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PROOF OF PUBLICATION

STATE OF NEVADA
COUNTY OF WASHOE

ss. Tana Ciccotti

being duly sworn, deposes and says:
That as legal clerk of the RENO GAZETTE-
JOURNAL, a daily newspaper published in Reno,
Washoe County, State of Nevada, that the notice:
_____ of adoption Ordinance No 980

_____ of which a copy is hereto attached, has been
published in each regular and entire issue of
said newspaper on the following dates to wit:
May 27, June 3 1997

Signed

Tana Ciccotti

Subscribed and sworn to before me on 06/03/97

Notary Public

Debra J. Dicianno

NOTICE OF ADOPTION
ORDINANCE NO. 980
BILL NO. 1155

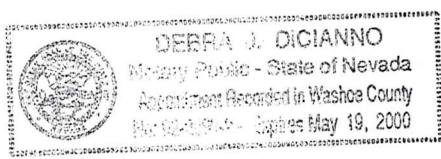
AN ORDINANCE PROVIDING FOR THE
ISSUANCE OF REGISTERED, NEGOTIABLE,
GENERAL OBLIGATION (LIMITED TAX) WATER AND SEWER
IMPROVEMENT AND REFUNDING
BONDS (ADDITIONALLY SECURED BY
PLEGGED REVENUES), SERIES 1997;
PROVIDING THE FORM, TERMS AND
CONDITIONS THEREOF AND COVENANTS
RELATING TO THE PAYMENT OF SAID BONDS;
AND PROVIDING FOR ITS ADOPTION AS IF
AN EMERGENCY EXISTS, AND
PROVIDING OTHER MATTERS RELATING
THERE TO.

PUBLIC NOTICE IS HEREBY GIVEN, that
an adequate number of typewritten
copies of the above Ordinance are
available for public inspection and
distribution at the office of the County
Clerk of Washoe County, at her office in
the County Courthouse in Reno, Nevada,
and that such Ordinance was proposed by
Commissioner Jim Shaw on April 15,
1997, and was passed and adopted at a
regular meeting of the Washoe County
Board of County Commissioners at the
same meeting on April 15, 1997, by
Commissioners Joanne Bond, Jim Gallo-
way, Mike Moullet, Jim Shaw, and Grant
Sims, and shall be in full force and effect
from and after the 3rd day of June, 1997,
the date of the second publication of such
Ordinance by title only.

/s/ Grant Sims
Chairman, Board of
County Commissioners
Washoe County, Nevada

ATTEST:
/s/ Judi Bailey
County Clerk

No. 2127 May 27, June 3, 1997



P.O. BOX 22000, RENO, NEVADA 89520
(702) 788-6200



980

Summary - An ordinance authorizing the issuance by Washoe County, Nevada of its General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997, and providing other matters relating thereto.

ORDINANCE NO. 980
BILL NO. 1155

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF REGISTERED, NEGOTIABLE, GENERAL OBLIGATION (LIMITED TAX) WATER AND SEWER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 1997; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF SAID BONDS; AND PROVIDING FOR ITS ADOPTION AS IF AN EMERGENCY EXISTS; AND PROVIDING OTHER MATTERS RELATING THERETO.

(1) **WHEREAS**, Washoe County, in the State of Nevada (the "County" and "State," respectively), was created as a county pursuant to Section 243.340 of Nevada Revised Statutes ("NRS") and is operating as a county and political subdivision under the laws of the State; and

(2) **WHEREAS**, the County now owns and operates a municipal water system (the "Water System") and a municipal sanitary sewer system (the "Sewer System"; the Water System and the Sewer System are herein collectively designated the Municipal Utility System); and

(3) **WHEREAS**, the Board of County Commissioners of the County (the "Board" or "Governing Body") has determined and hereby declares that the public interest, health and welfare necessitates making certain improvements to the Water and Sewer System by acquiring, improving and equipping of water projects, including, real property, water rights, facilities and equipment for water projects as defined in NRS 244A.056 pertaining to the Water and Sewer System (the "Project"); and

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

April 15, 1997
97-407

(5) **WHEREAS**, pursuant to NRS §§ 350.001 to 350.006, inclusive, the Board submitted to the Debt Management Commission of Washoe County, Nevada (the "Commission") the County's proposal to issue its general obligation (limited tax) water and sewer bonds (additionally secured by pledged revenues) in the maximum principal amount of \$3,000,000 (the "Proposal"); and

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

(7) **WHEREAS**, pursuant to NRS § 350.020(3), the County published a notice of its intent to issue a maximum of \$3,000,000 of general obligation (limited tax) water and sewer bonds (additionally secured by pledged revenues), and no petition in conformity with NRS § 350.020(3) requesting an election on the bonds was presented to the Board within 30 days after such publication; and

(8) **WHEREAS**, no general obligation water and sewer bonds contemplated by the Proposal have previously been issued; and

(9) **WHEREAS**, the Assistant County Manager, Finance Division has been authorized to request and has requested the State Treasurer as Administrator of the State of Nevada Municipal Bond Bank (the "State Treasurer"), through the State Board of Examiners (the "State Board") under chapter 350A of NRS (the "Bond Bank Act"), to make a loan to the County by purchasing the general obligation water and sewer bonds described in the Proposal in the maximum principal amount of \$3,000,000; and

(10) **WHEREAS**, County has previously issued its "Washoe County, Nevada General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues) Series August 1, 1986" (the "1986 Bonds") in the original aggregate principal amount of \$1,445,000; and

(11) **WHEREAS**, the 1986 Bonds were initially sold to the State Treasurer and evidenced by a single bond, but were subsequently sold by the State Treasurer and evidenced by serial registered Bonds; and

(12) **WHEREAS**, the 1986 Bonds due on and after July 1, 1997 are subject to redemption at the option of the County, on and after July 1, 1996, in whole or in part at any time at a price equal to the principal amount of each 1986 Bond, accrued interest thereon to the redemption date and a premium of 2.00% if redeemed on or before June 30, 1997; and

(13) **WHEREAS**, pursuant to the Bond Act, the Board is authorized to issue general obligation bonds of the County in order to refund, pay and discharge the outstanding 1986 Bonds (the "Refunded Bonds") designated in the Certificate of the Assistant County Manager (as defined herein) for the purpose of reducing interest rates and effecting other economies; and

(14) **WHEREAS**, if the Assistant County Manager, Finance Division determines that a refunding of the Refunded Bonds as designated in the Certificate of the Assistant County Manager (collectively, the "Refunding Project") with a portion of the bonds herein authorized will reduce interest costs and effect other economies, the Board determines that it is necessary and in the best interest of the County to complete the Refunding Project and to issue a portion of the Bonds authorized herein for such purpose; and

(15) **WHEREAS**, the State Treasurer requested the State Board to issue state securities (the "State Securities") in part, to defray the cost of the Project and the Refunding Project (collectively, the "Lending Project"); and

(16) **WHEREAS**, by a resolution heretofore adopted, the State Board declared its intent to issue the State Securities for the Project subject to judicial confirmation that the debt is exempt from the state debt limit as set forth in section 3 of Article 9 of the State constitution; and

(17) **WHEREAS**, the County intends to hereby authorize the issuance of its general obligation water and sewer improvement and refunding bonds (the "Municipal Securities") in the principal amount set forth in the Certificate of the Assistant County Manager, such Municipal Securities to bear interest at the same rates as the State Securities to be publicly sold for the purpose of providing funds to purchase such Municipal Securities; and

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

(19) **WHEREAS**, if the Assistant County Manager, Finance Division determines that interest rate savings will be achieved with respect to the Refunding Project, after private negotiation pursuant to the Bond Act and the Bond Bank Act, the Board has determined to sell its Municipal Securities designated as the "Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997" (the "Bond" or the "Bonds"), in the aggregate principal amount set forth in the Certificate of the Assistant County Manager (the "Certificate of the Assistant County Manager") to the State for a price equal to the principal amount of the Bonds as set forth in the Certificate of the Assistant County Manager, less a discount, if any, of not more than 9 percent of such principal amount or plus a premium, if any, in each case as set forth in the Certificate of the Assistant County Manager, and otherwise upon the terms provided below and in the Certificate of the Assistant County Manager; and

(20) **WHEREAS**, the effective interest rate on the Bonds may not exceed by more than 3% the "Index of Twenty Bonds" which was most recently published in The Bond Buyer before a negotiated offer was accepted for the Bonds; and

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

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

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

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

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

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

(D) This Ordinance may accordingly be adopted as if an emergency exists and may become effective at any time when an emergency ordinance of the County may go into effect.

