

**Carson City
Agenda Report**

Date Submitted: 2/21/12

Agenda Date Requested: 3/01/12

Time Requested: 10 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director

Subject Title: For Possible Action: Action to adopt, on second reading, Bill No. 101, Ordinance No. _____ an ordinance of the Board of Supervisors of Carson City, Nevada designated by the short title "2012 Water Bond Ordinance"; providing for the issuance of its registered, negotiable, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (additionally secured by pledged revenues), Series 2012A; providing the form, terms and conditions of the bonds and covenants relating to the payment of such bonds; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; additionally securing their payment by a pledge of revenues derived from the water system of the city; ratifying action previously taken toward the issuance of such bonds; and providing other matters relating thereto. (Nick Providenti)

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

Type of Action Requested: (check one)

☐ Resolution

☒ Ordinance

☐ Formal Action/Motion

☐ Other (Specify)

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

Recommended Board Action: I move to adopt, on second reading, Bill No. 101, Ordinance No. _____ an ordinance of the Board of Supervisors of Carson City, Nevada designated by the short title "2012 Water Bond Ordinance"; providing for the issuance of its registered, negotiable, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (additionally secured by pledged revenues), Series 2012A; providing the form, terms and conditions of the bonds and covenants relating to the payment of such bonds; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; additionally securing their payment by a pledge of revenues derived from the water system of the city; ratifying action previously taken toward the issuance of such bonds; and providing other matters relating thereto.

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

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

Fiscal Impact: \$5,933,665.00 including principal and interest (estimated) for the new money portion. We are estimating that the refunding amounts will save the city a total of \$1,500,000 over a fifteen year period, which equates to a present value amount of \$1,200,000.

Explanation of Impact: Water Fund - ongoing debt service payment of approximately \$300,000 for the new money portion. The refunding savings will vary and the monthly amounts are not determinable at this time, although we expect to save a total of \$1,500,000 over a fifteen year period.

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:

(Department Head)

Date:

2/21/12

:

(City Manager)

Date:

2/21/12

:

(District Attorney)

Date:

2/21/12

:

(Finance Director)

Date:

2/21/12

Board Action Taken:

Motion: _____

1)

2)

Aye/Nay

(Vote Recorded By)

Carson City, Nevada
General Obligation (Limited Tax) Water Improvement & Refunding Bonds, Series 2012
Debt Service Schedule (New Money)

Date	Principal	Rate	Interest	Semi-Annual Debt Service	Annual Debt Service
03/27/2012					
11/01/2012	\$115,000	2.000%	\$106,465.00	\$221,465.00	
05/01/2013			88,400.00	88,400.00	\$309,865.00
11/01/2013	120,000	3.000%	88,400.00	208,400.00	
05/01/2014			86,600.00	86,600.00	295,000.00
11/01/2014	125,000	4.000%	86,600.00	211,600.00	
05/01/2015			84,100.00	84,100.00	295,700.00
11/01/2015	130,000	4.000%	84,100.00	214,100.00	
05/01/2016			81,500.00	81,500.00	295,600.00
11/01/2016	135,000	5.000%	81,500.00	216,500.00	
05/01/2017			78,125.00	78,125.00	294,625.00
11/01/2017	140,000	5.000%	78,125.00	218,125.00	
05/01/2018			74,625.00	74,625.00	292,750.00
11/01/2018	150,000	5.000%	74,625.00	224,625.00	
05/01/2019			70,875.00	70,875.00	295,500.00
11/01/2019	160,000	5.000%	70,875.00	230,875.00	
05/01/2020			66,875.00	66,875.00	297,750.00
11/01/2020	165,000	5.000%	66,875.00	231,875.00	
05/01/2021			62,750.00	62,750.00	294,625.00
11/01/2021	175,000	5.000%	62,750.00	237,750.00	
05/01/2022			58,375.00	58,375.00	296,125.00
11/01/2022	185,000	5.000%	58,375.00	243,375.00	
05/01/2023			53,750.00	53,750.00	297,125.00
11/01/2023	195,000	5.000%	53,750.00	248,750.00	
05/01/2024			48,875.00	48,875.00	297,625.00
11/01/2024	205,000	5.000%	48,875.00	253,875.00	
05/01/2025			43,750.00	43,750.00	297,625.00
11/01/2025	215,000	5.000%	43,750.00	258,750.00	
05/01/2026			38,375.00	38,375.00	297,125.00
11/01/2026	225,000	5.000%	38,375.00	263,375.00	
05/01/2027			32,750.00	32,750.00	296,125.00
11/01/2027	235,000	5.000%	32,750.00	267,750.00	
05/01/2028			26,875.00	26,875.00	294,625.00
11/01/2028	250,000	5.000%	26,875.00	276,875.00	
05/01/2029			20,625.00	20,625.00	297,500.00
11/01/2029	260,000	5.000%	20,625.00	280,625.00	
05/01/2030			14,125.00	14,125.00	294,750.00
11/01/2030	275,000	5.000%	14,125.00	289,125.00	
05/01/2031			7,250.00	7,250.00	296,375.00
11/01/2031	290,000	5.000%	7,250.00	297,250.00	
05/01/2032			0.00	0.00	297,250.00
	\$3,750,000		\$2,183,665.00	\$5,933,665.00	\$5,933,665.00

Summary - An ordinance authorizing the issuance by Carson City, Nevada of its General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A 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 "2012 WATER BOND ORDINANCE"; PROVIDING FOR THE ISSUANCE OF ITS REGISTERED, NEGOTIABLE, GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2012A; PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BONDS AND COVENANTS RELATING TO THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BONDS; ADDITIONALLY SECURING THEIR PAYMENT BY A PLEDGE OF REVENUES DERIVED FROM THE WATER SYSTEM OF THE CITY; RATIFYING ACTION PREVIOUSLY TAKEN TOWARD THE ISSUANCE OF SUCH BONDS; AND PROVIDING OTHER MATTERS RELATING THERETO.

