

**Carson City  
Agenda Report**

**Date Submitted:** 8/07/2012

**Agenda Date Requested:** 8/16/2012

**Time Requested:** 10 minutes

**To:** Mayor and Supervisors

**From:** Nick Providenti, Finance Director

**Subject Title:** For Possible Action: Action to introduce, on first reading, Bill No. \_\_\_\_\_, an ordinance designated as the "2012 Highway Revenue Bond Ordinance"; authorizing the issuance by Carson City of its fully registered "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012" for the purpose of refinancing street and highway construction; providing the form, terms and conditions of the bonds and other details in connection therewith; and providing the effective date hereof.

**Staff Summary:** This is an ordinance authorizing the issuance of the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012" and otherwise concerning the bonds and the motor vehicle fuel taxes pledged for their payment.

The Regional Transportation Commission passed a Resolution requesting the Board of Supervisors issue the Highway Revenue Refunding bonds at their meeting on August 8, 2012.

The estimated par amount of the 2012 Refunding Bonds is \$3,329,200, which will refund \$3,140,000 of outstanding debt. The total interest savings is estimated at \$228,674, with a present value savings estimated at \$197,277.

**Type of Action Requested:** (check one)

☐ Resolution

☒ Ordinance

☐ Formal Action/Motion

☐ Other (Specify)

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

**Recommended Board Action:** I move to introduce, on first reading, Bill No. \_\_\_\_\_, an ordinance designated as the "2012 Highway Revenue Bond Ordinance"; authorizing the issuance by Carson City of its fully registered "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012" for the purpose of refinancing street and highway construction; providing the form, terms and conditions of the bonds and other details in connection therewith; and providing the effective date hereof.

**Explanation for Recommended Board Action:** The Board hereby determines that it is in the best interest of the City that we undertake the Refunding Project by the issuance and sale of the 2012 Refunding Bonds and hereby authorizes the City Finance Director or in his absence, the City Manager, to accept an offer for the 2012 Bonds and to sell the 2012 Bonds to a purchaser by negotiated sale.

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

**Fiscal Impact:** total interest savings estimated at \$228,674, with a present value savings

estimated at \$197,277.

**Explanation of Impact:** See attached debt service schedules.

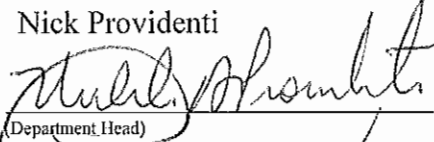
**Funding Source:** \$.09 cent gas tax collected in the RTC Fund.

**Alternatives:** Elect not to refinance.

**Supporting Material:** Ordinance and Debt Service Schedules.

**Prepared By:** Nick Providenti

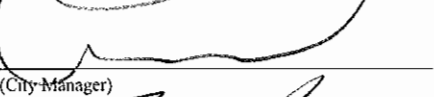
**Reviewed By:**

  
(Department Head)

Date:

8/3/12

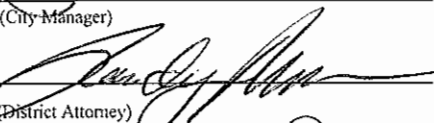
:

  
(City Manager)

Date:

8/7/12

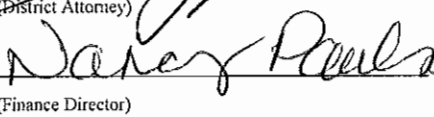
:

  
(District Attorney)

Date:

8/7/12

:

  
(Finance Director)

Date:

8/7/12

**Board Action Taken:**

Motion: \_\_\_\_\_

1)

\_\_\_\_\_

Aye/Nay

2)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

Summary-- An ordinance authorizing the issuance of the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012" and otherwise concerning the bonds and the motor vehicle fuel taxes pledged for their payment.

BILL NO. \_\_\_\_\_

ORDINANCE NO. \_\_\_\_  
(of Carson City, Nevada)

**AN ORDINANCE DESIGNATED AS THE "2012 HIGHWAY REVENUE BOND ORDINANCE"; AUTHORIZING THE ISSUANCE BY CARSON CITY OF ITS FULLY REGISTERED "CARSON CITY, NEVADA, HIGHWAY REVENUE (MOTOR VEHICLE FUEL TAX) SUBORDINATE LIEN REFUNDING BONDS, SERIES 2012" FOR THE PURPOSE OF REFINANCING STREET AND HIGHWAY CONSTRUCTION; PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BONDS AND OTHER DETAILS IN CONNECTION THEREWITH; AND PROVIDING THE EFFECTIVE DATE HEREOF.**

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 city/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 Statutes of Nevada 1969, Chapter 213 (the "Charter"); and

WHEREAS, pursuant to NRS 373.010 through 373.200 (the "Project Act"), the Board of Supervisors (the "Governing Body") created the Regional Transportation Commission of Carson City (the "Transportation Commission") and, in addition to any other taxes provided by law, the Governing Body now levies and requires to be paid an excise tax of nine cents (9¢) per gallon on all motor vehicle fuel sold, distributed or used in the City (subject to certain exceptions) (the "County Motor Vehicle Fuel Tax"); and

WHEREAS, the City also has an interest in an additional five and thirty-five hundredths cents (5.35¢) per gallon on all motor vehicle fuel sold, distributed or used in and levied by the State by NRS 365.180 and 365.190, and distributed in part to the City (as well as the other counties of the State) by NRS 365.550 and 365.560 (the "State Motor Vehicle Fuel Tax"); and

WHEREAS, there has been duly prepared and adopted a Carson City Transportation Improvement Plan (the "Plan"); and

WHEREAS, the major street and highway construction (the "Improvement Project") to be refinanced in part with the proceeds of the bonds herein authorized to be issued is within the area covered by, and is shown in more detail in, the Plan; and

WHEREAS, the Transportation Commission has duly evaluated and approved the Improvement Project; and

WHEREAS, pursuant to the Project Act, and pursuant to NRS 350.500 through 350.720, inclusive, designated in NRS 350.500 thereof as the "Local Government Securities Law" (the "Bond Act") and other acts supplemental thereto, including, without limitation, NRS chapter 365, and all laws amendatory thereof (the "Tax Act"), the City is herein authorized to issue its "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012," in the maximum aggregate principal amount of \$3,600,000 (the "2012 Bonds" or the "Bonds"); and

WHEREAS, the 2012 Bonds are special obligations of the City payable from the Fuel Taxes (as defined herein) but subject to the exempt sales and other exempt transactions provided by law, and subject to the credits and refunds authorized by law and pertaining thereto except those defrayed as Administration Expenses (as herein defined), after provision is made for the payment of certain Administration Expenses and any required Direct Distributions (as herein defined), including, without limitation, deductions to reimburse dealers and users for certain handling losses, to make certain refunds to taxpayers, and to make certain other remittances and deposits required by law (the "Gross Pledged Revenues," and the "Net Pledged Revenues," respectively); and

WHEREAS, the City has previously issued its "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds, Series 2003," (the "2003 Bonds"), its "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds, Series 2008" (the "2008 Bonds"), and its "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Improvement Bonds, Series 2010" (the "2010 Bonds"); and

WHEREAS, the Governing Body has determined to refund all or a portion of the outstanding 2003 Bonds (the "Refunded Bonds") as set forth in the Escrow Agreement (defined

herein) to effect interest savings and effect other economies (the "Refunding Project" or the "Project"); and

WHEREAS, the 2003 Bonds and the 2008 Bonds have a superior lien, and the 2010 Bonds have a subordinate lien, on the portion of the Net Pledged Revenues derived from the State Motor Vehicle Fuel Tax and a separate and distinct four cents (4¢) per gallon portion of the County Motor Vehicle Fuel Tax (the "Four Cent County Fuel Tax"); and

WHEREAS, the ordinances authorizing the issuance of the 2003 Bonds and the 2008 Bonds provide that additional bonds may be issued with a lien on the portion of the Net Pledged Revenues derived from the State Motor Vehicle Fuel Tax and the Four Cent County Fuel Tax that is subordinate to the lien thereon of the 2003 Bonds and the 2008 Bonds; and

WHEREAS, the City has entered into Highway Agreement No. R159-97-060 dated April 1, 1997 with the State of Nevada Department of Transportation, as amended by Amendment No. 1 dated October 14, 2004, Amendment No. 2 dated December 27, 2007, and Amendment No. 3 dated September 4, 2009, and as may be further amended by the City and the Department of Transportation (as amended, the "Interlocal Agreement"); and

WHEREAS, certain of the City's obligations under the Interlocal Agreement are payable from the portion of the Net Pledged Revenues derived from a separate and distinct three cents (3¢) per gallon portion of the County Motor Vehicle Fuel Tax (the "Three Cent County Fuel Tax") and the lien thereon of the Interlocal Agreement, if any, is superior to the lien thereon of the 2010 Bonds and the 2012 Bonds; and

WHEREAS, the portion of the Net Pledged Revenues derived from a separate and distinct two cents (2¢) per gallon portion of the County Motor Vehicle Fuel Tax (the "Two Cent County Fuel Tax") has been pledged to the payment of the 2010 Bonds; and

WHEREAS, with the exception of the 2003 Bonds, the 2008 Bonds, the 2010 Bonds and the Interlocal Agreement, the City has not pledged nor in any way hypothecated revenues derived or to be derived (directly or indirectly) from any of the Fuel Taxes to the payment of any outstanding bonds or for any other purpose, with the result that the proceeds of the Net Pledged Revenues may now be pledged lawfully and irrevocably to the 2012 Bonds, all as herein provided; and

WHEREAS, pursuant to subsection 2 of NRS 373.160, the Governing Body hereby determines that the proceeds of the County Motor Vehicle Fuel Tax are sufficient to pay

the 2003 Bonds, the 2008 Bonds, the 2010 Bonds and the 2012 Bonds, and thus the limitation imposed by subsection 2 of NRS 373.160 is met and, accordingly, the City reserves the option of further securing the 2012 Bonds by Fuel Taxes generated by any excise taxes pertaining to fuel hereafter specifically authorized by statute and the Governing Body to be used or pledged, or used and pledged, for the payment of the 2012 Bonds whether such tax be levied or collected by the City, the State, or otherwise, or be levied in at least an equivalent value in lieu of any such tax existing at the time of the issuance of such securities or be levied in supplementation thereof; and

WHEREAS, the Board hereby authorizes the City Finance Director (the "Finance Director") or in his absence, the City Manager, to accept an offer for the 2012 Bonds and to sell the 2012 Bonds to a purchaser by negotiated sale (the "Purchaser"); and

WHEREAS, the 2012 Bonds are to bear interest at the rates per annum specified by the Finance Director, or in his absence, the City Manager, in a certificate dated on or before the date of delivery of the 2012 Bonds (the "Certificate of the Finance Director"), which rates must not exceed by more than 3% the "Index of Revenue Bonds" most recently published in The Bond Buyer prior to the time a negotiated offer was accepted for the 2012 Bonds, and are to be sold at a price equal to their principal amount (not to exceed \$3,350,000), accrued interest, if any, to the date of their delivery, plus a premium or less a discount not exceeding 9% of the principal amount of the 2012 Bonds, all as specified in the Certificate of the Finance Director, which price does not result in an effective interest rate on the 2012 Bonds in excess of 3% over the "Index of Revenue Bonds" most recently published in The Bond Buyer prior to the time a negotiated offer is accepted for the 2012 Bonds; and

WHEREAS, the Governing Body has considered, has further determined, and declares:

(a) The Governing Body has studied the desirability and feasibility of refunding the Refunded Bonds and has determined to authorize the issuance of the Bonds payable from the Net Pledged Revenues for financing such purposes;

(b) It is necessary and in the best interests of the City and its inhabitants that the City undertake the Refunding Project by the issuance and sale of the 2012 Bonds to the Purchaser;

(c) The payment of the 2012 Bonds shall be secured by a pledge of and an irrevocable (but not necessarily an exclusive) lien on the Net Pledged Revenues;

(d) Each of the limitations in the Project Act, the Bond Act, and in the acts and ordinances supplemental thereto, have been met; and pursuant to NRS 350.708, this determination of the Governing Body that the limitations therein upon the issuance of the 2012 Bonds thereunder have been met shall be conclusive in the absence of fraud or arbitrary and gross abuse of discretion;

(e) The 2012 Bonds will otherwise be issued in strict compliance with the Project Act, Bond Act, this Ordinance, and all other acts, ordinances and resolutions supplemental thereto; and

(f) It is in the best interests of the City to issue the 2012 Bonds herein authorized, to sell the 2012 Bonds to the Purchaser in accordance with the terms hereof and the Certificate of the Finance Director;

WHEREAS, the Board hereby elects to have NRS chapter 348 (the "Supplemental Bond Act") apply to the 2012 Bonds; and

WHEREAS, the Governing Body has determined and does declare that this Ordinance pertains to the sale, issuance and payment of the 2012 Bonds and that the limitations in the Bond Act imposed on the issuance of the Bonds have been met; and

WHEREAS, such declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of NRS 350.708; and

WHEREAS, pursuant to Section 2.110 of the Charter, this Ordinance shall take effect from and after its passage and publication once by title and collateral statement in accordance with law.

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

## ARTICLE I.

### SHORT TITLE, DEFINITIONS, INTERPRETATION, RATIFICATION, TRANSMITTAL AND EFFECTIVE DATE

Section 101. Short Title. This ordinance shall be known and may be cited as the "2012 Highway Revenue Bond Ordinance" (the "Ordinance").

Section 102. Meaning and Construction.

A. Definitions. The following terms, except where the context by clear implication otherwise requires, shall have the specified meanings for all purposes of this Ordinance:

(1) "Administration Expenses" means the expenses incurred in fixing and collecting the Fuel Taxes and the costs of administering and enforcing laws, rules and regulations pertaining thereto, including, without limitation, the deductions allowed by law to any dealer or user to cover his costs of collection of the taxes and of compliance with any law pertaining thereto, statute or ordinance, and the dealer's or user's handling losses occasioned by evaporation, spillage or other similar causes, not exceeding two percent (2%) of the amount thereby collected, the reasonable charges against the City or the State acting by or through the Department of Taxation or otherwise to reimburse the State for the cost to it of rendering its services in the performance by it of all functions incident to the administration or operation of the Tax Ordinance, to defray such administration and operation costs incurred by the State, also so including those portions of the net proceeds of the tax levied by the State in NRS 365.180 and 365.190 needed to make the remittances and deposits required of the State by NRS 365.535 and 365.565, and also so including any such administration costs pertaining to any Fuel Taxes other than the taxes presently imposed by the Tax Ordinance and by the Tax Act and now or hereafter subject to the pledge and lien to secure the payment of the 2012 Bonds; and the term may include at the City's option (except as limited by law), without limitation:

(a) Auditing, legal and other overhead expenses of the City directly or indirectly related to the administration, operation and maintenance of the Fuel Taxes;



(b) Property, liability and other insurance and fidelity bond premiums pertaining to the Pledged Revenues or the Fuel Taxes, or both, or a reasonably allocated share of a premium of any blanket policy or bond pertaining to the Pledged Revenues;

(c) The reasonable charges of any depository bank pertaining to the Fuel Taxes or any securities payable from the Pledged Revenues;

(d) Any general taxes, assessments, excise taxes, or other charges which may be lawfully imposed on the City or its income or operations pertaining to the Fuel Taxes;

(e) Ordinary and current rentals of equipment or other property pertaining to the Fuel Taxes or the Pledged Revenues, or both;

(f) The costs of making any refunds of any Pledged Revenues lawfully due to others;

(g) Expenses in connection with the issuance of bonds or other securities evidencing any loan to the City and payable from the Pledged Revenues;

(h) The expenses and compensation of any trustee or other fiduciary pertaining to the Fuel Taxes or the Pledged Revenues, or both;

(i) Contractual services, professional services required by this Ordinance, salaries, labor and the cost of materials and supplies used for current operation pertaining to the Fuel Taxes or the Pledged Revenues, or both; and

(j) All other administrative, general and commercial expenses pertaining to the Fuel Taxes, but:

(i) Excluding any operation and maintenance expenses incurred in connection with the Facilities or other streets and highways in the City and not directly pertaining to the Fuel Taxes;

(ii) Excluding any allowance for depreciation or any amounts for capital replacements, renewals, major repairs and maintenance items (or any combination thereof)

(iii) Excluding any costs of the acquisition of any Facilities or any improvements thereto or any other costs pertaining to any other street or highway improvements, or any reserves therefor;

(iv) Excluding any reserves for operation, maintenance or repair of the Facilities or other streets and highways in the City;

(v) Excluding any allowance for the redemption of any bonds or other securities evidencing a loan, or the payment of any interest thereon, or any reserve therefor; and

(vi) Excluding liabilities incurred by the City as the result of its negligence in the operation and maintenance of the Facilities or any other streets and highways in the City or any other ground of legal liability not based on contract, or any reserve therefor.

(2) The term "banking institution" or "Insured Bank" means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation and of the Federal Reserve System, is located within the United States, and has a capital and surplus of \$10,000,000 or more, including, without limitation, any "trust bank" as herein defined.

(3) "BAB Credit" means the credit provided in Section 6431 of the Tax Code which the City directly receives with respect to any securities payable from all or a portion of the Net Pledged Revenues in lieu of any credit otherwise available to the holders of such securities under Section 54AA(a) of the Tax Code, pursuant to an irrevocable election by the City that Section 54AA of the Tax Code shall apply to such securities and that subsection (g) of Sections 54AA will also apply to such securities and any similar or other credit received by the City from the Federal Government which is made to the City to pay interest on securities payable from all or a portion of the Net Pledged Revenues and which the City commits to use in the same manner for those securities as a BAB Credit as provided herein.

(4) "Board" or "Governing Body" means the Board of Supervisors of Carson City, in the State of Nevada, or its successor in functions, if any, or if the context requires, the Transportation Commission, or its successor in functions, if any.

