 2010	101.00
November 1, 2012	130,000	5.000	August 13, 2010	101.00
November 1, 2013	135,000	5.000	August 13, 2010	101.00
November 1, 2014	<u>140,000</u>	5.000	August 13, 2010	101.00
Sub-Total	\$525,000			
Water Series 2000B				
December 1, 2011	\$100,000	4.875	December 1, 2010	100.00
December 1, 2012	105,000	5.000	December 1, 2010	100.00
December 1, 2013	110,000	5.000	December 1, 2010	100.00
December 1, 2014	120,000	5.100	December 1, 2010	100.00
December 1, 2015	<u>125,000</u>	5.200	December 1, 2010	100.00
Sub-Total	\$560,000			
Water Series 2007				
December 1, 2010	\$12,500	4.340	August 13, 2010	100.00
June 1, 2011	12,500	4.340	August 13, 2010	100.00
December 1, 2011	12,500	4.340	August 13, 2010	100.00
June 1, 2012	12,500	4.340	August 13, 2010	100.00
December 1, 2012	12,500	4.340	August 13, 2010	100.00
June 1, 2013	12,500	4.340	August 13, 2010	100.00
December 1, 2013	12,500	4.340	August 13, 2010	100.00
June 1, 2014	12,500	4.340	August 13, 2010	100.00
December 1, 2014	103,000	4.340	August 13, 2010	100.00
June 1, 2015	105,300	4.340	August 13, 2010	100.00
December 1, 2015	153,900	4.340	August 13, 2010	100.00
June 1, 2016	157,200	4.340	August 13, 2010	100.00
December 1, 2016	258,800	4.340	August 13, 2010	100.00
June 1, 2017	264,400	4.340	August 13, 2010	100.00
December 1, 2017	380,100	4.340	August 13, 2010	100.00
June 1, 2018	388,300	4.340	August 13, 2010	100.00
December 1, 2018	396,400	4.340	August 13, 2010	100.00
June 1, 2019	405,000	4.340	August 13, 2010	100.00
December 1, 2019	412,400	4.340	August 13, 2010	100.00
June 1, 2020	421,400	4.340	August 13, 2010	100.00
December 1, 2020	430,000	4.340	August 13, 2010	100.00
June 1, 2021	<u>439,300</u>	4.340	August 13, 2010	100.00
Sub-Total	\$4,415,500			
GRAND TOTAL	\$6,255,500			

* Preliminary, subject to change

The Sewer Refunding Project

General – Simultaneously with the delivery of the 2010D Bonds, the City will have entered into the Escrow Agreement with the Escrow Bank to provide for the defeasance of the Refunded Sewer Bonds. The Sewer Bond Ordinance creates the Escrow Account which is to be held pursuant to the Escrow Agreement by the Escrow Bank into which certain proceeds of the 2010D Bonds, as set forth above, will be deposited and applied solely to the payment of the Refunded Sewer Bonds.

Upon receipt of such proceeds, the Escrow Bank, pursuant to the Escrow Agreement, will invest such proceeds in Federal Securities, maturing in amounts and bearing interest at rates which, without reinvestment, will be sufficient to pay the principal of the Refunded Sewer Bonds, and redemption premiums, together with accrued interest thereon. Specific details of the Refunded Sewer Bonds are set forth in the table below. The Escrow Account, including the interest earnings on the Federal Securities, is pledged solely for the benefit of the holders of the Refunded Sewer Bonds subject to the terms of the Escrow Agreement. The Escrow Bank is required by the Escrow Agreement to hold and administer the Escrow Account and is required to apply the maturing principal of and interest on the Federal Securities to payments of principal, interest and the redemption premiums (if any) on the Refunded Sewer Bonds as they become due on the redemption dates.

PLAN OF SEWER BOND REFUNDING*

Refunded Bonds	Amount	Coupon	Redemption Date	Redemption Price
Sewer Series 1998D				
November 1, 2011	\$95,000	4.500%	August 13, 2010	100.00
November 1, 2012	\$100,000	4.600	August 13, 2010	100.00
November 1, 2013	<u>105,000</u>	4.700	August 13, 2010	100.00
Sub-Total	\$300,000			
Sewer Series 2000A				
December 1, 2011	\$210,000	4.875	December 1, 2010	100.00
December 1, 2012	220,000	5.000	December 1, 2010	100.00
December 1, 2013	230,000	5.000	December 1, 2010	100.00
December 1, 2014	245,000	5.100	December 1, 2010	100.00
December 1, 2015	<u>255,000</u>	5.200	December 1, 2010	100.00
Sub-Total	<u>\$1,160,000</u>			
GRAND TOTAL	\$1,460,000			

Verification of Mathematical Computations

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the federal securities and cash deposited in the Escrow Account to provide for the payment of the principal and interest with respect to the Refunded Water Bonds and the Refunded Sewer Bonds when due or upon prior redemption, which computations support the conclusion of Bond Counsel that the neither 2010B Bonds nor the 2010D Bonds are "arbitrage bonds" under Section 148 of the Tax Code, will be verified by Causey, Demgen & Moore Inc., independent certified public accountants, Denver, Colorado.

LEGAL MATTERS

Police Power

The obligations of the City are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power and powers of taxation inherent in the sovereignty of the State, and to the exercise by the United States of the powers delegated to it by the Federal Constitution (including bankruptcy).

Litigation

There are suits pending in courts within the State to which the City is a party. In the opinion of the District Attorney, however, there is no litigation or controversy of any nature now pending, or to the knowledge of the District Attorney, threatening (a) to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or (b) in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Further, the District Attorney is of the opinion that current litigation facing the City will not materially affect the City's ability to perform its obligations to the owners of the Bonds.

Pursuant to State law, specifically NRS 41.035, an award for damages in an action sounding in tort against the City may not exceed \$75,000.00, exclusive of interest, to or for the benefit of any claimant for each cause of action. (This limitation does not apply to contract claims.) The limitation will increase to \$100,000.00 for each cause of action effective October 1, 2011. An award may not include any amount as exemplary or punitive damages. Such limitation does not apply to federal law and actions such as civil liability actions under 42 U.S.C. § 1983 brought under federal law and actions under the Americans with Disabilities Act of 1990 or to actions in other states.

Legal Opinion

The legal opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, Reno, Nevada as to the validity and enforceability of the Bonds will be made available to the underwriter at the time of original delivery. The forms of the Bond Counsel opinions are attached to this Official Statement as Appendix E.

TAX MATTERS

Federal Tax Matters

The 2010A and 2010C Bonds

2010A and 2010C Bonds – In the opinion of Bond Counsel interest on the 2010A and 2010C Bonds is included in gross income for federal income tax purposes pursuant to the Tax Code. The City has designated the 2010A and 2010C Bonds as "Build America Bonds" pursuant to Section 54AA(d)(1) of the Tax Code. Pursuant to Section 54AA(g)(2) of the Tax Code, the City has elected to receive a credit in connection with the 2010A and 2010C Bonds. The owners of the 2010A and 2010C Bonds will not receive a tax credit as a result of holding the 2010A and 2010C Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2010A and 2010C Bonds. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2010A and 2010C Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code.

Any tax advice concerning the 2010A and 2010C Bonds, interest on the 2010A and 2010C Bonds or any other federal income tax issues associated with the 2010A and 2010C Bonds, express or implicit in the provisions of this Official Statement, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Service. This document supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The IRS has announced its intention to send a compliance questionnaire to every issuer of Build America Bonds, which is expected to include the City. The questionnaire is expected to solicit information regarding the use of the proceeds of the Build America Bonds on capital expenditures; however, the IRS also may examine the 2010A and 2010C Bonds for other reasons. If the IRS preliminarily determines that the 2010A and 2010C Bonds are not qualified Build America Bonds, it intends to suspend the payment of the BAB Credits to issuers even before a final determination of the qualification of the 2010A and 2010C Bonds. The IRS has not published any guidance with respect to Build America Bonds; however, the IRS may revoke the qualification of the 2010A and 2010C Bonds as Build America Bonds retroactive to their date of issuance, and may require the City to repay to the U.S. Treasury all BAB Credits which have been paid prior to the final determination.

The 2010B and 2010D Bonds

2010B and 2010D Bonds – In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2010B and 2010D Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Tax Code, and interest on the 2010B and 2010D Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The Tax Code imposes several requirements which must be met with respect to the 2010B and 2010D Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2010B and 2010D Bonds. These requirements include: (i) limitations as to the use of proceeds of the 2010B and 2010D Bonds; (ii) limitations on the extent to which proceeds of the 2010B and 2010D Bonds may be invested in higher yielding investments; and (iii) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2010B and 2010D Bonds above the yield on the 2010B and 2010D Bonds to be paid to the Treasury. The City will covenant and represent in the Bond Ordinances that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 2010B and 2010D Bonds from gross income and alternative minimum taxable income under such federal income tax laws. Bond Counsel's opinion as to the exclusion of interest on the 2010B and 2010D Bonds from gross income and alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the City to comply with these requirements could cause the interest on the 2010B and 2010D Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the City and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2010B and 2010D Bonds. Owners of the 2010B and 2010D Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security, or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States, and certain "subchapter S" corporations may result in adverse federal tax consequences. Under Section 3046 of the Tax Code, backup withholding may be imposed on payments of the 2010B and 2010D Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner under reports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such certificate is required by the Tax Code. Certain of the 2010B and 2010D Bonds may be sold at a premium, representing a difference between the original offering price of those 2010B and 2010D Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such 2010B and 2010D Bonds (if any) may realize a taxable gain upon their disposition, even though such 2010B and 2010D Bonds are sold or redeemed for an amount equal to the acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest on the 2010B and 2010D Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the 2010B and 2010D Bonds. Owners of the 2010B and 2010D Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the 2010B and 2010D Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the 2010B and 2010D Bonds, the exclusion of interest on the 2010B and 2010D Bonds from gross income and alternative minimum taxable income or any combination thereof from the date of issuance of the 2010B and 2010D Bonds or any other date, or which could result in other adverse federal tax consequences. In addition, future court actions on regulatory decisions could affect the market value of the 2010B and 2010D Bonds. Owners of the 2010B and 2010D Bonds are advised to consult with their own tax advisors with respect to such matters.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the IRS will commence an audit of the 2010B and 2010D Bonds. If an audit is commenced, the market value of the 2010B and 2010D Bonds may be adversely affected. Under current procedures the IRS will treat the City as the taxpayers and the Bond owners may have no right to participate in such procedure. The City has covenanted in the Bond Ordinances not to take any action that would cause the interest on the 2010B and 2010D Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income. None of the City, the Financial Advisor, the Underwriter or Bond Counsel is responsible for paying or reimbursing any Bond holder for any audit or litigation costs relating to the 2010B and 2010D Bonds.

