

**City of Carson City
Agenda Report**

Date Submitted: 7/27/10

Agenda Date Requested: 8/5/10

Time Requested: 10 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director

Subject Title: Action to introduce, on first reading, Bill No. _____, an ordinance of the Board of Supervisors of Carson City, Nevada designated by the short title "2010E Water Bond Ordinance"; providing for the issuance of its general obligation (limited tax) water bond (additionally secured by pledged revenues), Series 2010E (taxable direct pay Build America Bonds); providing the form, terms and conditions of the bond; providing for the levy and collection of the annual general (ad valorem) taxes for the payment of such bond; additionally securing its payment by a pledge of revenues derived from the water system of the City; 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 introduce, on first reading, Bill No. _____, an ordinance of the Board of Supervisors of Carson City, Nevada designated by the short title "2010E Water Bond Ordinance"; providing for the issuance of its general obligation (limited tax) water bond (additionally secured by pledged revenues), Series 2010E (taxable direct pay Build America Bonds); providing the form, terms and conditions of the bond; providing for the levy and collection of the annual general (ad valorem) taxes for the payment of such bond; additionally securing its payment by a pledge of revenues derived from the water system of the City; and providing other matters relating thereto.

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

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

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

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

Funding Source: Water Fund service charges.

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

Supporting Material: Ordinance

Prepared By: Nick Providenti

Reviewed By: *Nick Providenti* Date: 7/27/10
(Department Head)

: *[Signature]* Date: 7/27/10
(City Manager)

: *Kristi Nelson* Date: 7/27/10
(District Attorney)

: *Nick Providenti* Date: 7/27/10
(Finance Director)

Board Action Taken:

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

(Vote Recorded By)

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

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

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

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

² Represents partial year of debt service.

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

Summary - An ordinance authorizing the issuance by Carson City, Nevada of its General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E (Taxable Direct Pay Build America Bond) and providing other matters relating thereto.

BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF CARSON CITY, NEVADA DESIGNATED BY THE SHORT TITLE "2010E WATER BOND ORDINANCE"; PROVIDING FOR THE ISSUANCE OF ITS GENERAL OBLIGATION (LIMITED TAX) WATER BOND (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010E (TAXABLE DIRECT PAY BUILD AMERICA BOND); PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BOND; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BOND; ADDITIONALLY SECURING ITS PAYMENT BY A PLEDGE OF REVENUES DERIVED FROM THE WATER SYSTEM OF THE CITY; AND PROVIDING OTHER MATTERS RELATING THERETO.

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

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

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

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

(5) **WHEREAS**, pursuant to the Charter, pursuant to NRS 244A.011 through 244A.065, inclusive (the "Project Act"), and pursuant to chapter 350 of NRS and all laws amendatory thereof which includes the Local Government Securities Laws, being NRS 350.500 through 350.720, and all laws amendatory thereof (the "Bond Act"), the City is authorized to borrow money and to issue general obligation bonds of the City for the purpose of defraying wholly or in part the Cost of the Project; and

(6) **WHEREAS**, pursuant to NRS 350.011 to 350.0165, inclusive (the "Bond Commission Act"), the Board submitted to the Debt Management Commission of Carson City (the "Commission") the City's proposal to issue its water improvement bonds (additionally secured by pledged revenues) in the maximum principal amount of \$32,000,000 (the "Proposal"); and

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

(8) **WHEREAS**, pursuant to NRS 350.020(3), the City published a notice of its intent to issue a maximum of \$32,000,000 of the general obligation (limited tax) water improvement bonds (additionally secured by pledged revenues), and the Board did not receive a petition signed by 5% of the registered voters of the City within 90 days of publication of such notice of intent; and

(9) **WHEREAS**, pursuant to NRS 350.020(3), the City published a notice of public hearing on its intent to issue a maximum of \$32,000,000 of general obligation (limited tax) water improvement bonds (additionally secured by pledged revenues), and held a public hearing thereon; and

(10) **WHEREAS**, on July 14, 2020, the City issued its 2010A Bonds (as defined herein) in aggregate principal amount of \$10,100,000, as water improvement bonds contemplated by the Proposal, and issued its 2010B Bonds (as defined herein) in the aggregate

principal amount of \$7,095,000, of which \$_____ was issued as water improvement bonds contemplated by the Proposal; and

(11) **WHEREAS**, other than the 2010A Bonds and the 2010B Bonds, none of the water improvement bonds contemplated by the Proposal have been issued; and

(12) **WHEREAS**, none of the water improvement bonds contemplated by this ordinance (the “Municipal Securities”) have previously been sold; and

(13) **WHEREAS**, the City requested the Administrator of the Division of Environmental Protection of the State Department of Conservation and Natural Resources, as Administrator of the State of Nevada Account for the Revolving Fund to finance the construction of projects as defined in NRS 445A.230 (the “Administrator” and the “Revolving Fund,” respectively), under NRS 445A.200 to 445A.295, inclusive (the “SRF Act”), to make a loan to the City by purchasing the Municipal Securities in the maximum principal amount of \$21,900,000; and

(14) **WHEREAS**, the Board for Financing Water Projects approved a resolution authorizing the Administrator to make a loan commitment to the City to finance the Project pursuant to NRS 445A.265 in the amount of \$21,900,000; and