(5) "Bond Act" means NRS 350.500 through 350.720 and all laws amendatory thereof, and designated in NRS 350.500 as the Local Government Securities Law.

(6) "Bond Fund" means the "Carson City, Nevada, 2012 Highway Revenue Bonds, Bond Fund," created herein.

(7) "Bond Requirements" means the principal of, any prior redemption premiums due, if any, in connection with, and the interest on the 2012 Bonds and any additional bonds or other securities payable from the Pledged Revenues, or such part of such securities as may be designated.

(8) "Bond Year" for the purposes of this Ordinance means the twelve (12) months commencing on July 1 of any calendar year and ending on the June 30 of the next succeeding calendar year.

(9) "Bonds" or "2012 Bonds" means the securities issued hereunder and designated as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012."

(10) "2003 Bonds" means the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds, Series 2003."

(11) "2008 Bonds" means the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds, Series 2008."

(12) "2010 Bonds" means the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Improvement Bonds, Series 2010."

(13) "Clerk" or "City Clerk" means the de jure or de facto clerk of the City, or his successor in functions, if any.

(14) The term "combined maximum annual principal and interest requirements" means the maximum sum of the principal of and interest on the Outstanding 2012 Bonds, and any other designated securities payable from the Net Pledged Revenues, to be paid during any one Bond Year for the period beginning with the Bond Year in which such computation is made and ending with the Bond Year in which any 2012 Bond last becomes due at maturity or on a date on which any 2012 Bond thereafter maturing has been called for prior redemption, but excluding any reserve requirements to secure such payments unless otherwise expressly provided. Any such

computation shall be made by the Controller or an Independent Accountant unless otherwise expressly provided.

In calculating this amount, the principal amount of parity securities, subordinate securities or superior securities required to be redeemed prior to maturity pursuant to a mandatory redemption schedule contained in the Ordinance or other instrument authorizing the issuance of such parity securities, subordinate securities or superior securities (e.g., the schedule, if any, set forth in the Certificate of the Finance Director) shall be treated as maturing in the Bond Year in which such parity securities, subordinate securities or superior securities are so required to be redeemed, rather than in the Bond Year in which the stated maturity of such parity securities, subordinate securities or superior securities occurs. In the case of any calculation of the combined maximum annual principal and interest requirements to be paid in the future on any parity securities, subordinate securities or superior securities with respect to which the City expects to receive a BAB Credit, "interest" for any Bond Year should be treated as the amount of interest to be paid by the City on those parity securities, subordinate securities or superior securities in that Bond Year less the amount of BAB Credit then expected to be paid by the United States with respect to interest payments on those parity securities, subordinate securities or superior securities in that Bond Year and required by the ordinance or other instrument authorizing those parity securities, subordinate securities or superior securities to be used to pay interest on those parity securities, subordinate securities or superior securities in that Bond Year or to reimburse the City for amounts already used to pay interest on those parity securities, subordinate securities or superior securities 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 parity securities, subordinate securities or superior securities without a deduction of the BAB Credit. The Finance Director may certify in writing the expected amount and the expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of this Ordinance.

(15) "Comparable Bond Year" means, in connection with any Fiscal Year, the Bond Year which commences in the Fiscal Year. For example, for the Fiscal

Year commencing on July 1, 2012, the Comparable Bond Year commences on November 1, 2012, and ends on October 31, 2013.

(16) "Controller" means the de jure or de facto finance director and controller of the City or his or her successor in functions, if any.

(17) "City" means Carson City, in the State of Nevada, and constituting a political subdivision thereof, or any successor municipal corporation; and where the context so indicates, either such term means the geographical area comprising Carson City.

(18) "City Treasurer" or "Treasurer" means the de jure or de facto treasurer of the City, or his or her successor in functions, if any.

(19) "Cost of Issuance Account" means the account designated as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Cost of Issuance Account" created in Section 401 hereof.

(20) "County Motor Vehicle Fuel Tax" means an excise tax levied by the City by the Tax Ordinance pursuant to NRS 373.030 of nine cents (9¢) per gallon on all motor vehicle fuel sold, distributed or used in the City as provided by the Tax Ordinance, except as therein otherwise provided.

(21) "Default Interest Rate" means the interest rate for the Bonds set forth in the Certificate of the Finance Director plus 200 basis points (2%).

(22) "Department of Taxation" means the Nevada Department of Taxation created by section 11, chapter 748, Statutes of Nevada 1975, being the successor in functions of the Nevada Tax Commission.

(23) "Department of Transportation" means the State of Nevada Department of Transportation.

(24) "Direct Distributions" means the shares of the proceeds of the Fuel Taxes levied and collected pursuant to the Project Act and the Tax Ordinance and allocated thereunder to any towns within the City, whose respective territories are not included wholly or in part in the Plan in aid of approved construction projects from the Highway Fund, in the proportion which the total assessed valuation of those towns bears to the total assessed valuation of the entire City, pursuant to NRS 373.150. "Direct Distributions" also means the shares of the unrefunded balance of the Fuel Taxes levied

and collected pursuant to the Project Act and Tax Ordinance, which are subject to refund by reason of the use of such taxed fuel as aviation fuel, and allocated to the local governments which own or control any airports, landing areas and air navigation facilities within the City, pursuant to NRS 373.150.

(25) "Escrow Account" means the special account designated as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Escrow Account" to be held by the Escrow Bank and administered according to the provisions of the Escrow Agreement to pay off the Refunded Bonds.

(26) "Escrow Agreement" means the escrow agreement between the Escrow Bank and the City relating to the Refunded Bonds.

(27) "Escrow Bank" means Wells Fargo Bank, NA, its successors and assigns.

(28) "Events of default" means the events stated in Section 1003 hereof.

(29) "Facilities" means the properties comprising the street and highway system embraced by the Plan, as from time to time amended, consisting of all properties real, personal, mixed, or otherwise, now owned or hereafter acquired by the City, the State, and any other political subdivision of the State (other than the City), through purchase, construction, or otherwise, and used in connection with the street and highways system within the Plan, as so amended, and in any way pertaining thereto.

(30) "Federal Government" means the United States, or any agency, instrumentality or corporation thereof.

(31) "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 of America.

(32) "Fiscal Year" means the twelve (12) months commencing on the first day of July of any calendar year and ending on the last day of June of the next succeeding calendar year.

(33) "Four Cent County Fuel Tax" means a separate and distinct four cents (4¢) per gallon portion of the County Motor Vehicle Fuel Tax.

(34) "Fuel Taxes" means the excise taxes collected for use by the City in connection with the privilege of selling, using or distributing motor vehicle fuel in the City or the State, as the case may be, so long as the 2012 Bonds issued hereunder remain Outstanding, the proceeds of which taxes now are or hereafter may be specifically authorized by statute and by the Governing Body to be pledged for the payment of the 2012 Bonds, whether levied by the City, the State, or otherwise, subject to the exempt sales and to the other exempt transactions provided by law, and subject to the credits and refunds authorized by law and pertaining thereto except those defrayed as Administration Expenses. Such taxes are not necessarily limited to any type or types of motor vehicle fuel in use when the 2012 Bonds are issued; and, subject to such exempt sales and to such other exempt transactions, such taxes now consist of:

- (a) The Four Cent County Fuel Tax;
- (b) The Three Cent County Fuel Tax;
- (c) The Two Cent County Fuel Tax; and
- (d) The State Motor Vehicle Fuel Tax;

and such taxes may hereafter consist of any excise taxes pertaining to motor vehicle fuel of at least an equivalent value and pledged in lieu of such present taxes or of any such excise taxes of any value pledged in supplementation thereof.

(35) "Governing Body" means the Board.

(36) "Gross Pledged Revenues" means all income and revenues derived directly or indirectly by the City from the Fuel Taxes, or any part thereof, and may include excise taxes pertaining to motor vehicle fuel hereafter specifically authorized by statute and by the Governing Body to be pledged to the Bonds, or otherwise, and includes all revenues received for use by the City or any political corporation succeeding to the rights of the City from the Fuel Taxes, but:

- (a) Excluding 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 City, and

(b) Excluding any other moneys which are not heretofore or hereafter specifically authorized by statute and by the Governing Body to be pledged to the payment of the Bonds.

(37) The terms "hereby," "herein," "hereinabove," "hereinafter," "hereinbefore," "hereof," "hereto," "hereunder" and any similar term refer to this Ordinance and not solely to the particular portion thereof in which such word is used; "heretofore" means before the adoption of this Ordinance; and "hereafter" means after the adoption of this Ordinance.

(38) "Highway Fund" or "Transportation Fund" means the Regional Street and Highway Fund in the treasury of the City, which fund was created by the Tax Ordinance, pursuant to NRS 373.110.

(39) The terms "holder" or "owner" or any similar term, when used in connection with any bonds, or any other designated securities, means the registered owner of the Bond.

(40) "Independent Accountant" means any certified public accountant, or firm of such certified public accountants, as from time to time determined by the Governing Body, duly licensed to practice and practicing as such under the laws of the appointed and compensated by the Governing Body on behalf and in the name of the City:

(a) Who is, in fact, independent and not under the domination of the City;

(b) Who does not have any substantial interest, direct or indirect, with the City, and

(c) Who is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

(41) "Instrument" means this Ordinance; and the terms "instrument of the Issuer," "instrument of the Governing Body," "amendatory instrument," "supplemental instrument," or any phrase of similar import mean any resolution or ordinance adopted by the Governing Body on behalf of the City.



(42) "Interlocal Agreement" means Highway Agreement No. R159-97-060 dated April 1, 1997 between the City and the Department of Transportation, as amended by Amendment No. 1 dated October 14, 2004, Amendment No. 2 dated December 27, 2007, and Amendment No. 3 dated September 4, 2009, and as may be further amended by the City and the Department of Transportation.

(43) "Net Pledged Revenues" means the Gross Pledged Revenues, after the deduction of the Administration Expenses and Direct Distributions, including without limitation in the case of the taxes levied by the State in NRS 365.180 and 365.190, the deductions from such taxes by the State of amounts for the remittances and deposits required by the provisions of NRS 365.535 and 365.565.

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

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

(b) Except any Bond or other security for the payment of the redemption of which cash at least equal to the Bond Requirements to the date of maturity or the Redemption Date, shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose; and

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

(45) The term "parity bonds" or "parity securities" means bonds or securities payable from the Net Pledged Revenues and on a parity with the lien thereon of the Bonds herein authorized to be issued, including, without limitation the 2010 Bonds.

(46) "Paying Agent" means the City Treasurer or any successor thereof.

(47) "Person" means a corporation, firm, other body corporate (including 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.

(48) "Plan" means the Carson City Transportation Improvement Plan, as from time to time amended and supplemented.

(49) "Pledged Revenues" means all or a portion of the proceeds of the gross Fuel Taxes, i.e., the Gross Pledged Revenues. The term indicates a source of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification.

(50) "Project Act" means the act originally adopted as chapter 470, Statutes of Nevada 1965, designated as NRS 373.010 through 373.200, as from time to time amended, and cited in NRS 373.010, as the County Motor Vehicle Fuel Tax Law.

(51) "Rebate Account" means the account designated as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Rebate Account" created in Section 507 hereof.

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

(53) "Refunded Bonds" means all or a portion of the Outstanding 2003 Bonds, as set forth in the Escrow Agreement.

(54) "Refunding Project" means the refunding of all of a portion of the Outstanding 2003 Bonds as set forth in the Escrow Agreement.

(55) "Registrar" means the Paying Agent, (i.e., the City Treasurer) or successor thereto.

(56) "Reserve Fund" means the "Carson City, Nevada, Highway Revenue Subordinate Bond Reserve Fund," created and designated in Section 506 herein.

(57) "Reserve Fund Requirement" means an amount equal to the combined maximum annual debt service on the Bonds and any parity securities Outstanding at the time of calculation; provided, however, there shall be no Reserve Fund Requirement unless and until the conditions specified herein in Section 506 (Contingent Reserve Fund – Payments) are met. For purposes of calculating the Reserve Fund Requirement, any variable rate indebtedness shall be assumed to bear interest at: (a) if interest on the indebtedness is excludable from gross income under the Tax Code, the

most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published); or (b) if interest is not excludable from gross income under the Tax Code, the interest rate on direct U.S. Treasury Obligations with comparable maturities. In the case of any calculation of the combined maximum annual debt service on the Bonds and any parity securities Outstanding at the time of calculation to be paid in the future with respect to which the City expects to receive a BAB Credit, "interest" for any Bond Year should be treated as the amount of interest to be paid by the City on those parity securities in that Bond Year less the amount of BAB Credit then expected to be paid by the United States with respect to interest payments on those parity securities in that Bond Year and required by the ordinance or other instrument authorizing those parity securities to be used to pay interest on those parity securities in that Bond Year or to reimburse the City for amounts already used to pay interest on those parity securities 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 parity securities without a deduction of the BAB Credit. The Finance Director may certify in writing the expected amount and the expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of this Ordinance.

(58) "State" means the State of Nevada; and where the context so indicates, "State" means the geographical area comprising the State of Nevada.

(59) "State Motor Vehicle Fuel Tax" means the City's interest in an additional five and thirty-five hundredths cents (5.35¢) per gallon on all motor vehicle fuel sold, distributed or used in and levied by the State by the Tax Act, and distributed in part to the City (as well as the other counties of the State) by NRS 365.550 and 365.560.

(60) The term "subordinate bonds" or "subordinate securities" means bonds or securities with a lien on all or a portion of the Net Pledged Revenues which is junior to the lien thereon of the 2012 Bonds.

(61) The term "superior bonds" or "superior securities" means the 2003 Bonds, the 2008 Bonds, and any bonds or securities hereafter issued with a lien on all or a portion of the Net Pledged Revenues which lien is superior to the lien thereon of the 2012 Bonds.

(62) "Supplemental Bond Act" means NRS 348.010 through 348.450.

(63) "Tax Act" means section NRS 365.010 through 365.590 and all laws amendatory thereof.

(64) "Tax Code" means the Internal Revenue Code of 1986, as amended.

(65) "Tax Ordinance" means the ordinance adopted by the Board on June 20, 1969, as amended, and codified in Chapter 11.20 of the Carson City Municipal Code.

(66) "Three Cent County Fuel Tax" means a separate and distinct three cents (3¢) per gallon portion of the County Motor Vehicle Fuel Tax.

(67) "Transportation Commission" means the Regional Transportation Commission of Carson City, also known as the Regional Street and Highway Commission, or the Transportation Commission's successor in functions, if any.

(68) "Two Cent County Fuel Tax" means a separate and distinct two cents (2¢) per gallon portion of the County Motor Vehicle Fuel Tax.

(69) The term "trust bank" means a "banking institution" as defined herein, which bank is authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

B. Construction. This Ordinance, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(1) Words in the singular number include the plural, and words in the plural include the singular.

(2) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.

(3) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs of this Ordinance so numbered or otherwise so designated.

(4) The titles applied to articles, sections, subsections, paragraphs and subparagraphs in this Ordinance are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope of any provisions of this Ordinance.

(5) Any securities held by the City shall not be deemed Outstanding for the purpose of redemption or for the purpose of consents hereunder or for any other purpose provided herein.

Section 103. Successors. Whenever the City or the Governing Body is named or is referred to, such provisions shall be deemed to include any successors of the City or the Governing Body, respectively, whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of and other provisions for the benefit of the City or the Governing Body contained herein shall bind and inure to the benefit of any such successors and shall bind and inure to the benefit of any officer, board, district, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the City or the Governing Body or of their respective successors, if any, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

Section 104. Parties Interested Herein. Nothing herein expressed or implied is intended or shall be construed to confer any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof upon or to give such to any person, other than the City, the Governing Body, and the owner of the 2012 Bonds and such holders of any other securities payable from the Pledged Revenues when reference is expressly made thereto. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Governing Body, the Paying Agent and the owner of the 2012 Bonds.

Section 105. Ratification. All action heretofore taken (not inconsistent with the provisions of this Ordinance) by the Governing Body, the Transportation Commission and the officers of the City, and otherwise taken by the City directed:

- A. Refunding Project. Toward the Refunding Project,
- B. Tax Ordinance. Toward the passage, approval and amendment of the Tax Ordinance,
- C. Fuel Taxes. Toward the levy and collection of the Fuel Taxes for repayment of the Bonds, and
- D. Bonds. Toward the sale and delivery of the 2012 Bonds for that purpose, be, and the same hereby is, ratified, approved and confirmed.

Section 106. Ordinance Irrepealable. After any of the 2012 Bonds are issued, this Ordinance shall constitute an irrevocable contract between the City and the holder or holders of the Bonds; and this Ordinance (subject to the provisions of Section 901 (Defeasance) and Article XI (amendments hereof), if any 2012 Bonds are in fact issued, shall be and shall remain irrepealable until the 2012 Bonds, as to all Bond Requirements, shall be fully paid, canceled and discharged, as herein provided, except as herein otherwise expressly provided.

Section 107. Severability. If any section, subsection, paragraph, clause or other provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 108. Repealer. All bylaws, orders, and other instruments, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any bylaw, order, or other instrument, or part thereof, heretofore repealed.

Section 109. Publication of Proposed Ordinance. When first proposed, this Ordinance must be read to the Board by title, after which an adequate number of copies of this Ordinance must be filed with the Clerk for public distribution. Notice of the filing must be published once in a newspaper published and having general circulation in the City at least 10 days before the adoption of the Ordinance, such publication to be in substantially the following form:

(Form for Publication of Notice of Filing of Ordinance)

BILL NO. \_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_  
(of Carson City, Nevada)

**AN ORDINANCE DESIGNATED AS THE "2012 HIGHWAY  
REVENUE BOND ORDINANCE"; AUTHORIZING THE  
ISSUANCE BY CARSON CITY OF ITS FULLY  
REGISTERED "CARSON CITY, NEVADA, HIGHWAY  
REVENUE (MOTOR VEHICLE FUEL TAX)  
SUBORDINATE LIEN REFUNDING BONDS, SERIES 2012"  
FOR THE PURPOSE OF REFINANCING STREET AND  
HIGHWAY CONSTRUCTION; PROVIDING THE FORM,  
TERMS AND CONDITIONS OF THE BONDS AND OTHER  
DETAILS IN CONNECTION THEREWITH; AND  
PROVIDING THE EFFECTIVE DATE HEREOF.**

PUBLIC NOTICE IS HEREBY GIVEN that typewritten copies of the above-numbered and entitled ordinance are available for inspection by the interested parties at the office of the City Clerk of Carson City, 201 N. Carson Street, Suite 1, Carson City, Nevada; and that said ordinance was proposed by Supervisor \_\_\_\_\_ on August 16, 2012, and will be considered for adoption at the regular meeting of the Board of Supervisors of Carson City on September 6, 2012.