State Tax Exemption

In the opinion of Bond Counsel, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

BOND RATINGS

The City has received ratings on the Bonds from Standard and Poor's Rating Group ("S&P") of '___' and from Moody's Investors Service ("Moody's") of '___'. The ratings reflect the rating agency's current assessment of the creditworthiness of the City. The ratings reflect only the view of the rating agency. An explanation of the significance of any rating given by S&P may be obtained from S&P at 1221 Avenue of the Americas, New York, NY 10020 and from Moody's at 99 Church Street, New York, New York 10007.

There is no assurance that such ratings will continue for any given period of time after they are received or that they will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Other than the City's obligations under the Disclosure Certificate, the City, the Underwriter, or the Financial Advisor have not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such a rating or to oppose any such proposed revision. Any such change in or withdrawal of the rating could have an adverse effect on the marketability or market price of the Bonds.

INDEPENDENT AUDITORS

Excerpts from the Comprehensive Annual Financial Report of the City as of and for the year ended June 30, 2009 included hereto as Appendix B, has been audited by Kafoury, Armstrong & Co., certified public accountants.

FINANCIAL ADVISOR

JNA Consulting Group, LLC, 1400 Wyoming Street, Suite 3, Boulder City, Nevada 89005, 702-294-5100 ("Financial Advisor") is serving as financial advisor to the City in connection with the Bonds. The Financial Advisor has not audited, authenticated, or otherwise verified the information set forth in the Official Statement, or any other related information set forth in the Official Statement, or any other information available to the City, with respect to the accuracy and completeness of disclosure of such information, and no guarantee, warranty, or other representation is made by the Financial Advisor respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

UNDERWRITING

The 2010A Bonds were sold to Piper Jaffray & Co. (the "Underwriter") at negotiated sale for \$_____ (representing the par amount of the 2010A Bonds less an underwriter's discount of \$_____). The 2010B Bonds were sold to the Underwriter at negotiated sale for \$_____ (representing the par amount of the 2010B Bonds less an underwriter's discount of \$_____ and plus a reoffering premium of \$_____). The 2010C Bonds were sold to the Underwriter at negotiated sale for \$_____ (representing the par amount of the 2010C Bonds less an underwriter's discount of \$_____). The 2010D Bonds were sold to the Underwriter at negotiated sale for \$_____ (representing the par amount of the 2010D Bonds less an underwriter's discount of \$_____ and plus a reoffering premium of \$_____). The Bond Purchase Agreements provide that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreements. The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields below those stated on pages i-iv of this Official Statement. The offering prices or yields may be changed from time to time by the Underwriter.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

MISCELLANEOUS

Additional information is available from the City's Finance Director, Carson City, 201 North Carson Street, Carson City, Nevada 89701, (775) 887-2133, or the City's Financial Advisor, JNA Consulting Group, LLC, 1400 Wyoming Street, Suite 3, Boulder City, Nevada 89005 (702) 294-5100.

Any statements made in this Official Statement involving matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, are set forth as such and not as presentations of fact and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

The summaries of certain provisions of the Bonds, the Nevada statutes and other documents referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies of such documents are available for review by making requests to the office of the City's Finance Director.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of the Official Statement.

CARSON CITY, NEVADA

/s/ _____

Finance Director

APPENDIX A

CARSON CITY, NEVADA

General

The City is situated in northwestern Nevada 30 miles south of Reno and 14 miles east of Lake Tahoe. Formerly the county seat of Ormsby County, the City and Ormsby County were made a consolidated municipality on July 1, 1969. It is the capital and seat of State government. The total area of the municipality is 146 square miles, of which federal and State government agencies control 55 percent.

The City provides its citizens with police and fire protection, health and social services, public improvements, planning and zoning, water and sewer utilities and governmental services.

Board of Supervisors

Organized under a charter granted by the State Legislature, the City is governed by a Board of Supervisors (the "Board") composed of a Mayor, who is elected at large, and four supervisors. Each supervisor represents one of the City's wards and must reside within that ward. The Board meets on the first and third Thursdays of each month in the Sierra Room of the Carson City Community Center, 851 East Williams Street.

The current members of the Board and their terms of office are as follows:

	Term Expiration
Robert L. Crowell, Mayor	January 2013
Robin Williamson, Ward 1	January 2011
Shelly Aldean, Ward 2	January 2013
Pete Livermore, Ward 3	January 2011
Molly Walt, Ward 4	January 2013

Administration

The City Manager is appointed by the Board and oversees the day-to-day operations of the City. He is charged with performing administrative duties assigned by the Board and may appoint clerical and administrative assistants as he deems necessary, subject to the approval of the Board.

LAWRENCE WERNER, *City Manager* – Mr. Werner, was born in Smith, Nevada and moved to Carson City in 1959. He is a graduate of Carson High and the University of Nevada, Reno with a Bachelor of Science in Civil Engineering. Mr. Werner is a registered Civil Engineer and Land Surveyor in the states of Nevada and Washington and a registered Water Rights Surveyor in the State of Nevada. He is a member of the American Public Works Association, the Nevada Association of Land Surveyors, and the American Water Works Association.

He has worked in various Public Works positions throughout Nevada as well as with the City of Puyallup, Washington where he held the positions of Public Works Director, Assistant City Manager, and Interim City Manager. He returned to the Northern Nevada area and served for a short term as Public Works Director for Douglas County, Nevada. He worked for a time in the private sector as a partner and Seattle office manager for Vasey Engineering Company and later, the firm of Berryman and Henigar and established the Minden office of Lumos and Associates. Mr. Werner returned to Carson City in 2000 as City Engineer. Mr. Werner was appointed City Manager in February 2008.

ALVIN P. KRAMER, *City Treasurer* – A native of the City area, Mr. Kramer began his first elected term as Treasurer in January 1995. Prior to this position, he served as the Deputy Treasurer for Operations for the State. Before entering government service, he worked in various supervisory accounting and data processing positions. Mr. Kramer earned his Masters in Business Administration from Claremont Graduate School of Claremont, California, and a Bachelor of Science in business from Brigham Young University.

NICK PROVIDENTI, *Finance Director* – Nick Providenti was appointed Finance Director/Controller in January, 2008. He has worked for Carson City for the past 19 years, including 9 years as Senior Accounting Manager in the Finance Department and 7 years as Senior Property Appraiser in the Assessor's Office. Prior to his work in Carson City, he spent 5 years in Public Accounting. He received his Bachelor of Business Administration Degree in Accounting from the University of Texas at El Paso and is a Certified Public Accountant.

Employee Relations and Pension Benefits

The City considers its relations with its employees to be good. As of May 1, 2010 the City had approximately 1,146 employees (both regular and hourly). The City is an equal opportunity employer with six employee bargaining units which under State law are permitted to negotiate but are prohibited from striking. The City currently has multiyear contracts with each of these six units. The Carson City Employees Association contract extends to June 30, 2012, the Sheriff's Protection Association extends to June 30, 2011, the Sheriff's Sergeants Association contract extends to June 30, 2011, and the Sheriff's Lieutenants Association contract extends to June 30, 2012. The Firefighter's Association contract is effective until June 30, 2014 and the Fire Department Classified Chief Officers Association contract is effective until June 30, 2014.

The State's Public Employees' Retirement System (the "System" or the "Plan") covers substantially all public employees of the State, its agencies and its political subdivisions, including the City. The System, established on July 1, 1948 by the State Legislature, is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. Retirement Board members serve for a term of four years. All public employees who meet certain eligibility requirements participate in the System, which is a cost sharing multiple-employer defined benefit plan.

All public employees employed in positions which are half-time or more are mandated by State law to participate in the Plan. Benefits are fully vested with five years of service. Vested members are entitled to a life-time monthly retirement benefit equal to 2.5% of a member's average compensation for each year of service (to a maximum of 30 years) earned before July 1, 2001 and 2.67% for each year of service earned on or after July 1, 2001. Average compensation is the average of the member's highest compensation for 36 consecutive months. The plan also provides death and disability benefits. Benefits are established by State statute.

Members of the System with five years of service are eligible to retire at 65. Regular members with ten or more years of service can receive an unreduced benefit at age 60 or older. Members with 30 or more years of service can retire at any age without penalty. Police and fire members with ten or more years of police/fire service credit can receive an unreduced benefit at age 55 or older, members with 20 or more years of police/fire service credit can receive an unreduced benefit at age 50 or older and police/fire members can retire at any age with 25 years of service.

The City does not exercise any control over the Plan. NRS 286.110 states that: "Respective participating public employers are not liable for any obligation of the System."

Plan benefits are funded under one of two methods. Under the employer pay contribution plan, the City is required to contribute all amounts due under the plan. The rate for those contributions was 20.5% for regular members and 33.5% for police and fire employee members on all covered payroll. The second funding mechanism for providing benefits to regular employees is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the plan, while the City is required to match that contribution. The rate for regular employees under this plan was 10.5%. The contribution requirements of the plan are established by NRS Chapter 286 and may only be amended through legislation. The City's contributions to PERS for the years ended June 30, 2007, 2008 and 2009 were \$7,951,803, \$8,523,859, and \$8,849,179, respectively. The contribution rates for the years ended June 30, 2009 and June 30, 2008 were the same as disclosed above. The contribution rates for the year ended June 30, 2007 were 19.75% for regular employees, 32% for police and fire employees under the employer paid plan, and 10.50% for regular employees under the employer / employee paid plan. Effective July 17, 2009, the contribution rates increased to 21.5% for regular employees, 37% for police and fire employees under the employer paid plan, and 11.25% for regular employees under the employer / employee paid plan. See Notes 4D and 4E in Appendix B for a summary description of the Plan. In addition, copies of the most recent audited financial statements for the System are available from the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, telephone: (775) 687-4200.

