

Summary - An ordinance authorizing the issuance by the City of Sparks, Nevada of its General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B, in the principal amount of \$27,099,690.98 and providing other matters relating thereto.

BILL NO. _____
ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF SPARKS, NEVADA, PROVIDING FOR THE ISSUANCE OF ITS GENERAL OBLIGATION (LIMITED TAX) SEWER REFUNDING BOND (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2016B, IN THE PRINCIPAL AMOUNT OF \$27,099,690.98; PROVIDING THE FORM, TERMS, CONDITIONS, AND COVENANTS RELATING TO THE PAYMENT OF SAID BOND; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF THE BOND; ADDITIONALLY SECURING ITS PAYMENT BY A PLEDGE OF NET REVENUES DERIVED FROM THE OPERATION OF THE SEWER SYSTEM OF THE CITY; PROVIDING FOR ADOPTION OF THE ORDINANCE AS IF AN EMERGENCY EXISTS; AND PROVIDING THE EFFECTIVE DATE THEREOF.

(1) **WHEREAS**, the City of Sparks in the State of Nevada (the “City” and “State,” respectively) is a political subdivision of the State duly organized and operating as a city under the provisions of an act entitled “AN ACT incorporating the City of Sparks, in Washoe County, Nevada under a new charter, defining the boundaries thereof, and providing other matters properly relating thereto,” cited as Chapter 470, Statutes of Nevada 1975, and all laws amendatory thereof (the “Charter”); and

(2) **WHEREAS**, the City now owns and operates a municipal sanitary sewer system (the “Sewer System”); and

(3) **WHEREAS**, the City has previously issued its City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2000 (the “2000 Bonds”); the City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2001 (the “2001 Bonds”); the City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged

Revenues), Series 2002 (the “2002 Bonds”); the City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2003 (the “2003 Bonds”); the City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2005 (the “2005 Bonds”); the City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2005B (the “2005B Bonds”); the City of Sparks, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2006 (the “2006 Bonds”); and the City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2009 (the “2009 Bonds”); and

(4) **WHEREAS**, the 2000 Bonds, 2001 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2005B Bonds, the 2006 Bonds and the 2009 Bonds were each originally evidenced by a single bond and purchased by the State, acting by and through the Director of the Department of Conservation and Natural Resources as Administrator of the State of Nevada Account to Finance the Construction of Treatment Works and the Implementation of Pollution Control Projects (the “Director” and “Revolving Fund”, respectively), under NRS 445A.060 to 445A.160, inclusive (the “Project Act”); and

(5) **WHEREAS**, pursuant to Sections 2.090 and 7.030 of the Charter, NRS 268.672 to 268.740, inclusive (the “City Bond Law”) and the provisions of NRS 350.500 through 350.720, and all laws amendatory thereof, cited in Section 350.500 thereof by the short title “Local Government Securities Law” (the “Bond Act”), the City is authorized to refund the 2000 Bonds, the 2001 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2005B Bonds, the 2006 Bonds and the 2009 Bonds (collectively, the “Refunded Bonds”) for the purpose of reducing interest costs and effecting other economies; and

(6) **WHEREAS**, the City has determined to refund, pay and discharge the Refunded Bonds (the “Refunding Project” or the “Project”); and

(7) **WHEREAS**, the City Council (the “Council”) has determined and hereby declares that it is necessary and for the best interest of the City to complete the Refunding Project and to issue bonds of the City for such purpose; and

(8) **WHEREAS**, the Council is therefore authorized by the Charter, the City Bond Law and the Bond Act, without any further preliminaries:

(A) To commence the Refunding Project;

(B) To issue and sell the City's registered, negotiable general obligation (limited tax) sewer refunding bond (additionally secured by pledged revenues) in the principal amount of \$27,099,690.98 for the Refunding Project; and

(C) To exercise the incidental powers provided in the Charter, the City Bond Law and the Bond Act in connection with the powers authorized therein; and

(9) **WHEREAS**, the City requested the Director as the Administrator of the Revolving Fund to make a loan to the City by purchasing the Bond (hereinafter defined) in the aggregate principal amount necessary to effect the Refunding Project; and

(10) **WHEREAS**, the Charter, the Bond Act and the Project Act permit the Bond (as defined below) to be sold at private sale to the State; and

(11) **WHEREAS**, after private negotiation pursuant to the Bond Act and the Project Act, the Council has determined to sell its "City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B" (the "Bond") to the State upon the terms provided below and in the Loan Contract (as defined herein); and

(12) **WHEREAS**, the effective interest rate on the Bond will 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 Bond; and

(13) **WHEREAS**, the Bond will be additionally secured by a pledge of the net revenues derived from the operation of the Sewer System after payment of operation and maintenance expenses ("Net Pledged Revenues") and there are no obligations outstanding which are secured in whole or part by the Net Pledged Revenues other than the 2000 Bonds, the 2001 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2005B Bonds, the 2006 Bonds and the 2009 Bonds, which are all secured by a pledge of the Net Pledged Revenues on a parity with the lien thereon of the Bond; and

(14) **WHEREAS**, the Council hereby elects to have the provisions of Chapter 348 of NRS (the “Supplemental Bond Act”) apply to the Bond; and

(15) **WHEREAS**, the Council has determined and hereby declares:

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

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

(C) This Ordinance pertains to the sale, issuance and payment of the Bond; and

(D) Such 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

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

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SPARKS DOES ORDAIN:

SECTION 1. **Short Title.** This Ordinance shall be known and may be cited as the “2016 Sewer Refunding Bond Ordinance.”