/s/ Alan Glover  
City Clerk

(End of form of Notice of Filing Ordinance)

Section 110. Effective Date and Publication. After this Ordinance is signed by the Mayor and attested and sealed by the Clerk, this Ordinance shall be published by title only, together with the names of the Supervisors voting for or against its passage, and with a statement that typewritten copies of said ordinance are available for inspection by all interested parties at the office of the City Clerk. Such publication shall be made in the Nevada Appeal, a weekly newspaper published in Carson City and of general circulation in Carson City, for at least one publication, and such publication is to be in substantially the following form:



(Form for Publication after Final Adoption of Ordinance)

BILL NO. \_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_  
(of Carson City, Nevada)

**AN ORDINANCE DESIGNATED AS THE "2012 HIGHWAY REVENUE BOND ORDINANCE"; AUTHORIZING THE ISSUANCE BY CARSON CITY OF ITS FULLY REGISTERED "CARSON CITY, NEVADA, HIGHWAY REVENUE (MOTOR VEHICLE FUEL TAX) SUBORDINATE LIEN REFUNDING BONDS, SERIES 2012" FOR THE PURPOSE OF REFINANCING STREET AND HIGHWAY CONSTRUCTION; PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BONDS AND OTHER DETAILS IN CONNECTION THEREWITH; AND PROVIDING THE EFFECTIVE DATE HEREOF.**

PUBLIC NOTICE IS HEREBY GIVEN that typewritten copies of the above-numbered and entitled ordinance are available for inspection by the interested parties at the office of the City Clerk of Carson City, 201 N. Carson Street, Suite 1, Carson City, Nevada; and that said ordinance was proposed by Supervisor \_\_\_\_\_ on August 16 2010, and passed and adopted without amendment at the regular meeting on September 6, 2012, by the following vote of the Board of Supervisors:

Those Voting Aye:

Robert L. Crowell  
Karen Abowd  
Shelly Aldean  
John McKenna  
Molly Walt

Those Voting Nay:

\_\_\_\_\_

Those Absent and Not Voting:

\_\_\_\_\_

Those Abstaining:

\_\_\_\_\_

This ordinance shall be in full force and effect from and after September \_\_, 2012, i.e., the date of publication of such ordinance by its title only.

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

DATED this September 6, 2012.

/s/ Robert L. Crowell  
Mayor

Attest:

/s/ Alan Glover  
City Clerk

(End of Form of Publication of Notice of Adoption of Ordinance)

## ARTICLE II.

### GOVERNING BODY'S DETERMINATIONS, AUTHORITY FOR AND AUTHORIZATION OF REFUNDING PROJECT NECESSITY OF REFUNDING PROJECT AND BONDS, PROJECT COST, AND OBLIGATION OF CITY

Section 201. Authority for Ordinance. This Ordinance is adopted pursuant to the Project Act, the Bond Act, and the Supplemental Bond Act; and the City determines:

A. Compliance with Project, Bond and Supplemental Bond Acts. The provisions of this Ordinance are necessary to carry out the purposes of the City in accordance with the Project Act, the Bond Act, and the Supplemental Bond Act; and

B. Approval. The total cost of, and plans and specifications for, the Refunding Project (to the extent heretofore determined and prepared) are approved.

Section 202. Life of Improvements. The Governing Body determines:

A. Estimated Life. The estimated life or estimated period of usefulness of the Improvement Project to be refinanced with the Bonds is not less than 12 years from the date of the 2012 Bonds; and

B. Bond Term. The Bonds will mature at times not exceeding such estimated life or estimated period of usefulness.

Section 203. Necessity of Project and Bonds. It is necessary and in the best interest of the City and its inhabitants that the City undertake the Project and issue the 2012 Bonds.

Section 204. Authorization of Project. The Governing Body hereby authorizes the Project.

Section 205. Estimated Cost of Project. The cost of the Project is estimated not to exceed an amount received from the sale of the Bonds, excluding any such cost defrayed or to be defrayed by any source other than the proceeds of the principal amount of the 2012 Bonds.

Section 206. Ordinance to Constitute Contract. In consideration of the purchase and acceptance of the 2012 Bonds by those who shall own the same from time to time, the provisions of the Ordinance shall be deemed to be and shall constitute contracts between the City and the owner from time to time of the Bonds.

Section 207. Bonds Equally Secured. The covenants and agreements of the City herein set forth shall be for the equal benefit, protection and security of the owner of the

Outstanding 2012 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 208. Special Obligations. All of the 2012 Bonds as to all Bond Requirements, shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are so pledged; the owner thereof may not look to any general or other fund for the payment of such Bond Requirements, except the special funds herein pledged; the Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the 2012 Bonds shall not be considered or held to be general obligations of the City but shall constitute its special obligations.

Section 209. Character of Agreement. None of the covenants, agreements, representations, and warranties contained herein or in the 2012 Bonds, in the absence of any breach thereof, shall ever impose or be construed as imposing any liability, obligation, or charge against the City (except the special funds pledged) or its general credit, payable out of its general fund or out of any funds derived from taxation other than the Fuel Taxes.

Section 210. No Pledge of Property. The payment of the Bonds is not secured by any encumbrance, mortgage or other pledge of property of the City, except for the Net Pledged Revenues 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 211. 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 against any individual member of the Governing Body or any officer or other agent of the City, past, present or future, either directly or indirectly through the Governing Body 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 their issuance specially waived and released.

### ARTICLE III.

#### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, USE OF DEPOSITORY, AND ISSUANCE OF BONDS

Section 301. Authorization of Bonds. The "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012," in the principal amount set forth in the Certificate of the Finance Director, not to exceed \$3,600,000, payable as to all the Bond Requirements solely out of the Net Pledged Revenues, are hereby authorized to be issued, pursuant to the Project Act, the Bond Act, and the Supplemental Bond Act. The City pledges irrevocably, but not necessarily exclusively, such revenues in accordance with the terms of this Ordinance to the payment of the Bond Requirements of the Bonds, the proceeds thereof to be used (except as herein otherwise expressly provided) solely to defray the cost of the Project.

Section 302. Bond Details. The Bonds shall be issued as a single Bond and dated initially as of the date of delivery thereof to the original purchaser. The installments of principal of the Bond shall bear interest (calculated on the basis of a 360 day year consisting of twelve 30 day months) at the rates per annum set forth in the Certificate of the Finance Director, and be payable semiannually on May 1 and November 1 of each year commencing on May 1, 2013. The installments of principal of the Bond shall be payable on the dates and in the amounts as designated in the Certificate of the Finance Director. The installments of principal and interest prior to final payment shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, as of the close of business on the 15<sup>th</sup> day of the month next preceding such payment date. The final payment shall be payable upon presentation and surrender of the Bond at the office designated by the Paying Agent. If any installment of principal of the Bond shall not be paid when due, or the Bond shall not be paid upon such presentation and surrender at final maturity, such principal shall continue to bear interest at the Default Interest Rate until the principal thereof is paid in full.

Payment of interest on the 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 fifteenth day of the calendar month next preceding each interest payment

date. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the Paying Agent. All such payments of principal and interest shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

Section 303. Prepayment. Installments of principal due on and after the date or dates designated in the Certificate of the Finance Director shall be subject to prepayment on and after the date or dates designated in the Certificate of the Finance Director in whole or in part as designated in the Certificate of the Finance Director, at the times and at a premium, if any, as designated in the Certificate of the Finance Director.

Section 304. Prepayment Notice. 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 10 days prior to the date fixed for redemption to the registered owner of the Bond 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. Actual receipt of mailed notice by any owner of Bond shall not be a condition precedent to redemption of such Bond. 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 the Bond. A certificate by the Registrar that such notice has been given as herein provided shall be conclusive against all parties.

Official notice of redemption having been given as aforesaid, the Bond or installments of principal of the Bond 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 Bond, or installments of principal of the Bond, shall cease to bear interest. Upon surrender of such Bond for redemption in accordance with said notice, such Bond, or installments of principal thereof, 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.

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

installments of principal of the Bond so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the registered owner of the Bond called for redemption in the same manner as the original redemption notice was mailed.

Section 305. Negotiability. Subject to the registration and payment provisions herein provided, the 2012 Bonds shall be fully negotiable within the meaning of and for the purposes of the Uniform Commercial Code--Investment Securities, and each registered owner shall possess all rights enjoyed by registered owners of negotiable instruments under the Uniform Commercial Code--Investment Securities.

Section 306. Registration, Transfer and Exchange of Bonds.

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 register the name of the transferee on the registration panel appended to the Bond.

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

C. 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 of a like principal amount. If such lost, stolen, destroyed or mutilated Bond shall have matured, or been called for prepayment, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

D. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for 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.

E. The Registrar shall maintain at his office 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 appended to the single Bond. No transfer shall be permitted within 15 days of any principal or interest payment date.

Section 307. Execution of Bonds. The Bonds shall be executed as follows:

A. Filings with Secretary of State. Pursuant to NRS 350.638 and to the act cited as the Uniform Facsimile Signatures of Public Officials Act, designated as chapter 351 of NRS, and to the Supplemental Bond Act and prior to the execution of any 2012 Bonds by facsimile signature, the Mayor, the Treasurer, and the Clerk shall each file with the Secretary of State of the State of Nevada his or her manual signature certified under oath.

B. Manner of Execution. Each Bond shall be signed and executed in the name of and on behalf of the City with the manual or the engraved, imprinted, stamped or otherwise reproduced facsimile of the signature of the Mayor and shall be countersigned, manually subscribed and executed by the Treasurer; each Bond shall be authenticated with the manual or the printed, engraved, stamped or otherwise placed thereon facsimile of the official seal of the City; and each Bond shall be signed, executed and attested with such a manual or a facsimile of the signature of the Clerk.

C. Registration. No Bond shall be valid or obligatory for any purpose unless the registration panel thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. The Registrar's certificate of authentication shall be deemed to have been duly executed by it if it is manually signed by an authorized officer or employee of the Registrar. By registering the 2012 Bonds delivered pursuant to this Ordinance, the Registrar shall be deemed to have assented to all of the provisions of this Ordinance.

Section 308. Use of Predecessor's Signature. The Bonds bearing the signatures of the officers in office at the time of the signing thereof shall be the valid and binding obligations of the City, notwithstanding that before the delivery thereof and the payment therefor



any or all of the persons whose signatures appear thereon shall have ceased to fill their respective offices. The Mayor, the Treasurer and the Clerk, at the time of the execution of the Bonds and of the signature certificate, may adopt as and for his own facsimile signature the facsimile signature of his predecessor in office in the event that such facsimile signature appears upon any of the Bonds.

Section 309. Incontestable Recital in Bonds. Pursuant to NRS 350.628, each Bond shall recite that it is issued pursuant to the Project Act, to the Bond Act, and to the Supplemental Bond Act, which recital shall be conclusive evidence of the validity of the Bonds and the regularity of their issuance.

Section 310. State Tax Exemption. Pursuant to section 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 the tax on estates imposed pursuant to the provisions of chapter 375A of NRS or the tax on generation-skipping transfers imposed pursuant to the provisions of chapter 375B of NRS.

Section 311. Bond Execution. The Mayor, the Treasurer and the Clerk are authorized and directed to prepare and to execute the Bond as herein provided.

Section 312. Registrar's Registration. In a separate book or electronic records, the Registrar shall maintain the registration records of the City for the 2012 Bonds showing the name and address of the registered owner of each Bond authenticated and delivered, the date of authentication, the maturity of the Bond and its interest rate, principal amount and Bond number and its prefix, if any.

Section 313. Bond Delivery. After such registration by the Registrar, he or she shall cause the Bond to be delivered to the Purchaser, upon due payment being made in accordance with the terms of the sale of the Bond.

Section 314. Bond Form. Subject to the provisions of this Ordinance, each Bond shall be in substantially the following form, with such omissions, insertions, endorsements and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this Ordinance, or be consistent with this Ordinance and necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

CARSON CITY, NEVADA  
HIGHWAY REVENUE (MOTOR VEHICLE FUEL TAX)  
SUBORDINATE LIEN REFUNDING BOND  
SERIES 2012

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 \_\_\_\_\_, 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 appended hereto) 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 rates set forth in the amortization schedule attached hereto. The interest due on the installments shall be payable on May 1 and November 1 of each year commencing on May 1, 2013, and the installments of principal bearing interest at the rates, and being payable on the dates set forth in the amortization schedule attached hereto.

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 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 refinancing certain street and highway construction in the City.

Installments of principal of the Bond shall be subject to optional redemption prior to maturity as provided, if so provided, in the ordinance authorizing the issuance of the Bonds and designated in Section 101 thereof as the "2012 Highway Revenue Bond Ordinance" (herein the "Ordinance") and the Certificate of the Finance Director. Prepayment shall be made on not less than 10 days' prior mailed notice in the manner and upon the conditions provided in the

Ordinance and the Certificate of the Finance Director. 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 the prepayment panel appended hereto.

The Bond is not transferable or exchangeable, except as set forth in the Ordinance adopted by the Board of Supervisors of Carson City (the "Board") on September 6, 2012 authorizing the issuance of the Bond (the "Ordinance"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Ordinance.

This Bond must be registered in the name of the owner as to both principal and interest on the registration records kept by the Registrar and on the registration panel appended hereto, in conformity with the provisions stated herein and endorsed hereon and subject to the terms and conditions set forth 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 by the registered owner or his attorney duly authorized in writing.

The Bond does not constitute a debt or an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, shall not be considered or held to be general obligations of the City, and is payable and collectible solely out of the net income derived from certain excise taxes concerning motor vehicle fuel, now consisting of nine cents (9¢) per gallon levied by the City on all motor vehicle fuel sold, distributed or used in the City (the "County Motor Vehicle Fuel Tax"), and of the City's interest in an additional five and thirty-five hundredths cents (5.35¢) per gallon levied by the State on all motor vehicle fuel sold, distributed or used in the State and distributed in part to the City (as well as the other counties of the State), subject to certain exceptions (the "State Motor Vehicle Fuel Tax"), the net income and revenue of which taxes after provision for the payment of certain administrative expenses and direct distributions (subject to certain exceptions) is so pledged (as more specifically defined in the Ordinance, the "Net Pledged Revenues"); and the owner hereof may not look to any general or other fund for the payment of the Bond Requirements of this obligation except the special funds pledged therefor.

Payment of the Bond Requirements of the Bond shall be made solely from and as security for such payment there is irrevocably pledged, pursuant to the Ordinance, two special accounts identified as the "Carson City, Nevada, 2012 Highway Revenue Bonds, Bond Fund" (the "Bond Fund") and the "Carson City, Nevada, 2012 Highway Revenue Subordinate Bond Reserve Fund" (the "Reserve Fund"). The City covenants to pay into the Bond Fund, from the Net Pledged Revenues sums sufficient to pay when due the Bond Requirements of this Bond. The Reserve Fund will not be funded when the Bonds are issued; however, the City has covenanted to the fund the Reserve Fund, and the moneys to be deposited therein will be pledged to the payment of the Bonds, if certain conditions described in the Ordinance are met.

Any dispute arising out of or relating to this Bond shall be determined by binding arbitration in accordance with the Federal Arbitration Act. All arbitration proceedings shall be

conducted through the American Arbitration Association (an independent, alternative dispute resolution service).

The Bond is equitably and ratably secured by a lien on such Net Pledged Revenues and the Bond constitutes an irrevocable lien (but not necessarily an exclusive lien) upon such Net Pledged Revenues. The lien of the Bond on the portion of the Net Pledged Revenues derived from the State Motor Vehicle Fuel Tax and a separate and distinct four cents (4¢) per gallon portion of the County Motor Vehicle Fuel Tax, is subordinate to the lien thereon of the Outstanding 2003 Bonds, the Outstanding 2008 Bonds and any Outstanding securities hereafter issued on a parity with the 2003 Bonds and the 2008 Bonds, and is on a parity with the lien thereon of the Outstanding 2010 Bonds. The lien of the Bond on the portion of the Net Pledged Revenues derived from a separate and distinct three cents (3¢) per gallon portion of the County Motor Vehicle Fuel Tax is subordinate to the lien thereon, if any, of the Interlocal Agreement, and is on a parity with the lien thereon of the Outstanding 2010 Bonds. The Bond has a prior lien on the portion of the Net Pledged Revenues derived from a separate and distinct two cents (2¢) per gallon portion of the County Motor Vehicle Fuel Tax Bonds, and is on a parity with the lien thereon of the Outstanding 2010 Bonds. Bonds and other securities, in addition to the Bond, subject to expressed conditions, may be issued and made payable from the Net Pledged Revenues having a lien thereon subordinate and junior to the lien or, subject to additional expressed conditions, having a lien thereon on a parity with or superior to the lien of the Bond, in accordance with the provisions of the Ordinance.

The City covenants and agrees with the owner of this Bond and with each and every person who may become the owner hereof that it will keep and will perform all of the covenants of the Ordinance.