FINANCIAL INFORMATION

Annual Reports

The City Finance Director prepares a comprehensive annual financial report setting forth the financial condition of the City as of June 30 of each fiscal year. The latest completed report is for the year ended June 30, 2009. See Appendix B – Carson City, Nevada Excerpt From the Comprehensive Financial Report, June 30, 2009. This excerpt includes the independent auditor's report and the general purpose financial statements. It does not include additional information contained in the comprehensive annual financial report, such as individual fund financial statements and statistical data. (That information may only be obtained through reviewing the entire comprehensive annual financial report.) The comprehensive annual financial report is the official financial report of the City. It is prepared following generally accepted accounting principles. See Appendix B for significant accounting policies and exceptions.

The excerpt from the Comprehensive Annual Financial Report of the City as of and for the year ended June 30, 2009, included hereto as Appendix B, has been audited by Kafoury, Armstrong & Co., Reno, Nevada, independent certified public accountants.

Certificate of Achievement and Distinguished Budget Presentation Award

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2009. This is the twentieth consecutive year that the City has received this recognition. A certificate of achievement is valid for a period of one year only.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The GFOA also awarded the City the Distinguished Budget Presentation Award for their fiscal year 2009-2010 Budget. In order to qualify for this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This is the twenty-second consecutive year the City received this award from GFOA.

Budgeting

Prior to April 15 of each year, the City is required to submit to the State Department of Taxation the tentative budget for the next fiscal year which commences on July 1. The tentative budget contains the proposed expenditures and means of financing them. After reviewing the tentative budget, the State Department of Taxation is required to notify the City upon its acceptance of the budget.

Following acceptance of the proposed budget by the State Department of Taxation, the Board is required to conduct public hearings on the third Monday in May. The Board normally is required to adopt the final budget on or before June 1.

The City is authorized to transfer budgeted amounts within functions or funds, but any other transfers must be approved by the Board. Increases to a fund's budget other than by transfers are accomplished through formal action of the Board. With the exception of monies appropriated for specific capital projects or Federal and State grant expenditures, all unencumbered appropriations lapse at the end of the fiscal year.

Accounting

All governmental funds are accounted for using the modified accrual basis of accounting in which revenues are recognized when they become measurable and available as net current assets. Sales and use taxes, motor vehicle fuel taxes and privilege taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Property taxes are considered measurable when received by the City.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due and the liability for compensated absences is generally recorded at year end.

All proprietary funds are accounted for using the accrual basis of accounting in which revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled service receivables are recorded at year end. See Note 1 in Appendix B for a more detailed description of significant accounting principles.

Investment Policy

The City pools cash and investment resources of its various funds in order to facilitate the management of its cash and investments. The City's investment policy is generally more restrictive than the statutory authority. See Notes 2 and 3 in Appendix B for a more detailed description of the City's investments and investment practices.

General Fund

The purpose of the General Fund is to finance the ordinary operations of the City (including debt service to the extent that any property tax revenues are not sufficient to service outstanding debt) and to finance those operations not provided for in other funds. Included are all transactions related to the approved current operating budget, its accompanying revenue, expenditures and encumbrances, and its related asset, liability, and fund equity accounts.

The majority of the operating revenues of the City are derived from sales and use taxes, property taxes and intergovernmental revenues.

The City's General Fund expenditures are dominated by a variety of mandated functions. These include support of the court system, public safety (i.e., police, fire protection and detention services) and several general government services. In addition, the City provides local social and welfare services and institutional youth services. The City supervises water and sewer systems throughout the City. Expenditures are appropriated for on the basis of the demand for the service, subject to funding constraints.

The table on the following page presents a record of revenues and expenditures associated with the City's General Fund. Also see Appendix B – Carson City, Nevada, Excerpt From Comprehensive Annual Financial Report.

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GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Carson City, Nevada

Fiscal Year Ending June 30	2005 (Audited)	2006 (Audited)	2007 (Audited)	2008 (Audited)	2009 (Audited)	2010 (Budgeted)
REVENUES:						
Property Taxes	\$10,787,005	\$11,164,336	\$12,492,864	\$13,359,942	\$14,203,996	\$15,173,223
Licenses & Permits	5,688,240	6,191,477	6,183,388	7,089,496	7,348,090	7,139,400
Consolidated Tax	25,661,323	26,808,073	25,944,779	23,442,872	19,969,586	20,617,345
Other Intergovernmental	3,868,305	582,289	668,200	589,619	757,134	613,753
Charges for Services	6,822,554	7,182,916	7,868,594	12,894,369	10,746,400	11,467,231
Fines & Forfeits	847,606	947,605	825,900	938,827	967,389	913,000
Miscellaneous	<u>762,005</u>	<u>853,773</u>	<u>1,564,918</u>	<u>2,099,668</u>	<u>1,903,975</u>	<u>1,210,780</u>
TOTAL REVENUES	54,437,038	53,730,469	55,548,643	60,414,793	55,896,570	57,134,732
EXPENDITURES:						
General Government	12,012,590	12,279,270	13,120,595	12,815,887	13,079,836	13,870,958
Public Safety	22,532,451	22,331,714	23,786,322	24,399,880	25,517,170	26,968,357
Judicial	2,984,486	3,379,561	3,547,132	4,359,077	4,750,563	4,915,107
Public Works	2,675,588	2,577,865	3,032,079	2,721,453	2,275,764	2,141,440
Health & Sanitation	1,284,469	1,158,981	1,492,098	4,825,451	3,369,413	3,476,103
Welfare	431,953	344,677	336,854	357,864	349,746	382,174
Culture & Recreation	5,930,933	6,479,361	6,244,911	6,019,861	5,739,053	6,192,982
Community Support	381,162	15,427,078	566,796	419,499	345,199	462,813
Economic Opportunity	<u>342,387</u>	<u>3,872,489</u>	<u>236,465</u>	<u>329,432</u>	<u>2,000,000</u>	<u>1,920,000</u>
TOTAL EXPENDITURES	48,576,019	67,850,996	52,363,252	56,248,404	57,426,744	60,329,934
OTHER FINANCING SOURCES/(USES):						
Bond Proceeds	0	15,031,221	0	0	0	0
Other	85,749	20,052	55,770	11,228	53,467	0
Sales of Surplus Property	4,513	0	0	0	0	0
Contingency ¹	0	0	0	0	0	(500,000)
Operating Transf. In/(Out) ²	<u>(6,285,663)</u>	<u>(1,630,864)</u>	<u>(2,465,304)</u>	<u>(1,535,354)</u>	<u>(1,354,032)</u>	<u>737,721</u>
TOTAL OTHER FINANCING SOURCES/(USES)	(6,195,401)	13,420,409	(2,409,534)	(1,524,126)	(1,300,565)	237,721
Revenues & Other Sources Over/(Under) Expenditures & Other Uses	(334,382)	(700,118)	775,857	2,642,263	(2,830,739)	(2,957,481)
BEGIN. FUND BALANCE	11,933,363	11,598,981	10,898,863	11,674,720	14,316,983	11,486,244
Prior Period Adjustment ³	0	0	0	0	0	0
Residual Equity Transf. Out	0	0	0	0	0	0
ENDING FUND BALANCE	\$11,598,981	\$10,898,863	\$11,674,720	\$14,316,983	\$11,486,244	\$8,528,763
Unreserved Portion of Ending Fund Balance	\$11,052,156	\$10,031,382	\$10,881,718	\$13,526,730	\$10,608,258	\$4,522,420

- Footnotes on following page -

¹ A small contingency is provided by NRS 354.608 not to exceed 3% of total expenditures. This is necessary for unforeseen and uncontrollable costs the City may incur over the next year.

² Reflect one time transfers to capital programs of \$3,210,089 in fiscal year 2005, \$1,150,000 in fiscal year 2006, \$46,000 in fiscal year 2007, \$0 in fiscal year 2008, \$0 in fiscal year 2009 and \$0 in fiscal year 2010.

SOURCE: Derived from the City's audits for fiscal years 2005 through 2009 and the City's 2010 final budget

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Debt Service Fund

The following table provides a history and projection of the City's debt service fund. The Debt Service Fund is used to accumulate monies for payment of the City's bonds.