SECTION 2. **Meanings and Construction.**

A. **Definitions.** The terms in this Section 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 herein specified:

1. **“Annual Principal and Interest Requirements”** means the sum of the principal of and interest on the Bond and any other

Outstanding Parity Securities payable from the Net Pledged Revenues having a lien on a parity with the lien on the Bond, to be paid during any Bond Year, but excluding any reserve requirements to secure such payments unless otherwise expressly provided. In calculating this amount, the principal amount of the Bond or other securities required to be redeemed prior to maturity pursuant to a mandatory redemption schedule contained in the resolution, ordinance or other instrument authorizing the issuance of the Bond or other securities, shall be treated as maturing in the Bond Year in which the Bond or other securities are so required to be redeemed, rather than in the Bond Year in which the stated maturity of such bonds occurs.

2. “Banking Institution” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation and which is located within the United States; and such term includes, without limitation, any “Trust Bank” as herein defined.

3. “Bond Act” means NRS 350.500 through 350.720, and all laws amendatory thereof, designated in NRS 350.500 as the Local Government Securities Law.

4. “Bond Fund” means the special account designated as the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B, Pledged Revenues Interest and Principal Retirement Fund,” created in Section 43 hereof.

5. “Bond Requirements” means the principal of, interest on, and any prior redemption premiums due in connection with the Bond or other additional securities payable from the Pledged Revenues and heretofore or hereafter issued, or such part of such Bond or such other securities relating to the Sewer System as may be designated, as such principal, interest, and any premium becoming

due at maturity or on a Redemption Date designated in a notice of prior redemption, or otherwise.

6. “Bond Year” means the 12 months commencing on the date of delivery of the Bond or the annual anniversary thereof.

7. “Bonds” or “Bond” means the securities issued hereunder and designated as the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B,” in the principal amount of \$27,099,690.98.

8. “Budget Act” means NRS 354.470 through 354.626, and all laws amendatory thereof, designated in NRS 354.470 as the Local Government Budget and Finance Act.

9. “City” means the City of Sparks, Nevada and constituting a political subdivision of the State, or any successor municipal corporation; and where the context so indicates, such term means the geographical area comprising the City of Sparks. Except as otherwise expressly provided or necessarily implied herein or in any law of the State, the City shall act by and through the Council and subject to any such exception, no reference herein to the City shall be construed to the contrary.

10. “Clerk” or “City Clerk” means the de jure or de facto city clerk of the City and designated as such by the City, or her successor in functions, if any.

11. “Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bond.

12. “Comparable Bond Year” means, in connection with any Fiscal Year, the Bond Year which commences in the Fiscal Year. For example, for the Fiscal Year commencing on July 1, 2017, the

Comparable Bond Year commences on the first anniversary of delivery of the Bond.

13. “Department” means the State of Nevada Department of Conservation and Natural Resources.

14. “Director” means the Director of the State of Nevada Department of Conservation and Natural Resources.

15. “Events of Default” means the events stated in Section 110 hereof.

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

17. “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.

18. “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; or such other fiscal year as required by law.

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

20. “Gross Pledged Revenues” or “Gross Revenues” means the gross revenues derived from the operation of the Sewer System.

21. “hereby,” “herein,” “hereinabove,” “hereinafter,” “hereinbefore,” “hereof,” and any similar term refer to this Ordinance and not solely to the particular portion thereof in which the word is used; “heretofore” means before the adoption of this Ordinance and “hereafter” means after the adoption of this Ordinance.

22. “improve”, “improvement” or “improvements” means the extension, widening, lengthening, betterment, alteration, reconstruction or other major improvement, or any combination thereof, of the Sewer System, or the acquisition of any properties relating to the Sewer System, or an interest therein, but does not mean renovation, reconditioning, patching, general maintenance or other minor repair occurring periodically at annual or shorter intervals.

23. “Independent Accountant” means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State, as from time to time appointed and compensated by the Council on the behalf and in the name of the City:

- a. Who or which is, in fact, independent and not under the domination of the City,
- b. Who or which does not have any substantial interest, direct or indirect, with the City, and
- c. Who or which is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

24. “Independent Engineer” means the Public Works Director of the City or any registered or licensed professional engineer, or any firm of such engineers, entitled to practice and practicing as such under the laws of the State, as from time to time appointed and compensated by the Council on behalf of and in the name of the City which engineer (other than the Public Works Director of the City):

- a. Has a wide and favorable reputation for skill and expertise in connection with sanitary sewer systems;

b. Is, in fact, independent and not under the domination of the City;

c. Does not have any substantial interest, direct or indirect, with the City; and

d. Is not connected with the City as an officer or employee thereof, but who may be regularly retained to provide consulting services to the City.

25. “Interest Account” means the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B, General Tax Interest Account”, created in Section 32 hereof.

26. “Net Pledged Revenues” or “Net Revenues” means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses of the Sewer System.

27. “NRS” means Nevada Revised Statutes.