Reference is made to the Ordinance and any and all modifications and amendments thereof and supplements thereto, to the Tax Ordinance therein designated, to the County Motor Vehicle Fuel Tax Law, now cited as NRS 373.010 through 373.200 and all laws amendatory thereof (herein the "Project Act"), to the Local Government Securities Law, now cited as NRS 350.500 through 350.720 and all laws amendatory thereof (herein the "Bond Act"), to the Supplemental Bond Act now cited as NRS 348.010 through 348.450 (herein the "Supplemental Bond Act"), to chapter 365, Nevada Revised Statutes, and all laws amendatory thereof (herein the "Tax Act"), and to all laws supplemental thereto, 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 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.

The Bond is issued pursuant to the Project Act, the Bond Act and the Supplemental Bond Act; pursuant to NRS 350.628, this recital is conclusive evidence of the validity of the Bond and the regularity of its issuance; and pursuant to NRS 350.710, the Bond, its transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except the tax on estates imposed pursuant to the provisions of chapter 375A of NRS or the tax on generation-skipping transfers imposed pursuant to the provisions of chapter 375B of NRS.

It is further 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, and that it is issued pursuant to and in strict conformity with the Constitution and laws of the State, particularly the terms and provisions of the Project Act, the Bond Act, the Supplemental Bond Act, and all laws supplemental thereto.

No recourse shall be had for the payment of the Bond Requirements of this Bond or for any claim based thereon or otherwise in respect to the Ordinance, against any individual member of the Board of Supervisors of Carson City, or any officer or other agent of the City, past, present or future, either directly or indirectly through such governing body or the City, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the endorsement 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 specifically waived and released.

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

IN WITNESS WHEREOF, the City has caused this Bond to be signed and executed in its name and upon its behalf with the manual or facsimile signature of the Mayor, and to be countersigned, manually subscribed and executed with the manual or facsimile signature of the City Treasurer; has caused the manual or facsimile of the seal of the City to be affixed hereon; has caused this Bond to be signed, executed and attested with the manual or facsimile signature of its City Clerk; all as of \_\_\_\_\_, 2012.

CARSON CITY, NEVADA

(Manual or Facsimile Signature)

Mayor

(Manual or Facsimile Signature)

City Treasurer

(MANUAL IMPRESSION OR  
FACSIMILE SEAL)

Attest:

(Manual or Facsimile Signature)

City Clerk

(End of Form of Bond)

(Attach amortization schedule)

(Form of Registration Panel on 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.

Date of  
Registration

Name of  
Owner

Address of  
Owner

Signature of  
Registrar

(End of Form of Registration Panel on Bond)

(Form of Principal Prepayment Panel on Bond)

PREPAYMENT PANEL

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

<u>Date of Prepayment</u>	<u>Due Date of Installments (or portions thereof) Prepaid</u>	<u>Principal Amount Prepaid</u>	<u>Signature of Paying Agent</u>
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(End of Form of Principal Prepayment Panel on 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 and 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 BOND ORDINANCE.

(End of Form of Assignment for Bond)



## ARTICLE IV.

### USE OF BOND PROCEEDS

Section 401. Disposition of Bond Proceeds. The proceeds of the 2012 Bonds, upon their receipt, shall be accounted for in the following manner and priority and are hereby pledged therefor:

A. Bond Fund. First, to the extent not needed for the Project, there shall be credited to the separate account previously created, continued herein and designated as the "Carson City, Nevada, 2012 Highway Revenue Bonds, Bond Fund" (the "Bond Fund") all moneys received, if any, as accrued interest on the Bonds from their date to the date or respective dates of their delivery to the Purchaser to apply on the payment of interest on the 2012 Bonds as the same becomes due after their delivery, in accordance with subsection B, Section 505 hereof.

B. Escrow Account. Second, there shall be deposited from the proceeds of the Bonds (or other available moneys of the City) into the separate account hereby created and designated as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Escrow Account" (the "Escrow Account") in an amount sufficient to refund, pay and discharge the Refunded Bonds to be held by the Escrow Bank and administered according to the provisions of the Escrow Agreement. The moneys in the Escrow Account shall be applied to the Refunding Project. After completion of the Refunding Project, or after adequate provision is made therefore, any unexpended balance of Bond proceeds in the Escrow Account shall be deposited in the Bond Fund to be used to pay the principal of and interest on the Bonds.

C. Cost of Issuance Account. Third, the balance of the proceeds derived from the sale of the 2012 Bonds, except as herein otherwise expressly provided, shall be credited to a separate account hereby created and to be known as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Cost of Issuance Account" (the "Cost of Issuance Account"). After completion of the Project, or after adequate provision is made therefore, any unexpended balance of 2012 Bond proceeds in the Cost of Issuance Account shall be deposited in the Bond Fund to be used to pay the principal of and interest on the 2012 Bonds.

Section 402. Completion of Project. The City, with the proceeds derived from the sale of the Bonds, shall proceed to complete the Project with due diligence to the best of the City's ability hereinabove provided.

Section 403. Purchaser Not Responsible. The validity of the Bonds shall not be dependent on or be affected by the validity or regularity of any proceedings relating to the Project. The Purchaser of the 2012 Bonds and any subsequent owner of the 2012 Bonds shall in no manner be responsible for the application or disposal by the City or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys herein designated.

Section 404. Lien on Bond Proceeds. Until and unless the proceeds of the 2012 Bonds in the Cost of Issuance Account are applied as hereinabove provided and used to defray the cost of the Project from time to time, the Bond proceeds in the Cost of Issuance Account shall be subject to a lien thereon and pledge thereof for the benefit solely of the holders of the 2012 Bonds or of any securities hereunder issued of which the lien on the Net Pledged Revenues is on a parity with the lien of the Bonds.

Section 405. Use of Escrow Account.

A. The amounts deposited into the Escrow Account shall be used to acquire the Federal Securities identified in Exhibit 1 to the Escrow Agreement and to establish the beginning cash balance in the Escrow Account designated in the Escrow Agreement, if any. All amounts received from such Federal Securities and such beginning cash balance shall be applied solely to the payment of the principal of and interest on the Refunded Bonds until the Refunded Bonds have been paid in full and discharged as to all principal and interest. No further warrant, resolution or other action of the Board shall be necessary for the Escrow Bank to transfer moneys for the payment of the Refunded Bonds such amounts received from such Federal Securities and beginning cash balance to so pay the Refunded Bonds. The uninvested cash and Federal Securities deposited in the Escrow Account shall at all times be sufficient to fully pay all the principal of and interest on the Refunded Bonds.

B. The sufficiency of the Escrow Account for the purposes set forth in this Section and in subsection B, Section 401 hereof shall be verified by a certified public accountant as provided in NRS 350.698. The Escrow Agreement shall be in substantially the form on file with the Clerk, and the Finance Director is hereby authorized to execute it in final form. After

payment in full of the Refunded Bonds, or after adequate provision has been made therefor, the Escrow Account shall terminate, and any funds remaining in the Escrow Account shall be applied to any lawful purpose or purposes of the City as the Finance Director may determine.

Section 406. Maintenance of Escrow Account.

A. The Escrow Account shall be maintained by the City in an amount at the time of those initial deposits therein and at all times subsequently at least sufficient, together with the known minimum yield to be derived from the initial investment and any temporary reinvestment of the deposits therein or any part thereof in Federal Securities, to pay the interest due in connection with the Refunded Bonds, both accrued and not accrued, as the same become due up to and including the redemption date set forth in the Escrow Agreement (the "Refunded Redemption Date"); and to redeem, on the applicable Refunded Redemption Date, the Refunded Bonds then outstanding and maturing on such Refunded Redemption Date, for the principal amount thereof, accrued interest to the applicable Refunded Redemption Date, and the required premium, if any.

B. Moneys shall be withdrawn by the Escrow Bank from the Escrow Account in sufficient amounts and at such times to permit the payment without default of interest due in connection with the Refunded Bonds.

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

## ARTICLE V.

### ADMINISTRATION OF AND ACCOUNTING FOR PLEDGED REVENUES

Section 501. Pledge Securing Bonds. Subject only to the rights and obligations of the City to cause amounts to be withdrawn therefrom and paid on account of Administration Expenses, to make the Direct Distributions, and to pay the cost of the Project as provided herein, the Gross Pledged Revenues (i.e. the Net Pledged Revenues) and all moneys and securities paid or to be paid to or held or to be held in the Cost of Issuance Account and the Bond Fund are hereby pledged to secure the payment of the Bond Requirements of the 2012 Bonds, except as provided in Section 404 (Lien on Bond Proceeds) hereof; and this pledge shall be valid and binding so far as the 2012 Bonds are concerned from and after the date of the delivery of any 2012 Bonds, and the moneys, as received by the City and hereby pledged, 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 and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the City, except that (i) the lien of the 2012 Bonds on the portion of the Net Pledged Revenues derived from the State Motor Vehicle Fuel Tax and the Four Cent County Fuel Tax is subordinate to the lien thereon of the Outstanding 2003 Bonds, the Outstanding 2008 Bonds and any Outstanding superior securities hereafter issued on a parity with the 2003 Bonds and the 2008 Bonds, and on a parity with the lien thereon of the Outstanding 2010 Bonds and any Outstanding parity securities hereafter issued on a parity with the 2012 Bonds (ii) the lien of the 2012 Bonds on the portion of the Net Pledged Revenues derived from the Three Cent County Fuel Tax is subordinate to the lien thereon, if any, of the Interlocal Agreement, and on a parity with the lien thereon of the Outstanding 2010 Bonds and any Outstanding party securities hereafter issued on a parity with the 2012 Bonds (iii) any other securities hereafter authorized the liens of which on the Net Pledged Revenues are on a parity with the lien thereon of the Bonds and (iv) bonds and securities in addition to the 2012 Bonds, subject to expressed conditions in this Ordinance, may hereafter be issued and made payable from the Net Pledged Revenues having a lien thereon on a parity with the lien of the 2012 Bonds; 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.

Section 502. Highway Fund Deposits. So long as any of the 2012 Bonds shall be Outstanding, as to any Bond Requirements, the entire Gross Pledged Revenues, except for such amounts withheld by dealers, users and the Department of Taxation to reimburse themselves (excluding the Department of Taxation) for handling losses occasioned by evaporation, spillage and other similar causes, and to reimburse themselves (including the Department of Taxation) for the costs of their respective services in the performance by them of all functions incident to the administration of the Fuel Taxes, and constituting Administration Expenses, pursuant to the Project Act, to the Tax Act, to the Tax Ordinance, except for amounts refunded to taxpayers as provided in such statutes and ordinance, and except for the required share of the Net Proceeds of the taxes levied by the State in NRS 365.180 and 365.190 needed to make the remittances and deposits required of the State by NRS 365.535 and 365.565, shall be set aside upon the receipt of such revenues by the City and credited to the special account in the Treasury of the City created by the Tax Ordinance, pursuant to NRS 373.110 and designated as the "Regional Street and Highway Fund" (the "Highway Fund"). The City shall maintain the following subaccounts in the Highway Fund:

- A. The Two Cent County Fuel Tax Subaccount, into which the Net Pledged Revenues resulting from the Two Cent County Fuel Tax shall be deposited;
- B. The Three Cent County Fuel Tax Subaccount, into which the Three Cent County Fuel Tax shall be deposited;
- C. The Four Cent County Fuel Tax Subaccount, into which the Net Pledged Revenues resulting from the Four Cent County Fuel Tax shall be deposited; and
- D. The State Motor Vehicle Fuel Tax Subaccount, into which the Net Pledged Revenues resulting from the State Motor Vehicle Fuel Tax shall be deposited.

Section 503. Administration of Highway Fund. So long as any of the Bonds hereby authorized shall be Outstanding, as to any Bond Requirements, the following payments shall be made from the Highway Fund as provided in Sections 504 (First Charges) through 511 (Use of Remaining Revenues) hereof.

Section 504. First Charges. First, as a first charge on the Highway Fund, there shall from time to time be withdrawn and set aside:

- A. Administration Expenses. Initially, as a first charge thereon, sufficient moneys to pay any Administration Expenses not withheld by dealers, users and the Department

of Taxation or otherwise defrayed by other than the City as permitted in Section 502 (Highway Fund Deposits) hereof; and

B. Direct Distribution. Thereafter, as the next charge thereon, sufficient moneys to make the required Direct Distributions, if any.

Nothing herein contained permits the payment of any Administration Expenses incurred by the City with any proceeds of the taxes levied by the State in NRS 365.180 and 365.190, or otherwise, or requires the withdrawal from the Highway Fund of any moneys allocated for the payment of Administration Expenses or Direct Distributions until obligations pertaining thereto have accrued and become due, and any such moneys so allocated may be retained in the Highway Fund pending withdrawals for the payment of such obligations. Any such withdrawals becoming surplus and remaining at the end of the Fiscal Year and not needed for Administration Expenses or Direct Distributions shall be transferred back to the Highway Fund and shall be used for the purposes thereof, as herein provided.

Section 505. Payments for Superior Securities and Parity Securities. A. Second, and subject to the aforesaid provisions, from any moneys remaining in the Highway Fund, i.e., from the Net Pledged Revenues, the following transfers shall be made for the payment of the obligations and securities hereinafter designated in the following order:

(1) From the portion of the Net Pledged Revenues in the Four Cent County Fuel Tax Subaccount and the State Motor Vehicle Fuel Tax Subaccount, to be credited to the bond fund, the reserve fund and the rebate fund for the 2003 Bonds, the 2008 Bonds and any superior securities hereafter issued on a parity with the 2003 Bonds and the 2008 Bonds, in the amounts required by the ordinances authorizing the 2003 Bonds, the 2008 Bonds and any superior securities hereafter issued on a parity with the 2003 Bonds and the 2008 Bonds. Moneys in the Four Cent County Fuel Tax Subaccount and the State Motor Vehicle Fuel Tax Subaccount shall be expended on the amounts required under this Section A(1) before payment of amounts required under subsection B, below.

(2) From the portion of the Net Pledged Revenues in the Three Cent County Fuel Tax Subaccount, to meet the City's obligations under the Interlocal Agreement, in the amounts and on the dates provided by the Interlocal Agreement. Moneys in the Three Cent County Fuel Tax Subaccount shall be first expended to meet

the City's obligations under the Interlocal Agreement and then shall be expended on the amounts required under subsection B, below, before payment under Section A(1) above for the 2003 Bonds, the 2008 Bonds and any superior securities hereafter issued on a parity with the 2003 Bonds, which do not have lien on moneys in the Three Cent County Fuel Tax Subaccount.

B. Third, Concurrently with the payments for any Outstanding 2010 Bonds and any Outstanding parity securities hereafter issued, and subject to the aforesaid provisions, from any moneys remaining in the Highway Fund, i.e., from the Net Pledged Revenues, there shall be credited to the Bond Fund created in Section 401 of this Ordinance the following:

(i) Semiannually, before each interest payment date, succeeding the delivery of any of the 2012 Bonds and any parity securities, an amount together with any other moneys from time to time available therefor from whatever source, including without limitation the moneys, if any, provided in Section 405 hereof, to pay, when due, the next maturing installment of interest on the Outstanding 2012 Bonds and any Outstanding parity securities, except to the extent any other moneys are available therefor.

(ii) Annually, before each principal payment date, an amount 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 2012 Bonds and any Outstanding parity securities, except to the extent any other moneys are available therefor.

The moneys credited to the Bond Fund shall be used to pay the Bond Requirements of the 2012 Bonds and any Outstanding parity securities, as the same become due. Moneys in the Two Cent County Fuel Tax Subaccount shall be expended on the amounts required under this subsection B before the following (which do not have a lien on the moneys in the Two Cent County Fuel Tax Subaccount) (i) payment on the 2003 Bonds, the 2008 Bonds and any superior securities hereafter issued and (ii) to meet the City's obligations under the Interlocal Agreement.

Section 506. Contingent Reserve Fund -- Payments. Fourth, from the Net Pledged Revenues, there shall be credited to a reserve fund for the Outstanding Bonds and any Outstanding parity securities in the amount and at such time as a reserve fund is reasonably

required in accordance with the provisions of this section. At the time of issuance of the Bonds, no funds shall be required to be on deposit in the "Carson City, Nevada Highway Revenue Subordinate Bond Reserve Fund" (the "Reserve Fund") hereby created and designated. No later than December 31 of each year, the Finance Director shall calculate the coverage of the Net Pledged Revenues received over the annual principal and interest requirements paid in the preceding Fiscal Year. Such calculation shall be performed using audited financial information. In the event that, according to such calculation, the Net Pledged Revenues received in any Fiscal Year are less than two times the annual principal and interest requirements paid in such Fiscal Year with respect to the Bonds and all parity bonds Outstanding, the City shall fund the Reserve Fund with twenty-four equal monthly payments commencing on January 1 of the following calendar year. The monthly payments shall be in an amount sufficient that upon the completion of the payments, the Reserve Fund shall be funded at the Reserve Fund Requirement.

If the Reserve Fund is required to be funded as described in the preceding paragraph, the payments to fund the Reserve Fund shall be made concurrently with the transfers required to be made to the Bond Fund, and before the payments required to be made to the Rebate Fund. Transfers shall also be made to the Reserve Fund to reaccumulate funds up to the Reserve Fund Requirement, with twenty-four substantially equal monthly payments, beginning on the first day of the month following a withdrawal from the Reserve Fund or a valuation of the investments therein which shows that the amounts therein are less than the Reserve Fund Requirement. No transfer need be made to the Reserve Fund so long as the moneys therein shall equal not less than the Reserve Fund Requirement. The moneys in the Reserve Fund, to the extent it is required to be funded as herein described, shall continue to be accumulated and maintained as a continuing reserve, except as provided in Sections 508, 509, 605 and 901 hereof, and other provisions herein supplemental to such sections, only to prevent deficiencies in the payment of the principal of and the interest on the Outstanding 2012 Bonds and any Outstanding parity securities resulting from the failure to deposit in the Bond Fund sufficient funds to pay such principal and interest as the same accrue.