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

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

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

(4) **WHEREAS**, 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 Improvement 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 \$3,750,000 (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 \$3,750,000 of the general obligation (limited tax) water improvement bonds (additionally secured by pledged revenues), and the Board has not received a petition signed by 5% of the registered voters of the City within 90 days of publication of the notice of intent, and

(9) **WHEREAS**, none of the Bonds contemplated by the Proposal have previously been sold; and

(10) **WHEREAS**, the Board has previously issued its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2002" (the "2002 Bonds"), its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2003" (the "2003 Bonds"), its "Carson City, Nevada, General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2005A" (the "2005 Bonds"), its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2007" (the "2007 Bonds"), its "Carson City, Nevada, General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2009"

(the "2009 Bonds"), its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement Bonds (Additionally Secured by Pledged Revenues), Series 2010A (Taxable Direct Pay Build America Bonds)" and "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010B (Tax-Exempt)" (collectively, the "2010 Bonds"), and its "Carson City, Nevada, General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2010E" (the "2010 SRF Bonds"); and

(11) **WHEREAS**, the 2002 Bonds and the 2003 Bonds were sold to the State Municipal Bond Bank and each were evidenced by a single bond; and

(12) **WHEREAS**, pursuant to the Bond Act, the Board is authorized to issue general obligation bonds of the City in order to refund, pay and discharge a portion of the 2002 Bonds, 2003 Bonds and 2007 Bonds (the "Refunded Bonds") to be designated in the Certificate of the Finance Director (as defined herein) for the purpose of reducing interest rates or effecting other economies (the "Refunding Project"), if the Finance Director of the City (the "Finance Director") determines that the Refunding Project will reduce interest rates or effect other economies; and

(13) **WHEREAS**, pursuant to NRS 350.688, the City is authorized to agree with the State to exchange any outstanding bonds issued by the City and held by the State for refunding bonds of the City, or otherwise to surrender, at such price and time and otherwise upon such conditions and other terms and in such manner as may be mutually agreeable, such outstanding bonds of the City for such refunding at any time prior to their respective maturities or to any date as of which the City has the right and option to call on its behalf such outstanding bonds for prior redemption as expressly provided in the outstanding bonds and any resolution authorizing their issuance; and

(14) **WHEREAS**, the Board hereby authorizes the Finance Director or his designee to arrange for the issuance and sale of the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A (the "Bonds"), subject to, among other conditions, adoption by the City of this Ordinance specifying the Bond terms and details and approving their sale; and

(15) **WHEREAS**, the Finance Director has been authorized to request, and has requested the State Treasurer, as administrator of the municipal bond bank of the State under NRS Chapter 350A (the "Bond Bank Act"), to make a loan to the City (the "Lending Project") by

purchasing the bonds of the City herein authorized (the "Municipal Securities"), in the aggregate principal amount necessary to effect the Improvement Project (not to exceed \$3,750,000) and the Refunding Project (collectively, the "Project"); and

(16) **WHEREAS**, the State Treasurer requested the State Board of Finance (the "State Board") to issue state securities (the "State Securities") in one or more series, to defray the cost of the Lending Project; and

(17) **WHEREAS**, by its resolution duly adopted, the State Board declared its intent to issue the State Securities; and

(18) **WHEREAS**, the City intends to hereby authorize the issuance of Municipal Securities for the Project in a principal amount not to exceed the principal amount of the portion of the State Securities issued for the Lending Project, such Municipal Securities to bear interest at the same rates as the State Securities to be sold for the purpose of providing funds to purchase the Municipal Securities; and

(19) **WHEREAS**, the Bond Act and the Bond Bank Act permit Municipal Securities to be sold at private sale to the State; and

(20) **WHEREAS**, NRS 350.2011 provides that the Bonds 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 Bonds; and

(21) **WHEREAS**, the Bonds may be evidenced either by serial registered bonds in the denomination of \$5,000 or multiples thereof and maturing as provided herein, or by a single registered bond bearing interest at the same rates and being payable in installments of principal on the same dates as if the Bonds were evidenced by such \$5,000 or higher denomination bonds; and the term "Bonds" herein shall, unless the context otherwise requires, refer to either such \$5,000 or higher denomination bonds or such single registered bond, whichever evidences the Bonds; and

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

(23) **WHEREAS**, the Board is therefore authorized by the Charter, the Project 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 improvement and refunding bonds (additionally secured by pledged revenues) in the maximum principal amount of \$3,750,000 for the Improvement Project and in the maximum principal amount of \$13,250,000 for the Refunding Project; and

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

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

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

B. Each of the limitations and other conditions to the issuance of the Bonds in the Charter, the Project 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 Section 350.708, Bond Act, this determination of the Board that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary or gross abuse of discretion; and

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

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

SECTION 1. **Short Title**. This Ordinance shall be known and may be cited as the "2012 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:

"BAB Credit" has the meaning set forth in the ordinances authorizing the 2010 Bonds and the 2010 SRF Bonds.

"Bonds" or **"Bond"** means the Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A issued pursuant to this Ordinance.

"Bond Requirements" means the principal of, premium, if any, and interest on the Bonds and, where applicable, any Parity Securities then Outstanding.

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 52 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 2010 Bonds, "interest" for any Bond Year shall be treated as the amount of interest to be paid by the City on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to interest payments on those bonds in that Bond Year and required by the ordinance or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year, or to reimburse the City for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as of the date of such calculation, "interest" shall be the total amount of interest to be paid by the City on the bonds without a deduction for the credit to be paid by the United States under 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 November 2 of a calendar year and ending on November 1 of the following calendar year.

"Certificate of the Finance Director" means the certificate executed by the Finance Director of the City on or after the date of the sale of the State Securities and on or before the date of closing on the Bonds.

"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.

"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.

"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.

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

"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 Bonds or any other securities payable from Gross Revenues or otherwise pertaining to the Water System;

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

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

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

- (i) any lawful refunds of any Gross Revenues; and
- (j) all other administrative, general and commercial expenses pertaining to the Water System;

but excluding:

- (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 Bonds or any other designated securities payable from Net Revenues and as of any particular date means all of the Bonds 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 55 hereof; and

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

"Parity Securities" means securities of the City pertaining to the Water System and payable from and secured by Net Revenues on a parity with the Bonds, including the Outstanding 2002 Bonds, 2003 Bonds, 2005 Bonds, 2007 Bonds, 2009 Bonds, 2010 Bonds and 2010 SRF 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 Bonds 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 Improvement Project and the Refunding Project.

"Purchaser" means the Treasurer of the State of Nevada, as administrator of the municipal bond bank of the State.

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

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

"Refunding Project" means the refunding of the Refunded Bonds as designated in the Certificate of the Finance Director.

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

"**Single Bond**" means the single registered, negotiable general obligation (limited tax) water bond issued hereunder in lieu of serial bonds.

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

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

"**Trust Bank**" means a commercial bank, 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 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 Bonds**. The Finance Director of the City is authorized to accept the State's offer to purchase the Bonds, subject to the terms and conditions specified herein.

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

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

A. The estimated life or estimated period of usefulness of the Project to be financed and refinanced with the Bonds is not less than 30 years from the date the Bonds were issued to finance such Project; and

B. The Bonds shall mature at such time or times not exceeding such estimated life or estimated period of usefulness as set forth in the Certificate of the Finance Director.