NOW, THEREFORE, THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF WASHOE, IN THE STATE OF NEVADA, DO ORDAIN:

SECTION 1. **Short Title.** This Ordinance shall be known and may be cited as the "1997 Water and Sewer Bond Ordinance."

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

"Bond Year" means the 12 month period commencing on March 2 of a calendar year and ending on March 1 of the following calendar year.

"Certificate of Assistant County Manager" means the certificate executed by the Assistant County Manager, Finance Division or her designee on or after the date of the sale of the State Securities and on or before the date of closing on the Bonds.

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

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

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

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

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

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

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

(f) The costs of contingencies;

(g) The costs of the capitalization with the proceeds of the Bonds or other securities relating to the Project of any operation and maintenance expenses appertaining to the Project and of any interest on the Bonds or other securities relating to the Project for any period not exceeding the period estimated by the Board to effect the Project plus one year, of any discount on the Bonds or such other securities, and of any reserves for the payment of the principal of and interest on the Bonds or such other securities, of any replacement expenses, and of any other cost of the issuance of the Bonds or such other securities;

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

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

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

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

(l) The administrative expenses and issuance costs of the State of Nevada Municipal Bond Bank relevant to its issue of State Securities for the Lending Project; and

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

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

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

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

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

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

rendered thereby, the availability of any such service or the disposal of any such commodities.

"Gross Revenues" shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

but excluding:

(i) any allowance for depreciation;

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

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

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

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

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

(vii) any liabilities imposed on the County for any ground legal liability not based on contract, including, without limitation, negligence in the operation of the Municipal Utility System.

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

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

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

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

"Parity Securities" means securities of the County pertaining to the Municipal Utility System and payable from and secured by Net Revenues on a parity with the Bonds, to the extent issued in accordance with the terms, conditions and limitations hereof and, where the context requires.

"Paying Agent" means the Treasurer of the County or any successor thereto as paying agent for the Bonds appointed by the Board.

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

"Purchaser" means the State of Nevada, acting by and through the State Treasurer as Administrator of the Municipal Bond Bank of the State of Nevada.

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

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

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

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

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

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

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

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

SECTION 3. **Sale of Bonds.** The sale of the Bonds to the State on the terms provided herein is hereby approved.

SECTION 4. **Ratification; Approval of Escrow Agreement.** All action heretofore taken by the Board and the officers of the County directed toward the Project and toward the issuance, sale and delivery of the Bonds is hereby ratified, approved and confirmed. The form, terms and provisions of the Escrow Agreement, as defined herein, are hereby ratified, approved and confirmed.

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

A. The estimated life or estimated period of usefulness of the Project to be acquired with the Bonds and the project refinanced by the Refunding Project is not less than the 20 years from June 30, 1997; and

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

SECTION 6. **Necessity of Project, the Refunding Project and Bonds.** It is necessary and in the best interests of the Board, its officers, and the inhabitants of the County, that

the County effect the Project and the Refunding Project and defray wholly or in part the cost thereof by the issuance of the Bonds therefor; and it is hereby so determined and declared.

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

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

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

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

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

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

SECTION 13. **Authorization of Bonds.** For the purpose of providing funds to pay all or a portion of the Cost of the Project, the County shall issue its "Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997", in the aggregate principal amount designated in the Certificate of the Assistant County Manager. The State has requested, and the County has agreed, that the obligation of the County hereunder shall be represented in the form of a single, registered, negotiable general obligation (limited tax) water and sewer improvement and refunding bond (additionally secured by pledged revenues) (the "Single Bond"). The registered owner thereof shall have the right to convert said Single Bond to serial registered Bonds, at its own expense. The Single Bond shall be in the form substantially as set forth in Section 25 hereof. The serial Bonds shall be in the form substantially as set forth in Section 23 hereof.

SECTION 14. **Bond Details.** The Bonds shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with § 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The Bonds shall be dated initially as of the date of delivery thereof to the State, and except as otherwise provided in Section 17 hereof, shall be issued in denominations of \$5,000 or any integral multiple thereof (provided that no Bond may be in a denomination which exceeds the principal coming due on any maturity date, and no individual Bond will be issued with more than one maturity). The Bonds shall be numbered from 1 upward. The Bonds shall bear interest from their date until their respective maturity dates (or, if redeemed

prior to maturity as provided below, their redemption dates) at the respective rates set forth in the Certificate of the Assistant County Manager, and, except as otherwise provided in Section 24 herein, payable semiannually on March 1 and September 1 of each year commencing on September 1, 1997; provided that those Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates set forth in the Certificate of the Assistant County Manager from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from the date of the Bonds. The Bonds shall mature serially on March 1 in each of the designated amounts of principal and designated years, as designated in the Certificate of the Assistant County Manager. The Bonds will mature within 20 years of their date.

The principal of and redemption premium, if any, on any Bond shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption thereof and upon presentation and surrender at the office of the Paying Agent (except as provided in Section 17 hereof and except as hereinbelow provided in the event that a single registered bond evidences the Bonds). Notwithstanding the foregoing, so long as the State is the registered owner of the Bonds, all principal payments shall be made by depositing with the State Treasurer, in immediately available funds, not later than 15 days prior to each principal payment date, an amount sufficient to make the payment then due. If the State Treasurer is still the registered owner of the Bonds, such payment 15 days prior to the payment date shall continue to be required if an escrow or trust has been established as provided in Section 57 hereof to make such payment, unless the State Treasurer otherwise agrees. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said Bond until the principal thereof is paid in full. Except as otherwise provided herein with respect to payments while the State Treasurer is the owner of the Bonds and except as provided in Section 17 hereof, payment of interest on any Bond shall be made to the registered owner thereof by check or draft mailed by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a business day, on or before 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 last day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the "Regular Record Date"); but any such interest not so timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the owners of the Bonds not less than ten days prior thereto by first-class mail to each such owner as shown on the Registrar's registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

SECTION 15. Prior Redemption or Prepayment Option.

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

the Redemption Date plus a premium, in the amount designated, and if so provided, in the Certificate of the Assistant County Manager. If a Single Bond is issued to evidence the Bonds as herein provided, installments of principal due on and after the date designated in the Certificate of the Assistant County Manager, shall be subject to prepayment on and after the date designated in the Certificate of the Assistant County Manager, in whole, or in part, at any time in amounts of \$5,000 or any multiple thereof and from any maturities as are selected by the County, at the same prices and terms and if such Single Bond were evidenced by the \$5,000 denomination Bonds designated above.

B. Partial Redemption. In the case of Bonds in a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Registrar shall, without charge to the owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds of a single maturity pursuant to subsection (A) hereof, the Paying Agent shall select the Bonds to be redeemed by lot at such time as directed by the County (but at least 30 days prior to the redemption date), and if such selection is more than 60 days before a Redemption Date, shall direct the Registrar to appropriately identify the Bonds so called for redemption by stamping them at the time any Bond so selected for redemption is presented to the Registrar for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Registrar, and any Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption shall likewise be stamped or otherwise identified.