28. “Operation and Maintenance Expenses,” or any phrase of similar import, means all reasonable and necessary current expenses of the City paid or accrued, of operating, maintaining and repairing the Sewer System; and the term includes, at the option of the City, acting by and through the Council, except as limited by law, without limitation:

a. Engineering, auditing, reporting, legal and other overhead expenses of the various municipal departments of the City directly related and reasonably allocable to the administration, operation and maintenance of the Sewer System;

b. Fidelity bond and property and liability insurance premiums relating to the Sewer System, or a

reasonably allocable share of a premium of any blanket bond or policy relating to the Sewer System;

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

d. Any General Taxes, assessments, excise taxes or other charges which may be lawfully imposed on the City, the Sewer System, revenues therefrom, or the City's income from or operations of any properties under its control and relating to the Sewer System, or any privilege in connection with the Sewer System or its operation;

e. The reasonable charges of any Paying Agent, Banking Institution, Trust Bank or other depository bank relating to the Bond and any other securities payable from the Pledged Revenues or otherwise relating to the Sewer System;

f. Contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs and labor relating to the Sewer System or to the issuance of the Bond or any other securities relating to the Sewer System, including, without limitation, the expenses and compensation of any trustee, receiver or other fiduciary under the Bond Act;

g. The costs incurred by the City in the collection and any refunds of all or any part of the Pledged Revenues;

h. Any costs of utility services furnished to the Sewer System by the City or otherwise;

i. All other administrative, general and commercial expenses relating to the Sewer 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 Sewer System;

(v) any allowance for the redemption of the Bond or other security payable from Net Pledged Revenues, 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) relating to the Sewer System, or otherwise; and

(vii) any liabilities incurred by the City as the result of its negligence in the operation of the Sewer System or any other ground of legal liability not based on contract.

29. “Operation and Maintenance Fund” means the special account heretofore created and designated as the “City of Sparks, Nevada Sewer Bonds Operation and Maintenance Fund” and continued in Section 42 hereof which, for accounting purposes, may consist of one or more accounts in one or more funds.

30. “Outstanding” when used with reference to the Bond or any other designated securities and as of any particular date means the Bond or any such other securities payable from the Pledged

Revenues or otherwise relating to the Sewer System, as the case may be, in any manner theretofore and thereupon being executed and delivered:

a. Except the Bond or other security canceled by the City, by the Paying Agent or otherwise on the City's behalf, at or before such date;

b. Except the Bond or other security the payment of which is then due or past due and moneys fully sufficient to pay which are on deposit with the Paying Agent;

c. Except the Bond or other security for the payment or the redemption of which moneys at least equal to the Bond Requirements to the date of maturity or to any Redemption Date shall have heretofore been deposited with a Trust Bank in escrow or in trust for that purpose; and

d. Except the Bond or other security in lieu of or in substitution for which another bond or other security shall have been executed and delivered.

31. "Owner" means Registered Owner.

32. "Parity Bonds" or "Parity Securities" means bonds or securities which have a lien on the Pledged Revenues that is on a parity with the lien thereon of the Bond.

33. "Paying Agent" means the City's Director of Financial Services or any successor thereto as paying agent for the Bond appointed by the Council.

34. "Payment Date" means any date when interest or principal and interest become due and payable.

35. "Person" means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State, or any other body corporate and politic other than the City),

partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

36. “Pledged Revenues” means all or a portion of the Gross Pledged Revenues. The designated term indicates sources of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification.

37. “Principal Account” means the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B, General Tax Principal Account,” created in Section 32 hereof.

38. “Project Act” means NRS 445A.060 through 445A.160, as heretofore and hereafter from time to time amended.

39. “Purchaser” means the State of Nevada, acting by and through the Director of the Department of Conservation and Natural Resources as Administrator of the Account to Finance the Construction of Treatment Works and Implementation of Pollution Control Projects of the State of Nevada.

40. “Redemption Date” means a date fixed for the redemption prior to the maturity of the Bond or other designated securities payable from any Pledged Revenues in any notice of prior redemption or otherwise fixed and designated by the City.

41. “Redemption Price” means, when used with respect to the Bond or other designated security payable from any Pledged 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.

42. “Registered Owner” or “Registered Owners” means the Person or Persons, as appropriate; in whose name the Bond shall be registered in the registration records kept by the Registrar who shall be deemed and regarded as the absolute owner thereof for the purpose of making payments thereof and for all other purposes.

43. “Registrar” means the City’s Director of Financial Services or any successor thereto as registrar for the Bond appointed by the Council.

44. “Revenue Fund” means the special account designated as the “City of Sparks, Nevada, Sewer System Gross Pledged Revenues Fund,” heretofore created and continued in Section 40 hereof which, for accounting purposes, may consist of one or more accounts in one or more funds.

45. “Revolving Fund” means the Account to Finance the Construction of Treatment Works and the Implementation of Pollution Control Projects of the State of Nevada created by NRS 445A.120.

46. “Sewer System” means the municipal sanitary sewer system owned by the City, as the same may from time to time be extended or otherwise improved.

47. “State” means the State of Nevada, in the United States; and where the context so indicates, “State” means the geographical area comprising the State of Nevada.

48. “Subordinate Bonds” or “Subordinate Securities” means bonds or securities which have a lien on the Pledged Revenues that is subordinate and junior to the lien thereon of the Bond.

49. “Superior Bonds” or “Superior Securities” means bonds or securities which have a lien on the Pledged Revenues that is superior to the lien thereon of the Bond herein authorized.