DEBT SERVICE FUND Carson City, Nevada

Fiscal Year Ending June 30	2005 (Audited)	2006 (Audited)	2007 (Audited)	2008 (Audited)	2009 (Audited)	2010 (Budgeted)
REVENUES:						
Property Taxes	\$904,458	\$883,578	\$1,025,570	\$933,909	\$1,611,204	\$1,659,088
Special Assessments	0	0	0	0	0	0
Intergovernmental	408,180	410,520	407,220	408,415	408,835	408,360
Miscellaneous	<u>260,512</u>	<u>239,452</u>	<u>286,922</u>	<u>308,585</u>	<u>94,945</u>	<u>260,000</u>
TOTAL REVENUES	1,573,150	1,533,550	1,719,712	1,650,909	2,114,984	2,327,448
EXPENDITURES:						
Principal	2,576,513	2,725,880	3,056,246	3,038,832	3,549,588	3,367,385
Interest	1,958,684	2,781,863	3,760,620	3,648,497	3,861,652	3,691,749
Bond Issuance Costs	0	0	0	0	0	0
Services and Supplies	0	0	0	0	0	1,500
Fiscal Charges	<u>0</u>	<u>151,048</u>	<u>4,254</u>	<u>2,677</u>	<u>12,267</u>	<u>5,000</u>
TOTAL EXPENDITURES	4,535,197	5,658,791	6,821,120	6,690,006	7,423,507	7,065,634
Excess (Deficiency) of Revenues over Expenditures	(2,962,047)	(4,125,241)	(5,101,408)	(5,039,097)	(5,308,523)	(4,738,186)
OTHER FINANCING SOURCES/(USES):						
Operating Transfers In	2,513,256	4,236,311	5,476,634	5,716,801	6,483,444	6,453,953
Operating Transfers Out	(285,000)	(411,500)	(629,555)	(575,000)	(1,122,000)	(1,440,902)
Bond/Loan Proceeds	0	9,973,009	0	0	0	0
Payment to Escrow Agent	<u>0</u>	<u>(9,884,613)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES/(USES)	2,228,256	3,913,207	4,847,079	5,141,801	5,361,444	5,013,051
Excess/(deficiency) of Revenues over Expend.	(733,791)	(212,034)	(254,329)	102,704	52,921	274,865
BEGINNING FUND BALANCE	\$2,381,383	\$1,647,592	\$1,435,558	\$1,181,229	\$1,283,933	\$1,336,854
Residual Transfer in/(out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
ENDING FUND BALANCE	\$1,647,592	\$1,435,558	\$1,181,229	\$1,283,933	\$1,336,854	\$1,611,719

SOURCE: Derived from the City's audits for fiscal years 2005 through 2009 and the City's 2010 final budget

Risk Management

General Liability – The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. The City has joined together with similar public agencies (cities, counties and special districts) throughout the State to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Insurance Pool ("NPAIP") is a public entity risk pool currently operating as a common risk management and insurance program for its members. The City pays an annual premium and is subject to a \$100,000 deductible per occurrence. In addition, the City has designated \$200,000 of the Insurance Fund equity as a catastrophic reserve. NPAIP is considered a self-sustaining risk pool that will provide coverage for its members up to \$200,000/\$350,000 per insured event. NPAIP obtains independent coverage for insured events in excess of these limits. Other coverage currently held by the City, including airport liability, boiler and machinery and bonds on public officials, are insured without a deductible. In addition, certain automobile damage is self-insured by the City.

Workers' Compensation – Effective July 1, 2003, the City is fully insured for workers compensation through the Public Agency Compensation Trust (PACT). The City pays an annual premium and there are no deductibles. The PACT is considered a self-sustaining risk pool that will provide coverage for insured events in excess of these limits. The City retains liability for claims for the period from July 1, 1992 to June 30, 2003 when the City was self-insured. Settlements have not exceeded coverages in any of the past three fiscal years.

Post Employment Benefits – **[update in progress]** In addition to the pension benefits described in Note 4E of Appendix B, the City provides for a portion of post retirement health care benefits, in accordance with Carson City Administration Policy No. 3, to all employees who have been full-time, permanent employees for 10 or more years and have served 5 years immediately prior to retirement with the City. They must also be eligible to draw retirement benefits in accordance with the policies set forth under the Retirement Board regulations, be insurable under the eligibility requirements established by the City's insurance carrier, have been covered under a City paid group insurance program other than Industrial Insurance, and have been favorably terminated from City services. The City reimburses a portion of the monthly premium paid to the group insurance company at a rate of \$6 per month for each year of service up to the total cost of the premium. The City accounts for and finances these benefits on a pay-as-you-go basis. Currently, __ retirees are receiving these benefits. Expenditures of \$_____ were recognized for the portion paid by the City for post retirement health care for the fiscal year ended June 30, 2009. There are __ retirees deducting medical insurance premiums from their pension benefits. Such deductions were in the amount of \$_____ during the fiscal year ended June 30, 2009.

Property Tax Base and Tax Roll Collection

The State Department of Taxation reports the total assessed valuation of property within the City for the fiscal year ending June 30, 2010 to be \$1,827,072,632 (excluding the Carson City Redevelopment Authority) which represents a 0.88% decrease from the \$1,843,246,997 reported for the prior fiscal year. For fiscal year ending June 30, 2011, the reported assessed valuation is \$1,688,143,535, a 7.60% decrease from fiscal year 2010. State law requires that the assessors reappraise at least once every five years all real and secured personal property (other than certain utility owned property which is centrally appraised and assessed by the Nevada Tax Commission). While the law provides that in years in which the property is not reappraised, the County Assessor is to apply a factor representing typical changes in value in the area since the preceding year. State law requires that property be assessed at 35% of taxable value, which percentage may be adjusted upward or downward by the State Legislature. Based upon the assessed valuation for the fiscal year 2010, the taxable value of all taxable property within the City is \$5,220,207,520.

"Taxable value" is defined in the statutes as the full cash value in the case of land and as the replacement cost less straight-line depreciation in the case of improvements to land and in the case of taxable personal property, replacement value less depreciation in accordance with the regulations of the Nevada Tax Commission but in no case an amount in excess of the full cash value. Depreciation of improvements to real property must be calculated at 1.5 percent of the cost of replacement for each year of adjusted actual age up to a maximum of fifty years.

The following table provides a record of the assessed valuation in the City.

ASSESSED VALUATION
Carson City, Nevada

Fiscal Year	Total Assessed Valuation ¹	Percent Change
2006	\$1,204,395,768	6.98%
2007	1,433,303,610	19.01
2008	1,612,389,852	12.49
2009	1,843,246,997	14.32
2010	1,827,072,632	-0.88
2011	1,688,143,535	-7.60

¹ Excludes Carson City Redevelopment Agency.

SOURCE: State Department of Taxation, Property Tax Rates for Nevada Local Governments, fiscal years 2006-2010, Local Government Revenue Projections Final, March 15, 2010

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In Nevada, county assessors are responsible for assessments in the counties except for property centrally assessed by the State. County treasurers (in the case of the City, the City Treasurer) are responsible for the collection of property taxes, and forwarding the allocable portions thereof to the overlapping taxing units within the counties.

The City's tax roll collection record appears in the following table.

TAX LEVIES, COLLECTIONS AND DELINQUENCIES¹
 Carson City, Nevada
 As of April 30, 2010
 (in 000's)

Fiscal Year Ending June 30	Net Levy Roll	Current Taxes Collected	% of Net Levy Collected	Delinquent Taxes Collected	Total Tax Collections	Total Taxes Collected as a % of Net Levy ²
2005	\$27,274	\$27,054	99.19%	\$193	\$27,247	99.90%
2006	28,436	28,213	99.22	135	28,348	99.69
2007	30,839	30,592	99.20	166	30,758	99.74
2008	32,957	32,585	98.87	260	32,845	99.66
2009	35,546	34,860	98.07	302	35,162	98.92
2010 ³	37,826	36,769	97.21	310	37,079	98.03

¹ Represents the real property tax roll levies and collections; levy does not include personal property.

² Figured on collections to net levy (actual levy, less stricken taxes).

³ Does not reflect a full year's collections; as of April 30, 2010.

SOURCE: The City Treasurer's Office

Taxes on real property are due on the first Monday in August and can be paid in quarterly installments on or before that date and the first Mondays in October, January and March. Penalties are assessed if any taxes are not paid within ten days of the due date as follows: 4% of the delinquent amount if one quarterly installment is delinquent, 5% of the delinquent amount plus accumulated penalties if two quarterly installments are delinquent, 6% percent of the delinquent amount plus accumulated penalties if three installments are delinquent and 7% of the delinquent amount plus accumulated penalties if four installments are delinquent. In the event of nonpayment, the county treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with interest at the rate of 10 percent per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the county treasurer obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the county treasurer may sell the property to satisfy the tax lien and assessments by local governments for improvements to the property.

The following chart represents the ten largest taxpayers in the City and the respective assessed values of the property for the 2010 fiscal year. No independent investigation has been made of, and consequently there can be no representation as to the financial conditions of the taxpayers listed, or that such taxpayers will continue to maintain their status as major taxpayers based on the assessed valuation of their property in the City.

TEN LARGEST TAXPAYERS
Fiscal Year 2010
Carson City, Nevada

Taxpayer	Type of Business	Assessed Value	% of Total Assessed Value ¹
Southwest Gas Corp	Gas Distribution	\$17,070,483	0.93%
Serpa, John	Developer	16,665,163	0.91
Sierra Pacific Power	Electric Utility	15,764,380	0.86
Millard, Dwight	Developer	14,798,390	0.81
Carson-Tahoe Hospital	Healthcare Provider	14,621,042	0.80
Carson Gaming	Casino/Entertainment	11,365,937	0.62
Cubix/Ormsby	Developer	8,799,855	0.48
Richards, Garth	Developer	7,612,528	0.42
Hone, Doug & Kathleen	Property Mgmt/Developer	7,499,426	0.41
AT&T Nevada	Telecommunications	<u>7,226,667</u>	<u>0.40</u>
TOTAL		\$121,423,871	6.65%

¹ Based on the total 2010 assessed valuation for the City of \$1,827,072,632; excludes Carson City Redevelopment Agency.

SOURCE: The City Assessor's Office

Property Tax Abatement Provisions

Constitutional Amendment – At the November 5, 2002, election, the State's voters approved an amendment to the State constitution authorizing the State Legislature to enact a law providing for an abatement of the tax upon or an exemption of part of the assessed value of an owner-occupied single-family residence to the extent necessary to avoid severe economic hardship to the owner of that residence.

The legislation implementing that amendment provides that the owner of a single-family residence may file a claim with the county assessor to postpone the payment of all or part of the property tax due against his residence if (among other requirements): the residence has an assessed value of not more than \$175,000; the property owner does not own any other real property in the State with an assessed value of more than \$30,000; the owner is not in bankruptcy; the owner owes no delinquent property taxes on the residence; the owner has suffered severe economic hardship caused by circumstances beyond his control (such as illness or a disability expected to last for at least 12 continuous months); and the total annual income of the owner's household is at or below the federally designated poverty level. The amount of tax that may be postponed may not exceed the amount of property tax that will accrue against the residence in the succeeding three fiscal years. Any postponed property tax (and any penalties and the interest that accrued as provided in the statute) constitutes a perpetual lien against the residence until paid. The postponed tax becomes due and payable if: the residence ceases to be occupied by the claimant or is sold; any non-postponed property tax becomes delinquent; if the claimant dies; or on the date upon which the postponement expires, as determined by the county treasurer. To date, the City Treasurer had not received any requests for postponement of payment of property tax due to severe economic hardship.