C. Notice of Redemption. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar by mailing a copy of an official redemption notice by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond register. If at the time of any redemption the State owns all of the then Outstanding Bonds, such notice shall be given to the State Treasurer at least 75 days before the date fixed for redemption. Actual receipt of mailed notice by any owner of Bonds shall not be a condition precedent to redemption of such Bond or Bonds. Failure to give such notice

to the registered owner of any Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds. A certificate by the Registrar that such notice has been given as herein provided shall be conclusive against all parties.

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

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

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

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the County shall default

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

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

SECTION 17. **Custodial Deposit.**

A. In the event the Bonds are issued as serial Bonds as provided in Section 23 hereof, the County may provide for the Bonds to be issued in book entry only form in which case the Bonds shall be evidenced by one Bond for each year in which the Bonds mature in denominations equal to the principal amount which matures in each such year. Such Bonds shall be registered in the name of "Cede & Co.," as nominee for The Depository Trust Company, the depository for the Bonds. The Bonds may not thereafter be transferred or exchanged except:

a. To any successor of The Depository Trust Company or its nominee which successor of The Depository Trust Company must be both a "clearing corporation" as defined in NRS § 104.8102(3), and a qualified and registered "clearing agency" under § 17A of the Securities Exchange Act of 1934, as amended;

b. Upon the resignation of The Depository Trust Company or a successor or new depository under clause (a) or this clause (b) of this § 17(A) or a determination of the

County that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions and the designation by the County of another depository institution, acceptable to the County and to the depository then holding the Bonds which new depository institution must be both a "clearing corporation" as defined in NRS § 104.8102(3) and a qualified and registered "clearing agency" under § 17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of The Depository Trust Company or such successor or new depository; or

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

B. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (a) of § 17(A) hereof or in the case of designation of a new depository pursuant to clause (b) of § 17(A) hereof upon receipt of the Outstanding Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, a new Bond for each then Outstanding maturity shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (c) of § 17(A) hereof and the failure after reasonable investigation to locate another qualified depository institution for the Bonds as provided in clause (c) of § 17(A)

hereof, and upon receipt of the Outstanding Bond by the Registrar, together with written instructions for transfer satisfactory to the Registrar, new Bonds shall be issued in the denominations of \$5,000 or any integral multiple thereof, as provided in and subject to the limitations of § 17, registered in the names of such persons, and in such denominations as are requested in such written transfer instructions; however, the Registrar shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

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

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

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

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

A. Records for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, duly endorsed for transfer or

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

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

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

D. If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the County may reasonably require, and upon payment of all expenses in connection therewith, authenticate and

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

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

F. The Registrar shall maintain at his office so long as the Bonds are evidenced by a Single Bond, a registration record 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 attorney duly authorized in writing in a form satisfactory to the Registrar. Any such transfer shall be noted on the registration records and on the registration panel on the back of the Single Bond. No transfer shall be permitted within 30 days of any principal or interest payment date nor within 75 days of any date on which the County is prepaying all or any portion of the principal of the Single Bond.

SECTION 19. Execution and Authentication.

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

B. The Bonds shall be approved, signed and executed in the name of and on behalf of the County with the manual or facsimile signature of the Chairman, shall be

countersigned and executed with the manual or facsimile signature of the Treasurer, and shall bear a manual impression or a facsimile of an impression of the official seal of the County attested with the manual or facsimile signature of the Clerk.

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

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

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

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

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

SECTION 23. **Serial Bond Form.** Subject to the provisions of this Ordinance, the serial Bonds shall be in substantially the following form, with such omissions, insertions,

endorsements, and variations as may be required by the circumstances, be required or permitted by this Ordinance, including without limitation Section 17 hereof, or be consistent with this Ordinance and necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Serial Bond)
 TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT
 EFFECTIVE

UNITED STATES OF AMERICA
 WASHOE COUNTY, NEVADA
 GENERAL OBLIGATION (LIMITED TAX)
 WATER AND SEWER IMPROVEMENT AND REFUNDING BONDS
 (ADDITIONALLY SECURED BY PLEDGED REVENUES)
 SERIES 1997

No. _____ \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated As of</u>	<u>CUSIP</u>
___% per annum	March 1, _____	_____, 1997	

REGISTERED OWNER: **Cede & Co.**

PRINCIPAL AMOUNT: _____ DOLLARS

Washoe County in the State of Nevada (the "County" and the "State", respectively) for value received, hereby acknowledges itself to be indebted and for value received promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless called for earlier redemption), and to pay interest thereon on March 1 and September 1 of each year, commencing on September 1, 1997, at the interest rate per annum specified above, until the principal sum is paid or payment has been provided for or, if such payment date is not a business day, on or before the next succeeding business day. This bond shall bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of the initial delivery of the series of bonds of which this Bond is one (the "Bond"). The principal of and redemption premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of the County's paying agent for the Bonds or any successor (the "Paying Agent"), presently the County Treasurer, in Reno, Nevada, who is also now acting as the County's Registrar for the Bonds (the "Registrar"). Interest on this Bond will be paid on or before each interest payment date (or, if such date is not a business day, on or before the next succeeding business day) by check or draft mailed to the person in whose name this Bond or any predecessor bond is registered (the "registered owner") in the registration records of the County maintained by the Registrar, at the address appearing thereon, as of the close of business on the last day of the calendar month next preceding such interest payment date (the

"Regular Record Date"). Any such interest not so timely paid for shall cease to be payable to the person who is the registered owner as of the close of business on the Regular Record Date and shall be payable to the person who is the registered owner as of the close of business on a special record date for the payment of any defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owner not less than ten (10) days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the registered owner and the Paying Agent, as provided in the Ordinance of the Board of County Commissioners of the County (the "Board") authorizing the issuance of the Bonds (as hereinafter defined) and designated in Section 1 thereof as the "1997 Water and Sewer Bond Ordinance" (the "Ordinance"), duly adopted by the Board on April 15, 1997. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar. If this Bond is not paid upon presentation at its maturity, interest at the rate specified above shall continue to be borne hereby until the principal hereof is discharged as provided in the Ordinance.

This Bond is one of a series of Bonds (the "Bonds") issued by the County upon its behalf and upon the credit thereof, for the purpose of defraying wholly or in part the cost of acquiring, improving and equipping water projects for the County as more fully described in the Ordinance (the "Project") and refunding a portion of the County's outstanding general obligation bonds additionally secured by pledged revenues (the "Refunding Project") under the authority of and in full compliance with the Constitution and laws of the State, and pursuant to the Ordinance.

This Bond is issued pursuant to Nevada Revised Statutes ("NRS") §§ 350.500 through 350.720, and all laws amendatory thereof designated in § 350.500 thereof as the Local Government Securities Law (the "Bond Act"); pursuant to NRS §§ 350.001 to 350.006, inclusive; pursuant to NRS § 350.020(3); pursuant to NRS chapter 348; and pursuant to NRS §§ 244A.011 through 244A.065, inclusive; pursuant to § 350.628 of the Bond Act, this recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance; and pursuant to § 350.710 of the Bond Act, the Bonds, their transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to the provisions of chapter 375B of NRS.

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

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

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

The Bonds are equally and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable first lien (but not necessarily an exclusively first lien) upon the Net Revenues. Additional securities may be issued and made payable from the Net Revenues of the Municipal Utility System and having a lien thereon subordinate to or on a parity with such pledge, in each case subject to the conditions of and in accordance with the Ordinance.