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

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

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

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

SECTION 10. **General Obligations.** All of the Bonds, as to the principal thereof, the interest thereon and any prior redemption premiums due in connection therewith, shall constitute general obligations of the City, which hereby pledges its full faith and credit for their payment. So far as possible, Bond Requirements shall be paid from Net Revenues of the Water System. However, the Bonds as to all Bond Requirements shall also be payable from the General Taxes (except to the extent that other moneys such as Net Revenues are available therefor) as herein provided.

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

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

SECTION 13. **Authorization of Bonds.** For the purpose of effectuating the Project, the City shall issue its "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A," in the principal amount set forth in the Certificate of the Finance Director, not to exceed the aggregate principal amount of \$17,000,000 (not to exceed \$3,750,000 for the Improvement Project and \$13,250,000 for the Refunding Project). The State has requested, and the City has agreed, that the obligation of the City hereunder shall be represented in the form of a single, registered, negotiable bond (the "Single Bond"). The registered owner thereof shall have the right to convert the Single Bond to serial registered Bonds, at its own expense. The Single Bond shall be substantially in the form as set forth in Section 25 hereof. The serial Bonds shall be substantially in the form as set forth in Section 23 hereof.

SECTION 14. **Bond Details.** The Bonds shall be issued in fully registered form, shall be dated initially as of the date of delivery thereof to the State and shall be issued in denominations of \$5,000 or any integral multiple thereof (provided that no Bond may be in a denomination which exceeds the principal coming due on any maturity date, and no individual Bond will be issued with more than one maturity). The Bonds shall be numbered from 1 upward. The Bonds shall bear interest calculated on the basis of a 360-day year of twelve 30-day months from their date until their respective maturity dates (or, if redeemed prior to maturity as provided below, their redemption dates) at the respective rates set forth in the Certificate of the Finance Director, payable semiannually on May 1 and November 1 of each year commencing on November 1, 2012 (except as provided in Section 25 below); provided that those Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates set forth in the Certificate of

the Finance Director 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 Bond. The Bonds shall mature on the designated dates and amounts of principal, as set forth in the Certificate of the Finance Director. The Bonds shall mature within thirty years of their date of issuance.

The principal of and redemption premium, if any, on any Bond shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption thereof and upon presentation and surrender at the office of the Paying Agent (except as herein below provided in the event that a single registered bond evidences the Bonds). Notwithstanding the foregoing, so long as the State is the registered owner of the Bonds, all principal payments shall be made by depositing with the State Treasurer, in immediately available funds, not later than 15 days prior to each principal payment date, an amount sufficient to make the payment then due. If the State Treasurer is still the registered owner of the Bonds, such payment 15 days prior to the payment date shall continue to be required if an escrow or trust has been established as provided in Section 55 hereof to make such payment, unless the State Treasurer otherwise agrees. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the registered owner thereof by check or draft mailed by the Paying Agent, on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), to the registered owner thereof, at his or her address as shown on the registration records kept by the Registrar as of the close of business on the 15th day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the "Regular Record Date"); but any such interest not so timely paid shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given not less than ten days prior thereto by first-class mail to each owner of the Bonds as shown on the Registrar's registration

records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

SECTION 15. Prior Redemption or Prepayment Option.

A. Optional Redemption or Prepayment. Bonds, or portions thereof (\$5,000 or any integral multiple), or, if a Single Bond is issued as provided herein, installments of principal, maturing before the date designated in the Certificate of the Finance Director are not subject to redemption or prepayment prior to their maturity date. Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after the date designated in the Certificate of the Finance Director shall be subject to redemption prior to their respective maturities, at the option of the City, on and after the date designated in the Certificate of the Finance Director in whole or in part at any time from any maturities selected by the City and by lot within a maturity (giving proportionate weight to Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each Bond, or portion thereof, so redeemed, accrued interest thereon to the redemption date, and a premium, if any, in the designated amount, and if so provided, in the Certificate of the Finance Director. If a Single Bond is issued to evidence the Bonds as herein provided, installments of principal due on and after the date designated in the Certificate of the Finance Director shall be subject to prepayment on and after the date designated in the Certificate of the Finance Director in whole or in part, at any time in amounts of \$5,000 or any multiple thereof and from any maturities as are selected by the City, at the same prices and terms as if such Single Bond were evidenced by the \$5,000 denomination Bonds designated above.

B. Partial Redemption. In the case of Bonds in a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Registrar shall, without charge to the owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds of a single maturity pursuant to subsection (A) hereof, the Paying Agent shall select the Bonds to be redeemed by lot at such time as directed by the City (but at least 30 days prior to the redemption date), and if such selection is more than 60 days before a redemption date, shall direct

the Registrar to appropriately identify the Bonds so called for redemption by stamping them at the time any Bond so selected for redemption is presented to the Registrar for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Registrar, and any Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption shall likewise be stamped or otherwise identified.

C. Notice of Redemption. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of and on direction of the Board, by mailing a copy of an official redemption notice by registered or certified mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the registration records or at such other address as is furnished in writing by such registered owner to the Registrar. If at the time of any redemption the State owns all of the then outstanding Bonds, such notice shall be given to the State Treasurer at least 75 days before the date fixed for redemption. Actual receipt of mailed notice by any owner of Bonds shall not be a condition precedent to redemption of such Bond or Bonds. Failure to give such notice to the registered owner of any Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds. A certificate by the Registrar that such notice has been given as herein provided shall be conclusive against all parties.

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

- A. the redemption date,
- B. the redemption prices,
- C. if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed (or, if a Single Bond evidences the Bonds, the installments of principal to be repaid),
- D. that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption (or installments of principal to be repaid), and that interest thereon shall cease to accrue from and after said date, and

E. the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent (accrued interest to the redemption date being payable by mail or as otherwise provided in this Ordinance).

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

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued. Notwithstanding the provisions of this section, any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

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

SECTION 17. Registration, Transfer and Exchange of Bonds. Except as otherwise provided in Section 18 hereof:

A. Records for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the owner or his or her attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other authorized denominations, as provided in Section 14 hereof. The Registrar shall authenticate and deliver a Bond or Bonds which the owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. For every exchange or transfer of Bonds requested by the owner thereof, the Registrar may make a sufficient charge to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and may charge a sum sufficient to pay the cost of preparing and authenticating a new Bond. No such charge shall be levied in the case of an exchange resulting from an optional prior redemption of a Bond.

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

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

D. If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the City may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity,

bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

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

F. The Registrar shall maintain at his office so long as the Bonds are evidenced by a Single Bond registration records for the Single Bond showing the name and address of the registered owner, the amounts and dates of any principal prepayments on the Single Bond, and the dates of any transfers of the Single Bond. The Registrar shall permit at all reasonable times the transfer of ownership of the Single Bond on presentation of the Single Bond at his office together with a written request for transfer signed by the registered owner or his or her attorney duly authorized in writing in a form satisfactory to the Registrar. Any such transfer shall be noted on the registration records and on the registration panel on the back of the Single Bond. No transfer shall be permitted within 30 days of any principal or interest payment date nor within 75 days of any date on which the City is prepaying all or any portion of the principal of the Single Bond.