Section 507. Rebate Account. Fifth, and after the payments hereinabove required to be made by Sections 504 through 506 hereof are made, the City shall deposit Net Pledged Revenues into the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Rebate Account" (the "Rebate Account") as



required under Section 148 of the Tax Code and regulations promulgated thereunder and shall apply such funds to the extent required to comply with the covenant in Section 822 (Tax Covenant) hereof to make payments to the United States. Any moneys in such account not needed for such purpose shall be transferred to the Highway Fund. Payments into similar rebate accounts for additional parity securities shall be made concurrently with payments into the Rebate Account.

Section 508. Termination of Deposits. No payment need be made into the Bond Fund, the Reserve Fund, or both, if the amount in the Bond Fund and the Reserve Fund totals a sum at least equal to the entire amount of the Outstanding 2012 Bonds and any Outstanding parity securities as to all Bond Requirements to their respective maturities or to any redemption date on which the City shall have exercised or shall have obligated itself to exercise its option to redeem prior to their respective maturities the Outstanding 2012 Bonds or any such Outstanding parity securities thereafter maturing, and both accrued and not accrued, in which case moneys in those two accounts 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 deposit to the time or respective times the proceeds of any such investment shall be needed for such payment, at least equal to such Bond Requirements, shall be used together with any such gain from investments solely to pay such Bond Requirements as the same become due; and any moneys in excess thereof in those two accounts and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the Governing Body.

Section 509. Defraying Delinquencies. If the City shall for any reason fail to pay into the Bond Fund the full amount above stipulated from the Net Pledged Revenues, then, to the extent the Reserve Fund has been funded as described in Section 506, an amount shall be paid into the Bond Fund in such month from the Reserve Fund at such time equal to the difference between that paid from the Net Pledged Revenues and the full amount so stipulated. The moneys in the Bond Fund and in the Reserve Fund shall be used solely and only for the purpose of paying the Bond Requirements of the 2012 Bonds and any Outstanding parity securities; but any moneys at any time in excess of the Reserve Fund Requirement in the Reserve Fund, including, without limitation, any such excess resulting from investment gain as provided in Section 605 (Accounting for Investments) hereof, may be withdrawn therefrom, and transferred from time to time to the Bond Fund, and used as herein provided for the redemption

of the Outstanding 2012 Bonds and any such Outstanding parity securities as they become due at maturity, on any redemption date, or as they otherwise are made available for payment by purchase in the open market or otherwise; and also any moneys in the Bond Fund and in the Reserve Fund in excess of the Bond Requirements, both accrued and not accrued, to the respective maturities or designated redemption date of the Outstanding 2012 Bonds and any such Outstanding parity securities may be used as hereinabove provided.

Section 510. Payment of Additional Subordinate Securities. Sixth, and subject to the provisions hereinabove in this Article V, but subsequent to the payments hereinabove required to be made, as provided in Article VII hereof, any moneys remaining in the Highway Fund may be used by the City for the payment of Bond Requirements of Outstanding subordinate securities hereafter issued in accordance with Article VII and any other provisions herein supplemental thereto, including any reasonable reserves required for such securities, as the same accrue; but the lien of such Outstanding subordinate securities on all or a portion of the Net Pledged Revenues and the pledge thereof for the payment of such additional securities shall be subordinate to the lien and pledge of the 2012 Bonds and any Outstanding parity securities, as herein provided. (Any Outstanding parity securities shall be payable from the Bond Fund pursuant to Sections 505 (Payments for Superior Securities and Parity Securities) through 507 (Rebate Account) hereof.)

Section 511. Use of Remaining Revenues. After the transfers hereinabove required to be made are made, any remaining Net Pledged Revenues in the Highway Fund may be used at the end of any Fiscal Year or whenever in any Fiscal Year there shall have been credited to the Bond Fund, to the Reserve Fund, to the Rebate Account, and to each other bond fund and reserve fund, if any, for the payment of any subordinate securities, all amounts required to be credited to those special accounts for all of that Fiscal Year, both accrued and thereafter becoming due in the balance of the Fiscal Year, as hereinabove provided in this Article V, for any one or any combination of lawful purposes, as the Governing Body may from time to time determine, including, without limitation:

A. State Tax of 3.60¢. The use of the proceeds received by the City pursuant to NRS 365.550 (or such part thereof as may remain after there are made the payments hereinabove required to be made in the preceding sections of this article) of the tax of three and six-tenths cents (3.60¢) per gallon levied by the State on motor vehicle fuel by NRS 365.180, for

any one or combination of purposes (other than the payment of securities issued pursuant to the Project Act or any law supplemental thereto) permitted by section 365.550, as from time to time amended, and by all laws supplemental thereto; and

B. State Tax of 1.75¢. The apportionment by the City of the proceeds received pursuant to NRS 365.560 (or such part thereof as may remain after there are made the payments hereinabove required to be made in the preceding sections of this article) between the City, towns with town boards organized under NRS 269.016 to 269.019 (Town Board Form of Government), and the incorporated cities, if any, within the City pursuant to NRS 365.560 from the tax of one and three quarter cent (1.75¢) per gallon levied by the State in NRS 365.190, as allocated by the State to the City and received by it, and the use of the part remaining to the City after such allocation for any one or combination of purposes (other than the payment of securities issued pursuant to the Project Act or any law supplemental thereto) permitted by subsection 3 of NRS 365.560, as from time to time amended, and by all laws supplemental thereto.

For the purpose of accounting for such remaining revenues to meet the requirements of NRS 365.550 and 365.560, there shall be deemed to have been used in any Fiscal Year from the moneys accounted for in the Highway Fund to meet the requirements provided above as to the use of the Net Pledged Revenues in the preceding sections of this article, the proceeds of the taxes levied by the State in NRS 365.180 and 365.190, only to the extent that the proceeds of the Fuel Taxes levied by the City are insufficient for that purpose. If the proceeds of such State Motor Vehicle Fuel Tax are so used in any Fiscal Year, the proceeds of the State Motor Vehicle Fuel Tax designated above in subsection A of this Section and the proceeds of the State Motor Vehicle Fuel Tax designated above in subsection B of this Section shall respectively be reduced to the extent of such use for such Fiscal Year on a pro rata basis related to the amount received in the Fiscal Year by the City from each such State Motor Vehicle Fuel Tax, prior to the use of any such tax proceeds pursuant to subsections A and B of this Section as moneys become available therefor.

## ARTICLE VI.

### GENERAL ADMINISTRATION

Section 601. Administration of Accounts. The special accounts designated in Articles IV and V hereof shall be administered as provided in this Article VI, except the Escrow Account which shall be administered as provided in the Escrow Agreement.

Section 602. Places and Times of Deposits. Each of such special accounts shall be maintained as a book account and kept separate from all other accounts as a trust account solely for the purpose herein designated therefor, and the moneys accounted for in such special bond accounts shall be deposited in one bank account or more in an Insured Bank or Insured Banks as determined and designated by the Governing Body (except as otherwise expressly stated herein). Nothing herein shall prevent the commingling of moneys accounted for in any two (2) or more book accounts pertaining to the Pledged Revenues or to any such fund and any other funds of the City (each of which funds consists of a self-balancing group of accounts and constitutes an independent fiscal and accounting entity) in any investments permitted under State law (the "Authorized Investments"). Each such bank account shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds and shall be irrevocable and not withdrawable by anyone for any purpose other than the respective designated purposes. Each periodic payment shall be credited to the proper account not later than the date therefor herein designated, except that when any such date shall be a Saturday, a Sunday or a legal holiday, then such payment shall be made on or before the next preceding secular day.

Section 603. Investment of Moneys. Any moneys in any such account, and not needed for immediate use, may be invested or reinvested by the Treasurer in Authorized Investments. Authorized Investments shall be immediately available in lawful money of the United States on demand, or shall be subject to redemption at any time at a fixed value by the holder thereof at the option of such holder, or shall mature on or prior to the date or respective dates on which the proceeds are to be expended as estimated by the Treasurer upon each date of such investment or reinvestment, but in no event exceeding 10 years from the date of the investment or reinvestment, but Authorized Investments in the Reserve Fund shall be subject to redemption at the holder's option at face value, shall mature within 5 years of the date of the investment or reinvestment and shall mature at least 5 days prior to the last maturity date of the

Bonds or any other Outstanding parity securities. For the purpose of any such investment or reinvestment, Authorized Investments shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations. Authorized Investments shall be valued as frequently as deemed necessary, but not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in any fund or account shall be remedied no later than the succeeding valuation date.

Section 604. Required and Permissive Investments. The Treasurer shall have no obligation to make any investment or reinvestment hereunder, unless any moneys on hand and accounted for in any one account exceeds \$5,000 and at least \$5,000 therein will not be needed for a period of not less than sixty (60) days. In such event the Treasurer shall invest or reinvest in Authorized Investments not less than substantially all the amount which will not be needed during such sixty-day period, except for any moneys on deposit in an interest-bearing account in any Insured Bank, regardless whether such moneys are evidenced by certificate of deposit or otherwise, pursuant to Sections 603 (Investments of Moneys) and 607 (Character of Funds) hereof. The Treasurer may invest or reinvest any moneys on hand at any time as provided in Section 603 (Investment of Moneys) hereof even though he is not obligated to do so.

Section 605. Accounting for Investments. The Authorized Investments so purchased as an investment or reinvestment of moneys in any such account shall be deemed at all times to be a part of the account and held in trust therefor. Except as herein otherwise provided, any interest or other gain in any account from any investments and reinvestment in Authorized Investments and from any deposits of moneys in any Insured Bank pursuant to this article shall be credited to the account, and any loss in any account resulting from any such investments and reinvestments in Authorized Investments and from any such deposits in any Insured Bank shall be charged or debited to the account; but any gain from any such investments or reinvestments of moneys in any reserve fund in excess of any minimum bond reserve (as well as any such excess resulting from other than any investments or reinvestments) may be withdrawn from the reserve fund and transferred and credited from time to time to the bond fund, and pursuant to Section 509 (Defraying Delinquencies) hereof. Except as provided in Section 603 (Investment of Moneys) hereof, no loss or profit in any account on any investments or reinvestments in Authorized Investments or any certificates of deposit shall be deemed to take place as a result of fluctuations in the market quotations of the investments, reinvestments or certificates prior to the

sale or maturity thereof. The expenses of purchase, safekeeping, sale and all other expenses incident to any investment or reinvestment of moneys pursuant to this Article VI shall be accounted for as Administrative Expenses, as permitted by Section 504 (First Charges) hereof.

Section 606. Redemption or Sale of Authorized Investments. The Treasurer shall present for redemption at maturity or sale on the prevailing market at the best price obtainable any Authorized Investments so purchased as an investment or reinvestment of moneys in any account whenever it shall be necessary so to do in order to provide moneys to meet any withdrawal, payment or transfer from such account. Neither the Treasurer nor any other officer of the City shall be liable or responsible for any loss resulting from any such investment or reinvestment made in accordance with this Ordinance.

Section 607. Character of Funds. The moneys in any account herein authorized shall consist either of lawful money of the United States or Authorized Investments.

Section 608. Accelerated Payments. Nothing contained in Article V hereof prevents the accumulation in any account herein designated of any monetary requirements at a faster rate than the rate or minimum rate, as the case may be, provided in Article V; but no payment shall be accelerated if such acceleration shall cause the Governing Body to default in the payment of any obligation of the City pertaining to the Pledged Revenues. Nothing herein contained requires in connection with the Pledged Revenues received in any Fiscal Year the accumulation of monetary requirements in any account for the payment in the Comparable Bond Year of Bond Requirements due in connection with any series of Bonds or other securities payable from the Pledged Revenues and heretofore, herein or hereafter authorized, in excess of such Bond Requirements due in such Comparable Bond Year, or of any reserves required to be accumulated and maintained therefor, and of any existing deficiencies, and payable from such account, as the case may be, except as may be otherwise provided herein.

Section 609. Payment of Securities Requirements. The moneys credited to any account designated in Article V hereof for the payment of the Bond Requirements due in connection with any series of bonds or other securities payable from the Pledged Revenues and heretofore, herein or hereafter authorized shall be used, without requisition, voucher, warrant or further order or authority (other than is contained herein) or any other preliminaries, to pay promptly the Bond Requirements payable from such account as such securities become due, upon the respective redemption dates, if any, on which the City is obligated to pay such

securities, or upon the respective interest payment and bond maturity dates of such securities, as provided therefor herein or otherwise, except to the extent any other moneys are available therefor, including, without limitation, moneys accounted for in the Bond Fund.

## ARTICLE VII.

### SECURITIES LIENS AND ADDITIONAL SECURITIES

Section 701. Lien on the Bonds. The 2012 Bonds authorized herein, subject to the payment of Administrative Expenses and Direct Distributions, constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Net Pledged Revenues. The lien of the 2012 Bonds on the portion of the Net Pledged Revenues derived from the State Motor Vehicle Fuel Tax and the Four Cent County Fuel Tax is subordinate to the lien thereon of the Outstanding 2003 Bonds, the Outstanding 2008 Bonds and any other Outstanding superior securities hereafter issued, and on a parity with the lien thereon of the Outstanding 2010 Bonds. The lien of the 2012 Bonds on the portion of the Net Pledged Revenues derived from the Three Cent County Fuel Tax is subordinate to the lien thereon, if any, of the Interlocal Agreement, and on a parity with the lien thereon of the Outstanding 2010 Bonds. The 2012 Bonds have a prior lien on the portion of the Net Pledged Revenues derived from the Two Cent County Fuel Tax, on a parity with the lien thereon of the Outstanding 2010 Bonds.

Section 702. Equality of Bonds. The 2012 Bonds and any Outstanding parity securities with a lien on the Net Pledged Revenues are equitably and ratably secured by a lien on the Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Pledged Revenues regardless of the time or times of the issuance of such securities, it being the intention of the Governing Body that there shall be no priority among the 2012 Bonds and any such parity securities regardless of the fact that they may be actually issued and delivered at different times, except as expressly set forth herein.

Section 703. Issuance of Parity Securities. Nothing in this Ordinance contained prevents the issuance by the City of additional bonds or other additional securities payable from the Net Pledged Revenues and constituting a lien thereon on a parity with, but not prior nor superior to, the lien thereon of the 2012 Bonds or prevents the issuance of bonds or other securities refunding all or a part of the 2012 Bonds, except as provided in Sections 708 through 712 hereof; but before any such additional parity bonds or other additional parity securities are authorized or actually issued (excluding any parity refunding bonds or other parity refunding securities other than any securities refunding subordinate bonds or other subordinate securities, as permitted in Section 709 hereof):



A. Absence of Default. At the time of the adoption of the supplemental instrument authorizing the issuance of the additional securities as provided in Section 712 hereof, the City shall not be in default in the maintenance of the fuel tax covenant as set forth in Section 816 herein or in default in making any payments required by Article V hereof.

B. Earnings Test. Except as hereinafter otherwise expressly provided, the Net Pledged Revenues derived in the Fiscal Year immediately preceding the date of the issuance of such additional parity securities shall have been at least sufficient to pay an amount equal to 170% of the combined maximum annual principal and interest requirements of (i) the Outstanding 2003 Bonds, the Outstanding 2008 Bonds, and any other Outstanding superior securities, (b) the Outstanding 2012 Bonds and any other Outstanding parity securities, and (c) the additional parity securities proposed to be issued (excluding, in each case, any reserves therefor). For purposes of calculating the combined maximum annual principal and interest requirements under this paragraph B, any variable rate indebtedness shall be assumed to bear interest at the maximum permissible rate.

C. Adjustment of Net Pledged Revenues. If any Fuel Tax constituting supplemental Net Pledged Revenues had not accrued and been payable for the full Fiscal Year immediately preceding the date of the issuance of any such additional parity securities, any amount of Net Pledged Revenues which was actually collected for the designated Fiscal Year may be increased to an amount which it is estimated would have been collected if such Fuel Tax had accrued and been payable for the full Fiscal Year designated based upon the known collections of Net Pledged Revenues preceding such adjustment. The aforementioned estimation is to be effected by either the Controller or an Independent Accountant.

D. Reduction of Annual Requirements. The respective annual Bond Requirements (including as such a requirement for the purposes of this Section 703 the amount of any prior redemption premiums due on any prior redemption date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective Bond Years 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.

Section 704. Certification of Revenues. A written certification or written opinion by the Controller or an Independent Accountant, based upon estimates thereby as provided in subsection C of Section 703 hereof, that such Net Pledged Revenues, when adjusted as hereinabove provided in subsections C and D of Section 703 hereof, are sufficient to pay such amounts, as provided in subsection B of Section 703 hereof, shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional bonds or other additional securities on a parity with the 2012 Bonds.

Section 705. Subordinate Securities Permitted. Nothing herein contained prevents the City from issuing additional bonds or other additional securities payable from all or a portion of the Net Pledged Revenues and having a lien thereon subordinate, inferior and junior to the lien thereon of the 2012 Bonds.

Section 706. Superior Securities. Nothing herein contained permits the City to issue additional bonds or other additional securities payable from all or a portion of the Net Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the 2012 Bonds without conforming to the requirements set forth in the ordinances authorizing the issuance of the Outstanding superior bonds; except that all of the City's obligations under the Interlocal Agreement, including obligations payable from the Three Cent County Fuel Tax, may be amended, increased and expanded, including amendments to the Interlocal Agreement in the City's sole discretion.

Section 707. Use of Proceeds. The proceeds of any additional bonds or other additional securities (other than any funding or refunding securities) payable from the Pledged Revenues shall be used only for bettering, enlarging, extending and otherwise improving the Facilities (or any combination thereof).

Section 708. Issuance of Refunding Securities. At any time after the 2012 Bonds, or any part thereof, are issued and remain Outstanding, if the Governing Body shall find it desirable to refund any Outstanding 2012 Bonds or other Outstanding securities payable from and constituting a lien upon the Pledged Revenues, such Bonds or other securities, or any part thereof, may be refunded (but only with the consent of the owner of all such Outstanding securities unless 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 refunding purposes at the City's option upon proper call), regardless of whether the priority of the lien for the

payment of the refunding securities on the Pledged Revenues is changed (except as provided in Sections 706 and 709 through 712 hereof).