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

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

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

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

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

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

*The Registrar will not be required to transfer or exchange (i) any Bond subject to redemption during the period beginning at the opening of business five (5) days before the day of mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business

on the day of such mailing, or (ii) any Bond after the mailing of a notice calling such Bond or any portion thereof for prior redemption.*

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

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

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

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

IN WITNESS WHEREOF, Washoe County, Nevada has caused this Bond to be executed in its name with the manual or facsimile signature of the Chairman of the Board of County Commissioners, to be attested with the manual or facsimile signature of the County Clerk, has caused a manual or facsimile impression of the seal of the County to be affixed hereon, and has caused this Bond to be countersigned with the manual or facsimile signature of the County Treasurer, all as of _____, 1997.

WASHOE COUNTY, NEVADA

(Manual or Facsimile Signature)

Chairman

Countersigned:

(Manual or Facsimile Signature)

County Treasurer

(MANUAL OR FACSIMILE
CITY SEAL)

Attest:

(Manual or Facsimile Signature)

County Clerk

*

Insert only if issued as serial bonds pursuant to § 17(A) hereof.

**

Insert only if issued as book entry bonds pursuant to § 17(A) hereof.

(End of Form of Serial Bond)

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

Date of authentication
and registration _____

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

TREASURER,
WASHOE COUNTY, NEVADA
as Registrar

° (Manual Signature) _____

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

(Form of Assignment for Bonds)

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

Dated: _____

Signature Guaranteed:

Name of Transferee:

Address of Transferee:

Social Security or other tax
identification number of
Transferee:

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

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

(End of Form of Assignment for Bonds)

(Form of Legal Opinion Certificate)

STATE OF NEVADA)
)
COUNTY OF WASHOE) ss. LEGAL OPINION CERTIFICATE

I, the undersigned County Clerk of Washoe County, Nevada, certify that the following approving opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Attorneys at Law, Reno, Nevada, to wit:

(Attorney's approving opinion to be inserted in submargins, including complimentary closing and "/s/ Swendseid & Stern, a member in Sherman & Howard L.L.C.")

is a true, perfect and complete copy of a manually executed and dated copy thereof on file in the records of the County in my office; and that the opinion was dated and issued as of the date of the initial delivery of and payment to the issuer for the Bonds of the series of which this Bond is one.

IN WITNESS WHEREOF, I have caused to be hereunto affixed my manual or facsimile signature.

(Facsimile Signature)
County Clerk
Washoe County, Nevada

(End of Form of Legal Opinion Certificate)

SECTION 24. Use of Single Bond: A. Notwithstanding the foregoing provision, the Bonds shall be initially evidenced by a single registered Bond in a denomination equal to the aggregate principal amount of the Bonds, numbered R-1, which Single Bond shall be manually signed and executed in the name of and on behalf of the County by the Chairman, countersigned and manually subscribed by the County Treasurer, with the seal of the County affixed thereto and attested and manually signed by the County Clerk. The principal installments, interest and any prior redemption premiums on the Single Bond shall be paid by check, draft or warrant made to the order of the registered owner of the Single Bond and mailed to the address of the registered owner shown on the Bond registration records of the Registrar on or before such payment date, or if such payment date is not a business day, on or before the next succeeding business day. So long as the State is the registered owner, such payment shall be made by depositing with the State Treasurer, not later than 15 days prior to such payment date an amount sufficient to make the payment then due; and such payment 15 days prior to the payment date shall continue to be required if an escrow or trust has been established as provided in Section 57 hereof to make such payment. The final installment of principal on the Single Bond shall be made only upon surrender of the Single Bond at the office of the Paying Agent. The Single Bond shall mature in installments of principal, bear interest and be subject to prepayments of installments of principal, substantially as provided in Sections 14 through 16 hereof. If a portion of principal of the Single Bond is called for prior redemption, no payment of the principal or redemption price of or interest on the Single Bond, due on or after the date fixed for redemption shall be made unless the Single Bond is presented to the Paying Agent and notation of the installments of principal so called for prior redemption is made on such Single Bond. The Single Bond must be registered in the name of its owner and may be assigned by the registered owner in the manner and with the effect set forth in the provisions for registration contained in the form thereof hereinafter set forth. The County shall pay to the State such amounts as are necessary to pay the County's share of the State's costs of paying the State Securities which are issued to fund the Bonds, including without limitation the County's share of paying agent fees.

The Treasurer shall act as Registrar and Paying Agent and shall maintain at his office so long as the Bonds are evidenced by a Single Bond, registration records for the Single Bond showing the name and address of the registered owner, the amounts and dates of any principal prepayments on the Single Bond, and the dates of any transfers of the Single Bond. The Registrar shall permit at all reasonable times the transfer of ownership of the Single Bond on presentation of the Single Bond at his office together with a written request for transfer signed by the registered owner or his attorney duly authorized in writing in a form satisfactory to the Registrar. Any such transfer shall be noted on the registration records and on the registration panel on the back of the Single Bond. No transfer shall be permitted during the seventy-five days next preceding any date fixed for the prepayment of principal installments or during the thirty days next preceding any date for the payment of principal of or interest on the Single Bond.

Upon written request of the registered owner of the Single Bond or his attorney duly authorized in writing, in form satisfactory to the Registrar, the County shall issue at the registered owner's expense and within 60 days from the date of such request, definitive negotiable registered bonds in the form provided by Section 23 hereof and in the denominations of \$5,000 each or any integral multiple thereof requested by the registered owner, in an aggregate principal amount equal to the amount of unpaid principal of the Single Bond and of like tenor and date, and with the maturities, interest rates and terms otherwise prescribed by this Ordinance for such Bonds.

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

(Form of Single Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

UNITED STATES OF AMERICA
WASHOE COUNTY, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
WATER AND SEWER IMPROVEMENT AND REFUNDING BOND
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 1997

No. R-1

\$ _____

Washoe County in the State of Nevada (the "County" and the "State", respectively) for value received hereby acknowledges itself to be indebted and promises to pay to the State of Nevada, c/o the State Treasurer, as Administrator of the Municipal Bond Bank, or registered assigns, the principal sum of

_____ No/100----Dollars (\$ _____)

in installments of principal in the amounts and years listed in the ordinance duly adopted by the Board of County Commissioners (the "Board") of the County on April 15, 1997 and designated in § 1 by the short title "1997 Water and Sewer Bond Ordinance" (the "Ordinance") and the Certificate of the Assistant County Manager (as defined in the Ordinance) (unless prepaid as provided herein and noted on the Prepayment Panel appended hereto) in lawful money of the United States of America, together with interest on the unpaid installments of principal from the date of delivery of this Bond appearing below until payment of such installments of principal shall have been discharged as provided in the Ordinance, said interest being payable on March 1 and September 1 of each year commencing on September 1, 1997, and said installments of principal bearing interest at the rates, and being payable on March 1 of the years and in the amounts designated in the Ordinance and the Certificate of the Assistant County Manager.

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

available funds. If the fifteenth day before any payment date is not a business day, payment may be made on or before the next succeeding business day. If payment of any installment of principal of this Bond is not made when due, interest on such installment shall continue at the interest rate specified for such installment in the Ordinance until such principal installment is paid in full. The final installment of principal on this Bond is payable only on presentation and surrender of this Bond at the office of the Paying Agent.

This single bond is one of a duly authorized issue of bonds of the County aggregating _____ and No\100----- Dollars (\$ _____) the "Bond" or the "Bonds") to defray, in part, the cost of acquiring, constructing and equipping water projects for the County and all appurtenances thereto (the "Project") and refunding a portion of the County's outstanding general obligation bonds additionally secured by pledged revenues (the "Refunding Project") under the authority of and in full compliance with the constitution and laws of the State.