SECTION 18. Custodial Deposit.

A. Notwithstanding any contrary provision of Sections 14 to 17 hereof, in the event the Bonds are issued as serial bonds as provided in Section 23 hereof, the Bonds of each series shall initially be evidenced by one Bond for each year in which the Bonds of each series mature in denominations equal to the aggregate principal amount of the Bonds of such series maturing in that year, the Bonds shall be evidenced by one Bond for each term in denominations equal to the aggregate principal amount of the Bonds maturing in that term. Such initially delivered Bonds shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company, the securities depository for the Bonds. The Bonds may not thereafter be transferred or exchanged except:

(1) to any successor of The Depository Trust Company or its nominee, which successor must be both a "clearing corporation" as defined in NRS 104.8102,

and a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended; or

(2) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or this clause (2) of this Section 18(A), or a determination by the Board that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the designation by the Board of another depository institution acceptable to the Board and to the depository then holding the Bonds, which new depository institution must be both a "clearing corporation" as defined in NRS 104.8102 and a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of The Depository Trust Company or such successor new depository; or

(3) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or clause (2) of this Section 19(A), or a determination of the Board that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the failure by the Board, after reasonable investigation, to locate another qualified depository institution under clause (2) to carry out such depository functions; or

(4) upon determination by the Board that a book-entry only system of registration is not beneficial to the City or the owners of the Bonds.

B. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) of Section 18(A) hereof, or in the case of designation of a new depository pursuant to clause (2) of Section 18(A) hereof, upon receipt of the outstanding Bonds by the Registrar together with written instructions for transfer satisfactory to the Registrar, a new Bond for each maturity for each term of the Bonds then outstanding shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) or (4) of Section 18(A) hereof and the failure after reasonable investigation to locate another qualified depository institution for the Bonds as provided in clause (3) of Section 18(A) hereof, and upon receipt of the outstanding Bonds by the Registrar, together with written instructions for transfer

satisfactory to the Registrar, new Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof, as provided in and subject to the limitations of Section 14 hereof, registered in the names of such persons, and in such authorized denominations as are requested in such written transfer instructions; however, the Registrar shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

C. The City, the Registrar and the Paying Agent shall be entitled to treat the registered owner of any Bond as the absolute owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by any or all of them and the City, the Registrar and the Paying Agent shall have no responsibility for transmitting payments to the beneficial owners of the Bonds held by The Depository Trust Company or any successor or new depository named pursuant to Section 18(A) hereof.

D. The City, the Registrar and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of Section 18(A) hereof in effectuating payment of the Bond Requirements of the Bonds upon maturity or prior redemption by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

E. Upon any partial redemption of any maturity of the Bonds, Cede & Co. (or its successor) in its discretion may request the City to issue and authenticate a new Bond or shall make an appropriate notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Registrar prior to payment.

SECTION 19. Execution and Authentication.

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

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

or a facsimile of an impression of the official seal of the City attested with the manual or facsimile signature of the Clerk.

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

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

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

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

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

SECTION 23. **Serial Bond Form.** Subject to the provisions of this Ordinance, the Serial Bonds shall be in substantially the following form, with such omissions, insertions, endorsements and variations as may be required by the circumstances, be required or permitted by this Ordinance, 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 Serial Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

**CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND
REFUNDING BOND
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2012A**

No. _____ \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated As of</u>	<u>CUSIP</u>
___ % per annum	_____ 1, _____	_____, 2012	

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ DOLLARS

Carson City, in the State of Nevada (the "City" and the "State", respectively) for value received, hereby acknowledges itself to be indebted and for value received promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless called for earlier redemption), and to pay interest thereon on May 1 and November 1 of each year, commencing on November 1, 2012, at the interest rate per annum specified above, until the principal sum is paid or payment has been provided for. This bond 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 delivery of the series of bonds of which this bond is one (the "Bonds"). The principal of and redemption premium, if any, on this bond are payable upon presentation and surrender hereof at the principal office of the City's paying agent for the Bonds or any successor (the "Paying Agent"), presently the Treasurer of the City, in Carson City, Nevada, who is also now acting as the City's Registrar for the Bonds (the "Registrar"). Interest on this bond will be paid on each interest payment date (or, if such date is not a business day, on the next succeeding business day) by check or draft mailed to the person in whose name this bond is registered (the "registered owner") in the registration records of the City maintained by the Registrar, at the address appearing thereon as of the close of business on the 15th day of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid shall cease to be payable to the person who is the registered owner as of the close of business on the Regular Record Date and shall be payable to the person who is the registered owner as of the close of business on a special record date for the payment of any defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owner not less than ten (10) days prior thereto. Alternative means of payment of

interest may be used if mutually agreed to by the registered owner and the Paying Agent, as provided in the Ordinance of the Board of Supervisors of the City (the "Board") authorizing the issuance of the Bonds and designated in Section 1 thereof as the "2012 Water Bond Ordinance" (the "Ordinance"), duly adopted by the Board on March 1, 2012. 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. If this bond is not paid upon presentation at its maturity, interest at the rate specified above shall continue to be borne hereby until the principal hereof is discharged as provided in the Ordinance.

This Bond is one of a series of Bonds (the "Bonds") issued by the City upon its behalf and upon the credit thereof, for the purpose of defraying wholly or in part the cost of acquiring, improving and equipping water facilities for the City as more fully described in the Ordinance and refunding a portion of the City's outstanding general obligation water bonds additionally secured by pledged revenues; certain of such bonds are to be issued in exchange for a portion of the outstanding refunded bonds which are to be paid and canceled. The Bonds are issued under the authority of and in full compliance with the Constitution and laws of the State, and pursuant to the Ordinance.

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

The Bonds, or portions thereof, are subject to redemption prior to maturity as provided in the Ordinance. Redemption shall be made upon notice in the manner and upon the conditions provided in the Ordinance. If this bond is called for redemption and payment is duly provided for as specified in the Ordinance, interest shall cease to accrue hereon from and after the date fixed for redemption.

It is hereby certified, recited and warranted that all 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 the taxable property within the City sufficient to pay the principal of, interest on, and any prior redemption premiums due on the Bonds (the "Bond Requirements") when the same become due (except to the extent other revenues are available therefor), subject to the limitations imposed by the Constitution and by the statutes of the State; and that the full faith and credit of the City are

hereby irrevocably pledged to the punctual payment of the Bond Requirements of the Bonds according to their terms.

Payment of the Bond Requirements of the Bonds 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.