50. “Treasurer” means the de jure or de facto treasurer of the City and designated as such by the City, presently the City’s Director of Financial Services.

51. “Trust Bank” means a “Banking Institution,” as defined herein, which bank is authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank. Other terms are defined in the preambles hereto and in the body of the Ordinance.

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

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

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

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

4. Any securities payable from any Pledged Revenues and held by the City shall not be deemed to be Outstanding for the purpose of redemption nor Outstanding for the purpose of consents hereunder or for other purposes provided herein.

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. Approval of Loan Contract. The State Water Pollution Control Revolving Fund Loan Contract (the “Loan Contract”) to be entered into between the City and the Department is hereby approved and accepted in substantially the form as is now on file in the office

of the City Clerk. The City's Director of Financial Services (the "Director of Financial Services"), or in his absence the City Manager, is hereby authorized to make such amendments to the Loan Contract as are necessary to conform to this Ordinance and to the State laws and Federal laws which are applicable to the Bond.

SECTION 4. **Sale of Bond.** The sale of the Bond to the State on the terms provided herein and in accordance with the Loan Contract between the Department and the City, to be executed by the Director of Financial Services on behalf of the City, is hereby approved.

SECTION 5. **Ratification.** All action heretofore taken by the Council and the officers of the City directed toward the Project and toward the issuance, sale and delivery of the Bond is hereby ratified, approved and confirmed.

SECTION 6. **Estimated Life of Facilities.** The Council, on behalf of the City, has determined and does hereby declare that the estimated life or estimated period of usefulness of the improvements to be refinanced with the Bond is not less than the maturity of the Bond.

SECTION 7. **Necessity of the Refunding Project and Bond; Authorization of the Refunding Project.** It is necessary and in the best interests of the Council, the officers of the City, and the inhabitants of the City, that the City effect the Refunding Project and defray wholly or in part the cost thereof by the issuance of the Bond therefor and it is hereby so determined and declared. The Council hereby authorizes the Refunding Project.

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

SECTION 9. **Bond Equally Secured.** The covenants and agreements herein set forth to be performed shall be for the equal benefit, protection and security of the Owner or Owners of the Outstanding Bond.

SECTION 10. **General Obligations.** The Bond shall constitute a general obligation of the City, which hereby pledges its full faith and credit for the payment of the Bond Requirements thereof.

SECTION 11. **Payment for General Taxes.** The Bond as to all Bond Requirements shall be payable from General Taxes (except to the extent that other moneys, such as Pledged Revenues are available therefor) as herein provided.

SECTION 12. **Pledged Revenues.** The payment of the Bond Requirements of the Bond is additionally secured by an irrevocable pledge of and by a lien (but not necessarily an exclusive lien) on the Gross Pledged Revenues, after provision is made for the payment of the Operation and Maintenance Expenses of the Sewer System.

SECTION 13. **Limitations upon Security.** The payment of the Bond is not secured by an encumbrance, mortgage or other pledge of property of the City, except for the proceeds of General Taxes, the Net Pledged Revenues and any other moneys pledged for the payment of the Bond. No property of the City, subject to such exception, shall be liable to be forfeited or taken in payment of the Bond.

SECTION 14. **No Recourse Against Officers and Agents.** No recourse shall be had for the payment of the Bond Requirements of the Bond or for any claim based thereon or otherwise upon this Ordinance or any other instrument relating thereto, against any individual member of the Council or any officer or other agent of the Council or City, past, present or future, either directly or indirectly through the Council or the City, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bond and as a part of the consideration of its issuance specially waived and released.

SECTION 15. **Authorization of Bond.** For the purpose of providing funds to pay all or a portion of the cost of the Project, the City shall issue its "City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B", in the principal amount of \$27,099,690.98 (the "Bond"). The State has requested, and the City has agreed, that the obligation of the City hereunder shall be represented in the form of a single, registered, negotiable general obligation (limited tax) sewer refunding bond (additionally secured by pledged revenues).

SECTION 16. **Bond Details.** The Bond shall be issued in fully registered form, i.e., registered as to both principal and interest. The Bond shall be dated initially as of the date of

delivery thereof to the State. The Bond shall bear interest at the rate per annum, as set forth in the Loan Contract, on the unpaid principal amount until the principal thereof is paid in full. Interest payments shall be made semi-annually on January 1 and July 1, commencing on the January 1 or July 1 immediately succeeding the date of closing. Principal payments shall be made semi-annually on January 1 and on July 1 commencing on the first principal payment date immediately following the date of closing, as provided in the Loan Contract.

If the Bond is reissued upon replacement, it shall bear interest from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from the date of the initial advance to the City. The installments of principal on the 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 as provided in Section 26 hereof. If any installment of principal shall not be paid on or ten days after maturity, interest shall continue to accrue at the interest rate per annum as set forth in the Loan Contract until the principal thereof is paid in full, plus a penalty in the amount of one-tenth of one percent (0.1%) will be due for each day of nonpayment commencing 10 days after the maturity date of that principal installment. Payment of interest on the Bond shall be made 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 provided in Section 26 hereof. So long as the State is the Registered Owner, such payment shall be made by depositing with the State Treasurer, by electronic transfer in immediately available funds, not later than the principal or interest payment date, the amount coming due on the Bond on such date, or if such Payment Date is not a business day, on or before the next succeeding business day, immediately available funds in an amount sufficient to make the payment then due. The Paying Agent may make payments of interest on the 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 17. **Prior Redemption or Prepayment Option.** The Bond, or portions thereof, is not subject to redemption prior to the respective maturities of the installments of principal unless (i) the State consents to such redemption or the State securities are defeased, redeemed, canceled or otherwise discharged; or (ii) a change in use of facilities refinanced with the Bond occurs which change in use necessitates remedial action under Treas. Reg 1.141-12 in order to comply with the covenant in Section 103 hereof.