This Bond is issued pursuant to Nevada Revised Statutes ("NRS") §§ 350.500 through 350.720, and all laws amendatory thereof designated in § 350.500 thereof as the Local Government Securities Law (the "Bond Act"); pursuant to NRS § § 350.001 to 350.006, inclusive; pursuant to NRS § 350.020(3); pursuant to NRS § 244A.011 through 244A.065, inclusive, and pursuant to NRS chapter 348; pursuant to § 350.628 of the Bond Act, this recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance; and pursuant to § 350.710 of the Bond Act, the Bonds, their transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation-skipping transfers pursuant to the provisions of chapter 375B of NRS.

Installments of principal of the Bond are subject to prepayment as provided in the Ordinance and the Certificate of the Assistant County Manager. Prepayment shall be made on not less than 30 days prior mailed notice in the manner and upon the conditions provided in the Ordinance. If the State of Nevada is the owner hereof not less than 75 days prior mailed notice of any prepayment shall be given. If a prepayment is made on this Bond as specified in the Ordinance, interest shall cease to accrue on the amount prepaid from and after the date fixed for prepayment. If a portion of the principal of this Bond is called for prepayment, no payment of the principal of, interest on or prior redemption premium due in connection with this Bond due on and after the prepayment date shall be made unless this Bond is presented to the Paying Agent and notation of the installments of principal so called for prepayment is made on the Prepayment Panel appended hereto.

It is hereby certified and recited that all of the requirements of law have been fully complied with by the proper officers of the County in the issuance of this Bond; that the total indebtedness of the County, including that of this Bond, does not exceed any limit of indebtedness prescribed by the Constitution or by the laws of the State; that provision has been made for the levy and collection of general (ad valorem) taxes ("General Taxes") against all taxable property within

the County sufficient to pay the Bond Requirements of this Bond when the same become due (except to the extent that other revenues are available therefor), subject to the limitations imposed by the Constitution and statutes of the State; and that the full faith and credit of the County are hereby irrevocably pledged to the punctual payment of the Bond Requirements of this Bond according to its terms.

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

This Bond is equally and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable first lien (but not necessarily an exclusively first lien) upon the Net Revenues. Additional securities may be issued and made payable from the Net Revenues of the Municipal Utility System and having a lien thereon subordinate to or on a parity with such pledge, in each case subject to the conditions of and in accordance with the Ordinance.

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

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

This Bond shall not be entitled to any benefits under the Ordinance, or be valid or obligatory for any purpose until the registration panel hereon shall have been manually signed on behalf of the Registrar.

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

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

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

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

IN WITNESS WHEREOF, Washoe County, Nevada, has caused this Bond to be executed in its name by the manual signature of its Chairman of the Board of County Commissioners, to be countersigned by the manual signature of its County Treasurer, and attested by the manual signature of its County Clerk and has caused the seal of the County to be reproduced hereon, all as of the ___th day of ____, 1997, i.e., the date of delivery of this Bond.

WASHOE COUNTY, NEVADA

(Manual Signature)
Chairman, Board of County Commissioners

Countersigned:

(SEAL)

(Manual Signature)
County Treasurer

Attest:

(Manual Signature)
County Clerk

(End of Form of Single Bond)

(Form of Registration and Authentication Panel on Back of Single Bond)

AUTHENTICATION AND MANDATORY REGISTRATION FOR PAYMENT
AS TO PRINCIPAL AND INTEREST

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

<u>Date of Authentication and Registration</u>	<u>Name of Owner</u>	<u>Address of Owner</u>	<u>Signature of Registrar</u>
	State of Nevada, Treasurer, as Administrator of the Municipal Bond Bank of the State of Nevada	Capitol Complex Carson County, Nevada 89710	

(End of Form of Registration and Authentication Panel)

(Form of Principal Prepayment Panel on Single Bond)

PREPAYMENT PANEL

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

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

(End of Form of Principal Prepayment Panel)

(Form of Assignment for Bond)

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

Dated: _____

Signature Guaranteed:

Name of Transferee:

Address of Transferee:

Social Security or other tax
identification number of
Transferee:

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

(End of Form of Assignment)

(Form of Legal Opinion Certificate)

STATE OF NEVADA)
)
COUNTY OF WASHOE) ss. LEGAL OPINION CERTIFICATE

I, the undersigned County Clerk of Washoe County, Nevada, certify that the following approving opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Attorneys at Law, Reno, Nevada, to wit:

(Attorney's approving opinion to be inserted in submargins, including complimentary closing and "/s/ Swendseid & Stern, a member in Sherman & Howard L.L.C.")

is a true, perfect and complete copy of a manually executed and dated copy thereof on file in the records of the County in my office; and that the opinion was dated and issued as of the date of the initial delivery of and payment to the issuer for the Bonds of the series of which this Bond is one.

IN WITNESS WHEREOF, I have caused to be hereunto affixed my manual or facsimile signature.

(Facsimile Signature)
County Clerk

(End of Form of Legal Opinion Certificate)

SECTION 26. Delivery of the Single Bond; Deposit of Proceeds. When the Single Bond has been duly executed, the County Treasurer shall deliver it to the State upon receipt of the agreed purchase price, as stated in the Certificate of the Assistant County Manager, and shall authenticate and register it in the name of the State on the Bond registration records of the Registrar and make notation of such registration on the registration panel appended to the Single Bond. The County Treasurer shall cause the proceeds of the Bonds to be applied as follows:

A. First, pursuant to § 350.648, Bond Act, the proceeds received from the sale of the Bonds as accrued interest, if any, on the Bonds and any premium received from the sale of the bonds shall be deposited into the Bond Fund, hereinafter created.

B. Pursuant to NRS § 354.6105, the County shall deposit an amount into one or more separate accounts in the fund for the extraordinary maintenance, repair or improvement of capital projects, which amount, together with other available funds of the County deposited therein, equals one-half of one percent of the total amount of Bond proceeds excluding Bond proceeds allocable to the refunding of the Refunded Bonds. Available moneys of the County or proceeds realized from the sale of the Bonds may be used for such purpose.

C. There shall be deposited into a special account hereby created and designated as the "Washoe County, Nevada General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues) Series 1997, Escrow Account" (the "Escrow Account") to be held by Norwest Bank (the "Escrow

Bank") an amount from Bond proceeds and any other moneys therein (including moneys deposited therein, if any, from the debt service fund for the Refunded Bonds), and any initial cash remaining uninvested, fully sufficient to establish the Escrow Account and to buy the Federal Securities designated in the Escrow Agreement between the County and the Escrow Bank, relating to the Bonds (the "Escrow Agreement") for credit to the Escrow Account, to be used solely for the purpose of paying the Bond Requirements of the Refunded Bonds as provided in the Escrow Agreement. After completion of the Refunding Project, any unexpected balance of Bond proceeds in the Escrow Account shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bonds.

D. The balance of the proceeds received from the sale of the Bonds shall be deposited into a special account hereby created and designated as the "Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997, Acquisition Fund" (the "Acquisition Fund") to be held by the County. Moneys in the Acquisition Fund shall be used solely to defray wholly or in part the Cost of the Project including, without limitation, as provided in § 350.516, Bond Act, all costs of issuing the Bonds, all of the County's portion of the issuance costs and other costs and fees associated with the State's sale of State Securities related to the Bonds, and the costs of rebates to the

United States under § 148 of the Tax Code, which the Board hereby determines are necessary and desirable and appertain to the Project and the Refunding Project. After the Project is complete and after all expenses have been paid or adequate provision therefor is made, pursuant to § 350.650 Bond Act, any unexpended balance of Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the Acquisition Fund shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bonds.