Required Property Tax Abatements

The Abatement Act (defined below) constitutes a significant limitation on City property tax revenues generally.

General – In 2005, the Legislature approved legislation (the "Abatement Act") requiring reductions ("abatements") of ad valorem taxes imposed on property in certain situations. In the Abatement Act, the Legislature determined that year-to-year increases in property tax bills exceeding three percent constitute a severe economic hardship to homeowners and that the State constitution permits the Legislature to prevent such hardships. The Abatement Act established formulas to determine whether tax abatements are required for property owners (including residential and low-income rental property) in any year. The general impact of the Abatement Act is to limit increases in ad valorem property tax revenues received by any taxing entity on existing property to approximately three percent per year (plus larger increases allowed for non-residential properties). That limitation could negatively impact the finances and operations of the taxing entities in the State, including the City, to an extent that cannot be determined at this time.

The Abatement Act directs the Tax Commission and the Committee on Local Government Finance to adopt regulations for the administration and interpretation of certain of its provisions, and some provisions of the Abatement Act likely will require additional interpretation through legislation, regulation or by the State's courts.

Formulas to Determine Abatements – For existing owner occupied residential properties, an abatement generally is required to reduce the amount of property taxes owed to not more than three percent more than the amount levied in the immediately preceding fiscal year. That same formula applies (as a charitable exemption) to commercial property that qualifies as low-income rental housing. Finally, for all existing properties, an abatement from ad valorem taxation is required to reduce the amount of property taxes owed to no more than an amount determined pursuant to a two-part formula. The first part of the formula requires a determination of the lesser of: (1) the average percentage change in the assessed valuation of all taxable property in the City over the 10-year period immediately preceding the fiscal year in which a levy is to be made; or (2) eight percent. The second part of the formula requires a determination of the percentage equal to twice the increase in the Consumer Price Index for all Urban Consumers, U.S. City Average (All Items) for the immediately preceding calendar year. After making both determinations, the part of the formula that yields the greatest percentage is used to establish the maximum percentage increase (over the prior year) in tax liability for each existing property. This abatement formula also must be applied to existing owner-occupied residential properties and low-income rental properties if it yields a greater reduction in property taxes than the three percent test described above. Unless otherwise provided by a specific statute, if any legislative act imposes a duty on a taxing entity to levy a new ad valorem tax or to increase the rate of an existing ad valorem tax, the amount of any new tax or increase in the rate of the existing tax is exempt from the partial abatement formulas.

In addition to the required abatements, the Abatement Act requires the Nevada Tax Commission to adopt regulations simplifying the procedures to be followed by any business in the State to obtain a reduction in the assessed value of property used to conduct a business if such a reduction is appropriate under the "income approach" to property valuation.

Apportionment of Abatements – If the application of the partial abatement provisions require a reduction in the amount of ad valorem taxes levied in a county for a fiscal year, the Abatement Act requires that the amount of the reduction be allocated among all of the taxing entities and deducted from the amount of ad valorem taxes each taxing entity otherwise would be entitled to receive for that fiscal year. Generally, abatements caused by tax rate increases are to be allocated to the entities that increased their tax rates in proportion to the amount of tax rate increases for each such entity. Other abatements (i.e., those caused by an increase in assessed value) generally are required to be allocated among taxing entities in the same proportion as the rate of ad valorem taxes levied for that taxing entity bears to the total combined rate of all ad valorem taxes levied for that fiscal year. In order to assure that any required abatements apply to all taxing entities uniformly, the Tax Commission has adopted a regulation clarifying that future year abatements resulting from tax rate increases are to be allocated against the entity that would benefit from the tax increase rather than among all entities uniformly.

Recapture of Lost Revenue in Certain Cases – Notwithstanding the abatement provisions discussed above, if the taxable value of any property (a) decreases by 15 percent or more from its taxable value on July 1 of the second year immediately preceding the lien date for the current year; and (b) increases by 15 percent or more from its taxable value for the immediately preceding fiscal year, the amount of ad valorem taxes which would have been collected for the property as a result of that increase in taxable value if not for the required abatement (but excluding any amount attributable to any increase in the taxable value of the property above its taxable value on the date determined pursuant to clause (a) above), must be levied on the property over three fiscal years. The amount of taxes carried forward and levied on any property must be added to the amount of ad valorem taxes each taxing entity would otherwise be entitled to receive in a fiscal year using the allocation formula described above.

Levies for Debt Service – Notwithstanding the abatement provisions discussed above, a taxing entity may, if otherwise authorized by law, increase the rate of an ad valorem tax for the payment of any obligations secured by the proceeds of that tax ("tax-secured obligations") if the entity determines that the additional tax rate is necessary to satisfy those obligations. Pursuant to the Abatement Act, an additional tax rate is deemed necessary if the rate of the ad valorem tax most recently levied for the payment of the tax-secured obligations will not produce sufficient revenue, after considering the effect of the partial abatement, to satisfy those obligations during the next fiscal year. Such an increase in the rate of an ad valorem tax for the payment of tax-secured obligations is exempt from the partial abatement formulas if the obligations for which that increase is imposed are issued (a) before July 1, 2005 or (b) on or after July 1, 2005, if before the issuance of the obligations (1) the governing body of the taxing entity makes a finding that no increase in the rate of an ad valorem tax is anticipated to be necessary for payment of the obligations during their term and (2) the debt management commission of the county approves the finding. The tax rate also may be increased if otherwise authorized by law if voter approval is obtained. However, tax rates which were voter-approved before April 6, 2005, generally are not exempt from the Abatement Act formulas. Any increase in property taxes needed to repay the Bonds is not exempt from partial abatement. However, an increase in taxes is not expected to be needed to repay the Bonds.

Possible Effects on Operating Levies – Under existing State law, limited tax levies must be used to pay debt service on general obligation bonds before being used for operations. Even though increases in the rate of an ad valorem tax for the payment of tax-secured obligations and voter-approved taxes are exempt from the partial abatement formulas, the revenue limits imposed by the Abatement Act may require taxing entities in the State to cut operating revenues, and therefore the services funded by those revenues, to an extent that cannot be determined at this time. In addition, the abatement formulas may cause the statutory maximum combined overlapping tax rate of \$3.64 per \$100 of assessed valuation to be reached sooner than it would otherwise be reached.

Property Tax Limitations

Overlapping Property Tax Caps – Article X, Section 2, of the Constitution of the State limits the total taxes levied by all overlapping governmental units within the boundaries of any county (i.e., the county, the school district, the State, and any other city, town or special district) to an amount not to exceed five cents per dollar of assessed valuation (\$5 per \$100 of assessed valuation) of the property being taxed. Further, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation in all counties of the State, except for certain exceptions that (a) permit a combined overlapping tax rate of up to \$5.00 per \$100 of assessed valuation and (b) permit \$0.02 of the statewide property tax rate per \$100 of assessed valuation not be counted against the \$3.64 cap. However, State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness. In any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation, a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon.

Local Government Property Tax Revenue Limitation – State statutes limit the revenues local governments, other than school districts, may receive from property taxes for purposes other than paying certain general obligation indebtedness which is exempt from such property revenue limits. These revenue limitations do not apply to property taxes levied to repay the Bonds, which are exempt from such property tax revenue limits. This rate is generally limited as follows: The assessed value of property is first differentiated between that for property existing on the assessment rolls in the prior year (old property) and new property. Second, the property tax revenue derived in the prior year is increased by no more than 6% and the tax rate to generate the increase is determined against the current assessed value of the old property. Finally, this tax rate is applied against all taxable property to produce the allowable property tax revenues. This cap operates to limit property tax revenue dependent upon changes in the value of old property and the growth and value of new property.

A local government, other than a school district, may exceed the property tax revenue limitation if the proposal is approved by its electorate at a general or special election. In addition, the Executive Director of the Department of Taxation will add, to the allowed revenue from property taxes, the amount approved by the legislature for the costs to a local government of any substantial programs or expenses required by legislative enactment. In the event sales tax estimates from the Nevada Department of Taxation exceed actual revenues available to local governments, Nevada local governments receiving such sales tax may levy a property tax to make up the revenue shortfall.

State statutes limit the revenues school districts may receive from property taxes for operating purposes. Pursuant to NRS 387.195, each board of county commissioners shall levy a tax of \$0.75 per \$100 of assessed valuation for the support of the public schools within the county. School districts are also allowed additional levies for voter-approved debt service and voter-approved tax overrides for capital projects.

The Nevada Tax Commission monitors the impact of tax legislation on local government services.

The overlapping rates for various areas within the City vary depending on the rates imposed by applicable taxing jurisdictions. For fiscal year 2010, the overlapping taxing rates range from a low of \$3.1270 to a high of \$3.2279. The following table shows the overlapping tax rate in the City.

STATEWIDE AVERAGE AND OVERLAPPING TAX RATES¹
Carson City Nevada

Fiscal Year Ended June 30	2007	2008	2009	2010	2011 ²
Average Statewide Rate	<u>3.1471</u>	<u>3.1526</u>	<u>3.1727</u>	<u>3.2162</u>	
Carson City	1.5075	1.5007	1.7069	1.7070	
Carson City School District	1.2200	1.2200	1.2200	1.2200	
Combined Special Districts	0.1312	0.1311	0.1309	0.1309	
State of Nevada	<u>0.1700</u>	<u>0.1700</u>	<u>0.1700</u>	<u>0.1700</u>	
TOTAL	\$3.0287	\$3.0218	\$3.2278	\$3.2279	\$0.0000

¹ Per \$100 of assessed valuation.

² Preliminary, subject to change.

SOURCE: State Department of Taxation, Property Tax Rates for Nevada Local Governments, fiscal years 2006-2010; Carson City Finance Department

DEBT STRUCTURE

Debt Limitation

State statutes limit the aggregate principal amount of the City's general obligation debt to 15 percent of the City's total assessed valuation. Based upon the assessed valuation for fiscal year 2011 of \$1,774,839,206 (including the Carson City Redevelopment Authority, in the amount of \$86,695,671), the City's debt limit for general obligations is \$266,225,881, with \$159,457,321 of such debt to which the limit applies outstanding and proposed as of June 1, 2010.