The Bonds are 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 outstanding Parity Securities, as defined in the Ordinance. Additional securities may be issued and made payable from the Net Revenues and having a lien thereon subordinate to or on a parity with such pledge, in each case subject to the conditions of and in accordance with the Ordinance.

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

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

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

*The Bonds are issuable solely in fully registered form in denominations of \$5,000 each or any integral multiple thereof, and are exchangeable for fully registered Bonds of the same maturity and aggregate principal amount and in authorized denominations at the aforesaid office of

the Registrar but only in the manner, subject to the limitations, and on payment of charges provided in the Ordinance.*

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

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

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

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

IN WITNESS WHEREOF, the Board of Supervisors of Carson City, Nevada has caused this bond to be executed in its name with the manual or facsimile signature of its Mayor, to be attested with the manual or facsimile signature of its City Clerk, has caused a manual or facsimile impression of the seal of the City to be affixed hereon, and has caused this bond to be countersigned with the manual or facsimile signature of its City Treasurer, all as of _____, 2012.

CARSON CITY, NEVADA

(Manual or Facsimile Signature)
Mayor
Carson City, Nevada

Countersigned:

(Manual or Facsimile Signature)
City Treasurer
Carson City, Nevada

(MANUAL OR FACSIMILE
CITY SEAL)

Attest:

(Manual or Facsimile Signature)
City Clerk
Carson City, Nevada

- * Insert only if issued as serial bonds pursuant to Section 14(A) hereof.
- ** Insert only if issued as book entry bonds pursuant to Section 18 hereof.

(End of Form of Serial Bond)

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

Date of authentication
and registration _____

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

CARSON CITY, NEVADA
as Registrar

By (Manual Signature)
City Treasurer

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

(Form of Assignment for Bonds)

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

Dated: _____

Signature Guaranteed: _____

Name of Transferee: _____

Address of Transferee:

Social Security or other tax
identification number of
Transferee:

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

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

(End of Form of Assignment for Bonds)

SECTION 24. **Use of Single Bond.** Notwithstanding the foregoing provisions, the Bonds shall be initially evidenced by a single registered Bond, which Single Bond shall be manually signed and executed in the name of and on behalf of the City by the Mayor, countersigned and manually subscribed by the Treasurer, with the seal of the City affixed thereto and attested and manually signed by the Clerk. The principal installments, interest and any prior redemption premiums, if any, on the Single Bond shall be paid by check, draft or warrant made to the order of the registered owner of the Single Bond and mailed to the address of the registered owner shown on the registration records of the Registrar on such payment date, or if such payment date is not a business day, on 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 15 days prior to any principal or interest payment date or redemption date, the amount coming due on the Single Bond on such date. If the State Treasurer is still the registered owner of the Bonds, such payment 15 days prior to the payment date shall continue to be required if an escrow or trust has been established as provided in Section 55 hereof to make such payment, unless the State Treasurer otherwise agrees. The final installment of principal on the Single Bond shall be made only upon surrender of the Single Bond at the office of the Paying Agent. The Single Bond shall mature in installments of principal, bear interest and be subject to prepayments of installments of principal, substantially as provided in Sections 14 through 22 hereof. If a portion of principal of the Single Bond is called for prior redemption, no payment of the principal or redemption price of or interest on the Single Bond due on or after the date fixed for redemption shall be made unless the Single Bond is presented to the Paying Agent and notation of the installments of principal so called for prior redemption is made on the Single Bond. The Single Bond shall be registered in the name of its owner and may be assigned by the registered owner in the manner and with the effect set forth in the provisions for registration contained in the form thereof hereinafter set forth. The City shall pay to the State such amounts as are necessary to pay the City's share of the State's costs of issuing the State Securities which are issued to fund the Bonds, including without limitation the City's share of paying agent fees.

SECTION 25. **Form of Single Bond.** The Single Bond shall be in substantially the following form, said form to be completed with necessary or appropriate variations, insertions, omissions, or endorsements consistent with the provisions of this Ordinance:

(Form of Single Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

**CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND
REFUNDING BOND
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2012A**

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, as Administrator of the Municipal Bond Bank, or registered assigns, the principal sum of

_____ DOLLARS (\$ _____)

in installments of principal in the amounts and on the dates listed below (unless prepaid as provided herein and noted on the Prepayment Panel on the reverse side hereof) in lawful money of the United States of America, together with interest on each unpaid installment of principal from the date of this bond appearing below until payment of such installment of principal shall have been discharged as provided in the Ordinance hereinafter mentioned, at the interest rate designated in the Certificate of the Finance Director, said interest being payable on May 1 and November 1 of each year commencing on November 1, 2012, and said installments of principal bearing interest at the rates, and being payable on the dates designated in the Certificate of the Finance Director.

The principal of, interest on and any prior redemption premiums (the "Bond Requirements") due in connection with this bond are payable by check, draft or warrant made to the order of the registered owner hereof and mailed by the Treasurer of the City 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 Treasurer of the City or any successor thereto as registrar for this bond (the "Registrar"). If the State is the registered owner hereof, payment of the Bond Requirements shall be made by depositing with the State Treasurer in immediately available funds, not later than 15 days prior to any principal or interest payment date or prior redemption date, the amount coming due on such payment date. If the State Treasurer is still the registered owner of the Bonds, such payment 15 days prior to the payment date shall continue to be required if an escrow or trust has been established as provided in Section 55 of the Ordinance to make such payment, unless the State Treasurer otherwise agrees. If any payment date is not a business day, payment may be made on 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 for which installment specified above until such principal installment is paid in full. The final installment of principal of this Bond is payable only on presentation and surrender of this Bond at the office of the Paying Agent.

This single bond is issued by City (the "Bond") to defray, in part, the cost of acquiring, constructing and improving the City's water system and refunding a portion of the City's outstanding general obligation water bonds additionally secured by pledged revenues; certain of such bonds are to be issued in exchange for a portion of the outstanding refunded bonds which are to be paid and canceled. The 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 March 1, 2012 (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"), 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 their 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.

Installments of principal of the Bond shall be subject to optional redemption prior to maturity as provided and if provided in the Ordinance and the Certificate of the Finance Director. Prepayment shall be made on not less than 30 days' prior mailed notice in the manner and upon the conditions provided in the Ordinance. If the State of Nevada is the owner hereof not less than 75 days prior mailed notice of any prepayment shall be given. 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 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 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 the Bonds 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 the Bonds according to their 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.

The 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 outstanding Parity Securities as defined in the Ordinance. Additional securities may be issued and made payable from the Net Revenues and having a lien thereon subordinate to or on a parity with such pledge, in each case subject to the conditions of and in accordance with the Ordinance.