SECTION 18. **Compliance with Federal and State Laws.** The City agrees that it will, at all times that the Bond is Outstanding, comply with and require its contractors and subcontractors to comply with all applicable federal and State laws, rules, guidelines, regulations and requirements. The City covenants that it will comply with the requirements of 40 CFR Part 31 and comply with, implement and fulfill all environmental mitigation measures committed to by the City as a part of its request to the Director for financing from the Revolving Fund.

SECTION 19. **Registration of Bond.**

A. Records for the registration of the Bond shall be kept by the Registrar. The Person in whose name the Bond shall be registered, on the registration records kept by the Registrar, shall be deemed and regarded as the absolute Owner thereof for the purpose of payment and for all other purposes; and payment of or on account of either principal or interest on the 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.

B. If the Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the City may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond. If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

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

D. The Registrar shall maintain at her office a registration record for the Bond showing the name and address of the Registered Owner and the amounts and dates of any principal prepayments on the Bond.

SECTION 20. Execution and Authentication.

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

B. The Mayor, Director of Financial Services and the Clerk are hereby authorized and directed to prepare and to execute the Bond as herein provided.

SECTION 21. Use of Predecessor's Signature. The Bond bearing the signatures of the officers in office at the time of the execution of the Bond shall be a valid and binding obligation of the City, notwithstanding that before its delivery any or all of the persons who executed it shall have ceased to fill their respective offices.

SECTION 22. Incontestable Recital. Pursuant to NRS 350.628, the Bond shall contain a recital that it is issued pursuant to the Bond Act, which recital shall be conclusive evidence of the validity of the Bond and the regularity of its issuance.

SECTION 23. State Tax Exemption. Pursuant to NRS 350.710, the Bond, its transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

SECTION 24. **Initial Registration.** The Registrar shall maintain in a separate record the registration records of the City for the Bond, showing the name and address of the Owner of the Bond authenticated and delivered, the date of authentication, the maturity of the Bond, and its interest rate, principal amount, and bond number.

SECTION 25. **Bond Delivery.** After such registration by the Registrar, the Treasurer shall cause the Bond to be delivered to the Purchaser, upon payment being made in accordance with the terms of its sale.

SECTION 26. **Use of Single Bond.** The Bond shall be evidenced by a single registered general obligation (limited tax) sewer refunding bond in the principal amount of \$27,099,690.98 which Bond shall be manually executed in the name of and on the behalf of the City and signed by the Mayor, and by the Director of Financial Services as ex officio City Treasurer, and attested by the Clerk, with the seal of the City affixed thereto. The principal installments and interest shall be paid by check, draft or warrant made to the order of the Registered Owner of the Bond and mailed to the address of the Registered Owner shown on the registration records of the Paying Agent 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, by electronic transfer in immediately available funds, not later than the principal or interest payment date, the amount coming due on the Bond on such date, or if such Payment Date is not a business day, on or before the next succeeding business day, immediately available funds in an amount sufficient to make the payment then due. The final installment of principal of the Bond shall be made only on presentation and surrender of the Bond at the office of the Paying Agent. The Bond shall mature in installments of principal and shall bear interest substantially as provided in Section 16 hereof. If the State Treasurer consents to a portion of the principal of the Bond being called for prior redemption, no payment of the principal of, interest on or prior redemption price due in connection with the Bond due on or after the date fixed for redemption shall be made unless the Bond is presented to the Paying Agent and notation of the installments of principal so consented to for prior redemption is made on such Bond. The 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 hereinbelow set forth.

The City shall pay to the State such amounts as are necessary to pay the City's share of the State's costs of issuance for the State securities which are issued to fund the Bond, including without limitation the City's share of paying agent fees. The Director of Financial Services shall act as Registrar and Paying Agent and shall maintain at his or her office registration records for the Bond showing the name and address of the Registered Owner and the amounts and dates of any principal payments on the Bond.

SECTION 27. **Form of Bond.** The Bond shall be in substantially the following form with such omissions, insertions, endorsements and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this Ordinance, or be consistent with this Ordinance or necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

**CITY OF SPARKS, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER REFUNDING BOND
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2016B**

No. R-1

PRINCIPAL AMOUNT: \$27,099,690.98

Loan Contract No. _____

The City of Sparks (the "City"), in the County of Washoe (the "County"), State of Nevada (the "State") for value received hereby acknowledges itself to be indebted and promises to pay to the State of Nevada, c/o the State Treasurer, for deposit to the Account to Finance the Construction of Treatment Works and the Implementation of Pollution Control Projects (the "Revolving Fund") the principal sum of