SECTION 27. **Completion of Project and the Refunding Project.** The County, with the proceeds derived from the sale of the Bonds, shall proceed to complete the Project and the Refunding Project with due diligence.

SECTION 28. **Use of Investment Gain.** Pursuant to § 350.658, Bond Act, and except as may otherwise be required herein, any gain from any investment and any reinvestment of any proceeds of the Bonds (except gain from any investment and any reinvestment of any proceeds of the Bonds deposited into the Escrow Account) shall be deposited promptly upon the receipt of such gain at any time or from time to time into the Acquisition Fund to defray, in part, the Cost of the Project or, if adequate provision has been made for the Project and the Refunding Project, into the Bond Fund hereinafter created, for the respective payment of the principal of or interest on the Bonds or any combination thereof. As provided herein, the annual General Taxes for the payment of the principal of or interest on the Bonds levied after such deposits of any such investment or reinvestment gain may be diminished to the extent of the availability of such deposit for the payment of such principal or interest.

SECTION 29. **Prevention of Bond Default.** Subject to the provisions of this Ordinance, the Treasurer shall use any Bond proceeds credited to the Acquisition Fund, without further order or warrant, to pay the Bond Requirements of the Bonds as the same become due

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

SECTION 30. **Purchaser Not Responsible.** The validity of the Bonds shall not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Project or the Refunding Project, or any part thereof, or to the completion of the Project or the Refunding Project. Neither the State, nor any subsequent owner of any Bond shall in any manner be responsible for the application or disposal by the County or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys referred to in this Ordinance.

SECTION 31. **General Tax Levies.** So far as possible, the Bond Requirements of the Bonds shall be paid from Net Revenues of the Municipal Utility System. However, pursuant to § 350.596, Bond Act, at any time when there are not on hand from such tax levy or levies sufficient funds on deposit in the Bond Fund to pay, when due the principal of and interest on the Bonds, the Bond Requirements shall be paid out of the Acquisition Fund or out of a general fund of the County or out of any other funds that may be available for such purpose, including, without limitation, any proceeds of General Taxes. For the purpose of repaying any moneys so paid from any such fund or funds (other than any moneys available without replacement for the payment of such Bond Requirements on other than a temporary basis), and for the purpose of creating funds for the payment of the Bond Requirements, there are hereby created two separate accounts designated as the "Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997, Interest Fund" (the "Interest Fund") and the "Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997, Principal Fund" (the "Principal Fund") (collectively, the "Bond Fund"). Pursuant to §§ 350.592 and 350.594, Bond Act, there shall be duly levied immediately after the issuance of the Bonds and annually thereafter, until all of the Bond Requirements shall have been fully paid, satisfied and

discharged, a General Tax on all property, both real and personal, subject to taxation within the boundaries of the County, including the net proceeds of mines, fully sufficient to reimburse such fund or funds for any such amounts temporarily advanced to pay such initial installments of principal and interest, and to pay the interest on the Bonds becoming due after such initial installment, and to pay and retire the Bonds as they thereafter become due at maturity as herein provided, after there are made due allowances for probable delinquencies. The proceeds of such annual levies shall be duly credited to such separate accounts for the payment of such Bond Requirements. In the preparation of the annual budget or appropriation resolution or ordinance for the County, the Board shall first make proper provisions through the levy of sufficient General Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the County, including, without limitation, the Bonds, subject to the limitation imposed by NRS § 361.453 and Section 2, art. 10, State Constitution, and the amount of money necessary for this purpose shall be a first charge against all the revenues received by the County.

SECTION 32. **Priorities for Bonds.** As provided in NRS § 361.463, in any year in which the total General Taxes levied against the property in the County by all overlapping units within the boundaries of the County exceeds the limitation imposed by NRS § 361.453, or a lesser or greater amount fixed by the State Board of Examiners in any fiscal year, and it becomes necessary by reason thereof to reduce the levies made by any and all such units, the reductions so made shall be in General Taxes levied by such unit or units (including, without limitation, the County and the State) for purposes other than the payment of their bonded indebtedness, including interest thereon. The General Taxes levied for the payment of such bonded indebtedness and the interest thereon shall always enjoy a priority over General Taxes levied by each such unit (including, without limitation, the County and the State) for all other purposes where reduction is necessary in order to comply with the limitation of NRS § 361.453.

SECTION 33. **Correlation of Levies.** Such General Taxes shall be levied and collected in the same manner and at the same time as other taxes are levied and collected, and the proceeds thereof for the Bonds shall be kept in the Principal Fund and in the Interest Fund, which

accounts shall be used for no other purpose than the payment of principal and interest, respectively, as the same fall due.

SECTION 34. **Use of General Fund.** Any sums becoming due on the Bonds at any time when there are on hand from such General Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from general funds on hand belonging to the County, reimbursement to be made for such general funds in the amounts so advanced when the General Taxes herein provided for have been collected, pursuant to § 350.596, Bond Act.

SECTION 35. **Use of Other Funds.** Nothing in this Ordinance prevents the County from applying any funds (other than General Taxes but including Net Revenues) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, fall due, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to § 350.598, Bond Act.

SECTION 36. **Legislative Duties.** In accordance with § 350.592, Bond Act, it shall be the duty of the Board annually, at the time and in the manner provided by law for levying other General Taxes of the County, if such action shall be necessary to effectuate the provisions of this Ordinance, to ratify and carry out the provisions hereof with reference to the levy and collection of General Taxes; and the Board shall require the officers of the County to levy, extend and collect such General Taxes in the manner provided by law for the purpose of creating funds for the payment of the principal of the Bonds and the interest thereon. Such General Taxes when collected shall be kept for and applied only to the payment of the principal of and the interest on the Bonds as hereinbefore specified.

SECTION 37. **Appropriation of General Taxes.** In accordance with § 350.602, Bond Act, there is hereby specially appropriated the proceeds of such General Taxes to the payment of such principal of and interest on the Bonds; and such appropriations will not be repealed nor the General Taxes postponed or diminished (except as herein otherwise expressly provided) until the Bond Requirements of the Bonds have been wholly paid.

SECTION 38. **Pledge of Gross Revenues.** Subject only to the provisions of this Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are hereby additionally pledged to secure the payment of principal of and interest on the Bonds in accordance with their terms and the provisions of this Ordinance, all of the Gross Revenues of the Municipal Utility System. This pledge shall be valid and binding from and after the date of the delivery to the State of the Single Bond; and the Gross Revenues, as received by the County shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing or further act; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the County (except as herein otherwise provided) irrespective of whether such parties have notice thereof. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any and all other obligations and liabilities of the County payable from the Gross Revenues, except as herein otherwise provided. The Bonds and any Parity Securities hereafter issued shall be equitably and ratably secured by the pledge of Gross Revenues hereunder; and the Bonds and any Parity Securities hereafter issued are not entitled to any priority one over the other in the application of Gross Revenues.

SECTION 39. **Municipal Utility Enterprise Fund.** So long as any of the Bonds hereby authorized shall be Outstanding as to any Bond Requirements, the entire Gross Pledged Revenues of the Municipal Utility System upon their receipt from time to time by the County shall be set aside and credited immediately to a special account heretofore created designated as the "Washoe County Municipal Utility Enterprise Fund" (the "Municipal Utility Enterprise Fund"). So long as any of the Bonds hereby authorized shall be Outstanding as to any Bond Requirements each Fiscal Year, the Municipal Utility Enterprise Fund shall be administered and the moneys on deposit in each account shall be applied in the order of priority specified in Sections 40 through 45 hereof.