Reference is made to the Ordinance and to the Bond Act for an additional description of the nature and extent of the security for the 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 the Bond with respect thereto, the terms and conditions upon which the Bond is issued, and a statement of rights, duties, immunities and obligations of the City, and other rights and remedies of the owner of the 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 the 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 hereon shall have been manually signed on behalf of the Registrar.

This Bond is fully transferable by the registered owner hereof in person or by his or her duly authorized attorney, at said office of the Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance, and upon surrender of this bond together with a duly executed written instrument of transfer satisfactory to the Registrar. Any such transfer shall be noted in the registration records of the City maintained by the Registrar and noted on the registration panel appended hereto. The Registrar shall not be required to register the transfer of this Bond during the seventy-five days next preceding any date fixed for the

prepayment of principal installments or during the thirty days next preceding any date for the payment of principal of or interest on this Bond.

On written request of the registered owner hereof or his or her attorney duly authorized in writing in a form satisfactory to the Registrar, the City shall issue, at the registered owner's expense and within 60 days from the date of such request, negotiable, registered bonds in the denomination of \$5,000 each or any multiple thereof in an aggregate principal amount equal to the amount of unpaid principal of this bond, maturing at same times as, and bearing interest at the same interest rates as such unpaid principal, and otherwise containing such terms, limitations and conditions prescribed in and being in the form provided in the Ordinance.

No transfer of this Bond shall be valid unless made on the registration records maintained at the principal office of the Registrar.

No recourse shall be had for the payment of the Bond Requirements of the 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 _____, 2012.

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 Single Bond)

(Form of Registration Panel on Back of Single Bond)

MANDATORY REGISTRATION FOR PAYMENT
AS TO PRINCIPAL AND INTEREST

The within single 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, c/o State Treasurer, as Administrator of the Municipal Bond Bank of the State of Nevada	State Treasurer 101 N. Carson #4 Carson City, Nevada 89701	_____
_____	_____	_____	_____
_____	_____	_____	_____

(End of Form of Registration Panel on Bank of Single Bond)

(Form of Principal Prepayment Panel on Single Bond)

PREPAYMENT PANEL

The following installments of principal (or portions thereof) of this Single 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)</u>	<u>Principal Amount Prepaid</u>	<u>Signature of Paying Agent</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(End of Form of Principal Prepayment Panel on Single Bond)

(Form of Assignment for Bond)

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

Dated: _____

Signature Guaranteed: _____

Name of Transferee: _____

Address of Transferee: _____

Social Security or other tax
identification number of
Transferee: _____

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

SECTION 26. **Delivery of the Single Bond; Use of Proceeds.** A. When the Single Bond has been duly executed, the Treasurer shall deliver it to the State upon receipt of the agreed purchase price, including the principal amount for the Improvement Project, the principal amount for the refunding of the portion of the 2007 Bonds, together with evidence that the State Treasurer has reduced the prepayment panels appended to the 2002 Bonds and the 2003 Bonds in the amounts being refunded by the Bonds. The Treasurer shall register the Single Bond in the name of the State in the registration records of the City and make notation of such registration on the back of the Single Bond.

B. The Treasurer shall cause the portion of the proceeds of the Bonds, together with other available moneys of the City, if any, in an amount sufficient to effect the refunding of the 2007 Bonds, to be deposited into a special account hereby created and designated as the "Carson City, Nevada General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues Series 2012A Escrow Account)" (the "Escrow Account") to be held by the Escrow Agent and administered as provided in the Escrow Agreement.

C. The remainder of the proceeds received from the sale of the Bonds shall be deposited into a special account hereby created and designated as the "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A, 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 issuance costs related to the Bonds and the costs of rebates to the United States under Section 148 of the Tax Code, which the Board hereby determines are necessary and desirable and appertain to the Project. After the Improvement Project is complete and after all expenses have been paid or adequate provision therefor is made, pursuant to NRS 350.650, any unexpended balance of 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 Bonds.

SECTION 27. **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 Bonds 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 Improvement Project or, if adequate provision has been made for the Project, into the Bond Fund hereinafter created, for the respective payment of the principal of or interest on the Bonds or any combination thereof. As provided herein, the annual General Taxes for the payment of the principal of or interest on the Bonds levied after such deposits of any such investment or reinvestment gain may be diminished to the extent of the availability of such deposit for the payment of such principal or interest.

SECTION 28. **Purchaser Not Responsible; Completion of Project.** The validity of the Bonds shall not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Project, or any part thereof, or to the completion of the Project. The City shall proceed to complete the Project with due diligence to the best of the City's ability hereinabove provided.

SECTION 29. **General Tax Levies.** So far as possible, the Bond Requirements of the Bonds shall be paid from Net Revenues of the Water System. However, pursuant to NRS 350.596, the principal and interest falling due on the Bonds 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 Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A Interest Account" (the "Interest Account") and the "Carson City, Nevada, General Obligation (Limited Tax) Water Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A 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 Bonds and annually thereafter, until all of the Bond Requirements shall have been fully paid, satisfied and discharged, a General Tax on all property, both real and personal, subject to taxation within the boundaries of the City 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 Bonds becoming due after such initial installment, and to pay, retire and redeem the Bonds as they thereafter become due at maturity as herein provided, after there are made due allowances for probable delinquencies. The proceeds of such annual levies shall be duly credited to such separate accounts for the payment of such Bond Requirements. In the preparation of the annual budget or appropriation resolution or ordinance for the City, the Board shall first make proper provisions through the levy of sufficient General Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the City, including, without limitation, the Bonds, subject to the limitation imposed by NRS 361.453 and Section 2, 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 30. **Priorities for Bonds**. As provided in NRS 361.463, in any year in which the total General Taxes levied against the property in the City by all overlapping units within the boundaries of the City exceeds the limitation imposed by NRS 361.453, or a lesser or greater amount fixed by the State Board of Examiners in any fiscal year, and it becomes necessary 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 31. **Correlation of Levies**. Such General Taxes shall be levied and collected in the same manner and at the same time as other taxes are levied and collected, and the proceeds thereof for the Bonds shall be kept in the Principal Account and in the Interest Account, which accounts shall be used for no other purpose than the payment of principal and interest, respectively, as the same fall due.

SECTION 32. **Use of General Fund**. Any sums becoming due on the Bonds 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 33. **Use of Other Funds.** Nothing in this Ordinance prevents the City from applying any funds (other than General Taxes but including Net Revenues) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, fall due, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 350.598.

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

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

SECTION 36. **Pledge of Net Revenues.** Subject only to the provisions of this Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are hereby additionally pledged to secure the payment of principal of and interest on the Bonds in accordance with their 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 Single 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 have priority over any and all other obligations and liabilities of the City payable from the Net Revenues, except as herein otherwise provided. The lien of this pledge for the Bonds is on a parity with the pledge of the Net Revenues for the Parity Securities, the Bonds and 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 37. **Revenue Fund.** So long as any of the Bonds 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 any of the Bonds 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 38 through 42.