TWENTY-SEVEN MILLION NINETY-NINE THOUSAND SIX HUNDRED NINETY AND 98/100 DOLLARS

under the State Water Pollution Control Revolving Fund Loan Contract (the "Loan Contract") to the City, as is hereby required to be shown by the Registrar as herein defined, in installments of principal in the amounts and dates to be determined in accordance with the Loan Contract and pursuant to the ordinance duly adopted by the City Council (the "Council") on September 12, 2016 and designated in Section 1 by the short title "2016 Sewer Refunding Bond Ordinance" (the "Ordinance") (unless the State Treasurer consents to prepayment and such prepayment is noted on the Prepayment Panel appended hereto) in lawful money of the United States of America, together with interest on the unpaid advances until payment of such advances of principal shall have been discharged as provided in the Ordinance, said interest being payable on January 1 and July 1 of each year commencing on the first January 1 or July 1 after the date of closing, and said installments of principal bearing interest at the rate of _____ % per annum as set forth in the Loan Contract, and being payable on January 1 and July 1 of the years and in the amounts and at the times designated in the Ordinance and the Loan Contract.

The principal and interest 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 Director of Financial Services as ex officio City Treasurer or any successor thereto as paying agent for this Bond (the "Paying Agent") to the address shown for the State Treasurer on the registration records of the Director of Financial Services as ex officio City Treasurer or any successor thereto as registrar for the Bond (the "Registrar"). Payment of the Bond Requirements shall be made by depositing with the State Treasurer, on or before any principal or interest payment date or prior redemption date, by electronic transfer in immediately available funds,

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

This Bond is a duly authorized bond of the City (the "Bond") to defray, in part, the cost of refunding certain outstanding obligations of the City (the "Project") under the authority of and in full compliance with the constitution and laws of the State.

This Bond is issued pursuant to Chapter 470, Statutes of Nevada 1975 (the "Charter"), Nevada Revised Statutes ("NRS") 350.500 through 350.720, and all laws amendatory thereof, designated in NRS 350.500 as the Local Government Securities Law (the "Bond Act"); pursuant to NRS 350.020(3); pursuant to NRS 350.011 to 350.0165, inclusive; pursuant to NRS 268.672 through 268.780, inclusive, and pursuant to NRS Chapter 348; pursuant to NRS 350.628, this recital is conclusive evidence of the validity of the Bond and the regularity of its issuance; and pursuant to NRS 350.710, the Bond, its transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

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

It is hereby certified and recited that all of the requirements of law have been fully complied with by the proper officers of the City in the issuance of this Bond; that the total indebtedness of the City, including that of this Bond, does not exceed any limit of indebtedness prescribed by the Constitution, the Charter 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 City sufficient to pay the Bond Requirements of this Bond when the same become due (except to the extent that other revenues are available therefor), subject to the limitations imposed by the Constitution and statutes of the State; and that the full faith and credit of the City are hereby irrevocably pledged to the punctual payment of the Bond Requirements of this Bond according to its terms.

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

This Bond is equally and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues on a parity with certain outstanding bonds of the City (as described in the Ordinance). Additional securities may be issued and made payable from the Net Revenues of the Sewer 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 General Taxes, the accounts, funds, or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owner of this Bond with respect thereto, the terms and conditions upon which this Bond is issued, and a statement of rights, duties, immunities, and obligations of the City, and other rights and remedies of the owner of this Bond.

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

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

No recourse shall be had for the payment of the Bond Requirements of this Bond or for any claim based thereon or otherwise in respect to the Ordinance or any other instrument pertaining thereto, against any individual member of the Council, or any officer or other agent of the City, past, present or future, either directly or indirectly through the Council or the City, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or

otherwise, all such liability, if any, being by the acceptance of this Bond and as a part of the consideration of its issuance specially waived and released.

IN WITNESS WHEREOF, the City of Sparks, Nevada, has caused this Bond to be executed in its name by the manual signature of its Mayor, to be signed by the manual signature of its Director of Financial Services as ex officio City Treasurer and attested by the manual signature of its City Clerk and has caused the seal of the City to be affixed hereto, all as of the ____ day of _____, 2016, i.e., the date of delivery of this Bond.

CITY OF SPARKS, NEVADA

By____(Manual Signature)

Mayor

City of Sparks, Nevada

(SEAL)

By____(Manual Signature)

Director of Financial Services, as ex officio

City Treasurer

City of Sparks, Nevada

Attest:

(Manual Signature)

City Clerk

City of Sparks, Nevada

(End of Form of Bond)

(Form of Registration Panel on Bond)

MANDATORY REGISTRATION FOR PAYMENT
AS TO PRINCIPAL AND INTEREST

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

<u>Date of Registration</u>	<u>Name of Owner</u>	<u>Address of Owner</u>	<u>Signature of Director of Financial Services, as Registrar</u>
_____	State of Nevada, Treasurer, as Custodian of the Revolving Fund of the State of Nevada	State Treasurer Capitol Building, 101 N. Carson, #4 Carson City, Nevada 89701	_____
_____	_____	_____	_____
_____	_____	_____	_____

(End of Form of Registration Panel)

(Form of Principal Prepayment Panel on Bond)

City of Sparks, Nevada
General Obligation (Limited Tax) Sewer Refunding Bond
(Additionally Secured by Pledged Revenues)
Series 2016B

PREPAYMENT PANEL

The following installments of principal (or portions thereof) of this Bond have been prepaid by the City of Sparks, 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)

SECTION 28. **Delivery of the Bond.** When the Bond has been duly executed, the Director of Financial Services shall register it in the name of the State in the registration records of the City and make notation of such registration on the panel attached to the Bond as provided herein, and shall cause it to be delivered to the State upon receipt of the 2000 Bonds, the 2001 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2005B Bonds, the 2006 Bonds and the 2009 Bonds, each marked prepaid or canceled.

