

Item #19A

**City of Carson City
Agenda Report**

Date Submitted: 6/8/10

Agenda Date Requested: 6/17/10

Time Requested: 10 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director

Subject Title: Action to adopt, on second reading, Bill No. 107, Ordinance No. _____ an ordinance of the Board of Supervisors of Carson City, Nevada providing for the issuance of general obligation (limited tax) sewer improvement bonds (additionally secured by pledged revenues), Series 2010C (taxable direct pay Build America Bonds), and general obligation (limited tax) sewer improvement and refunding bonds (additionally secured by pledged revenues), Series 2010D (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 sewer 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 adopt, on second reading, Bill No. 107, Ordinance No. _____ an ordinance of the Board of Supervisors of Carson City, Nevada providing for the issuance of general obligation (limited tax) sewer improvement bonds (additionally secured by pledged revenues), Series 2010C (taxable direct pay Build America Bonds), and general obligation (limited tax) sewer improvement and refunding bonds (additionally secured by pledged revenues), Series 2010D (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 Sewer System by acquiring, constructing, equipping and improving facilities pertaining to the Sewer 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: \$6,106,150 including principal and interest (estimated).

Explanation of Impact: Sewer Fund - ongoing debt service payment of approximately \$307,000.

Funding Source: Sewer 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 Proidentti

Reviewed By: 

(Department Head)

Date: 6/8/10

:


(City Manager)

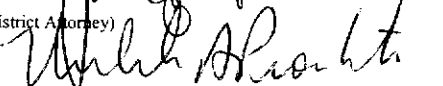
Date: 6/8/10

:


(District Attorney)

Date: 6/8/10

:


(Finance Director)

Date: 6/8/2010

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 ¹			Proposed Bonds			Grand Total
	Principal	Interest	Subtotal	Principal	Interest ²	Subtotal	
2010 ³	\$318,015	\$261,950	\$579,965	\$0	\$0	\$0	\$579,965
2011	1,478,051	490,178	1,968,229	155,000	150,000	305,000	2,273,229
2012	1,526,426	432,114	1,958,540	130,000	173,025	303,025	2,261,565
2013	1,595,646	368,406	1,964,052	140,000	167,175	307,175	2,271,227
2014	1,665,742	299,052	1,964,794	145,000	160,875	305,875	2,270,669
2015	1,432,816	230,625	1,663,441	150,000	154,350	304,350	1,967,791
2016	1,334,456	168,504	1,502,960	160,000	147,600	307,600	1,810,560
2017	947,952	120,271	1,068,223	165,000	140,400	305,400	1,373,623
2018	666,886	89,783	756,669	170,000	132,975	302,975	1,059,644
2019	235,000	69,128	304,128	180,000	125,325	305,325	609,453
2020	245,000	58,475	303,475	190,000	117,225	307,225	610,700
2021	260,000	46,788	306,788	195,000	108,675	303,675	610,463
2022	270,000	34,200	304,200	205,000	99,900	304,900	609,100
2023	285,000	21,019	306,019	215,000	90,675	305,675	611,694
2024	300,000	7,125	307,125	225,000	81,000	306,000	613,125
2025	0	0	0	235,000	70,875	305,875	305,875
2026	0	0	0	245,000	60,300	305,300	305,300
2027	0	0	0	255,000	49,275	304,275	304,275
2028	0	0	0	270,000	37,800	307,800	307,800
2029	0	0	0	280,000	25,650	305,650	305,650
2030	0	0	0	290,000	13,050	303,050	303,050
TOTAL	\$12,560,990	\$2,697,618	\$15,258,608	\$4,000,000	\$2,106,150	\$6,106,150	\$21,364,758

¹ Excludes the 2009 Medium-Term Sewer Bond.

² Interest estimated at 4.50%. It is anticipated that the Proposed Bonds will be financed through a public bond offering.