SECTION 38. **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 39. **Superior Securities; Parity Bond Fund.**

A. 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.

B. 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:

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds, and monthly thereafter, commencing on 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 Bonds, except to the extent any other moneys are available therefor.

(2) Monthly, commencing the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal of the Outstanding Bonds and monthly thereafter, commencing on such principal payment date, one-twelfth 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 Bonds, except to the extent any other moneys are available therefor.

The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds 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 Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2012A, 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 54 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 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 Bonds as to all Bond Requirements to their respective maturities both accrued and not accrued, in which case moneys in such fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due.

SECTION 44. **Equal Security.** The Bonds and any Parity Securities from time to time Outstanding shall be equally and ratably secured by the pledge of Net Revenues hereunder and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds and any 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 securities (other than the Bonds) are Outstanding, the payment of which are secured by a lien on the Net Revenues which lien is on a parity with the lien hereon of the Bonds, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve fund or rebate account therefor, then the moneys replaced in such funds shall be replaced on a pro rata basis related to the principal

amount of the then Outstanding Bonds and the then Outstanding other Parity Securities, as moneys become available therefor, first into all of such bond and reserve funds and second into all such rebate accounts.

SECTION 46. Conditions to Issuance of Superior Securities and Additional Parity Securities.

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

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

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

(3) The Pledged Revenues (subject to adjustments as hereinafter provided) projected by the Finance Director, the City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Superior Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Superior Securities, including the Superior Securities proposed to be issued, will be sufficient to pay at least an amount equal to the Bond Requirements (to be paid during that Fiscal Year) of the Outstanding 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. Conditions to Issuance of Additional Parity Securities. 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, but not prior

or superior to, the lien thereon of the Bonds, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

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

(2) The Net Revenues (subject to adjustments as hereinafter provided) projected by the Finance Director, the Director of Public Works or an independent accountant or consulting engineer to be derived in the later of (i) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (ii) 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 principal and interest requirements (to be paid during that Fiscal Year) of the Outstanding Bonds, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued (excluding any reserves therefor).

C. In any determination of whether or not additional Superior Securities or Parity Securities may be issued in accordance with the applicable 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 or Parity Securities.

D. In any determination of whether or not additional Superior Securities or Parity Securities may be issued in accordance with the applicable 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 within or without the State, including the known minimum yield from any investment in Federal Securities.

E. A written certificate or written opinion by the Finance Director, the City's Director of Public Works, or an independent accountant or consulting engineer that the applicable 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 or Parity Securities.

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

SECTION 47. **Subordinate Securities.** Nothing herein, except as expressly hereinafter provided, shall prevent the City from issuing additional securities payable from Net Revenues and constituting a lien thereon subordinate to the lien thereon of the Bonds and any outstanding Parity Securities.

SECTION 48. **Issuance of Refunding Bonds.**

A. At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the City shall find it desirable to refund any Outstanding Bonds or other Outstanding Parity or Subordinate Securities payable from and constituting a lien upon any Gross Revenues, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the City's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Net Revenues is changed (except as provided in Section 46 hereof).

B. The refunding bonds or other refunding securities so issued shall enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded, if there is any; and the owner or owners of the refunding securities shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

C. Any refunding bonds or other refunding securities payable from any Gross Revenues shall be issued with such details as the Board may by ordinance provide, subject to

the provisions of this Section but without any impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bonds).

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

(1) Unless the refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by the refunding securities and by the Outstanding securities not refunded on and before the last maturity date or last Redemption Date, if any, whichever is later, of the unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Net Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

(2) Unless the lien on any Gross 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 hereof.

SECTION 49. **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 all the Bonds have been paid in full, or unless provision has been made therefor as hereinafter provided.

SECTION 50. **Payment of Taxes, Etc.** The City shall pay or cause to be paid all taxes, assessments and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Water System or any part thereof, or upon any portion of the Gross Revenues, when the same shall become due. The City shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water System or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The City shall not create or suffer to be created any lien or charge on the Water System or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Ordinance for the payment of the Bonds and any other Outstanding Parity 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 51. **No Competing Facilities.** The City shall neither construct nor permit to be constructed other facilities or structures to be operated by the City separate from the Water System and competing for Gross Revenues otherwise available for the payment of the Bonds or any other securities payable from Net Revenues; provided, however, that nothing herein contained shall impair the police powers of the City or otherwise cause the City to violate any applicable law.

SECTION 52. **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 Bonds, any Outstanding Superior Securities, and any Outstanding Parity Securities; and

C. any other amounts payable from the Net Revenues and pertaining to the Water System, including, without limitation, debt service on any 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, 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 53. **Records of Record and Account**. So long as any of the Bonds remain Outstanding, proper records 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 54. **Tax Covenant**. The City covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the City or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds

until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

SECTION 55. **Defeasance.** When all Bond Requirements of any Bond have been duly paid, the pledge, the lien and all obligations hereunder as to that Bond shall thereby be discharged, such 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 Federal Securities in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of such Bond, as the same become due to the final maturity of the Bond, or upon any Redemption Date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of such 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 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 registered owner of the Bond at the address last shown on the registration records for the Bonds maintained by the Registrar.

SECTION 56. **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 owners of 66% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding Bonds which may then be held or owned for the account of the City. No such instrument shall permit:

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

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

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

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

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

Whenever the City proposes to amend or modify this Ordinance under the provisions hereof, it shall cause notice of the proposed amendment to be mailed within 30 days to the State Treasurer (if the State is the owner of the Bonds) and each other registered owner of the Bonds. 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 owners of at least 66% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in the notice and shall specifically consent to and approve the adoption of the instrument; thereupon, but not otherwise, the Board may adopt the amendatory instrument and the instrument shall become effective.

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

Bonds authenticated and delivered after the effective date of any action taken as provided in this Section may bear a notation by endorsement or otherwise in form approved by the City as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the owner of any Bond Outstanding at such effective date and upon presentation of

his or her Bond, suitable notation shall be made on the Bond as to any such action. If the City so determines, new Bonds so modified as in the opinion of the City to conform to such action shall be prepared, registered and delivered; and upon demand of the owner of any Bond then Outstanding, shall be exchanged without cost to the owner for Bonds then Outstanding upon surrender of such Bonds.

SECTION 57. **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 Bonds as the same become due whenever and to the extent moneys otherwise available therefor are insufficient for that purpose, unless such Bond proceeds shall be needed to defray obligations accrued and to accrue under any contracts then existing and relating to the Project. The Treasurer shall promptly notify the Board of any such use.