SECTION 29. **Prior Redemption of Refunded Bonds.** The City hereby elects to redeem on the date of delivery of the Bond, the Refunded Bonds, at a price equal to the principal amount thereof, plus accrued interest to the redemption date.

SECTION 30. **Completion of Project.** The City, with the proceeds derived from the sale of the Bond, shall proceed to complete the Refunding Project without delay and with due diligence to the best of the City's ability, as hereinabove provided.

SECTION 31. **Purchaser Not Responsible.** The validity of the Bond shall not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Refunding Project, or any part thereof, or to the completion of the Refunding Project. The Purchaser, any associate thereof, and any subsequent Owner of any Bond shall in no manner be responsible for the application or disposal by the City or by any of its officers, agents and employees of the moneys derived from the sale of the Bond or of any other moneys herein designated.

SECTION 32. **General Tax Levies.** So far as possible, the Bond Requirements of the Bond shall be paid from the Net Pledged Revenues. However, pursuant to NRS 350.596, the interest and principal falling due on the Bond at any time when there are not on hand from the Net Revenues of the Sewer System sufficient funds to pay the same shall be paid out of the Construction Account or out of a general fund of the City or out of any other funds that may be available for such purpose, including, without limitation, any proceeds of General Taxes. For the purpose of repaying any moneys so paid from any such fund or funds (other than any moneys available without replacement for the payment of such Bond Requirements on other than a temporary basis), and for the purpose of creating funds for the payment of the Bond Requirements, there are hereby created separate accounts designated respectively as the "City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond, Series 2016B, General Tax Principal Account" (the

“Principal Account”) and the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond, Series 2016B, General Tax Interest Account” (the “Interest Account”). Pursuant to NRS 350.592 and 350.594, there shall be duly levied immediately after the issuance of the Bond and annually thereafter, until all of the Bond Requirements shall have been fully paid, satisfied and discharged, a General Tax on all property, both real and personal, subject to taxation within the boundaries of the City, fully sufficient together with the revenue which will result from application of the rate to the net proceeds of minerals to reimburse such fund or funds for any such amounts temporarily advanced to pay such initial installment of interest, and to pay the interest on the Bond becoming due after such initial installments, and to pay and retire the Bond as they thereafter become due at maturity as herein provided, after there are made due allowances for probable delinquencies. The proceeds of such annual levies shall be duly credited to such separate accounts for the payment of such Bond Requirements. In the preparation of the annual budget or appropriation resolution or ordinance for the City, the Council shall first make proper provisions through the levy of sufficient General Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the City, including, without limitation, the Bond, subject to the limitation imposed by NRS 361.453 and Section 2, Article 10, State Constitution, and the amount of money necessary for this purpose shall be a first charge against all the revenues received by the City.

SECTION 33. **Priorities for Bonds.** As provided in NRS 361.463, in any year in which the total General Taxes levied against the property in the City by all overlapping units within the boundaries of the City may exceed the limitation imposed by NRS 361.453 or a lesser or greater amount fixed by the State Board in any Fiscal Year, and it shall become necessary by reason thereof to reduce the levies made by any and all such units, the reductions so made shall be in General Taxes levied by such unit or units (including, without limitation, the City and the State) for purposes other than the payment of their bonded indebtedness, including interest thereon. The General Taxes levied for the payment of such bonded indebtedness and the interest thereon shall always enjoy a priority over General Taxes levied by each such unit (including, without limitation, the City and the State) for all other purposes where reduction is necessary in order to comply with the limitation of NRS 361.453.

SECTION 34. **Correlation of Levies.** Such General Taxes shall be levied and collected in the same manner and at the same time as other taxes are levied and collected, and the proceeds thereof for the Bond shall be kept in the Bond Fund, which account shall be used for no other purpose than the payment of principal and interest, as the same fall due.

SECTION 35. **Use of General Fund.** Any sums becoming due on the Bond at any time when there are on hand from such General Taxes (and any other available money) insufficient funds to pay the same shall be promptly paid when due from general funds on hand belonging to the City, reimbursement to be made for such general fund in the amounts so advanced when the General Taxes herein provided for have been collected, pursuant to NRS 350.596.

SECTION 36. **Use of Other Funds.** Nothing in this Ordinance prevents the City from applying any funds (other than General Taxes) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, mature, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 350.598.

SECTION 37. **Legislative Duties.** In accordance with NRS 350.592, it shall be the duty of the Council annually, at the time and in the manner provided by law for levying other General Taxes of the City, if such action shall be necessary to effectuate the provisions of this Ordinance, to ratify and carry out the provisions hereof with reference to the levy and collection of General Taxes; and the Council shall require the officers of the City to levy, extend and collect such General Taxes in the manner provided by law for the purpose of creating funds for the payment of the principal of the Bond and the interest thereon. Such General Taxes, when collected shall be kept for and applied only to the payment of the principal of and the interest on the Bond as hereinbefore specified.