The following table presents a record of the City's outstanding and proposed general obligation indebtedness with respect to its statutory debt limitation.

STATUTORY DEBT LIMITATION Carson City, Nevada

Fiscal Year Ended June 30	Assessed Valuation ¹	Debt Limit	Outstanding and Proposed General Obligation Debt	Additional Statutory Debt Capacity
2007	\$1,465,990,415	\$219,898,562	136,093,548	\$83,805,014
2008	1,663,296,907	249,494,536	129,608,368	119,886,168
2009	1,930,348,587	289,552,288	123,365,897	166,186,391
2010	1,926,477,352	288,971,603	158,927,321 ²	130,044,282
2011	1,774,839,206	266,225,881	158,927,321 ²	107,298,560

¹ Includes Carson City Redevelopment Agency.

² As of June 1, 2010; includes the Bonds and the impact of the Refunding Project.

SOURCE: State Department of Taxation Property Tax Rates for Nevada Local Governments, fiscal years 2006-2010 and the City; compiled by JNA Consulting Group, LLC

The City may issue general obligation bonds by means of authority granted to it by its electorate or the State Legislature or, under certain circumstances, without an election as provided in existing statutes.

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Outstanding and Proposed Debt and Other Obligations

The following table presents the outstanding and proposed indebtedness of the City.

OUTSTANDING AND PROPOSED DEBT AND OTHER OBLIGATIONS Carson City, Nevada as of June 1, 2010

ISSUE	Date Issued	Maturity Date	Original Amount	Amount Outstanding
<u>GENERAL OBLIGATION BONDS AND NOTES¹</u>				
NONE				
<u>GENERAL OBLIGATION REVENUE BONDS²</u>				
State Sewer Series 1994	07/06/94	07/01/14	2,400,000	\$783,618
State Sewer Series 1995	09/15/95	07/01/15	2,120,000	791,434
Park Refunding Series 1997C	05/01/97	02/01/11	1,515,000	195,000 ³
Water, Series 1997	11/01/97	11/01/12	1,820,000	150,000
State Sewer Revolving Series 1998	08/01/98	07/01/18	6,096,302	3,340,938
Park Improvement Series 1998A	10/15/98	11/01/18	4,860,000	2,700,000
Capital Improvement Series 1998B	10/15/98	11/01/18	1,000,000	555,000 ³
Water Improvement Series 1998C	10/15/98	11/01/13	1,700,000	130,000 ³
Wastewater Improvement, Series 1998D	10/15/98	10/01/13	1,200,000	95,000
Capital Improvement Series 1999A	10/01/99	08/01/19	2,505,000	1,565,000 ³
Water Series 1999B	10/01/99	11/01/14	2,117,000	115,000 ³
Sewer Series 2000A	12/19/00	12/01/15	2,765,000	200,000 ³
Water Series 2000B	12/19/00	12/01/15	1,330,000	95,000
Various Purpose Series 2001A	08/01/01	06/01/21	4,725,000	2,820,000
Energy Retrofit Series 2001A	12/28/01	11/01/16	1,329,802	509,131
Water Series 2002A	02/01/02	11/01/16	3,465,000	1,970,000
Sewer, Series 2002B	02/01/02	11/01/16	3,215,000	1,835,000
Public Safety Refunding 2003A	06/01/03	05/01/15	4,895,000	4,440,000
Water Bonds 2003	11/01/03	11/01/23	9,365,000	5,590,000
Sewer Bonds 2003	11/01/03	11/01/23	5,410,000	4,055,000
V&T Recreation Bonds 2003A	11/01/03	06/01/23	4,150,000	3,795,000
Park Bonds 2005	03/01/05	03/01/30	6,815,000	6,535,000
Drainage 2005B	06/23/05	06/01/25	6,000,000	4,905,000
Water 2005A	06/23/05	06/01/25	9,000,000	7,355,000
Capital Improvement Bonds 2005A	12/22/05	05/01/33	34,040,000	31,510,000
V&T Historical Bonds 2005B	12/22/05	12/01/25	15,000,000	12,895,000 ³
Water, Series 2007	06/21/07	06/01/27	12,394,100	7,903,600 ³
Water, Series 2009	11/13/09	07/01/29	3,400,000	3,400,000 ³
Water, Series 2010A (this issue)*	07/14/10	11/01/39	10,100,000	10,100,000 ³
Water, Series 2010B (this issue)*	07/14/10	11/01/39	5,895,000	5,895,000 ³
Sewer, Series 2010C (this issue)*	07/14/10	11/01/29	0	0 ³
Sewer, Series 2010D (this issue)*	07/14/10	11/01/29	2,715,000	2,715,000 ³
Water, Series 2010E (proposed)*	07/30/10	07/01/30	21,900,000	21,900,000 ³
Sewer, Series 2010F (proposed)*	07/30/10	07/01/30	2,800,000	<u>2,800,000</u>
SUBTOTAL				\$153,643,721

- table and footnotes continued on next page -

G.O. MEDIUM-TERM BONDS⁴

*Preliminary, subject to change.

ISSUE	Date Issued	Maturity Date	Original Amount	Amount Outstanding
Medium Term Note, Series 2004	12/15/04	12/15/14	\$3,028,000	\$1,635,700
Medium Term Note, Series 2006	06/14/06	05/01/13	1,654,300	820,900
Medium Term Note, Series 2009	09/02/09	09/01/19	2,900,000	<u>2,827,000</u>
SUBTOTAL				5,283,600
TOTAL GENERAL OBLIGATION DEBT				\$158,927,321
<u>REVENUE BONDS</u>				
Highway Revenue Bonds	11/01/03	11/01/23	\$5,785,000	\$4,450,000
Highway Revenue Bonds	07/23/08	11/01/27	9,055,000	8,516,000
Highway Revenue Bonds	03/04/10	11/01/29	<u>7,900,000</u>	<u>7,900,000</u>
TOTAL REVENUE BONDS				20,866,000
<u>LEASE PURCHASE</u>				
Lease Purchase Agreement 2003	02/11/03	02/11/13	\$802,500	\$342,684
GRAND TOTAL				\$180,136,005

¹ General obligation bonds secured by the full faith, credit and taxing power of the City. The property tax available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limits.

² General obligation bonds supported by pledged revenues; if pledged revenues are not sufficient, the City is obligated to pay the difference between such revenues and debt service requirements of the respective bonds, subject to statutory and constitutional limits on property taxes.

³ Includes the impact of the Refunding Project.

⁴ General obligation bonds secured by the full faith and credit and payable from all legally available funds of the City. The property tax rate available to pay these bonds is limited to the statutory and the constitutional limits as well as to the City's maximum operating levy and any legally available tax overrides.

SOURCE: The City Finance Department, compiled by JNA Consulting Group, LLC

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The following table presents the debt service requirements for the City's outstanding general obligation bonds.

OUTSTANDING DEBT SERVICE REQUIREMENTS
Carson City, Nevada
as of June 1, 2010

Fiscal Year Ended	G.O. Medium Term ¹		G.O. Revenue Bonds ²		Grand Total
	Principal	Interest	Principal	Interest	
June 30 2010	\$152,000	\$26,580			\$178,580
2011	764,600	178,357			942,957
2012	994,700	152,195			1,146,895
2013	958,600	119,752			1,078,352
2014	605,000	91,063			696,063
2015	445,700	70,687			516,387
2016	281,000	57,562			338,562
2017	293,000	46,034			339,034
2018	305,000	33,295			338,295
2019	319,000	19,332			338,332
2020	165,000	3,968			168,968
2021	0	0			0
2022	0	0			0
2023	0	0			0
2024	0	0			0
2025	0	0			0
2026	0	0			0
2027	0	0			0
2028	0	0			0
2029	0	0			0
2030	0	0			0
2031	0	0			0
2032	0	0			0
2033	0	0			0
2034	0	0			0
2035	0	0			0
2036	0	0			0
2037	0	0			0
2038	0	0			0
2039	0	0			0
TOTAL	\$5,283,600	\$798,826	\$0	\$0	\$6,082,426

¹ General obligation bonds secured by the full faith, credit and payable from all legally available funds of the City. The property tax rate available to pay these bonds is limited to the statutory and the constitutional limit as well as to the City's maximum operating levy. See "FINANCIAL INFORMATION – Property Tax Limitation".

- footnotes continued on following page -

² General obligation bonds secured by the full faith, credit and taxing power of the City. The property tax available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limits. General obligation bonds additionally secured by non-property tax revenues and project revenues; if revenues are not sufficient, the City is obligated to pay the difference between such revenues and debt service requirements of the respective bonds, subject to constitutional and statutory limitations. Includes debt service on the Bonds, and reflects the impact of the Refunding Project.

SOURCE: The City; compiled by JNA Consulting Group, LLC

Overlapping Debt

In addition to the general obligation indebtedness of the City, other taxing entities within the boundaries of the City are authorized to incur general obligation debt. The following table shows the estimated overlapping general obligation debt within the City.

OUTSTANDING OVERLAPPING GENERAL OBLIGATION INDEBTEDNESS
Carson City, Nevada
June 1, 2010

Entity ¹	Total General Obligation Indebtedness	Presently Self-Supporting General Obligation Indebtedness	Percent Applicable ²	Overlapping General Obligation Indebtedness ³
Carson City School District	\$38,190,000	\$0	100.00%	\$38,190,000
State of Nevada ⁴	2,269,065,000	699,540,000	1.53%	<u>23,964,819</u>
			TOTAL	\$62,154,819

¹ Excludes entities with no direct overlapping general obligation indebtedness.

² Based on fiscal year 2010 assessed valuation in the respective jurisdiction.

³ Applicable Net Overlapping General Obligation Indebtedness equals total existing general obligation indebtedness less presently self-supporting general obligation indebtedness times percent applicable.

⁴ As of October 1, 2009.