³ 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) Sewer Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2010C (Taxable Direct Pay Build America Bonds), and its General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010D (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) SEWER IMPROVEMENT BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010C (TAXABLE DIRECT PAY BUILD AMERICA BONDS), AND GENERAL OBLIGATION (LIMITED TAX) SEWER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010D (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 sanitary sewer system (the “Sewer 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 Sewer System by acquiring, constructing, improving and equipping facilities pertaining to the Sewer System (the “Improvement Project”); and

(4) **WHEREAS**, §§ 7.030 and 2.290 of the Charter provide that the City may borrow money to acquire, improve, equip, operate and maintain a sewer 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) Sewer Bonds (Additionally Secured by Pledged Revenues), Series June 1994; the Carson City, Nevada General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series September 1995; the Carson City, Nevada General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 1998; the Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 1998D; the Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2000; the Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2002; and the Carson City, Nevada General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2003 (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) sewer bonds (additionally secured by pledged revenues) in the maximum principal amount of \$4,000,000 (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 \$4,000,000 of general obligation (limited tax) sewer 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 \$4,000,000 of the general obligation (limited tax) sewer 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) Sewer Improvement Bonds (Additionally Secured By Pledged Revenues), Series 2010C (Taxable Direct Pay Build America Bonds)" (the "2010C Bonds"), and the "Carson City, Nevada, 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 "Bonds") in the aggregate principal amounts set forth in the Bond Purchase Agreement; and

(13) **WHEREAS**, after negotiating the purchase of the 2010C 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 2010C Bonds in the aggregate principal amount not to exceed \$4,000,000 for the Improvement Project to Piper Jaffray & Co. (the "Underwriter"); and

(14) **WHEREAS**, after negotiating the purchase of the 2010D Bonds, the Finance Director, or in his absence, the City Manager is hereby authorized to sell the 2010D Bonds in the

aggregate principal amount for the Improvement Project, which together with the aggregate principal amount of the 2010C Bonds does not exceed \$4,000,000, 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 2010D 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 2010D 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 Sewer 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:

“**1994 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series June 1994.

“**1995 Bond**” means the Carson City, Nevada General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series September 1995.

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

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

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

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

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

“**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 2010C 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 Sewer System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Sewer System, or otherwise, and includes all revenues received by the City from the Sewer System, including, without limitation, all fees, rates, and other charges for the use of the Sewer 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 Sewer System, except to the extent any such moneys shall be received as payments for the use of the Sewer 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 Sewer System, including, without limitation:

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

(B) fidelity bond and property and liability insurance premiums pertaining to the Sewer System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the Sewer 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 Sewer System, revenues therefrom or the City's income from or operations of any properties under its control and pertaining to the Sewer System, or any privilege in connection with the Sewer 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 Sewer System;

(F) contractual services, professional services, salaries, other administrative expenses and costs of materials, supplies, repairs and labor pertaining to the Sewer System or to the issuance of the Bonds, or any other securities relating to the Sewer 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 Sewer System;

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

(J) all other administrative, general and commercial expenses pertaining to the Sewer 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 Sewer 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 Sewer 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 Sewer 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 Sewer System and payable from and secured by Net Revenues on a parity with the Bonds, including the 1994 Bonds, the 1995 Bond, the 1998 Bond, the 1998D Bonds, the 2000 Bonds, the 2002 Bonds, the 2003 Bonds, 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.

"Sewer System" means 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.

"Subordinate Securities" means securities of the City pertaining to the Sewer 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 Sewer 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.

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 Sewer 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) Sewer Improvement Bonds (Additionally Secured By Pledged Revenues), Series 2010C (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) Sewer Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010D (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, 2010C 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 2010C Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2010C 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) 2010D 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 2010D Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2010D 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 2010C Bonds maturing on the dates specified in the Bond Purchase Agreement, if any (the "Term 2010C Bonds"), and the 2010D Bonds maturing on the dates specified in the Bond Purchase Agreement, if any (the "Term 2010D Bonds" and together with the Term 2010C 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 2010C Bonds. Prior to the optional redemption date specified in subparagraph (1) of paragraph (A) of this Section, if any, the 2010C 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 2010C 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 2010C Bonds under the provisions of State law, the City shall not have an option to redeem 2010C Bonds at that time pursuant to the provisions of this paragraph (C).