(15) **WHEREAS**, NRS 350.105 to 350.195, inclusive, and the SRF Act permit the Municipal Securities to be sold at private sale to the State; and

(16) **WHEREAS**, after private negotiation pursuant to the SRF Act, the Board has determined to sell its Municipal Securities designated as the “Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E (Taxable Direct Pay Build America Bond)” in the maximum principal amount of \$21,900,000 (the “Bond”) to the State for a price equal to the principal amount thereof, and otherwise upon the terms provided herein; and

(17) **WHEREAS**, NRS 350.2011 provides that the Bond may bear interest at a rate or rates which do not exceed by more than 3% the “Index of Twenty Bonds” which was most recently published in The Bond Buyer before a negotiated offer is accepted for the Bond; and

(18) **WHEREAS**, the Bond may be evidenced by a single registered bond bearing interest at the same rates and being payable in installments of principal; and

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

(20) **WHEREAS**, the Board is therefore authorized by the Charter, the Project Act, the SRF Act, the Bond Act and NRS 350.020, without any further preliminaries:

A. To commence the Project;

B. To issue and sell the City's registered, negotiable general obligation (limited tax) water bond (additionally secured by pledged revenues) in the maximum principal amount of \$21,900,000 for the Project; and

C. To exercise the incidental powers provided in the Charter, the Project Act, the SRF Act and the Bond Act in connection with the powers authorized therein; and

(21) **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 Bond;

B. Each of the limitations and other conditions to the issuance of the Bond in the Charter, the Project Act, the SRF Act, 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 Bond; 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 "2010E Water 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:

“**Administrator**” means the Administrator of the Division.

“**BAB Credit**” has the meaning set forth in Section 55 herein.

“**Bond**” means the Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E (Taxable Direct Pay Build America Bond) issued pursuant to this Ordinance.

“**1997 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Refunding Water Bonds (Additionally Secured by Net Revenues) Series November 1, 1997, issued in the original aggregate principal amount of \$1,820,000.

“**1998 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 1998C issued in the original aggregate principal amount of \$1,700,000.

“**1999 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 1999B issued in the original aggregate principal amount of \$1,525,000.

“**2000 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2000B issued in the aggregate principal amount of \$1,330,000.

“**2002 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2002A issued in the aggregate principal amount of \$3,465,000.

“**2003 Bonds**” means the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2003 issued in the aggregate principal amount of \$9,365,000.

“2005 Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2005A issued in the aggregate principal amount of \$9,000,000.

“2007 Bonds” means the Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2007 issued in the aggregate principal amount of \$12,394,100.

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

“2010A Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bond).

“2010B Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010B (Tax-Exempt).

“Bond Fund” means the two separate accounts designated as the “Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E Interest Account” (the “Interest Account”) and the “Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E Principal Account” (the “Principal Account”) created herein.

“Bond Requirements” means the principal of, the interest on and any prior redemption premiums due in connection with the Bond, 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 53 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 Bond, “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 Section 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.

"City Clerk" or **"Clerk"** means the de jure or de facto clerk of the City, or his or her successor in functions, if any.

"City Treasurer" or **"Treasurer"** means the de jure or de facto Treasurer of the City, or his or her successor in functions, if any.

"Commercial Bank" means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation, including without limitation any trust bank.

"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 and subject to the restrictions set forth in the Safe Drinking Water Act:

- (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 Bond 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 Bond or other securities relating to the Project of any operation and maintenance expenses appertaining to the Project and of any interest on the Bond or other securities relating to the Project for any period not exceeding the period estimated by the Board to effect the Project plus one year, of any discount on the Bond or such other securities, and of any reserves for the payment of the principal of and interest on the Bond or such other securities, of any replacement expenses, and of any other cost of the issuance of the Bond or such other securities;

(h) The costs of amending any resolution 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 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 Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;

(l) The administrative expenses and costs of the State Treasurer through the Environmental Protection Division of the Department of Conservation and Natural Resources relevant to its making a loan for the Project; and

(m) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board.

“Division” means the State of Nevada Division of Environmental Protection of the Department of Conservation and Natural Resources.

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

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

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

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

“Gross Revenues” means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Water System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the City from the Water System, including, without limitation, all fees, rates and other charges for the use of the Water System, or for any service rendered by the City in the operations thereof, directly or

indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues to the extent lawfully available for the purposes of the Water System.

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

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

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

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

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

(d) any taxes, assessments, excise taxes or other charges which may be lawfully imposed upon the City, the Water System, revenues therefrom or the City's income from or

operations of any properties under its control and pertaining to the Water System, or any privilege in connection with the Water System or its operations;

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

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

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

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

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

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

but excluding:

(i) any allowance for depreciation;

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

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

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

(v) 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;

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

(vii) any other ground of legal liability not based on contract, including, without limitation, negligence in the operation of the Water System.

“Outstanding” when used with reference to the Bond or any other designated securities payable from Net Revenues and as of any particular date means all of the Bond or other securities 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 56 hereof; and

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

“Parity Securities” means securities of the City pertaining to the Water System and payable from and secured by Net Revenues on a parity with the Bond, including the 1997 Bonds, the 1998 Bonds, the 1999 Bonds, the 2000 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2007 Bonds, the 2009 Bonds, the 2010A Bonds, the 2010B 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 the Treasurer of the City or any successor thereto as paying agent for the Bond appointed by the Board.