SECTION 58. **Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Board or the Treasurer shall reasonably determine that it is in the best interests of the City to appoint a successor Registrar or Paying Agent, upon notice mailed to each owner of any Bond at his or her address last shown on the registration records, the Board or the Treasurer may 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 59. **Call for Prior Redemption; Notice of Redemption**. The City hereby authorizes the Finance Director to irrevocably call, on behalf of the City, for prior redemption the Refunded Bonds designated in the Certificate of the Finance Director on the dates specified therein. Unless waived by the State Treasurer or holder of the 2007 Bonds, the Finance Director and the Registrar are hereby authorized and directed to give notices of prior redemption and defeasance of the Refunded Bonds and are hereby authorized and directed to give notices of prior redemption in the manner and at such time and otherwise in accordance with the provisions of the bond ordinances authorizing the Refunded Bonds.

SECTION 60. **Maintenance of the Escrow Account**. The Escrow Account shall be maintained by the County in an amount at the time of the initial deposits therein and at all times subsequently at least sufficient, together with the known minimum yield to be derived from the initial investment and any temporary reinvestment of the deposits therein or any part thereof in Federal Securities, to pay the interest due in connection with the Refunded Bonds, both accrued and not accrued, as the same become due up to and including the redemption dates therefor, and to redeem on such dates all of the Refunded Bonds for the principal amount thereof, accrued interest to the redemption date therefor, and a premium, if any, designated in the Certificate of the Finance Director.

SECTION 61. **Use of Escrow Account**. Moneys shall be withdrawn by the Escrow Agent from the Escrow Account in sufficient amounts and at such times to permit the payment without default of the interest due in connection with the Refunded Bonds on and after the first interest payment date for such Refunded Bonds and on and before the date designated in the Certificate of the Finance Director, and the principal, interest and redemption premium due thereon, when the County shall call for prior redemption all of the Refunded Bonds.

SECTION 62. **Insufficiency of Escrow Account**. If for any reason the amount in the Escrow Account shall at any time be insufficient, the County shall forthwith from the first moneys available therefor deposit in such account such additional moneys as shall be necessary to permit the payment in full of the principal, interest and redemption premium due in connection with the Refunded Bonds as provided herein.

SECTION 63. **Delegated Powers.** The officers of the City are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

- A. The printing of the Bonds or Single Bond;
- B. The execution of such certificates as may be reasonably required by the State, relating, inter alia,
 - (1) to the signing of the Bonds or Single 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 exclusion of interest on the Bonds from gross income for federal income tax purposes,
 - (6) to the delivery of the Single Bond,
 - (7) to the completeness and accuracy of any information provided the State in connection with the Bonds as of the date of delivery of the Single Bond, and
 - (8) if it is in accordance with fact, to the absence of litigation, pending or threatened, affecting the validity of the Bonds; and
 - (9) the execution of the Certificate of the Finance Director and the Escrow Agreement; and
- C. The assembly and dissemination of financial and other information concerning the City and the Bonds.

SECTION 64. **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:

SECTION 65. **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 "2012 WATER BOND ORDINANCE"; PROVIDING FOR THE ISSUANCE OF ITS REGISTERED, NEGOTIABLE, GENERAL OBLIGATION (LIMITED TAX) WATER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2012A; PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BONDS AND COVENANTS RELATING TO THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BONDS; ADDITIONALLY SECURING THEIR PAYMENT BY A PLEDGE OF REVENUES DERIVED FROM THE WATER SYSTEM OF THE CITY; RATIFYING ACTION PREVIOUSLY TAKEN TOWARD THE ISSUANCE OF SUCH BONDS; AND PROVIDING OTHER MATTERS RELATING THERETO.

PUBLIC NOTICE IS HEREBY GIVEN that the above entitled Ordinance was proposed by Supervisor _____ at the regular meeting of the Carson City Board of Supervisors held on February 16, 2012, and was passed and adopted at the regular meeting of the Carson City Board of Supervisors held on March 1, 2012 by the following vote of the Board of Supervisors:

Those Voting Aye:

Karen Abowd
Shelly Aldean
Robert Crowell
John McKenna
Molly Walt

Those Voting Nay:

Those Absent:

This Ordinance shall be in full force and effect from and after the ____ day of March, 2012.

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

DATED this March 1, 2012.

/s/ Robert Crowell
Mayor

Attest:

/s/ Alan Glover
City Clerk

(End of Form of Publication)

SECTION 66. 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.

Proposed on February 16, 2012.

Passed on the March 1, 2012.

Those Voting Aye:

Karen Abowd
Shelly Aldean
Robert Crowell
John McKenna
Molly Walt

Those Voting Nay:

Those Absent:

Mayor

(SEAL)

City Clerk

This Ordinance shall be force and effect from and after the ____ day of March, 2012, i.e., the date of the publication of such Ordinance by its title only.

STATE OF NEVADA)
) ss.
CARSON CITY)

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

1. The foregoing pages are a true, perfect and a complete copy of an ordinance proposed by the Board of Supervisors of Carson City, Nevada (the "Board"), at a lawful meeting of the Board held on February 16, 2012, and adopted by the Board at a lawful meeting of the Board held on March 1, 2012, as recorded in the official record book of the proceedings of the City kept in my office.

2. The members of the Board voted on the introduction of the ordinance on February 16, 2012, as follows:

Those Voting Aye:

Karen Abowd
Shelly Aldean
Robert Crowell
John McKenna
Molly Walt

Those Voting Nay:

Those Absent:

3. The members of the Board voted on the final passage of the ordinance on March 1, 2012, as set forth following the ordinance.

4. All members of the Board were duly notified of said meetings held on February 16, 2012, and March 1, 2012.

5. In compliance with NRS 241.020, written notice of each of the meetings was given at least three (3) working days before each meeting, including in the notice the time, place, location and agenda of the meeting:

(a) By delivering a copy of the notice to each member of the Board,

(b) By posting a copy of the notice at the principal office of the Board, or if there is no principal office, at the building in which the meeting is to be held, and at least three (3) other separate, prominent places within the jurisdiction of the Board, to wit:

- (i) Community Center
851 East William
Carson City, Nevada
- (ii) Bulletin Board at
Carson City Courthouse
885 East Musser
Carson City, Nevada
- (iii) Executive Offices Building
201 North Carson
Carson City, Nevada
- (iv) Bulletin Board at the
Carson City Library
900 North Roop Street
Carson City, Nevada

(c) By giving a copy of the notice to each person, if any, who has requested notice of the meetings of the Board in accordance with the provisions of Chapter 241 of NRS.

A copy of such notices as posted and given are attached hereto as Exhibit A.

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 this March 1, 2012.

City Clerk

(SEAL)

EXHIBIT A

(Attach Copy of Notices of Meetings of February 16, 2012 and March 1, 2012)

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)