SECTION 40. **Operation and Maintenance Fund.** First as a first charge on the Municipal Utility Enterprise Fund so long as any of the Bonds hereby authorized shall be Outstanding as to any Bond Requirements, there shall be set aside in and credited to a separate

account from time to time (such account heretofore created) and known as the Washoe County Municipal Utility System Operation and Maintenance Fund (the "Municipal Utility System Operation and Maintenance Fund") money sufficient to pay operation and maintenance expenses of the Municipal Utility System, such operation and maintenance expenses of the Municipal Utility System are to be as budgeted and approved in accordance with the Budget Act and as such expenses become due and payable thereupon they shall be promptly paid; any surplus remaining at the end of the fiscal year and not needed for operation and maintenance expenses of the Municipal Utility System shall be transferred to the Municipal Utility Enterprise Fund and shall be used for the purposes thereof as herein provided.

SECTION 41. **Bond Fund.** Second, from any moneys thereafter remaining in the Municipal Utility Enterprise Fund, i.e., from the Net Revenues and concurrent with transfers to the bond funds created with respect to any Parity Securities, there shall be transferred and credited to the Bond Fund, the following:

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

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

SECTION 42. **Rebate Fund**. Third, after the aforementioned deposits, and from the Net Revenues there shall be transferred and credited to a special and separate account hereby created and designated as the "Washoe County, Nevada General Obligation (Limited Tax) Water and Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 1997, Rebate Fund" (the "1997 Rebate Fund") and to any other fund or account established for payment of amounts due the United States under § 148(f) of the Tax Code in connection with any Parity Securities such amounts as are required to be deposited therein to meet the County's obligations under the covenant contained in § 56 hereof, in accordance with § 148(f) of the Tax Code. Such deposits shall be made at such times as are required by § 148(f) of the Tax Code and such covenant and amounts in the 1997 Rebate Fund shall be used for the purpose of making the payments to the United States required by such covenant and § 148(f) of the Tax Code. Any amounts in the 1997 Rebate Fund in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund.

SECTION 43. **Payment of Subordinate Securities**. Fourth, any moneys thereafter remaining in the Revenue Fund may be used by the County for the payment of the principal of and interest on, and payments to the United States required by Section 148(f) of the Tax Code with respect to, Subordinate Securities; and may be used to create reasonable reserves for such securities.

SECTION 44. **Surplus Revenues**. Fifth, any moneys thereafter remaining in the Revenue Fund may be used by the County at the end of any fiscal year of the County, or whenever there shall have been credited all amounts required to be deposited in the respective foregoing separate accounts for all of that fiscal year, for any lawful purposes of the County, as the Board may from time to time determine, including, without limitation, for the creation of operation and maintenance reserves and capital reserves, the payment of capital costs and major maintenance costs of the Municipal Utility System, to pay any other obligations pertaining to the System or otherwise.

SECTION 45. **Termination of Deposits**. No payment need be made into the Bond Fund if the amounts in that fund total a sum at least equal to the entire amount of the Outstanding Bonds as to all Bond Requirements to their respective maturities both accrued and not accrued, in

which case moneys in such Fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due.

SECTION 46. **Equal Security.** The Bonds and any Parity Securities from time to time Outstanding shall be equally and ratably secured by the pledge of Gross Revenues hereunder and shall not be entitled to any priority one over the other in the application of the Gross Revenues regardless of the time or times of the issuance of the Bonds and any Parity Securities.

SECTION 47. **Defraying Delinquencies.** If at any time the County shall for any reason fail to pay into the Bond Fund or the Rebate Fund the full amount above stipulated from the Net Revenues, then an amount shall be paid first into the Bond Fund and second into the Rebate Fund at such time equal to the difference between that paid from the Net Revenues and the full amount so stipulated. If any Parity Securities are Outstanding, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve fund or rebate fund therefor, then the moneys replaced in such funds shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bonds and the then Outstanding Parity Securities, as moneys become available therefor, first into all of such bond and reserve funds and second into all such rebate funds.

SECTION 48. **Conditions to Additional Parity Securities.**

(A) Nothing herein, except as expressly hereinafter provided, shall prevent the issuance by the County of additional securities payable from Net Revenues and constituting a lien thereon on a parity with, but not prior or superior to, the lien thereon of the Bonds, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

- (1) At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the

County shall not be in default in the payment of principal of or interest on the Bonds.

- (2) The Net Revenues (subject to adjustments as hereinafter provided) projected by the County's Assistant County Manager, Finance Division, County Engineer or an Independent Accountant or consulting engineer to be derived in the later of (i) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (ii) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that Fiscal Year) of the Outstanding Bonds, any other Outstanding Parity Securities of the County and the Parity Securities proposed to be issued (excluding any reserves therefor).

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

C. In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price)

and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

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

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

F. Nothing herein permits the issuance of securities having a lien on the Net Revenues superior to the lien thereon of the Bonds.

SECTION 49. **Subordinate Securities.** Nothing herein, except as expressly hereinafter provided, shall prevent the County from issuing additional securities payable from Net Revenues and constituting a lien thereon subordinate to the lien thereon of the Bonds and any Outstanding Parity Securities.

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

A. At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the County shall find it desirable to refund any Outstanding Bonds or other Outstanding Parity or Subordinate Securities, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the County's option upon proper call, unless the owner or owners of all such

Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Gross Revenues is changed (except as provided in Section 48F hereof).

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

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

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

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

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

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

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

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

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

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

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

SECTION 54. **Rate Covenant.** The County shall charge against users or against purchasers of services or commodities pertaining to the Municipal Utility System such fees, rates and other charges as shall be sufficient to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the County at least equal to the sum of:

- (a) an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year;
- (b) an amount equal to the debt service due in such Fiscal Year on the then Outstanding Bonds and any Outstanding Parity Securities; and
- (c) any other amounts payable from the Net Revenues and pertaining to the Municipal Utility System,

including, without limitation, debt service on any Subordinate Securities and any other securities pertaining to the Municipal Utility System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

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

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

SECTION 55. **Books of Record and Account.** So long as any of the Bonds remain Outstanding, proper books of record and account shall be kept by the County, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Municipal Utility System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues.

SECTION 56. **Tax Covenant.** The County covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the County or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under § 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 § 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under § 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the County in fulfilling the above covenant under the Tax Code have been met.

SECTION 57. **Defeasance.** When all Bond Requirements of any Bond have been duly paid, the pledge, the lien, and all obligations hereunder as to that Bond shall thereby be discharged and the Bond shall no longer be deemed to be Outstanding within the meaning of this Ordinance. There shall be deemed to be such due payment when the County has placed in escrow or in trust with a Trust Bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from the Federal Securities in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of the Bond, as the same become due to the final maturity of the Bond, or upon any redemption date as of which the County shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond for payment then. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the County and the Trust Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the schedule. For the purpose of this section "Federal Securities" shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the owner thereof. When such defeasance is accomplished the Paying Agent shall mail written notice of the defeasance to the registered owner of the Bond at the addresses last shown on the registration records for the Bonds maintained by the Registrar. Notwithstanding any such defeasance of any Bond, the payments due on any Bond if owned by the State Treasurer, shall be paid at the times provided in Section 24 hereof.

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

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

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

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

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

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

Whenever the County proposes to amend or modify this Ordinance under the provisions hereof, it shall cause notice of the proposed amendment to be mailed within 30 days to the State Treasurer, if the Single Bond is owned by the State, and each registered owner of each registered Bond. The notice shall briefly set forth the nature of the proposed amendment and shall

state that a copy of the proposed amendatory instrument is on file in the office of the County Clerk for public inspection.