"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.

"Project" means the acquisition, construction, equipment and improvement of the facilities pertaining to the Water System and the costs necessary therefor or incidental thereto.

"Redemption Date" means a date fixed for the redemption prior to the respective maturities of any Bond 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 the Bond or any 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 the Bond or other security on a Redemption Date in the manner contemplated in accordance with the security's terms.

"Registrar" means the City Treasurer or any successor thereto as registrar for the Bond appointed by the Board.

"Revolving Fund" means the Account for the Revolving Fund as defined in NRS 445A.203 to finance the construction of "projects" as defined in NRS 445A.230 of the State of Nevada created by NRS 445A.255.

"Safe Drinking Water Act" means the "Safe Drinking Water Act," 42 U.S.C. Sections 300f et seq., as amended.

"State" means the State of Nevada, acting by and through the Administrator of the Division of the Department of Conservation and Natural Resources as Administrator of the Account for the Revolving Fund to finance the construction of projects defined in NRS 445A.230 of the State of Nevada.

“State Treasurer” means the duly elected and acting Treasurer of the State of Nevada.

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

“Superior Securities” means securities of the City pertaining to the Water System secured by and payable from Net Revenues superior and senior to the pledge thereof to the Bond 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 Bond.

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

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

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. **Sale of Bond and Approval of Loan Contract.** The sale of the Bond to the State on the terms provided herein and in accordance with the loan agreement between the Division and the City (the “Loan Contract”), to be executed by the City Manager or the City Finance Director on behalf of the City, is hereby approved and accepted in substantially

the form as is now on file in the office of the City Clerk, with such changes as are approved by the City Manager or the City Finance Director, whose execution thereof shall constitute conclusive evidence of the approval of such changes.

SECTION 4. **Ratification.** 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 Bond is hereby ratified, approved and confirmed.

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 Project is not less than 21 years; and

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

SECTION 6. **Necessity of the Project and Bond.** 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 Bond 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 Bond 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 Bond.

SECTION 9. **Bond 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 Bond, 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.** The Bond, as to the Bond Requirements, shall constitute a general obligation of the City, which hereby pledges its full faith and credit for

its payment. So far as possible, Bond Requirements shall be paid from Net Revenues of the Water System of which the Project is a part (the "Pledged Revenues"). The Bond 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 Bond 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 Bond. No property of the City, subject to such exception, shall be liable to be forfeited or taken in payment of the Bond.

SECTION 12. **No Recourse Against Officers and Agents.** No recourse shall be had for the payment of the Bond Requirements of the Bond 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 Bond and as a part of the consideration of its issuance specially waived and released.

SECTION 13. **Authorization of Bond.** For the purpose of providing funds to pay all or a portion of the Cost of the Project, the City shall issue its "Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E (Taxable Direct Pay Build America Bond)" in the maximum principal amount of \$21,900,000. The obligation of the City hereunder shall be represented in the form of a single, registered, negotiable bond. The Bond shall be substantially in the form as set forth in Section 22 hereof.

SECTION 14. **Bond Details.** The Bond shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with Section 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The Bond shall be dated initially as of the date of delivery thereof to the State, and shall be issued as a single bond in the maximum principal amount of \$21,900,000. The City's indebtedness as represented by the Bond

shall be \$21,900,000 or such lesser amount as shall represent the aggregate principal amount advanced under the Loan Contract as shown on the principal advance panel appended to the Bond. The Bond shall bear interest (calculated on the basis of a 360 day year consisting of twelve 30 day months) at the rate set forth in the Loan Contract on the unpaid principal amount advanced from the date or dates of each advance until the principal thereof is paid in full, and such interest shall be payable on the dates specified in the Loan Contract. Principal payments shall be made semiannually on January 1 and July 1, commencing on the first January 1 or July 1 immediately following the date the City draws the maximum principal amount authorized (i.e. \$21,900,000) under the Loan Contract, the date the City completes the Project, or three years from the date of the initial principal advance under the Loan Contract, whichever occurs first. The amount of principal and interest payments shall be substantially in the amounts set forth in the Loan Contract, provided that such payments shall be structured so as to produce payments substantially consistent in amount from payment date to payment date and which shall amortize the outstanding principal amount of the Bond by the date which is no more than 20 years from the date of the initial advance under the Loan Contract.

If the Bond is reissued upon replacement, it shall bear interest 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 advance to the City under the Loan Contract. The installments of principal and interest on the Bond shall be paid, as long as the State is the registered owner of the Bond, by electronic funds transfer to the State, and otherwise by check, wire or warrant made to the order of the registered owner of the Bond and mailed to the address of the registered owner shown on the registration records kept by the Registrar as of the close of business on the day immediately prior to such payment date, or if such date is not a business day, on or before the next succeeding business day. So long as the State is the registered owner, such payment shall be made by depositing with the State Treasurer, not later than the principal or interest payment date, the amount coming due on the Bond on such date, or if such payment date is not a business day, on or before the next succeeding business day, immediately available funds in an amount sufficient to make the payment then due. The final installment of principal on the Bond whether at maturity or prior redemption (if the State consents to such prior redemption), shall be made

only on presentation and surrender of the Bond, as provided in Section 22 hereof, at the office of the Paying Agent. If any installment of principal shall not be paid when due, interest shall continue to accrue at the rate set forth in the Loan Contract until the principal thereof is paid in full, plus a penalty in the amount of one-tenth of one percent (0.1%) will be due for each day of nonpayment commencing 10 days after the maturity date of that principal installment. The Paying Agent may make payments on the Bond by such alternative means as may be mutually agreed to between the owner of the Bond and the Paying Agent. 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 Registrar.