D. Extraordinary Redemption of 2010C Bonds. Prior to the optional redemption date specified in subparagraph (1) of paragraph (A) of this Section, if any, the 2010C 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 2010C 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 2010C Bonds under the provisions of State law, the City shall not have an option to redeem 2010C 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 2010C 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; or

(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)
SEWER IMPROVEMENT BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010C (TAXABLE DIRECT PAY BUILD AMERICA BONDS)]**

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

No. _____

\$ _____

Interest Rate

Maturity Date

Dated As of

CUSIP

___% 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 Sewer 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 sanitary sewer 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 "Sewer System"), 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, 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 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 2010C 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 2010C Bonds to be deposited into a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Sewer Improvement Bonds (Additionally Secured By Pledged Revenues), Series 2010C (Taxable Direct Pay Build America Bonds), Acquisition Account" (the "2010C Acquisition Account") to be held by the City. Moneys in the 2010C 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 2010C Bonds not to exceed two percent of the principal amount of the 2010C 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 2010C Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the 2010C 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 2010D 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 2010D 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 2010 B&D (Tax-Exempt), Escrow Account" (the "Escrow Account") to be held by the Escrow Agent, an amount from the proceeds of the 2010D 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 2010D 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 2010D Bonds shall be deposited into a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2010D (Tax-Exempt), Acquisition Account" (the "2010D Acquisition Account") to be held by the City. Moneys in the 2010D 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 2010D Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the 2010D 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 2010C Bonds shall be deposited promptly upon the receipt of such gain at any time or from time to time into the 2010C 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 2010D Bonds shall be deposited promptly upon the receipt of such gain at any time or from time to time into the 2010D 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 2010C Acquisition Account and the 2010D 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 Sewer 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 2010C Acquisition Account or the 2010D 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) Sewer Bonds (Additionally Secured By Pledged Revenues) Series 2010C&D, Interest Account" (the "Interest Account") and the "Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured By Pledged Revenues) Series 2010C&D, 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 Sewer 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 Sewer 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 Sewer 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 Sewer System Operation and Maintenance Fund" (the "Operation and Maintenance Fund") money sufficient to pay Operation and Maintenance Expenses of the Sewer System, such Operation and Maintenance Expenses of the Sewer 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 Sewer 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 2010C 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) Sewer Bonds (Additionally Secured By Pledged Revenues) Series 2010C&D, 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 Sewer System, to pay any other obligations pertaining to the Sewer 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 1994 Bonds, the 1995 Bond, the 1998 Bond, the 1998D Bonds, the 2000 Bonds, the 2002 Bonds, and the 2003 Bonds 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 Sewer 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 Sewer 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 Sewer System properly and in a sound and economical manner and shall maintain, preserve and keep the Sewer 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 Sewer System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating sewer and sanitary systems of like size and character.

Except for the use of the Sewer System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the Sewer 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 Sewer 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 Sewer 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 Sewer 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 Sewer 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 Sewer 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 Sewer System. The City shall charge against users or against purchasers of services or commodities pertaining to the Sewer 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 Sewer System, including, without limitation, debt service on any Outstanding Subordinate Securities and any other securities pertaining to the Sewer 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 Sewer System.

Subject to the foregoing, the City shall cause all fees, rates and other charges pertaining to the Sewer 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 Sewer 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 2010C Bonds and that subsection (g) of Sections 54AA will also apply to the 2010C 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 2010C Bond holders under Section 54AA(a) of the Tax Code (the credit described in Section 6431 is herein, the "BAB Credit"). None of the 2010C 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 2010C Bonds, the proceeds thereof, any other funds of the City or any project financed with the proceeds of the 2010C Bonds if such action or omission would cause the City to not be entitled to the BAB Credit with respect to the 2010C Bonds. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 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 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 2010C 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 2010D Bonds that it will not take any action or omit to take any action with respect to the 2010D Bonds, the proceeds thereof, any other funds of the City or any facilities financed or refinanced with the proceeds of the 2010D Bonds if such action or omission (1) would cause the interest on the 2010D 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 2010D 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 2010D 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 2010C 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 2010C 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 2010C Bonds under Section 54AA of the Tax Code;
- (6) to the exemption of interest on the 2010D 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) SEWER IMPROVEMENT BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010C (TAXABLE DIRECT PAY BUILD AMERICA BONDS), AND GENERAL OBLIGATION (LIMITED TAX) SEWER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010D (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) SEWER IMPROVEMENT BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010C (TAXABLE DIRECT PAY BUILD AMERICA BONDS), AND GENERAL OBLIGATION (LIMITED TAX) SEWER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010D (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"

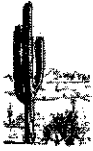
(Attach Affidavit of Publication of Notice of Filing of an Ordinance)

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.