Section 709. Partial Refundings. The refunding bonds or other refunding securities so issued shall enjoy complete equality of lien with the portion of any Bonds or other securities of the same issue which is not refunded, if there are any; and the owner of such refunding bonds or such other refunding securities shall be subrogated to all of the rights and privileges enjoyed by the owner of the unrefunded Bonds or other unrefunded securities of the same issue partially refunded by the refunding securities.

Section 710. Limitations Upon Refundings. Any refunding bonds or other refunding securities payable from the Pledged Revenues shall be issued with such details as the Governing Body may by instrument provide, subject to the provisions of Section 712 hereof, and subject to the inclusion of any such rights and privileges designated in Section 709 hereof, but without any impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of such Outstanding securities of any one or more issues (including but not necessarily limited to the 2012 Bonds).

Section 711. Protection of Securities Not Refunded. If only a part of the Outstanding Bonds and any other Outstanding securities of any issue or issues payable from the Pledged Revenues is refunded, then such securities may not be refunded without the consent of the owner of the unrefunded portion of such securities:

A. Requirements Not Increased. Unless the refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by such refunding securities and by the Outstanding securities not refunded on and prior to the last maturity date of such unrefunded securities, and the lien of any refunding bonds or other refunding securities on the Pledged Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

B. Subordinate Lien. Unless the lien on the Pledged Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

C. Default and Earnings Test. Unless the refunding bonds or other refunding securities are issued in compliance with Sections 703 and 704 hereof.

Section 712. Supplemental Instrument. Additional bonds or other additional securities payable from the Pledged Revenues shall be issued only after authorization thereof by a supplemental instrument of the Governing Body stating the purpose or purposes of the issuance of such additional securities, directing the application of the proceeds thereof to such purpose or purposes, directing the execution thereof, and fixing and determining the date, principal amount, maturity or maturities, designation and numbers thereof, the maximum rate or the rate or rates of interest to be borne thereby, any prior redemption privileges of the City with respect thereto and any other provisions thereof in accordance with this Ordinance. All additional securities shall bear such date, shall bear such numbers and series designation, letters or symbols prefixed to their numbers distinguishing them from each other security, shall be payable at such place or places, may be subject to redemption prior to maturity on such terms and conditions, and shall bear interest at such rate or at such different or varying rates per annum, as may be fixed by instrument or other document of the Governing Body.

## ARTICLE VIII.

### MISCELLANEOUS PROTECTIVE COVENANTS

Section 801. General. The City particularly covenants and agrees with the owner of the Bonds pertaining thereto and makes provisions which shall be a part of its contract with such owner to the effect and with the purpose set forth in the following provisions and sections of this Article.

Section 802. Performance of Duties. The City, acting by and through the Governing Body or otherwise, will faithfully and punctually perform or cause to be performed all duties with respect to the Pledged Revenues and the Facilities required by the Constitution and laws of the State and the various instruments of the City, including, without limitation, the proper segregation of the proceeds of the 2012 Bonds and Pledged Revenues and their application to the respective accounts provided from time to time therefor.

Section 803. Contractual Obligations. The City, shall perform all contractual obligations undertaken by it under the contract to purchase the Bonds with the Purchaser and any other agreements relating to the Bonds, the Pledged Revenues and the Project (or any combination thereof) with all other Persons.

Section 804. Further Assurances. At any and all times the City shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Revenues, and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the City may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Ordinance and to comply with the Project Act and the Bond Act. The City, acting by and through the Governing Body, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of the owner of the Bond hereunder against all claims and demands of all Persons whomsoever.

Section 805. Conditions Precedent. Upon the date of issuance of any 2012 Bonds, all conditions, acts and things required by the Federal or State Constitution or Federal or State statutes to exist, to have happened, and to have been performed precedent to or in the

issuance of the Bonds shall exist, have happened, and have been performed; and the Bonds, together with all other obligations of the City shall not contravene any debt or other limitation prescribed by the State Constitution or statutes.

Section 806. Rules, Regulations and Other Details. The City, acting by and through the Governing Body, shall establish and enforce reasonable rules and regulations governing the Fuel Taxes. All compensation, salaries, fees and other charges paid by it in connection with the Fuel Taxes shall be reasonable. The City shall observe and perform all of the terms and conditions contained in the Project Act and the Bond Act and shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Fuel Taxes or to the City.

Section 807. Payment of Governmental Charges. The City shall pay or cause to be paid all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Fuel Taxes, or upon any portion of the Pledged Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Fuel Taxes, except for any period during which 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 upon the Pledged Revenues, except the pledge and lien created by this Ordinance for the payment of the Bond Requirements due in connection with the 2012 Bonds, 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 sixty (60) days after the same shall become payable, all lawful claims and demands for labor, materials, supplies of other objects which, if unpaid, might by law become a lien upon the Facilities, or any part thereof, or the Pledged Revenues; but nothing in this section contained requires the City to pay or to cause to be discharged or to make provision for any such lien or charge, so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Section 808. Protection of Security. The City, the officers, agents and employees of the City, and the Governing Body shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the securities payable from the Pledged Revenues according to the terms of such securities. No

contract shall be entered into nor any other action taken by which the rights of any owner of any Bond or any other security payable from the Pledged Revenues might be impaired or diminished.

Section 809. Accumulation of Interest Claims. In order to prevent any accumulation of claims for interest after maturity, the City shall not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on any of the 2012 Bonds or any other securities payable from the Pledged Revenues; and the City shall not directly or indirectly be a party to or approve any arrangements for any such extension or for the purpose of keeping any of such claims for interest. If the time for the payment of any such installment of interest is extended in contravention of the foregoing provisions, such installment or installments of interest after such extension or arrangement shall not be entitled in case of default hereunder to the benefit or the security of this Ordinance, except upon the prior payment in full of the principal of all Bonds and any other securities then Outstanding and of all matured interest on such securities the payment of which has not been extended.

Section 810. Prompt Payment of Bonds. The City shall promptly pay the Bond Requirements of every 2012 Bond issued hereunder and secured hereby at the place, on the dates, and in the manner specified herein and in the Bonds according to the true intent and meaning hereof.

Section 811. Use of Bond and Reserve Funds. The Bond Fund and the Reserve Fund shall be used solely and only, and the moneys credited to such accounts are hereby pledged, for the purpose of paying the Bond Requirements of the 2012 Bonds and any parity securities, except for those moneys in the Bond Fund and in the Reserve Fund as are in excess of such Bond Requirements, both accrued and not accrued, to their respective maturities or any other due dates, and except for those moneys in the Reserve Fund in excess of the Reserve Fund Requirement, as herein provided.

Section 812. Additional Securities. The City shall not hereafter issue any Bonds or other securities payable from the Pledged Revenues so long as any 2012 Bonds herein authorized are Outstanding, unless such additional Bonds or other securities are issued in conformance with the provisions of Articles V and VII hereof.

Section 813. Other Liens. Other than as provided by this Ordinance, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues.

Section 814. Corporate Existence. The City shall maintain its corporate identity and existence so long as any of the Bonds issued hereunder remain Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities, duties and immunities of the City and is obligated by law to levy and collect or cause to be levied and collected the Fuel Taxes herein provided without adversely affecting to any substantial degree the privileges and rights of the owner of the Outstanding Bond at any time.

Section 815. Fidelity Bonds. Each official of the City or other person having custody of any Pledged Revenues or of any other moneys pertaining thereto, including, without limitation, Bond proceeds, or responsible for the handling of such moneys, shall be bonded at all times in an amount of at least \$500,000, which bond shall be conditioned upon the proper application of such funds (but need not necessarily be limited thereto). The costs of each such bond or a reasonably allocated share of the costs of any such blanket bond may be considered and paid as Administrative Expenses.

Section 816. Maintenance of Fuel Taxes. While the Bonds or any of them remain Outstanding and unpaid, the City shall (i) not decline to accept the State Motor Vehicle Fuel Tax levied by the State in the amounts not less than five and thirty-five hundredths cents (5.35¢) and (ii) cause the County Motor Vehicle Fuel Tax to be levied and collected by the City in amounts of not less than nine cents (9¢) per gallon, on all motor vehicle fuel sold, distributed or used in the City as provided in this Ordinance, in the Tax Ordinance, in the Project Act, and in the Tax Act, except as otherwise provided in this Ordinance, such Ordinance and such acts, including, without limitation, provisions therein for any deductions and any refunds not constituting Administrative Expenses or Direct Distributions, and so including provisions in this Ordinance, such Ordinance and such acts pertaining to exempt sales and other exempt transactions or to amounts derived from any other excise taxes pertaining to motor vehicle fuel of at least an equivalent value and pledged in lieu of such present taxes, regardless of whether now or hereafter fixed and imposed.

Section 817. Collection of Fuel Taxes. The City shall cause all proceeds of the Fuel Taxes to be collected as soon as reasonable, shall prescribe and enforce rules and regulations for the payment thereof, and shall provide methods of collection, by the Department



of Taxation, or otherwise, and penalties, to the end that the Net Pledged Revenues shall be adequate to meet the requirements hereof.

Section 818. Records. So long as any of the Bonds and any other securities payable from the Pledged Revenues remain Outstanding, proper records and accounts will be kept by the City, separate and apart from other records and accounts, showing complete and correct entries of all transactions relating to the Fuel Taxes upon their receipt by the City from the State or otherwise. Such records shall include (but not necessarily be limited to) monthly or quarterly records showing:

A. Gross Pledged Revenues. The Gross Pledged Revenues, to the extent of their receipt by the City,

B. Classification. The revenues received from the Fuel Taxes by classes of customers, to the extent it is practicable to show such information,

C. Expenses and Distributions. A detailed statement of the Administrative Expenses, both the amounts retained by the Department of Taxation and any other such expenses, and of any Direct Distributions, to the extent reflected by the books and other records of the City, including, without limitation, reports received from the State,

D. Securities Payments. A detailed statement of amounts credited to various accounts for the payment of Bonds and any other securities payable from the Pledged Revenues, and any reserves therefor, including, without limitation, the Bond Fund, and

E. Other Withdrawals. The amounts of any other withdrawals from the proceeds of the Fuel Taxes to the extent reflected by reports from the State to the City and by other records of City.

All requisitions, requests, certificates, opinions and other documents received by any Person on behalf of the City in connection with the Fuel Taxes under the provisions of this Ordinance shall be retained in his possession or in the City's official records.

Section 819. Rights Concerning Records. The owner of the 2012 Bonds or any other securities payable from the Pledged Revenues or any duly authorized agent or agents of such owner, or the Purchaser shall have the right at all reasonable times to inspect all records, accounts and data of the City relating thereto, concerning the Pledged Revenues, and to make copies of such records, accounts and data.

Section 820. Audits and Budgets Required. The City within two hundred seventy (270) days following the close of the Fiscal Year, shall order an audit for the Fiscal Year of such records and accounts to be made forthwith by an Independent Accountant, and shall order an audit report showing the receipts and disbursements for each account of the City pertaining to the Pledged Revenues, and such audit report will be available for inspection by the Purchaser, or any owner of any of the securities payable from the Pledged Revenues. Nothing herein contained requires an audit of any records and accounts of the Department of Taxation. Within thirty (30) days of adoption of an annual budget by the Governing Body, the City will make such annual budget available for inspection by the Purchaser, or any owner of any of the securities payable from the Pledged Revenues.

Section 821. Contents of Audit Reports. Each such audit report, in addition to whatever matters may be thought proper by the accountant to be included therein, shall follow generally accepted principles of accounting.

Section 822. Tax Covenant. The City covenants for the benefit of the owner 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 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 that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for the purposes of computing the alternative minimum taxable income of corporations. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

## ARTICLE IX.

### MISCELLANEOUS

Section 901. Defeasance. When all Bond Requirements of any 2012 Bond have been duly paid, the pledge and lien and all obligations hereunder as to that Bond shall thereby be discharged and the Bond shall no longer be deemed to be Outstanding within the meaning of this Ordinance. There shall be deemed to be such due payment when the City has placed irrevocably in escrow or in trust with a Trust Bank, cash and Federal Securities in an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the 2012 Bonds, as the same become due to the final maturity of the Bonds or upon any prior redemption date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank at the time of the creation of the escrow or trust. Any such Federal Securities shall not be subject to redemption prior to maturity. For purposes of this Section 901, a Trust Bank shall be a national banking association located in the United States or a state bank or trust company organized under the laws of a state of the United States, qualified as a depository of public funds.

Section 902. Delegated Powers. The officers of the City be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

A. Printing Bonds. The printing of the 2012 Bonds;

B. Final Certificates. The execution of such certificates as may be reasonably required by the Purchaser, relating, inter alia, to:

- (i) The signing of the 2012 Bonds,
- (ii) The tenure and identity of the officials of the Governing Body and of the City, and of the Transportation Commission,
- (iii) The exclusion of interest on the 2012 Bonds from gross income for purposes of federal income taxation,
- (iv) The delivery of the 2012 Bonds to the Purchaser upon receipt of the Bond purchase price, and

(v) If it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity thereof;

C. Information. The assembly and dissemination of financial and other information concerning the City, the Board, the Transportation Commission and the 2012 Bonds;

D. Escrow Agreement. The completion and execution of the Escrow Agreement by the Finance Director in substantially the form on file with the City, with such amendments as consented to by the Finance Director;

E. Paying Agent Agreement. The completion and execution of any agreement relating to the duties and obligations of the Paying Agent and Registrar hereunder by the Finance Director in the form approved by the Finance Director; and

F. Bond Issuance. The execution of the Certificate of the Finance Director and the sale and issuance of the Bonds pursuant to the provisions of this Ordinance and to any supplemental instrument.

Section 903. Statute of Limitations. No action or suit based upon any 2012 Bond, or other obligation of the City shall be commenced after it is barred by any statute of limitations pertaining thereto. Any trust or fiduciary relationship between the City and the owner of the 2012 Bond or other obligee regarding any such obligation shall be conclusively presumed to have been repudiated on the maturity date or other due date thereof unless the 2012 Bond is presented for payment or demand before the expiration of the applicable limitation period. Any moneys from whatever source derived remaining in any account reserved, pledged or otherwise held for the payment of any such obligation, action or suit shall revert to the Highway Fund, unless the Governing Body shall otherwise provide by instrument of the City. Nothing hereby contained prevents the payment of any such obligation after any action or suit for its collection has been barred if the Governing Body deems it in the best interests of the public so to do and orders such payment to be made.

Section 904. Evidence of Bondowners. Any request, consent or other instrument which this Ordinance may require or may permit to be signed and to be executed by the owner of any 2012 Bonds may be in one or more instruments of similar tenor and shall be signed or shall be executed by each such owner in person or by his attorney appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney,

or the holding by any Person of the Bonds, shall be sufficient for any purpose of this Ordinance (except as otherwise herein expressly provided) if made in the following manner:

A. Proof of Execution. The fact and the date of the execution by the owner of the 2012 Bonds or his attorney of such instrument may be provided by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Clerk or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the individual signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; the authority of the individual or individuals executing any such instrument on behalf of a corporate owner of the Bonds may be established without further proof if such instrument is signed by an individual purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by an individual purporting to be its secretary or an assistant secretary; and the authority of any Person or Persons executing any such instrument in any fiduciary or representative capacity may be established without further proof if such instrument is signed by a Person or Persons purporting to act in such fiduciary or representative capacity; and

B. Proof of Holdings. The amount of the 2012 Bonds owned by any Person executing any instrument as an owner of Bonds and the numbers, date and other identification thereof, together with the date of his holding the 2012 Bonds, may be proved by reference to the registration records kept by the Registrar.

Section 905. Warranty Upon Issuance of Bonds. Any 2012 Bonds, when duly executed and delivered for the purpose provided in this Ordinance, shall constitute a warranty by and on behalf of the City for the benefit of each and every future owner of any of the 2012 Bonds that the 2012 Bonds have been issued for a valuable consideration in full conformity with law.

Section 906. Prior Contracts. Nothing herein contained impairs the City's obligation of contracts with any Person in connection with the City, including, without limitation, the Pledged Revenues, this Ordinance, the Facilities or the Project (or any combination thereof). If any provision herein is inconsistent with any provision in any existing contract pertaining to the City (other than the bond ordinances authorizing the 2003 Bonds, the 2008 Bonds, the 2010 Bonds, the Tax Ordinance and the Interlocal Agreement) in such a manner as to effect prejudicially and materially the rights and privileges thereunder, so long as such

contract shall remain viable and in effect such provision therein shall control such inconsistent provision herein and the latter provision shall be subject and subordinate to such provision in such existing contract.

Section 907. Replacement of Registrar or Paying Agent. If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the City Treasurer, on the behalf and in the name of the City, shall reasonably determine that it is in the best interests of the City to appoint a successor to the Registrar or Paying Agent, the City Treasurer for the City may, upon notice mailed to the owner of the Bond at his address last shown on the registration record, 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. Every such successor Registrar or Paying Agent shall be a trust bank. It shall not be required that the same institution serve as both Registrar and Paying Agent hereunder, but the City Treasurer shall have the right to have the same institution serve as both Registrar and Paying Agent hereunder.

Any corporation or association into which a successor Registrar or Paying Agent may be converted or merged, or with which they may be consolidated, or to which they may sell or transfer their corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer, to which they are a party, shall be and become the successor Registrar or Paying Agent under this Ordinance, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything in this Ordinance to the contrary notwithstanding.

Section 908. Governmental Powers. The enforceability of the obligations of the City is:

A. State and U.S. Powers. Subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the Constitution of the United States,

B. Limitations upon Suits. Subject to the limitations stated in the 11th Amendment, Constitution of the United States, upon suits against states in federal courts by citizens of other states or citizens or subjects of foreign states, and

C. Sovereign Immunity. Subject to the possible passage hereafter of a State statute re-establishing the doctrine of sovereign immunity (heretofore waived by the State subject to certain exceptions and conditions) of the State, the City, and any other political subdivision of the State from liability and suits thereagainst in the absence of the State's consent thereto. Nothing herein prohibits or limits the exercise by the Federal Government, the State, the City, or any other governmental entity of their respective sovereign powers. Generally, the City can neither contract away any such sovereign powers nor limit or inhibit by contract the proper exercise of such powers, and this Ordinance does not purport to do so.