SECTION 15. **Prior Redemption or Prepayment Option.** The Bond, or portions thereof, are subject to redemption prior to the respective maturities of the installments of principal, in whole or in part, at the option of the City, on any January 1, or July 1, at a price equal to the principal amount of the Bond or portion thereof, so prepaid and the accrued interest thereon to the Redemption Date; provided that (i) the State consents in writing to such prepayment, or (ii) a change in use of the facilities financed by the Bond occurs which change in use necessitates remedial action under Treas. Reg. 1.141-12 in order to comply with the covenant in Section 55 hereof. If all or a portion of the principal of the Bond is so called for prior redemption, no payment of the principal of or interest on the Bond due on or after the date fixed for redemption shall be made unless the Bond is presented to the Paying Agent and notation of the installments of principal redeemed is made on the Bond.

SECTION 16. **Compliance with Federal and State Laws.** The City agrees that it will, at all times that the Bond is outstanding, comply with and require its contractors and subcontractors to comply with all applicable federal and state laws, rules, guidelines, regulations and requirements. The City covenants that it will comply with the requirements of the Safe Drinking Water Act and 40 CFR Part 31 and comply with, implement and fulfill all environmental mitigation measures committed to by the City as a part of its request to the Administrator for financing from the Revolving Fund.

SECTION 17. **Registration of Bond.**

A. Records for the registration of the Bond shall be kept by the Registrar.

B. The person in whose name any Bond shall be registered, on the registration records kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes; 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 registered owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon the Bond to the extent of the sum or sums so paid.

C. If the 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. 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.

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

E. The Registrar shall maintain at his office registration records for the Bond showing the name and address of the registered owner, the amounts and dates of any principal prepayments on the Bond.

SECTION 18. **Execution and Authentication.**

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

C. The Bond shall not be valid or obligatory for any purpose unless the registration panel thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. By initially executing the registration panel, the Registrar shall be deemed to have assented to all of the provisions of this Ordinance.

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

SECTION 19. **Use of Predecessor's Signature.** The Bond bearing the signatures of the officers in office at the time of the execution of the Bond shall be valid and binding obligations of the City, notwithstanding that before its delivery any or all of the persons who executed them shall have ceased to fill their respective offices.

SECTION 20. **Incontestable Recital.** Pursuant to NRS 350.628, the Bond shall contain a recital that it is issued pursuant to the Bond Act, which recital shall be conclusive evidence of the validity of the Bond and the regularity of its issuance.

SECTION 21. **State Tax Exemption.** Pursuant to NRS 350.710, the Bond, its 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 except for the tax on generation skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

SECTION 22. **Bond Form.** Subject to the provisions of this Ordinance, the Bond 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, or be consistent with this Ordinance or necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

**CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) WATER BOND
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010E (TAXABLE DIRECT PAY BUILD AMERICA BOND)**

No. R-1 **MAXIMUM PRINCIPAL AMOUNT: \$21,900,000.00**
LOAN CONTRACT NO. _____

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 State of Nevada, c/o the State Treasurer, for deposit to the Account for the Revolving Fund to finance the construction of projects defined in NRS 445A.230 (the "Revolving Fund") the maximum principal amount of

TWENTY ONE MILLION, NIN HUNDRED THOUSAND AND NO/100 DOLLARS

or such lesser amount as shall represent the aggregate principal amount advanced under the State Drinking Water State Revolving Fund Loan Contract (the "Loan Contract") between the City and the State Division of Environmental Protection of the Department of Conservation and Natural Resources, as is hereby required to be shown by the City Treasurer, acting as registrar (the "Registrar"), on the principal advance panel appended hereto, in installments of principal in the amounts and on the dates to be determined in accordance with the Loan Contract and pursuant to the ordinance duly adopted by the Board of Supervisors (the "Board") of the City on August 19, 2010 and designated in Section 1 by the short title "2010E Water Bond Ordinance" (the "Ordinance") (unless prepaid as provided herein and noted on the prepayment panel appended hereto) in lawful money of the United States of America, together with interest on the unpaid advances of principal until payment of such advances of principal shall have been discharged as provided in the Ordinance, said interest being calculated at the rate of ____% per annum as specified in the Loan Contract, and said installments of principal being payable on January 1 and July 1 of the years and in the amounts and at the times designated in the Loan Contract, not to exceed 20 years from the date of the initial advance under the Loan Contract.

The principal and interest due in connection with this Bond (the "Bond Requirements") are payable, as long as the State is the registered owner of the Bond, by electronic funds transfer, and otherwise by check, draft, wire or warrant made to the registered owner hereof and mailed by the City Treasurer or any successor thereto as paying agent for this Bond (the "Paying Agent") to the address shown for the registered owner on the registration records of the City Treasurer or any successor thereto as Registrar for this Bond. So long as the State is the registered owner, payment of the Bond Requirements shall be made by depositing with the State Treasurer, on or before any principal or interest payment date or prior redemption date, the amount coming due on such payment date by electronic transfer in immediately

available funds. If any payment date is not a business day, payment may be made on or before the next succeeding business day. If payment of any installment of principal of this Bond is not made when due, interest on such installment shall continue at the interest rate specified for such installment in the Ordinance until such principal installment is paid in full, plus a penalty in the amount of one-tenth of one percent (0.1%) will be due for each day of nonpayment commencing 10 days after the maturity date of that principal installment. The final installment of principal on this Bond is payable only on presentation and surrender of this Bond at the office of the Paying Agent.