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

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

Bonds authenticated and delivered after the effective date of any action taken as provided in this Section 58 may bear a notation by endorsement or otherwise in form approved by the County as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the owner of any Bond Outstanding at such effective date and upon presentation of his Bond, suitable notation shall be made on the Bond as to any such action. If the County so determines, new Bonds so modified as in the opinion of the County to conform to such action shall be prepared, registered and delivered; and upon demand of the owner of any Bond then Outstanding, shall be exchanged without cost to the owner for Bonds then Outstanding upon surrender of such Bonds.

SECTION 59. **Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Board shall reasonably determine

that said Registrar or Paying Agent has become incapable of performing its duties hereunder, the Board may, upon notice mailed to each owner of any Bond at his address last shown on the registration records, appoint a successor Registrar or Paying Agent, or both. No resignation or dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. It shall not be required that the same person or institution serve as both Registrar and Paying Agent hereunder, but the County shall have the right to have the same person or institution serve as both Registrar and Paying Agent. Any successor by merger with the Registrar and Paying Agent is automatically appointed as Registrar and Paying Agent hereunder without any further action of the Board, as long as the successor otherwise is qualified to act as Registrar and Paying Agent pursuant to this section. Any bank, trust company or national banking association into which the Registrar and/or Paying Agent or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or otherwise transfer all or substantially all of its corporate trust business shall be the successor of the Registrar and/or Paying Agent under this Ordinance with the same rights, powers, duties and obligations and subject to the same restrictions, limitations, and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 60. **Call for Prior Redemption; Notice of Redemption.** The County hereby authorizes the Treasurer to irrevocably call, on behalf of the County, for prior redemption the Refunded Bonds designated in the Certificate of the Assistant County Manager on the date specified therein. The Treasurer and the Escrow Bank are hereby authorized and directed to give forthwith upon the issuance of the Bonds a notice of prior redemption and defeasance of the Refunded Bonds and are hereby authorized and directed to give notice of prior redemption in the manner and at such time and otherwise in accordance with the provisions of the bond ordinance authorizing the issuance of the Refunded Bonds.

SECTION 61. **Maintenance of the Escrow Account.** The Escrow Account shall be maintained by the County in an amount at the time of the initial deposits therein and at all times subsequently at least sufficient, together with the known minimum yield to be derived from the

initial investment and any temporary reinvestment of the deposits therein or any part thereof in Federal Securities, to pay the interest due in connection with the Refunded Bonds, both accrued and not accrued, as the same become due up to and including the redemption dates therefor, and to redeem on such dates all of the Refunded Bonds for the principal amount thereof, accrued interest to the redemption date therefor, and a premium in the amount of 2.0% of the principal amount to be redeemed if redeemed on or before June 30, 1997.

SECTION 62. **Use of Escrow Account.** 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 the interest due in connection with the Refunded Bonds on and after the first interest payment date for such Refunded Bonds and on and before the date designated in the Certificate of the Assistant County Manager, and the principal, interest and redemption premium due thereon, when the County shall call for prior redemption all of the Refunded Bonds.

SECTION 63. **Insufficiency of Escrow Account.** If for any reason the amount in the Escrow Account shall at any time be insufficient for the purposes of Sections 61 and 62, the County shall forthwith from the first moneys available therefor deposit in such account such additional moneys as shall be necessary to permit the payment in full of the principal, interest and redemption premium due in connection with the Refunded Bonds as provided herein.

SECTION 64. **Delegated Powers.** The officers of the County are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

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

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

(1) to the signing of the Bonds or Single Bond,

(2) to the tenure and identity the officials of the County,

(3) to the assessed valuation of the taxable property in and the indebtedness of the County,

(4) to the rate of taxes levied against the taxable property within the County,

(5) the exemption of interest on the Bonds from federal income taxation,

(6) the delivery of the Single Bond and the receipt of the Bond purchase price,

(7) the completeness and accuracy of any information provided the State in connection with the Bonds as of the date of delivery of the Single Bond, and

(8) if it is in accordance with the fact, the absence of litigation, pending or threatened, affecting the validity of the Bonds;

C. The completion and execution of the Certificate of the Assistant County Manager,

D. The execution and delivery of the Escrow Agreement, and

E. The assembly and dissemination of financial and other information concerning the County and the Bonds.

SECTION 65. **Implied Repealer.** All resolutions and ordinances, bylaws and orders, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such

inconsistency. This repealer shall not be construed to revive any resolution, ordinance, bylaw, order, or part thereof, heretofore repealed.

SECTION 66. **Emergency.** The Board has expressed in the preambles of this Ordinance that it pertains to the sale, issuance and payment of the Bonds, that this Ordinance may accordingly be adopted as if an emergency now exists, and may become effective at any time when an emergency ordinance of the County may go into effect. Consequently, pursuant to NRS § 350.579 final action shall be taken immediately, and this Ordinance shall be in effect from and after its publication by title as herein provided.

SECTION 67. **Publication and Effective Date.** After this Ordinance is signed by the Chairman and attested and sealed by the Clerk, this Ordinance shall be in effect from and after its publication twice by its title only, together with the names of the Commissioners voting for or against its passage and a statement that typewritten copies of this Ordinance are available for inspection by all interested parties at the office of the County Clerk, only if the Assistant County Manager, Finance Division, determines in the Certificate of the Assistant County Manager that interest rate savings shall be effected by the refunding of the Refunded Bonds through the sale of the Bonds. Such publication to be made in a newspaper published and having a general circulation in the County at least once a week for a period of two weeks, and such publication to be in substantially the following form:

(Form of Publication)

BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF REGISTERED, NEGOTIABLE, GENERAL OBLIGATION (LIMITED TAX) WATER AND SEWER IMPROVEMENT AND REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 1997; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF SAID BONDS; AND PROVIDING FOR ITS ADOPTION AS IF AN EMERGENCY EXISTS; AND PROVIDING OTHER MATTERS RELATING THERETO.

PUBLIC NOTICE IS HEREBY GIVEN, that an adequate number of typewritten copies of the above-numbered and entitled Ordinance are available for public inspection and distribution at the office of the County Clerk of Washoe County, at her office in the County Courthouse in Reno, Nevada, and that such Ordinance was proposed by Commissioner _____ on April 15, 1997, and was passed and adopted at a regular meeting of the Washoe County Board of County Commissioners at the same meeting on April 15, 1997, by the following vote of the Board of County Commissioners:

Those Voting Aye:

- Joanne Bond
- Jim Galloway
- Mike Mouliot
- Jim Shaw
- Grant Sims

Those Voting Nay:

Those Absent:

This Ordinance shall be in full force and effect from and after the ___ day of _____, 1997, i.e., the date of the second publication of such Ordinance by title only.

IN WITNESS WHEREOF, the Board of County Commissioners of Washoe County, Nevada, has caused this Ordinance to be published by title only.

DATED this April 15, 1997.

/s/ Grant Sims
Chairman
Board of County Commissioners
Washoe County, Nevada

(SEAL)

Attest:

/s/ Judi Bailey
County Clerk

(End of Form of Publication)

SECTION 68. **Severability.** If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

PASSED AND ADOPTED BY AN AFFIRMATIVE VOTE OF AT LEAST TWO-THIRDS OF THE MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS OF WASHOE COUNTY, NEVADA, THIS APRIL 15, 1997.

Proposed on April 15, 1997.

Proposed by Commissioner Jim Shaw

Passed April 15, 1997.

Vote:

Ayes:

- Joanne Bond
- Jim Galloway
- Mike Mouliot
- Jim Shaw
- Grant Sims

Nays:

Absent:

Attest:

Judi Bailey
County Clerk

Grant Sims
Chairman of the Board

This Ordinance shall be in force and effect from and after the 3rd day of June, 1997, i.e, the date of the second publication of such Ordinance by its title only.