## ARTICLE X.

### PRIVILEGES, RIGHTS AND REMEDIES

Section 1001. Bondowner's Remedies. The owner of the 2012 Bond shall be entitled to all of the privileges, rights and remedies provided herein, in the Project Act, the Bond Act, the Supplemental Bond Act and this Ordinance, and as otherwise provided or permitted at law or in equity or by other statute, except as provided in Sections 209 (Character of Agreement) through 211 (No Recourse Against Officers and Agents) hereof, but subject to the provisions herein concerning the Pledged Revenues and the proceeds of the 2012 Bonds.

Section 1002. Right to Enforce Payment. Nothing in this article affects or impairs the right of the owner of the Bond issued hereunder to enforce the payment of the Bond Requirements of the Bond or the obligation of the City to pay the Bond Requirements of the Bond to the owner thereof at the time and the place expressed in the Bond.

Section 1003. Events of Default. Each of the following events is hereby declared an "event of default":

A. Nonpayment of Principal. Payment of the principal of the 2012 Bonds, shall not be made when the same shall become due and payable, either at maturity or otherwise;

B. Nonpayment of Interest. Payment of any installment of interest shall not be made when the same becomes due and payable;

C. Incapable to Perform. The City shall for any reason be rendered incapable of fulfilling its obligations hereunder;

D. Nonperformance of Duties. The City shall have failed to carry out and, to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to the Pledged Revenues, or otherwise, including, without limitation, this Ordinance, and such failure shall continue for sixty (60) days after receipt of notice from the registered owner of the 2012 Bonds.

E. Appointment of Receiver. An order or decree shall be entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the Pledged Revenues and any other moneys subject to the lien to secure the payment of the 2012 Bonds, or if an order or decree having been entered without the consent or acquiescence of the City, shall not be vacated or discharged or stayed on appeal within sixty (60) days after entry; and



F. Default of Any Provision. The City shall make default in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the 2012 Bonds or in this Ordinance on its part to be performed, and if such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the registered owner of the Bonds.

Section 1004. Remedies for Default. Upon the happening and continuance of any of the events of default, as provided in Section 1003 (Events of Default) hereof, then and in every case the registered owner of the 2012 Bonds including, without limitation, a trustee or trustees therefore: may proceed against the City and its agents, officers and employees to protect and to enforce the rights of the registered owner of Bonds under this Ordinance by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award of execution of any power herein granted for the enforcement of any proper, legal or equitable remedy as such registered owner may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of the owner of the 2012 Bonds, or to require the City to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of the registered owner of the 2012 Bonds. During an Event of Default under Section 1003(A) or Section 1003(B), the interest rate on the Bonds shall accrue at the Default Interest Rate if such Event of Default shall continue for five (5) business days after receipt of notice of such Event of Default by the City from the owner of the Bond.

Section 1005. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such owner hereunder, the consent of any such appointment being hereby expressly granted by the City, may collect, receive and apply all Pledged Revenues arising after the appointment of such receiver in the same manner as the City itself might do.

Section 1006. Rights and Privileges Cumulative. The failure of any owner of the Outstanding Bond to proceed in any manner herein provided shall not relieve the City, its Governing Body, or any of its officers, agents or employees of any liability for failure to perform or carry out any duty, obligation or other commitment. Each right or privilege of any such

owner is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any of them shall not be deemed a waiver of any other right or privilege thereof.

Section 1007. Duties Upon Defaults. Upon the happening of any of the events of default as provided in Section 1003 (Events of Default) hereof, the City, in addition, shall do and perform all proper acts on behalf of and for the owner of Bonds to protect and to preserve the security created for the payment of their Bonds and to insure the payment of the Bond Requirements promptly as the same become due. During any period of default, so long as any of the Bonds issued hereunder, as to any Bond Requirements, are Outstanding, except to the extent it may be unlawful to do so, all Pledged Revenues shall be paid into the Bond Fund. If the City fails or refuses to proceed as in this Section provided, the registered owner of the 2012 Bonds, after demand in writing, may proceed to protect and to enforce the rights of the owner of the Bonds as hereinabove provided; and to that end any such owner of the 2012 Bonds shall be subrogated to all rights of the City under any agreement or contract involving the Pledged Revenues entered into prior to the effective date of this Ordinance or thereafter while any of the Bonds are Outstanding.

Section 1008. Duties in Bankruptcy Proceedings. If any Person obligated to pay any Fuel Tax proceeds under any laws of the United States relating to bankruptcy, including, without limitation, any action under any law providing for corporate reorganization, it shall be the duty of the City, and its appropriate officers are hereby authorized and directed, to take all necessary steps for the benefit of the owner of the 2012 Bonds in such proceedings, so including the filing of any claims for unpaid Fuel Tax proceeds and other payments to or otherwise arising from the breach of any of the covenants, terms or conditions of any instrument or obligation pertaining to the Pledged Revenues, except to the extent that the State acting by and through the Department of Taxation or otherwise takes such action, unless the Governing Body by resolution or other instrument determines that the costs of such action are likely to exceed the amounts thereby recovered from such taxpayer.

Section 1009. Prejudicial Action Unnecessary. Nothing in this article requires the City to proceed as provided herein if the Governing Body determines in good faith and without any abuse of its discretion that if the City so proceeds it is more likely than not to incur a net loss

rather than a net gain or such action is otherwise likely to affect materially and prejudicially the owner of the Outstanding 2012 Bonds and of any Outstanding parity securities.

Section 1010. Fees and Costs of Enforcement of Remedies. The City shall also be responsible for the reasonable fees and costs, including attorney's fees, of the registered owner of the 2012 Bonds including, without limitation, a trustee or trustees therefor, and any receiver incurred in the enforcement of the remedies under Article X in the Event of Default by the City.

## ARTICLE XI.

### AMENDMENT OF ORDINANCE

Section 1101. Privilege of Amendment. This Ordinance may be amended or supplemented by instruments adopted by the Governing Body in accordance with the laws of the State, without receipt by the City of any additional consideration:

A. Without the consent of or notice to the registered owner of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein;

B. Without the consent of or notice to the registered owner of the Bonds for the purpose of modifying the lien of the Bonds on the Three Cent County Fuel Tax and amending or modifying the Interlocal Agreement in the City's sole discretion; and

C. With the written consent of the registered owner of the 2012 Bonds.

Section 1102. Limitations Upon Amendments. No such instrument shall permit without the consent of the owner of the Bonds adversely affected thereby:

A. Changing Payment. A change in the maturity of the principal of any Outstanding 2012 Bond or any installment of interest thereon; or

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

C. Prior Lien. The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by this Ordinance except as herein specifically provided; or

D. Modifying Any Bond. A reduction of the principal amount or percentages or otherwise affecting the description of Bonds or the consent of the owner of which is required for any such modification or amendment.

Section 1103. Notice of Amendment. Whenever the Governing Body proposes to amend or modify this Ordinance under the provisions of this article, it shall cause notice of the proposed amendment to be mailed within thirty (30) days to the registered owner of the Bonds. Such 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 Clerk for public inspection.

Whenever at any time there shall be filed in the office of the Clerk an instrument or instruments executed by the owner, which instrument or instruments shall refer to the

proposed amendatory instrument described in such notice and shall specifically consent to and approve the adoption of such instrument, thereupon, but not otherwise, the Governing Body may adopt such amendatory instrument and such instrument shall become effective.

Section 1104. Binding Consent to Amendment. If the owner of the 2012 Bonds, at the time of the adoption of such amendatory instrument, or the predecessors in title of such owner, shall have consented to and approved the adoption thereof as herein provided, no owner of any Bond whether or not such owner shall have consented to or shall have revoked any consent as in this article provided, shall have any right or interest to object to the adoption of such amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the City from taking any action pursuant to the provisions thereof.

Section 1105. Time Consent Binding. Any consent given by the owner of the 2012 Bonds pursuant to the provisions of this article shall be irrevocable and shall be conclusive and binding upon all future owners of the same Bond.

Section 1106. Unanimous Consent. Notwithstanding anything contained in the foregoing provisions of this article, the terms and the provisions of this Ordinance or of any instrument amendatory thereof or supplemental thereto, the rights and the obligations of the City and of the owner of the 2012 Bonds thereunder may be modified or amended in any respect upon the adoption by the City and upon the filing with the Clerk of an instrument to that effect and with the consent of the owner of the 2012 Bonds, such consent to be given as provided in Section 904 hereof; and no notice to owner of 2012 Bonds shall be required, nor shall the time of consent be limited except as may be provided in such consent.

PASSED AND ADOPTED BY THE BOARD OF SUPERVISORS OF CARSON CITY, THIS SEPTEMBER 6, 2012.

Proposed on August 16, 2012.

Proposed by Supervisor \_\_\_\_\_

Passed on September 6, 2012.

Those Voting Aye:	Robert L. Crowell
	Karen Abowd
	Shelly Aldean
	John McKenna
	Molly Walt

Those Voting Nay:	_____
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Those Absent and Not Voting:	_____
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Those Abstaining:	_____
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\_\_\_\_\_  
Mayor

(SEAL)

\_\_\_\_\_  
City Clerk

This ordinance shall be in force and effect from and after September \_\_\_, 2012, i.e., the date of 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, in the State of Nevada, do hereby certify:

1. The foregoing pages constitute a true, correct and compared copy of an ordinance introduced at a meeting on August 16, 2012, and passed and adopted by the Board of Supervisors of the City (the "Board") at a meeting of the Board held on September 6, 2012; and the original ordinance has been approved and authenticated by the signature of the Mayor and myself as City Clerk, and sealed with the seal of the City, and has been recorded in the minute book of the Board kept for that purpose in my office, which record has been duly signed by such officers and properly sealed.

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

Those Voting Aye:

Robert L. Crowell  
Karen Abowd  
Shelly Aldean  
John McKenna  
Molly Walt

Members of the Board voted on the passage of the ordinance on September 6, 2012 as set forth in the ordinance.

3. All members of the Board were given due and proper notice of such meetings held on August 16, 2012 and September 6, 2012.

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

- (i) Community Center  
851 East William Street  
Carson City, Nevada
- (ii) Public Safety Complex  
885 East Musser Street  
Carson City, Nevada

(iii) City Hall  
201 North Carson  
Carson City, Nevada

(iv) Carson City Library  
900 North Roop Street  
Carson City, Nevada

are attached as Exhibit A hereto.

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

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

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

**IN WITNESS WHEREOF**, I have hereunto set my hand this September 6, 2012.

---

City Clerk



Exhibit A

(Attach Copy of Notices of August 16, 2012 and September 6, 2012 Meetings)

Exhibit B

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

Exhibit C

(Attach Affidavit of Publication of Adoption of Bond Ordinance)

**Carson City, Nevada**  
**Regional Transportation Improvement Program Refunding Bonds, Series 2012**  
**Sources and Uses of Funds**

Issue Summary			
Dated Date		09/26/2012	
Par Amount		\$3,329,200	
Refunded Par		3,140,000	
Avg Annual Savings		\$19,054	
Total Savings		228,674	
Present Value Savings		197,277	
% of Refunding Par		5.926%	
% of Refunded Par		6.283%	
Net Underwriter's Spread		0.000%	
Total Costs as % of Par		1.742%	
TTC		2.49972%	
Bond Yield		2.49972%	
Escrow Yield		0.15986%	
Refunding Average Life		7.142 years	
Refunded Average Life		7.381 years	
Estimated Negative Arbitrage		\$81,584	
Sources			
Par Amount	\$3,329,200.00	Initial Escrow Deposit	\$10.00
Original Issue Premium	0.00	Restricted Escrow Cost	3,271,178.00
Cash Contribution	67,441.00	Unrestricted Escrow Cost	67,441.00
Total	\$3,396,641.00	Underwriting	0.00
		Issuance Costs	58,000.00
		Miscellaneous	12.00
		Total	\$3,396,641.00

**Carson City, Nevada**  
**Regional Transportation Improvement Program Refunding Bonds, Series 2012**  
**Debt Service & Savings Summary Schedule**

Date	Principal	Rate	Interest	Total	Annual Debt Service	Refunded Debt Service	Cashflow Savings/(Loss)
09/26/2012						(\$67,441.00)	
05/01/2013			\$49,706.81	\$49,706.81	\$49,706.81	136,205.00	\$19,057.19
11/01/2013	\$34,300	2.500%	41,615.00	75,915.00			
05/01/2014			41,186.25	41,186.25	117,101.25	136,205.00	19,103.75
11/01/2014	35,200	2.500%	41,186.25	76,386.25			
05/01/2015			40,746.25	40,746.25	117,132.50	136,205.00	19,072.50
11/01/2015	328,900	2.500%	40,746.25	369,646.25			
05/01/2016			36,635.00	36,635.00	406,281.25	425,305.00	19,023.75
11/01/2016	335,200	2.500%	36,635.00	371,835.00			
05/01/2017			32,445.00	32,445.00	404,280.00	423,305.00	19,025.00
11/01/2017	346,000	2.500%	32,445.00	378,445.00			
05/01/2018			28,120.00	28,120.00	406,565.00	425,645.00	19,080.00
11/01/2018	351,300	2.500%	28,120.00	379,420.00			
05/01/2019			23,728.75	23,728.75	403,148.75	422,155.00	19,006.25
11/01/2019	360,800	2.500%	23,728.75	384,528.75			
05/01/2020			19,218.75	19,218.75	403,747.50	422,807.50	19,060.00
11/01/2020	369,600	2.500%	19,218.75	388,818.75			
05/01/2021			14,598.75	14,598.75	403,417.50	422,470.00	19,052.50
11/01/2021	377,600	2.500%	14,598.75	392,198.75			
05/01/2022			9,878.75	9,878.75	402,077.50	421,112.50	19,035.00
11/01/2022	389,600	2.500%	9,878.75	399,478.75			
05/01/2023			5,008.75	5,008.75	404,487.50	423,590.00	19,102.50
11/01/2023	400,700	2.500%	5,008.75	405,708.75			
05/01/2024			0.00	0.00	405,708.75	424,752.50	19,043.75
	\$3,329,200		\$594,454.31	\$3,923,654.31	\$3,923,654.31	\$4,152,316.50	\$228,662.19
						Plus Miscellaneous:	12.00
						Net Savings:	\$228,674.19

**CARSON CITY, NEVADA  
HIGHWAY REVENUE (MOTOR VEHICLE FUEL TAX)  
SUBORDINATE LIEN REFUNDING BONDS  
SERIES 2012**

**ESCROW AGREEMENT**

**DATED** as of \_\_\_\_\_, 2012 between the **CARSON CITY, NEVADA** (the "City"), a political subdivision duly organized and created under the laws of the State of Nevada (the "State"), and **ZIONS FIRST NATIONAL BANK**, a national banking association having and exercising full and complete trust powers (the "Escrow Bank").

**WHEREAS**, the City is duly organized and existing under the laws of the State and its officers from time to time have been duly chosen and qualified; and

**WHEREAS**, pursuant to proceedings duly taken, the City has heretofore issued its "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds, Series 2003 (the "2003 Bonds"), the outstanding 2003 Bonds bearing interest from the date thereof until their respective maturities at the rates designated below, payable on May 1 and November 1 in each year, and maturing on November 1 in each of the designated amounts of principal and designated years, as follows:

<u>Principal Maturing</u>	<u>Interest Rate (Per Annum)</u>	<u>Years Maturing</u>
\$ 260,000	3.60%	2012
270,000	3.70	2013
280,000	3.85	2014
295,000	4.00	2015
305,000	4.00	2016
320,000	4.10	2017
330,000	4.20	2018
345,000	4.30	2019
360,000	4.40	2020
375,000	4.50	2021
395,000	4.60	2022
415,000	4.70	2023

; and

**WHEREAS**, the outstanding 2003 Bonds maturing on and after November 1, 2014 (the "2003 Refunded Bonds") are subject to redemption prior to their respective maturities, at the option of the City, on and after November 1, 2012 (the "2003 Redemption Date"), at a price equal to the principal amount thereof plus accrued interest thereon to the 2003 Redemption Date; and

**WHEREAS**, the City intends to issue its “Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012” (the “2012 Bonds”) for the purpose of paying, together with other available moneys, the principal of, interest on and redemption premiums due (the “Refunded Bond Requirements”) in connection with the 2003 Refunded Bonds, as set forth in the certified public accountants' report attached as Exhibit 1 to this Agreement, and paying costs incidental thereto; and

**WHEREAS**, the 2012 Bonds are to be issued pursuant to an ordinance adopted by the City Council of the City (the “Council”) on September 6, 2012 (the “2012 Bond Ordinance”); and

**WHEREAS**, the 2012 Bonds were sold to the purchaser thereof subject to the approving opinion of the City's bond counsel, Swendseid & Stern, a member in Sherman & Howard L.L.C. (“bond counsel”); and

**WHEREAS**, the City, by the 2012 Bond Ordinance, among other matters:

- A. Delegated the authority to accept the purchaser’s proposal to the City Finance Director;
- B. Created the Escrow Account (as defined below) to be maintained by the Escrow Bank;
- C. Provided for the deposit in the Escrow Account of a portion of the net proceeds of the 2012 Bonds (other than the portion thereof to be used to defray administrative and issuance expenses and other than any accrued interest paid on their delivery) and other available moneys, if any, in an aggregate amount fully sufficient, together with the known minimum yield from the investment of such moneys in bills, certificates of indebtedness, notes, bonds, or similar securities which are direct obligations of the United States, which obligations are not callable at the option of the issuer thereof (“Federal Securities”), to pay the Refunded Bond Requirements as set forth therein and herein;
- D. Provided for the purchase of the Federal Securities with such moneys credited to the Escrow Account, other than such initial cash balance remaining uninvested (as defined below); and
- E. Authorized the completion and execution of this Agreement; and

**WHEREAS**, copies of the 2012 Bond Ordinance has been delivered to the Escrow Bank and the provisions therein set forth are herein incorporated by reference as if set forth herein verbatim in full; and

**WHEREAS**, the Federal Securities described in Exhibit 1 to this Agreement have appropriate maturities and yields to insure, together with the initial cash, the payment of the Refunded Bond Requirements; and

**WHEREAS**, a schedule of receipts from such Federal Securities and a schedule of payments and disbursements in the certified public accountant's report attached as Exhibit 1 to this Agreement demonstrate the sufficiency of the Federal Securities and initial cash for such purpose; and

**WHEREAS**, the Escrow Bank is empowered to undertake the obligations and commitments on its part herein set forth and the undersigned officers of the Escrow Bank are duly authorized to execute and deliver this Agreement in the Escrow Bank's name and on its behalf; and

**WHEREAS**, the City is empowered to undertake the obligations and commitments on its part herein set forth and the undersigned officers of the City are duly authorized to execute and deliver this Agreement in the City's name and on its behalf.