This Bond is issued by the City to defray, in part, the cost of acquiring, constructing, improving and equipping the City's water system. This Bond is issued under the authority of and in full compliance with the Constitution and laws of the State, and pursuant to an ordinance duly adopted by the Board of Supervisors of the City (the "Board") on August 19, 2010 (the "Ordinance").

This Bond is issued pursuant to Chapter 213, Statutes of Nevada, 1969 (the "Charter"); pursuant to Nevada Revised Statutes ("NRS") 350.500 through 350.720, and all laws amendatory thereof designated in NRS 350.500 as the Local Government Securities Law (the "Bond Act"); pursuant to NRS 350.020(3); pursuant to NRS 244A.011 through 244A.065, inclusive (the "Project Act"); pursuant to NRS 445A.200 to 445A.295, inclusive (the "SRF Act"); and pursuant to NRS chapter 348 (the "Supplemental Bond Law"); pursuant to NRS 350.628, this recital is conclusive evidence of the validity of the Bond and the regularity of its issuance; and pursuant to NRS 350.710, the Bond, its 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 except for the tax on generation skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

If a prepayment is made on this Bond, as specified in the Ordinance, interest shall cease to accrue on the amount prepaid from and after the date fixed for prepayment. If a portion of the principal of this Bond is called for prepayment, no payment of the principal of, interest on or any prior redemption premium due in connection with this Bond due on and after the prepayment date shall be made unless this Bond is presented to the Paying Agent and notation of the installments of principal so called for prepayment is made on the prepayment panel appended hereto.

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 taxable property within the City sufficient to pay the Bond Requirements of this Bond when the same become due (except to the extent that other revenues are available therefor), subject to the limitations imposed by the Constitution and statutes of the

State; and that the full faith and credit of the City are hereby irrevocably pledged to the punctual payment of the Bond Requirements of this Bond according to its terms.

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

This Bond is equally 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 this Bond, the accounts, funds, or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owner of this Bond with respect thereto, the terms and conditions upon which this Bond is issued, and a statement of rights, duties, immunities and obligations of the City, and other rights and remedies of the owner of this Bond.

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 prepayment of this Bond 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 benefits under the Ordinance or be valid or obligatory for any purpose until the registration panel appended hereto shall have been manually signed on behalf of the Registrar.

No recourse shall be had for the payment of the Bond Requirements of this Bond or for any claim based thereon or otherwise upon the Ordinance or any 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 by the manual signature of its Mayor, to be countersigned with the manual signature of its City Treasurer, and to be attested by the manual signature of its City Clerk and has caused the seal of the City to be affixed hereto, all as of _____, 2010.

CARSON CITY, NEVADA

(Manual Signature)
Mayor
Carson City, Nevada

Countersigned:

(SEAL)

Attest:

(Manual Signature)
City Treasurer
Carson City, Nevada

(Manual Signature)
City Clerk
Carson City, Nevada

(End of Form of Bond)

(Form of Registration Panel)

MANDATORY REGISTRATION FOR PAYMENT
AS TO PRINCIPAL AND INTEREST

The within Bond is registered in the office of the Treasurer of Carson City, Nevada, as Registrar in the name of the last owner listed below, and the principal amount of the bond and interest thereon shall be payable only to such owner, all in accordance with the within-mentioned Ordinance.

<u>Date of Registration</u>	<u>Name of Owner</u>	<u>Address of Owner</u>	<u>Signature of Registrar</u>
_____	State of Nevada, Treasurer, as Custodian of the Account for the Revolving Fund of the State of Nevada	State Treasurer 101 N. Carson St. Suite 4 Carson City Nevada 89701	_____
_____	_____	_____	_____
_____	_____	_____	_____

(End of Form of Registration Panel)

(Form of Principal Prepayment Panel)

PREPAYMENT PANEL

The following installments of principal (or portions thereof) of this Bond have been prepaid by Carson City, Nevada, in accordance with the terms of the within-mentioned Ordinance.

<u>Date of Prepayment</u>	<u>Due Date of Installments (or portions thereof) Prepaid</u>	<u>Principal Amount Prepaid</u>	<u>Signature of Paying Agent</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(End of Form of Principal Prepayment Panel)

(Form of Principal Advance Panel)

**CARSON CITY, NEVADA
 GENERAL OBLIGATION (LIMITED TAX) WATER BOND
 (ADDITIONALLY SECURED BY PLEDGED REVENUES
 SERIES 2010E (TAXABLE DIRECT PAY BUILD AMERICA BOND)
 Maximum Principal Amount of \$21,900,000
 Loan Contract # _____**

PRINCIPAL ADVANCE PANEL

<u>Amount of Principal Advanced</u>	<u>Date of Advance</u>	<u>Signature of City Treasurer</u>
_____	_____	_____
_____	_____	_____
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_____	_____	_____