SOURCE: The City Finance Department, the Carson City School District, and State Treasurer's Office; compiled by JNA Consulting Group, LLC

NET DIRECT & OVERLAPPING GENERAL OBLIGATION INDEBTEDNESS
Carson City, Nevada
June 1, 2010

Total Direct General Obligation Indebtedness	\$158,927,321
Less: Presently Self-supporting General Obligation Indebtedness	<u>(\$153,643,721)</u>
Net Direct General Obligation Indebtedness	\$5,283,600
Plus: Overlapping General Obligation Indebtedness	<u>62,154,819</u>
Net Direct & Overlapping General Obligation Indebtedness	\$67,438,419

SOURCE: The City Finance Department, the Carson City School District, and State Treasurer's Office; compiled by JNA Consulting Group, LLC

The following table illustrates various City debt ratios.

SELECTED DEBT RATIOS
Carson City, Nevada

Population ¹	56,506
Total General Obligation Debt ²	\$158,927,321
Overlapping Debt ³	<u>62,154,819</u>
Total Direct Debt & Overlapping Debt	\$221,082,140
Per Capita General Obligation Debt	\$2,812.57
Per Capita General Obligation Debt Plus Overlapping Debt	3,912.54
2011 Assessed Value ⁴	\$1,774,839,206
Net Direct Debt to Assessed Valuation	8.95%
Net Direct Debt plus Overlapping Debt to Assessed Valuation	12.46%
2011 Taxable Value ⁴	\$5,070,969,160
Net Direct Debt to Taxable Value	3.13%
Net Direct Debt plus Overlapping Debt to Taxable Value	4.36%

¹ Based on 2009 estimate provided by the State Demographer.

² See table "OUTSTANDING AND PROPOSED DEBT AND OTHER OBLIGATIONS" on page A-18 for information on the City's outstanding indebtedness. Includes self-supporting general obligation debt, including the Bonds.

³ Figure is estimated based on information supplied by other taxing authorities and does not include self-supporting general obligation debt. See table "OUTSTANDING OVERLAPPING GENERAL OBLIGATION INDEBTEDNESS" on page A-21.

⁴ See table "Property Tax Base and Tax Roll Collection" on page A-9 for an explanation of the Assessed Value and Taxable Value.

SOURCE: State Department of Taxation, Property Tax Rates for Nevada Local Governments, State Demographer, the City Finance Department, Carson City School District, and State Treasurer's office; compiled by JNA Consulting Group, LLC

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ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of Appendix A contains general information concerning the economic and demographic conditions in the City. It is provided so that prospective investors will be aware of factors which may affect future development and growth within the City and the State. The information presented was obtained from the sources indicated and neither the City nor the initial purchaser of the Bonds guarantees or makes any representation as to the accuracy or completeness of the data presented.

The City is situated in northwestern Nevada 30 miles south of Reno and 14 miles east of Lake Tahoe. It is the capital and seat of State and local government, which accounts for 36.9% of total employment as of September 2009. Based on 2009 average employment as of September 2009, Trade, Transportation and Utilities account for 14.1% of employment, Leisure and Hospitality for 12.0%, and Manufacturing for 9.1%.

The smallest of the state's counties, the City encompasses 146 square miles but serves as a retail and commercial center for a larger area including the City, portions of adjoining Lyon, Churchill, Mineral and Douglas counties and Bishop, California to the southwest.

A large segment of the City's economy is based in tourism, including legalized gambling and related entertainment. Tourists are also attracted by historical and recreational features of the area. There are three major winter ski areas within 30 minutes of the City's downtown and eleven major ski areas and six smaller ski operations can be reached in one hour. Nearby Lake Tahoe provides a variety of recreational facilities for tourists. Virginia City and other historic sites offer glimpses of Nevada's past and the City offers its own tourist attractions, including the State Capitol, Governor's Mansion and the Nevada State Museum, which was once a United States Mint Building. According to the Carson City Convention and Visitors Bureau, there are 1,700 tourist rooms in the City, as well as, various meeting and convention facilities and auditoriums.

The following table is a history of the total valuation of building permits issued within the boundaries of The City which include new, addition, alter, repair and completion permits.

BUILDING PERMITS VALUATION Carson City, Nevada

Calendar Year	Total Valuation	Percent Change
2004	\$82,439,699	-27.93%
2005	75,628,411	-8.26
2006	68,296,145	-9.70
2007	79,619,867	16.58
2008	76,017,371	-4.52
2009 ¹	126,665,426	66.63
Jan-Mar 2009	6,020,245	~
Jan-Mar 2010	5,878,293	-2.36%

¹ Due to _____.

SOURCE: The City Community Development, Building Division

Transportation

U.S. Highways 395 and 50 connect the City to Reno to the north and Lake Tahoe to the west. Over 25 local, regional and national carriers provide next day freight service to 80% of the 11 state western region. Every western city is within second day delivery time. Both Union Pacific and Amtrak rail services are available from Reno/Sparks. Regional bus service is provided to the City by Greyhound Bus Lines. The PRIDE system from Citifare offers daily commuter bus service between the City and Reno. A para-transit system offers local bus transportation service for residents. Truck freight service is offered to all parts of the country and taxi service and rental cars are available locally. Carson City Airport is located 1.5 miles north of the City's central business district. The airport is a public facility serving the general aviation needs of the area. The airport has a 5,900 foot runway, complemented by a full parallel taxiway. Hangar space, tie-downs, fuel and other services are available. Rental and charter-flight service are also available at the City's airport. International and interstate air carrier service are available in Reno.

Development Activity

The Northern Nevada Development Authority (NNDA) serves to promote economic development activity in the Sierra Region which includes Carson City, Douglas, Lyon and Storey counties.

Complimenting the area's emphasis on economic diversification are the numerous business advantages unique to the State. Competitive wage rates, low workers' compensation costs, an expanding labor force, centralized location and attractive transportation costs to other prominent western markets, and the State's incentive programs combine to give business and industry an attractive incentive to move to, relocate or expand in the Sierra Region of Nevada.

NNDA reports that during the fiscal year 2008-2009 a total of four (4) companies relocated to its four-county service area resulting in more than 78 new jobs, with two existing companies expanding, adding 16 new jobs for an estimated total economic impact to the region of 43 million dollars.

Utilities

The City owns and operates its own water utility and sewer utility. See "THE WATER SYSTEM—Overview" and "THE SEWER SYSTEM – Overview". Sierra Pacific Power Company provides electricity in the City. Natural gas is provided by Southwest Gas Corporation. Telephone service is provided by AT&T.

Education

The Carson City School District operates twelve school sites, including two high schools, two middle schools, six elementary schools, one charter school, and one combination adult education/alternative high school campus. There are also private K-8 schools in the City. Western Nevada College is a public two-year college chartered to provide comprehensive high quality education throughout Western Nevada. WNC offers several associate degree programs, as well as, basic education and job development skills.

Population and Age Distribution

The table below shows a record of the City's and the State's population.

POPULATION¹ Nevada and Carson City

Fiscal Year	State	% Increase	The City	% Increase
1970	488,738	--	15,468	--
1980	800,508	63.79%	32,022	107.02%
1990	1,201,833	50.13	40,443	26.30
2000	1,998,257	66.27	52,457	29.71
2005	2,518,869	26.05	57,104	8.86
2006	2,623,050	4.14	57,701	1.05
2007	2,718,337	3.63	57,723	0.04
2008	2,738,733	0.75	57,600	-0.21
2009	2,711,205	-1.01	56,506	-1.90
2010	2,963,812	9.32	57,425	1.63

¹ 1970 through 2000 numbers are from U.S. Census Bureau, 2005 through 2009 are estimates, and 2010 is a projection from the State Demographer.

SOURCE: State Demographer; compiled by JNA Consulting Group, LLC

The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2009.

AGE DISTRIBUTION

Age	Percent of Population					
	The City	As % of City Population	State	As % of State Population	United States	As % of U.S. Population
0-4	3,729	6.77%	201,973	7.61%	21,028,358	6.86%
5-9	3,525	6.40	188,394	7.10	20,206,144	6.59
10-14	3,351	6.08	183,376	6.91	20,380,552	6.65
15-17	2,072	3.76	105,870	3.99	13,033,952	4.25
18-20	1,919	3.48	96,584	3.64	13,223,088	4.31
21-24	2,643	4.80	127,838	4.82	16,740,249	5.46
25-34	6,774	12.29	383,752	14.45	40,883,505	13.33
35-44	7,275	13.20	389,162	14.66	42,659,236	13.91
45-54	7,732	14.03	367,865	13.86	44,345,320	14.46
55-64	7,026	12.75	301,922	11.37	34,546,101	11.27
65-74	4,616	8.38	180,242	6.79	20,707,408	6.75
75 +	4,452	8.08	127,873	4.82	18,870,786	6.15

SOURCE: Nielsen Market Demographics – 2009

The following table reflect Median Household Effective Buying Income ("EBI") and Percent of Households by Effective Buying Income Groups for the year 2005 as reported in Sales & Marketing Management, Survey of Buying Power; and for years 2006, 2007, 2008 as reported in the 2006, 2007, and 2008 editions of Demographics USA, County Edition, and 2009 as provided by Nielsen Claritas in electronic format entitled Nielsen Market Demographics – 2009. EBI is defined as money income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. EBI is computed as a derivative of household income, with the correspondence between before-tax and after-tax income being identified for each state based on three year combinations of Current Population Survey (CPS) data.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	The City	State	United States
2005 ¹	\$39,865	\$42,322	\$39,324
2006 ¹	40,742	43,676	40,529
2007 ¹	42,888	45,041	41,255
2008 ¹	43,958	47,381	41,792
2009 ²	44,995	47,972	42,303

¹ The 2006 through 2008 information was taken from a different source and may not be directly comparable to 2005 data.

² The 2009 information is taken from data in electronic format provided by Nielsen Claritas and may not be directly comparable to prior years.