**NOW, THEREFORE, THIS ESCROW AGREEMENT WITNESSETH:**

That in consideration of the mutual agreements herein contained and in order to secure the payment of the Refunded Bond Requirements, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

**Section 1. Creation of Escrow.**

A. Simultaneously with the delivery of the 2012 Bonds and subject to their issuance, the City, with \$\_\_\_\_\_ of the 2012 Bond proceeds and \$\_\_\_\_\_ of other available moneys, if any, shall purchase (to the extent not heretofore purchased) the Federal Securities described in Exhibit 1 to this Agreement (the "Initial Federal Securities") and shall cause the Initial Federal Securities and an initial cash balance of \$\_\_\_\_\_ (the "initial cash") to be credited to and accounted for in a separate trust account designated as the "Carson City, Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds, Series 2012, Escrow Account" (the



Escrow Account"). Receipt of \$\_\_\_\_\_ by the Escrow Bank to be applied as provided herein is hereby acknowledged.

B. Other Federal Securities may be substituted for any Initial Federal Securities if such Initial Federal Securities are unavailable for purchase at the time of issuance of the 2012 Bonds or if such substitution is required or permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and the applicable regulations thereunder, subject in any case to sufficiency demonstrations and yield proofs in a certified public accountant's report, and subject to a favorable opinion of the City's bond counsel as to the legality of any such substitution, and the continued exemption of interest on the 2012 Bonds from federal income taxation (except certain alternative minimum taxes described in bond counsel's opinion), and in any event in such a manner so as not to increase the price which the City pays for the initial acquisition of Federal Securities for the Escrow Account. The certified public accountant's report must indicate that the receipts from the substitute securities are sufficient without any need for reinvestment to fully pay the Refunded Bond Requirements. Any Federal Securities temporarily substituted may be withdrawn from the Escrow Account when the Initial Federal Securities are purchased and credited to the Escrow Account. Similarly any temporary advancement of moneys to the Escrow Account to pay designated Refunded Bond Requirements, because of a failure to receive promptly the principal of and interest on any Federal Securities at their respective fixed maturity dates, or otherwise, may be repaid to the person advancing such moneys upon the receipt by the Escrow Bank of such principal and interest payments on such Federal Securities.

C. The initial cash, the proceeds of the Initial Federal Securities (and of any other Federal Securities acquired as an investment or reinvestment of moneys accounted for in the Escrow Account) and any such Federal Securities themselves (other than Federal Securities, including the Initial Federal Securities, held as book-entries) shall be deposited with the Escrow Bank and credited to and accounted for in the Escrow Account. The securities and moneys accounted for therein shall be redeemed and paid out and otherwise administered by the Escrow Bank for the benefit of the City and owners of the Refunded Bonds as provided in this Agreement and the 2012 Bond Ordinance.

**Section 2. Purpose of Escrow.**

A. The Escrow Bank shall hold the initial cash, all Federal Securities accounted for in the Escrow Account (other than Federal Securities, including the Initial Federal Securities, held as book-entries) and all moneys received from time to time as interest on and principal of such Federal Securities in trust to secure and for the payment of the Refunded Bond Requirements.

B. Except as provided in paragraph B of Section 1 hereof, the Escrow Bank shall collect the principal of and interest on such Federal Securities promptly as such principal and interest become due and shall apply all money so collected to the payment of the Refunded Bond Requirements as aforesaid.

**Section 3. Accounting for Escrow.**

A. The moneys and the Federal Securities accounted for in the Escrow Account shall not be subject to checks drawn by the City or otherwise subject to its order except as otherwise provided in paragraph B of Section 1 and in Section 8 hereof.

B. The Escrow Bank, however, shall transfer from time to time from the Escrow Account to the Paying Agent for the Refunded Bonds, sufficient moneys to permit such Paying Agent to pay, without any default, the Refunded Bond Requirements as provided herein and as directed by the duly authorized officers of the City.

C. Except as otherwise provided in paragraph B of Section 1 of this Agreement, there shall be no sale of any Federal Securities held hereunder, and no Federal Securities held hereunder and callable for prior redemption at the City's option shall be called at any time for prior redemption except if necessary to avoid a default in the payment of the Refunded Bond Requirements.

**Section 4. Maturities of Federal Securities.**

A. Any Federal Securities shall be purchased in such manner:

- (1) So that such Federal Securities may be redeemed in due season at their respective maturities to meet such Refunded Bond Requirements as the same become due, and
- (2) So that any sale or prior redemption of such Federal Securities shall be unnecessary.

B. There shall be no substitution of any Federal Securities except as otherwise provided in paragraph B of Section 1 of this Agreement.

**Section 5. Reinvestments.** The Escrow Bank, at the written direction of the City, shall reinvest in Federal Securities any moneys (except the initial cash) received in payment of the principal of and interest on any Federal Securities accounted for in the Escrow Account, subject to the limitations of Sections 1 and 4 hereof and of the following additional limitations:

(1) Any such Federal Securities shall not be subject to redemption prior to their respective maturities at the option of their issuer.

(2) Any such Federal Securities shall mature on or prior to the date or dates when the proceeds thereof must be available for the prompt payment of the Refunded Bond Requirements, as the same become due.

(3) Under no circumstances shall any reinvestment be made under this section 5 if such reinvestment, alone or in combination with any other investment or reinvestment, violates the applicable provisions of Section 148 of the Tax Code, and the rules and regulations thereunder.

(4) The Escrow Bank shall make no such reinvestment under this section unless the City first obtains and furnishes to the Escrow Bank a written opinion of the City's bond counsel to the effect that such reinvestment, as described in the opinion, complies with paragraph 3 of this Section 5.

**Section 6. Sufficiency of Escrow.** The moneys and Federal Securities accounted for in the Escrow Account shall be in an amount (or have appropriate maturities and yields to produce an amount) which at all times shall be sufficient to pay the Refunded Bond Requirements, subject to the provisions of Section 10 hereof.

**Section 7. Transfers and Redemption Notice for Refunded Bonds.**

A. The Escrow Bank shall make such credit arrangements with and transfers to the Paying Agents for the Refunded Bonds as will assure, to the extent of money in the Escrow Account properly allocable to and available therefor, the timely payment of the Refunded Bond Requirements.

B. The Escrow Bank shall cause notice of the redemption of the Refunded Bonds to be given in the manner required by the bond Ordinance authorizing their issuance.

**Section 8. Termination of Escrow Account.** When payment or provision for payment shall have been made with the Paying Agent for the Refunded Bonds so that all Refunded Bond Requirements shall be or shall have been paid in full and discharged, the Escrow Bank shall immediately pay over to the City the moneys, if any, then remaining in the Escrow Account and shall make forthwith a final report to the City Finance Director. Such moneys may be used by the City for any lawful purpose, subject to any limitations in the 2012 Bond Ordinance.

**Section 9. Fees and Costs.**

A. The Escrow Bank's total fees and costs for and in carrying out the provisions of this Agreement have been fixed at \$\_\_\_\_, which amount is to be paid at the time of the issuance of the 2012 Bonds by the City directly to the Escrow Bank as payment in full of all charges of the Escrow Bank pertaining to this Agreement for services performed hereunder.

B. Such payment for services rendered and to be rendered by the Escrow Bank shall not be for deposit in the Escrow Account, and the fees of and the costs incurred by the Escrow Bank shall not be deducted from the Escrow Account.

**Section 10. Possible Deficiencies.**

A. If at any time it shall appear to the Escrow Bank that the money and any interest on and principal of the Federal Securities in escrow allocable for such use under this Agreement, including, without limitation, the known minimum yield from the Initial Federal Securities, will not be sufficient to make any required payment due on the Refunded Bond Requirements as the same becomes due, the Escrow Bank shall notify in writing the City Finance Director as soon as reasonably practicable of such fact and the amount of such deficiency.

B. Thereupon the City shall forthwith deposit with the Escrow Bank for deposit in the Escrow Account such additional moneys as may be required.

C. The Escrow Bank shall not be responsible for the City's failure to make any such deposit if the Escrow Bank shall have notified the City at least 30 days prior to any date on which such payment is due.

**Section 11. Status Reports.**

A. In November 2012, and at such other time that the Escrow Account is closed, the Escrow Bank shall submit to the City Finance Director a report covering all money which the

Escrow Bank shall have received and all payments which it shall have made or caused to be made hereunder since the date of issuance of the 2012 Bonds.

B. The last report shall be made in accordance with the provisions of Section 8 of this Agreement.

C. Each such report (including the last report) shall further indicate for which period and in which trust bank any Federal Securities (other than Federal Securities held as book-entries) and any uninvested moneys were transferred for safekeeping or any Federal Securities pledged to secure the repayment to the City of any uninvested moneys were placed in pledge, as permitted by Section 13 hereof.

**Section 12. Character of Deposit.**

A. It is recognized that title to the Federal Securities and money accounted for in the Escrow Account from time to time shall remain vested in the City but subject always to the prior charge and lien thereon of this Agreement and the use thereof required to be made by the provisions of this Agreement and the 2012 Bond Ordinance.

B. The Escrow Bank shall hold all such Federal Securities (except as they may be held as book-entries) and money in the Escrow Account as a special trust fund and account separate and wholly segregated from all other securities and funds of the Escrow Bank or deposited therein, and shall never commingle such securities or money with other securities or money.

**Section 13. Securing Deposit.**

A. The Escrow Bank may cause the Federal Securities accounted for in the Escrow Account to be registered in the name of the City for payment, if they are registrable for payment, and in such event shall obtain the necessary endorsements from the duly authorized officials of the City as they become due.

B. The City, in connection with any Federal Securities accounted for in the Escrow Account and held as book-entries, shall cooperate with the Escrow Bank and shall forthwith make arrangements with an appropriate representative of the issuer of such Federal Securities so that the interest on and the principal of the Federal Securities shall be promptly transmitted, as the same become due from time to time, to the Escrow Bank for the benefit of the City.

C. All uninvested money held at any time in the Escrow Account shall be continuously secured by the deposit of Federal Securities in a principal amount and value always not

less than the total amount of uninvested money in the Escrow Account: (1) in any branch of the Federal Reserve Bank, or (2) in any commercial bank which is a state or national bank or trust company, is a member of the Federal Deposit Insurance Corporation, is a member of the Federal Reserve System, has a capital and surplus of \$10,000,000 or more, is exercising full and complete trust powers, and is located in the State or without the State ("trust bank"), or (3) in any branch of the Federal Reserve Bank and in one or more trust banks (or any combination thereof).

D. Such Federal Securities so held as a pledge shall be used whenever necessary to enable the Paying Agent for the Refunded Bonds to pay the Refunded Bond Requirements to the extent other moneys are not transferred or caused to be transferred for such purpose by the Escrow Bank.

E. Any Federal Securities (except as they may be held as book-entries) and any uninvested moneys accounted for in the Escrow Account may from time to time be placed by the Escrow Bank for safekeeping wholly or in part in any such trust bank only if prior to any such transfer the City Finance Director consents thereto in writing.

F. Each such trust bank holding any Federal Securities accounted for in the Escrow Account or any uninvested moneys accounted for therein shall be furnished by the Escrow Bank with a copy of this Agreement prior to such deposit.

G. By the acceptance of such Federal Securities or such uninvested moneys, each such trust bank shall be bound in the same manner as the Escrow Bank as herein provided.

H. The Escrow Bank, however, shall remain solely responsible to the City (2) for any investment or reinvestments of moneys pursuant to Sections 1 and 5 hereof, (3) for transfers of moneys pursuant to Section 7 hereof, (4) for the termination of the Escrow Account pursuant to Section 8 hereof, (5) for any notification of prospective deficiencies pursuant to Section 10 hereof, (6) for the periodic status reports pursuant to Section 11 hereof, and (7) for defraying any charges of any branch of the Federal Reserve Bank or any trust bank for any deposits of Federal Securities pledged to secure uninvested moneys of Federal Securities in escrow, and of uninvested moneys in escrow (or any combination thereof) or for any other service relating to this Agreement or the Escrow Account.

I. Notwithstanding the liabilities of the Escrow Bank stated in paragraph H of this Section, the Escrow Bank may cause any one, all or any combination of the duties stated in paragraph H to be performed on its behalf by any trust bank.

J. If at any time the Escrow Bank fails to account for any moneys or Federal Securities held by it or by any such trust bank in the Escrow Account, such moneys and securities shall be and remain the property of the City.

K. If for any reason such moneys or Federal Securities cannot be identified, all other assets of the Escrow Bank and of each such trust bank failing to account therefor shall be impressed with a trust for the amount thereof, and the City shall be entitled to a preferred claim upon such assets.

L. No money paid into and accounted for in the Escrow Account shall ever be considered as a banking deposit and neither the Escrow Bank nor any such trust bank shall have any right or title with respect thereto.

**Section 14. Purchaser's Responsibility.** The Purchaser and the owners from time to time of the 2012 Bonds shall not be responsible for the application or disposition of the proceeds of the 2012 Bonds or any moneys or Federal Securities accounted for in the Escrow Account. This clause shall not relieve the Escrow Bank (if it is an owner of the 2012 Bonds), in its capacity as Escrow Bank, from its duties under this Agreement.

**Section 15. Amendment.**

A. The 2012 Bonds shall be issued in reliance upon this Escrow Agreement and except as herein provided this Agreement shall be irrevocable and not subject to amendment after any of the 2012 Bonds shall have been issued.

B. The provisions of this Agreement may be amended, waived or modified upon approval of the holders of all of the then outstanding Refunded Bonds. If Moody's Investors Service, Inc. ("Moody's") has confirmed in writing that such amendment, waiver or modification will not result in the lowering or withdrawal of the ratings on the Refunded Bonds and upon receipt of an opinion of counsel, the provisions of this Agreement also may be amended, waived or modified for one or more of the following purposes:

(1) to cure any ambiguity, or to cure, correct or supplement any formal defect or omission or inconsistent provision contained in this Agreement;

(2) to pledge additional revenues, properties or collateral as security for the Refunded Bonds; or

(3) to deposit additional monies or Federal Securities to the Escrow Account.

Notwithstanding any other provision hereof no amendment, modification or waiver shall be effective if it is materially prejudicial to the owners of the Refunded Bonds or affects the exclusion of the interest on the Refunded Bonds or the 2012 Bonds from gross income from federal income tax purposes, unless such amendment, waiver or modification is approved by the holders of all of the then outstanding Refunded Bonds.

C. The Escrow Bank shall provide copies of any such amendments, waivers or modifications to Moody's.

**Section 16. Exculpatory Provisions.**

A. The duties and responsibilities of the Escrow Bank are limited to those expressly and specifically stated in this Agreement.

B. The Escrow Bank shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this Escrow Agreement and made in compliance with the provisions hereof.

C. The Escrow Bank shall not be liable or responsible for any act which it may do or omit to do hereunder, while acting with reasonable care, except for duties expressly imposed upon the Escrow Bank hereunder or as otherwise expressly provided herein.

D. The Escrow Bank shall neither be under any obligation to inquire into or be in any way responsible for the performance or nonperformance by the City of any of its obligations, nor shall the Escrow Bank be responsible in any manner for the recitals or statements contained in this Agreement, in the 2012 Bond Ordinance, in the Refunded Bonds, or in any proceedings taken in connection therewith, such recitals and statements being made solely by the City.

E. Nothing in this Agreement creates any obligation or liabilities on the part of the Escrow Bank to anyone other than the City and the owners of the Refunded Bonds and the 2012 Bonds.

**Section 17. Time of Essence.** Time is of the essence in the performance of the obligations from time to time imposed upon the Escrow Bank by this Agreement.



**Section 18. Successors.**

A. Whenever in this Agreement the City or the Escrow Bank is named or is referred to, such provision is deemed to include any successor of the City or the Escrow Bank, respectively, immediate or intermediate, whether so expressed or not.

B. All of the stipulations, obligations and agreements by or on behalf of and other provisions for the City or the Escrow Bank contained in this Agreement shall bind and inure to the benefit of any such successor, and shall bind and inure to the benefit of any officer, board, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any relevant right, power or duty of the City or the Escrow Bank, respectively, or of its successor.

**Section 19. Severability.** If any section, paragraph, clause or provision of this Escrow Agreement 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 Agreement.

**IN WITNESS WHEREOF, CARSON CITY, NEVADA**, has caused this Escrow Agreement to be signed in its name by the Director of Finance of the City; and **ZIONS FIRST NATIONAL BANK** has caused this Escrow Agreement to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

CARSON CITY, NEVADA

\_\_\_\_\_  
City Finance Director

ZIONS FIRST NATIONAL BANK

By \_\_\_\_\_  
Title \_\_\_\_\_

EXHIBIT 1

(Attach Certified Public Accountant's Report)