(End of Form of Principal Advance Panel)

SECTION 23. **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 Treasurer may, upon notice mailed to the State Treasurer or any other owner of any Bond at his or her 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 24. **Delivery of the Bond; Deposit of Proceeds.** When the Bond has been duly executed, the Treasurer shall cause it to be delivered to the State upon receipt of the initial advance under the Bond and shall authenticate and register it in the name of the State on the Bond registration records of the Registrar and make notation of such registration on the registration panel appended to the Bond. The Treasurer shall cause the proceeds of the Bond to be deposited in a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E, Acquisition Account" (the "Acquisition Account") to be held by the City. Moneys

in the 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, all costs of issuing the Bond, including any interim financing, all issuance costs and other costs and fees associated with the State's administration of the loan related to the Bond which the Board hereby determines are necessary and desirable and appertain to the Project. The costs of issuance of the Bond paid with the proceeds of the Bond shall not exceed two percent of the principal amount of the Bond. 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 Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the Acquisition Account shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bond.

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

SECTION 26. **Investments; Use of Investment Gain.** 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 Bond shall be deposited promptly upon the receipt of such gain at any time or from time to time into the 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 Bond or any combination thereof. As provided herein, the annual General Taxes for the payment of the principal of or interest on the Bond 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. **Purchaser Not Responsible.** The validity of the Bond 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. The State shall not 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 Bond or of any other moneys referred to in this Ordinance.

SECTION 28. General Tax Levies. So far as possible, the Bond Requirements of the Bond shall be paid from Net Revenues of the Water System. However, pursuant to NRS 350.596, the principal and interest falling due on the Bond at any time when there are not on hand from the Net Revenues sufficient funds to pay the same shall be promptly paid when due out of the general fund of the City or out of any other funds that may be available for such purpose, including, without limitation, any proceeds of General Taxes. For the purpose of repaying any moneys so paid from any such fund or funds (other than any moneys available without replacement for the payment of such Bond Requirements on other than a temporary basis), and for the purpose of creating funds for the payment of the Bond Requirements, there are hereby created two separate accounts designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E Interest Account" (the "Interest Account") and the "Carson City, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E Principal Account" (the "Principal Account") (the Interest Account and the Principal Account collectively, the "Bond Fund"). Pursuant to NRS 350.592 and 350.594, there shall be duly levied immediately after the issuance of the Bond 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 fully sufficient together with the revenue which will result from the application of the rate to the net proceeds of minerals to reimburse such fund for any such amounts temporarily advanced to pay such initial installments of principal and interest, and to pay the interest on the Bond becoming due after such initial installment, and to pay, retire and redeem the Bond 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 Bond, subject to the limitation imposed by NRS 361.453 and Section 2, Article 10, State Constitution,

and the amount of money necessary for this purpose shall be a first charge against all the revenues received by the City.

SECTION 29. **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 for that reason to reduce the levies made by any of those 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 30. **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, and the proceeds thereof for the Bond 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, as the same fall due.

SECTION 31. **Use of General Fund.** Any sums becoming due on the Bond at any time when there are not on hand from such General Taxes (and any other available moneys) sufficient funds to pay the same shall be promptly paid when due from the general fund of the City, reimbursement to be made for such general fund in the sums so advanced when the General Taxes herein provided for have been collected, pursuant to NRS 350.596.

SECTION 32. **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 33. **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 Bond 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 Bond as hereinbefore specified.

SECTION 34. **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 Bond; 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 Bond have been wholly paid.

SECTION 35. **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 principal of and interest on the Bond in accordance with its terms and the provisions of this Ordinance, all of the Net Revenues of the Water System. This pledge shall be valid and binding from and after the date of the delivery to the State of the Bond; 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 Bond is on a parity with the pledge of the Net Revenues for the Parity Securities, the Bond and any other

Parity Securities hereafter issued, and shall be equally and ratably secured by the pledge of Net Revenues and are not entitled to any priority one over the other in the application of the Net Revenues.

SECTION 36. **Revenue Fund.** So long as the Bond shall be Outstanding, the entire Gross Revenues, upon their receipt from time to time by the City, shall be set aside and credited immediately to a separate account heretofore created in the treasury of the City and hereby continued and designated as the "Carson City Water System Gross Revenues Fund" (the "Revenue Fund"). So long as the Bond shall be Outstanding, the Revenue Fund shall be administered and the moneys on deposit therein shall be applied in the order of priority specified in Sections 37 through 42.

SECTION 37. **Operation and Maintenance Fund.** First, from time to time there shall be transferred and credited to a separate account heretofore created in the treasury of the City and continued hereby and designated as the "Carson City Water System Operation and Maintenance Fund" (the "Operation and Maintenance Fund") moneys sufficient to pay Operation and Maintenance Expenses, as budgeted and approved in accordance with law, as such expenses become due and payable, and thereupon they shall be promptly paid. Any surplus remaining in the Operation and Maintenance Fund at the end of the Fiscal Year of the City and not needed for Operation and Maintenance Expenses shall be transferred to the Revenue Fund.

SECTION 38. **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 39. **Bond Fund.** Third, from any moneys thereafter remaining in the Revenue Fund, and concurrent with transfers to any bond funds created with respect to any Parity Securities, there shall be transferred and credited to the Bond Fund the following transfers:

A. Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bond, 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 Bond, and monthly thereafter, commencing on such 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 Bond, except to the extent any other moneys are available therefor.