SOURCE: Sales and Marketing Management, Survey of Buying Power, 2005 edition; the 2006, 2007, and 2008 editions of Demographics USA, County Edition, and Nielsen Market Demographics – 2009

PERCENT OF HOUSEHOLDS BY EFFECTIVE BUYING INCOME GROUPS 2009

Effective Buying Income Group	The City Households	State Households	United States Households
Under \$15,000	11.2%	10.1%	13.6%
\$15,000-\$24,999	11.6	10.5	13.0
\$25,000-\$49,999	32.8	31.8	32.8
\$50,000-\$74,999	22.0	22.8	19.9
\$75,000-\$99,999	13.6	14.0	10.9
\$100,000-\$149,999	6.0	7.0	6.4
\$150,000 +	2.9	3.8	3.4

SOURCE: Nielsen Market Demographics – 2009

Labor and Employment

The City area average annual labor force summary as prepared by the State's Department of Employment, Training and Rehabilitation is as follows:

AVERAGE ANNUAL LABOR FORCE SUMMARY¹
Carson City MSA, Nevada
(Estimates in Thousands)

CALENDAR YEAR	2005	2006	2007	2008	2009	2010 ²
TOTAL LABOR FORCE	27.3	27.6	28.0	28.4	29.3	28.9
Unemployment	1.3	1.3	1.4	2.0	3.4	3.9
Unemployment Rate ³	4.7%	4.8%	5.1%	7.1%	11.5%	13.3%
Total Employment ⁴	26.1	26.3	26.6	26.4	25.9	25.1

¹ All numbers are subject to periodic revision; based on un-rounded numbers, data may not add due to rounding.

² As of March 2010.

³ The U.S. unemployment rates for the years 2004 through 2009 were 5.5%, 5.1%, 4.6%, 4.6%, 5.8% and 9.3%, respectively.

⁴ Adjusted by census relationships to reflect number of persons by place of residence.

SOURCE: State Department of Employment, Training and Rehabilitation website

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The following table indicates the number of persons employed, by type of employment, in non-agricultural industrial employment in the City. In 2003, DETR (following a decision by the United States Bureau of Labor Statistics) adopted the North American Industrial Classification System ("NAICS") to report this information.

ESTABLISHMENT BASED INDUSTRIAL EMPLOYMENT
NAICS CLASSIFICATION^{1,2}
Carson City, Nevada

CALENDAR YEAR	2004	2005	2006	2007	2008	2009 ³
TOTAL ALL INDUSTRIES						
<u>Goods Producing</u>						
Natural Resources & Mining	0	0	0	0	0	0
Construction	2,057	2,314	2,156	2,102	1,730	1,340
Manufacturing	<u>3,162</u>	<u>3,128</u>	<u>3,146</u>	<u>3,094</u>	<u>3,079</u>	<u>2,600</u>
TOTAL GOOD PRODUCING	5,219	5,442	5,302	5,196	4,809	3,940
<u>Services Producing</u>						
Trade, Transportation & Public Utilities	4,320	4,494	4,675	4,603	4,389	4,030
Information	299	278	295	355	317	0
Financial Activities	1,737	1,716	1,576	1,488	1,449	1,310
Professional & Business Services	2,399	2,484	2,445	2,424	2,113	1,900
Education & Health Services	2,318	2,383	2,259	2,307	2,391	2,390
Leisure & Hospitality	3,912	3,966	4,003	4,013	3,787	3,450
Other Services	907	896	888	928	876	780
Government	<u>10,426</u>	<u>10,292</u>	<u>10,329</u>	<u>10,527</u>	<u>10,457</u>	<u>10,570</u>
TOTAL SERVICES PRODUCING	26,318	26,509	26,470	26,645	25,779	24,430

¹ Reflects employment by place of work; does not necessarily coincide with labor force concept; includes multiple jobholders.

² All numbers are subject to periodic revision; based on unrounded numbers, data may not add due to rounding.

³ Average as of September 2009.

SOURCE: State Department of Employment, Training and Rehabilitation website

The following table lists the firm employment size breakdown for The City.

FIRM EMPLOYMENT SIZE BREAKDOWN¹
Carson City, Nevada

	3rd Qtr. 2009	3rd Qtr. 2008	3rd Qtr. 2007	Percent Change 2007/2009	Employees 3rd Qtr. 2009
TOTAL NUMBER OF FIRMS	2,181	2,225	2,226	-2.02%	17,917
0-4 Employees	1,406	1,405	1,348	4.30%	1,955
5-9 Employees	360	369	386	-6.74%	2,366
10-19 Employees	219	226	253	-13.44%	2,691
20-49 Employees	143	164	163	-12.27%	4,347
50-99 Employees	34	40	52	-34.62%	2,497
100-249 Employees	13	14	20	-35.00%	2,238
250-499 Employees	6	7	4	50.00%	1,823
500 + Employees	0	0	0	~	0

¹ Subject to revision.

SOURCE: State Department of Employment, Training and Rehabilitation website

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The table below lists the 19 largest employers in the City for the third quarter of 2009. The table is derived from unemployment insurance tax account numbers and is an estimate based on reported information. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the City.

LARGEST EMPLOYERS
Carson City, Nevada
3rd Quarter 2009

Employer	Size Class
Carson City School District	1,000 to 1,499 employees
Carson Tahoe Hospital	1,000 to 1,499 employees
City of Carson City	700 to 799 employees
Nevada Department of Transportation	600 to 699 employees
Western Nevada College	500 to 599 employees
Rosendin Electric, Inc.	300 to 399 employees
Nevada Department of Corrections	300 to 399 employees
Wal-Mart Supercenter	300 to 399 employees
Chromalloy Nevada	300 to 399 employees
Nevada Department of Motor Vehicles	300 to 399 employees
Casino Fandango	300 to 399 employees
Nevada Department of Corrections	300 to 399 employees
Carson City Nugget	300 to 399 employees
Legislative Counsel Bureau	300 to 399 employees
Click Bond, Inc.	200 to 299 employees
Gold Dust West Carson City	200 to 299 employees
United States Environmental Protection Agency	200 to 299 employees
United States Department of Defense	200 to 299 employees
Costco Wholesale Corp.	200 to 299 employees

SOURCE: State Department of Employment, Training and Rehabilitation website

Retail Sales

Retail sales in the City for fiscal year-to-date 2010 decreased by 14.41% over the prior fiscal year-to-date.

TAXABLE SALES¹ Carson City, Nevada

Fiscal Year	The City Total	Percent Change	State Total	Percent Change
2005	\$976,643,423	5.53%	\$43,960,513,744	14.17%
2006	1,024,709,559	4.92%	48,581,095,724	10.51%
2007	991,893,429	-3.20%	49,427,707,106	1.74%
2008	919,266,455	-7.32%	48,196,848,945	-2.49%
2009	761,379,338	-17.18%	42,086,614,338	-12.68%
July 08-Feb 09	\$518,282,784	~	\$28,738,867,298	~
July 09-Feb 10	443,575,896	-14.41%	24,695,402,810	-14.07%

¹ Subject to revision.

SOURCE: State Department of Taxation, Combined Sale/Use Tax Statistical Report, June 2005 through February 2010

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Gaming

The economy of the State is based in the tourism industry and largely dependent upon legalized casino gambling. Gaming has been legal in Nevada since 1931 and is controlled and policed by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, collect taxes due the State and oversee the operations of casinos on a continuing basis.

GROSS TAXABLE GAMING REVENUE AND TOTAL GAMING TAXES Carson Valley, Nevada

Fiscal Year	Gross Taxable Gaming Revenue ¹			State Gaming Collection ¹		
	State Total	Carson Valley	% Change C. Valley	State Total	Carson Valley	% Change C. Valley
2005	\$10,609,996,649	\$119,391,453	11.72%	\$904,119,571	\$9,860,278	8.70%
2006	11,803,791,121	124,647,975	4.40	1,003,063,045	10,118,287	2.62
2007	12,220,373,590	122,521,709	(1.71)	1,035,456,278	10,109,652	(0.09)
2008	11,925,065,588	117,499,961	(4.10)	980,750,446	9,510,610	(5.93)
2009	10,240,325,458	105,882,542	(9.89)	876,263,677	9,311,359	(2.10)
July 08 - Dec 08	5,124,304,021	54,705,173	~	404,925,014	3,762,071	~
July 09 - Dec 09	4,636,593,476	50,946,676	(6.87)	378,666,027	3,463,177	(7.94)

¹ Subject to revision.

SOURCE: State Gaming Control Board

California Gaming Measure – On March 7, 2000, California voters approved a constitutional amendment legalizing Las Vegas-style slot machines and card games at tribal casinos within California and a number of tribes are presently operating casinos.

The Nevada gaming industry officials estimate that approximately 30 percent of the State's gambling visitors come from California. If tribes in California establish additional casinos, it is possible that those visitors may elect to visit the more conveniently located tribal casinos, rather than traveling to the State's casinos. It is not possible at this time to predict what impact the California Gaming Measure will have on the gaming revenues. It also is not possible to predict when the impact of the casinos to be approved pursuant to the compacts will be felt.

Northern Nevada has been impacted by the expansion of Indian gaming in Northern California. It appears that the impact of gaming alternatives and general economic conditions are beginning to be reflected in the reduction of gaming revenue and the room tax collections. It is yet early in the Indian gaming evolution to determine a final outcome as to the total impact upon the County's gaming environment. Northern Nevada could be particularly impacted by a proliferation of tribal casinos because northern Nevada casinos generally do not offer the non-gaming attractions of the new southern Nevada resorts, although the outdoor and recreational opportunities in northern Nevada are significant. Gaming revenues within the County could be negatively impacted if the number of gambling visitors is reduced, and a reduction in California visitors may negatively impact room tax receipts since such visitors generally stay overnight.

Other Gaming Risks – Different forms of legal gaming have been authorized by many states, as well as the tribal casinos, across the United States. The different forms of gaming range from casino and river boat gaming to state lotteries. Other states may yet consider authorizing gaming in other forms. Various forms of gaming also are available on the internet. Other states may authorize gaming in the future in one form or another. The District cannot predict the impact on the State and area economy of state lotteries, casino gaming in other states, or internet gaming.

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