B. Monthly, commencing the first day of the month immediately succeeding the delivery date of the Bond, 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 of the Outstanding Bond and monthly thereafter, commencing on such principal 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 principal of the Outstanding Bond, except to the extent any other moneys are available therefor.

C. The City hereby covenants to deposit any BAB Credit received with respect to the Bond in the Bond Fund to the extent needed to provide for the next succeeding interest payment due on the Bond; 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.

The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bond as such Bond Requirements become due.

SECTION 40. **Payment of Rebate Accounts**. Fourth, after the aforementioned deposits, there shall be transferred and credited to a special and separate account hereby created and designated as the "Carson City, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2010E, Rebate Account" (the "Rebate Account") and to the funds or accounts established for payment of amounts due the United States under Section 148(f) of the Tax Code in connection with any Outstanding Parity Securities in such amounts as are required to be deposited therein to meet the City's obligations under the covenant contained

in Section 55 hereof, in accordance with Section 148(f) of the Tax Code and the covenants contained in the respective bond ordinances authorizing the issuance of the Outstanding Parity Securities.

SECTION 41. **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 Subordinate Securities and may be used to create reasonable reserves for such securities.

SECTION 42. **Surplus Revenues.** Sixth, any moneys thereafter remaining in the Revenue Fund may be used by the City at the end of any Fiscal Year of the City, or whenever there shall have been credited all amounts required to be deposited in the respective foregoing separate accounts for all of that Fiscal Year, for any lawful purposes of the City, as the Board may from time to time determine, including, without limitation, for the creation of operation and maintenance reserves and capital reserves, the payment of capital costs and major maintenance costs of the Water System, to pay any other obligations pertaining to the Water System or otherwise.

SECTION 43. **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 Bond as to all Bond Requirements to its 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 44. **Equal Security.** The Bond 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 Bond and any such Parity Securities.

SECTION 45. Defraying Delinquencies. If at any time the City shall for any reason fail to pay into the Bond Fund the full amount above stipulated from the Net Revenues, then an amount shall be paid into the Bond Fund 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 account 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 Bond and the then Outstanding Parity Securities, as moneys become available therefor, first into all of such bond and reserve accounts and second into all such rebate accounts.

SECTION 46. 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 Bond and any Parity Securities, provided, however, that the following are express conditions to the authorization and issuance of any such Superior Securities:

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

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

(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 Bond any Outstanding Superior Securities and the Superior Securities proposed to be issued (excluding any reserves therefor).

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

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

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

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

E. In connection with the authorization of any such additional securities the Board may on behalf of the City adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the City herein and no such covenant or agreement may be materially adverse to the interests of the holders of the Bond. 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 47. 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 Bond, 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 Bond.

(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 Bond, 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 holder of the Bond. 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. **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 Bond and any outstanding Parity Securities.

SECTION 49. **Issuance of Refunding Bonds.**

A. At any time after the Bond is issued and remains Outstanding, if the City shall find it desirable to refund any portion of the Outstanding Bond, any Outstanding Superior Securities, any Outstanding Parity Securities, or any Outstanding Subordinate Securities, such Bond or other securities, or any part thereof, may be refunded only if the Bond 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 46 hereof or (2) are issued in compliance with subsection (C)(1) of this Section 49 and are issued solely as special obligations

secured by and payable from the Net Revenues of the Water System. Except as provided in the immediately preceding sentence, and notwithstanding subsection (C)(3) or any other provision of this Section 49, 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 Bond).

C. If only a part of the Outstanding Bond 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 Bond 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 46 or 47 hereof.

SECTION 50. Operation of the System. The City shall at all times operate the Water System properly and in a sound and economical manner and shall maintain, preserve and keep the Water System, or cause the same to be maintained, preserved and kept, in good repair, working order and condition. The City also shall from time to time make or cause to be made all

necessary and proper repairs, replacements and renewals so that at all times the operation of the Water System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating water systems of like size and character.

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

SECTION 51. **Payment of Taxes, Etc.** The City shall pay or cause to be paid all taxes, assessments and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Water System or any part thereof, or upon any portion of the Gross Revenues, when the same shall become due. The City shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water System or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The City shall not create or suffer to be created any lien or charge on the Water System or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Ordinance for the payment of the Bond and any Outstanding Superior Securities, Parity Securities or Subordinate Securities issued in accordance herewith, and except as herein otherwise permitted. The City shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Water System or any part thereof, or upon the Gross Revenues. Nothing herein contained requires the City to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith by appropriate legal proceedings.

SECTION 52. **No Competing Facilities.** The City shall neither construct nor permit to be constructed other facilities or structures to be operated by the City separate from the Water System and competing for Gross Revenues otherwise available for the payment of the

Bond 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 53. Rate Covenant. The City shall charge against users or against purchasers of services or commodities pertaining to the Water System such fees, rates and other charges as shall be sufficient to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the City at least equal to the sum of:

A. an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year;

B. an amount equal to the debt service due in such Fiscal Year on the then Outstanding Bond, any Outstanding Superior Securities, and any Outstanding Parity Securities; and

C. any other amounts payable from the Net Revenues and pertaining to the Water System, including, without limitation, debt service on any Subordinate Securities and any other securities pertaining to the Water System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

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

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

SECTION 54. Books of Record and Account. So long as any installments of the Bond remain Outstanding, proper books of record and account shall be kept by the City,

separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Water System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues.

SECTION 55. **Tax Covenant**. The City hereby makes an irrevocable election that Section 54AA of the Tax Code shall apply to the Bond and that subsection (g) of Sections 54AA will also apply to the Bond 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 holder of the Bond under Section 54AA(a) of the Tax Code (the credit described in Section 6431 is herein, the "BAB Credit"). The holder of the Bond shall not 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 Bond, the proceeds thereof, any other funds of the City or any project financed with the proceeds of the Bond if such action or omission would cause the City to not be entitled to the BAB Credit with respect to the Bond. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bond 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 Bond shall be applied as described in paragraph (C) of Section 39 of this Ordinance.

SECTION 56. **Defeasance**. When all Bond Requirements of the 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 located within or without the State, 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 State Treasurer shall have consented to and the City shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond for payment. The

Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and the 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 holder 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 State Treasurer or any other registered owners of the Bond at the addresses last shown on the registration records for the Bond maintained by the Registrar. 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 Bond.

SECTION 57. 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 State Treasurer at the time of the adoption of the amendatory or supplemental instrument. 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, without the consent of the State Treasurer;

B. A reduction in the principal amount of any Bond or in the rate of interest thereon, without the consent of the State Treasurer; or

C. A reduction of the principal amount or percentages or otherwise affecting the description of the Bond the consent of the State Treasurer of which is required for any modification or amendment; or

D. The establishment of priorities as between the Bond 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 State.

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 State Treasurer. 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 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 State Treasurer, 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. Any consent given by the State Treasurer pursuant to the provisions hereof shall be irrevocable.

Any Bond 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 a 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 State Treasurer at such effective date and upon presentation of his or her Bond, suitable notation shall be made on the Bond as to any such action. If the City so determines, a new Bond 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 the Bond then Outstanding upon surrender of such Bond.

SECTION 58. **Prevention of Bond Default.** Subject to the provisions of this Ordinance, the Treasurer shall use any Bond proceeds credited to the Acquisition Account, without further order or warrant, to pay the Bond Requirements of the Bond 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 Project. The Treasurer shall promptly notify the Board of any such use.

SECTION 59. **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 Bond;
- B. The execution of such certificates as may be reasonably required by the State, relating, inter alia,
 - (1) to the signing of the Bond,
 - (2) to the tenure and identity of 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 Bond under Section 54AA of the Tax Code,
 - (6) to the delivery of the Bond and the receipt of the Bond purchase price,
 - (7) to the completeness and accuracy of any information provided the State in connection with the Bond as of the date of delivery of the Bond, and
 - (8) if it is in accordance with fact, to the absence of litigation, pending or threatened, affecting the validity of the Bond; and
- C. The assembly and dissemination of financial and other information concerning the City and the Bond.

SECTION 60. **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 DESIGNATED BY THE SHORT TITLE "2010E WATER BOND ORDINANCE"; PROVIDING FOR THE ISSUANCE OF ITS GENERAL OBLIGATION (LIMITED TAX) WATER BOND (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010E (TAXABLE DIRECT PAY BUILD AMERICA BOND); PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BOND; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BOND; ADDITIONALLY SECURING ITS PAYMENT BY A PLEDGE OF REVENUES DERIVED FROM THE WATER SYSTEM OF THE CITY; 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 August 5, 2010, and will be considered for adoption at the regular meeting of the Board of Supervisors of Carson City held on August 19, 2010.

/s/ Alan Glover
City Clerk

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

SECTION 61. **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 DESIGNATED BY THE SHORT TITLE "2010E WATER BOND ORDINANCE"; PROVIDING FOR THE ISSUANCE OF ITS GENERAL OBLIGATION (LIMITED TAX) WATER BOND (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2010E (TAXABLE DIRECT PAY BUILD AMERICA BOND); PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BOND; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BOND; ADDITIONALLY SECURING ITS PAYMENT BY A PLEDGE OF REVENUES DERIVED FROM THE WATER SYSTEM OF THE CITY; 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 August 5, 2010, and was passed and adopted at the regular meeting of the Carson City Board of Supervisors held on August 19, 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 August __, 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 August 19, 2010.

/s/ Robert L. Crowell
Mayor

Attest:

/s/ Alan Glover
City Clerk

(End of Form of Publication of Adoption of Ordinance)

SECTION 62. 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.

PASSED AND ADOPTED BY THE BOARD OF SUPERVISORS OF CARSON CITY, THIS AUGUST 19, 2010.

Proposed on August 5, 2010.

Passed on the August 19, 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 August __, 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 August 5, 2010, and passed and adopted by the Board of Supervisors of the City (the "Board") at a meeting of the Board held on August 19, 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 August 5, 2010 and August 19, 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:

- (i) Community Center
851 East William Street
Carson City, Nevada
- (ii) Public Safety Complex
885 East Musser Street
Carson City, Nevada
- (iii) City Hall
201 North Carson
Carson City, Nevada
- (iv) 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 August 19, 2010.

(SEAL)

City Clerk

EXHIBIT A

(Attach Copy of Notices of Meetings on August 5, 2010 and August 19, 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)