SECTION 38. **Appropriation of General Taxes.** In accordance with NRS 350.602, there is hereby specially appropriated the proceeds of such General Taxes to the payment of such principal and interest; and such appropriations will not be repealed nor the General Taxes postponed or diminished (except as herein otherwise expressly provided) until the principal of and the interest on the Bond have been wholly paid.

SECTION 39. **Pledge of Revenues.** Subject only to the right of the City to cause amounts to be withdrawn and paid on account of Operation and Maintenance Expenses of the Sewer System and to be withdrawn to pay the cost of the Project as provided herein, the Net Pledged Revenues and all moneys and securities paid or to be paid to or held or to be held in any account under this Ordinance are hereby pledged to secure the payment of the Bond Requirements of the Bond; and this pledge shall be valid and binding from and after the date of the first delivery of the Bond, and the moneys, as received by the City and hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act, and the lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the City, except for the 2000 Bonds, the 2001 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2005B Bonds, the 2006 Bonds and the 2009 Bonds (the “Outstanding Parity Bonds”) and any Outstanding securities hereafter authorized the liens of which on the Pledged Revenues are on a parity with the lien of the Bond; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City (except as herein otherwise provided) irrespective of whether such parties have notice thereof.

SECTION 40. **Revenue Fund Deposits.** So long as the Bond shall be Outstanding, as to any Bond Requirements, the entire Gross Pledged Revenues, upon their receipt from time to time by the City, shall be set aside and credited immediately to a special account heretofore created and hereby continued and designated as the “City of Sparks, Nevada, Sewer System Gross Pledged Revenues Fund” (the “Revenue Fund”).

SECTION 41. **Administration of Revenue Fund.** So long as the Bond shall be Outstanding as to any Bond Requirements, each Fiscal Year the Revenue Fund shall be administered, and the moneys on deposit therein shall be applied in the following order of priority, all as provided Sections 42 through 47 hereof.

SECTION 42. **O. & M. Expenses.** First, as a first charge on the Revenue Fund, from time to time there shall be set aside in and credited to a separate account heretofore created, continue, and designated as the “City of Sparks, Nevada, Sewer Bonds Operation and Maintenance Fund” (the “Operation and Maintenance Fund”), moneys sufficient to pay Operation and

Maintenance Expenses as budgeted and approved in accordance with the Budget Act, as such expenses become due and payable, and thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses shall be used in the same manner as moneys in the Revenue Fund are used as provided herein.

SECTION 43. **Bond Fund Payments.** Second, and subject to the aforesaid provisions, from any moneys remaining in the Revenue Fund, i.e., from the Net Pledged Revenues and concurrent with transfers to the bond fund created with respect to the Outstanding Parity Bonds and any other Parity Securities hereafter issued, there shall be credited to the special and separate account hereby created and known as the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B, Pledged Revenues Interest and Principal Fund” (the “Bond Fund”), the following transfers:

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

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

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

SECTION 44. **Rebate Fund Deposits.** Third, and after the aforementioned deposits into the Bond Fund, from the Net Pledged Revenues, there shall be credited to a special and separate account hereby created and known as the “City of Sparks, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2016B, Rebate Fund (the “Rebate Fund”) and to any other fund or account established for payment of amounts due the United States under Section 148(f) of the Tax Code in connection with the Outstanding Parity Bonds and any Parity Securities hereafter issued, such amounts as are required to be deposited therein to meet the City’s obligations under the covenant contained in Section 103 hereof, in accordance with Section 148(f) of the Code. Such deposits shall be made at such times as are required by Section 148(f) of the Code and the covenant contained in Section 103 hereof and amounts in the Rebate Fund shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Code. Any amounts in the Rebate Fund in excess of those required to be on deposit therein by Section 103 hereof and Section 148(f) of the Code may be withdrawn therefrom and deposited into the Revenue Fund.

SECTION 45. **Termination of Deposits; Defraying Delinquencies.** No payment need be made into the Bond Fund if the amounts in the Bond Fund total a sum at least equal to the entire amount of the Outstanding Bond as to all Bond Requirements to their respective maturities or to any Redemption Date on which the City shall have obligated itself to exercise its option to redeem prior to their maturities the Outstanding Bond thereafter maturing, and both accrued and not accrued, in which case moneys in such account 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; and any moneys in excess thereof in that account and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the Council.

If at any time the City shall for any reason fail to pay into the Bond Fund or the Rebate Fund the full amount above stipulated from the Net Pledged 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 Pledged Revenues and the full amount so stipulated. If securities (other than the Bond) are Outstanding, and the lien to secure the payment of which on the Net Pledged Revenues is on a parity with the lien hereon of the Bond, 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 bond fund, reserve fund or rebate fund shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bond and the then Outstanding Parity Securities, as moneys become available therefor, first into all of such bond and reserve funds and second into all such rebate funds.

SECTION 46. **Payment of Additional Securities.** Third, and subject to the provisions hereinabove stated but either concurrently with or subsequent to the payments required by Section 43 hereof, any moneys remaining in the Revenue Fund may be used by the City for the payment of Bond Requirements of additional bonds or other additional securities payable from the Pledged Revenues and heretofore or hereafter authorized to be issued in accordance with this Ordinance, including reasonable reserves for such securities and amounts required to be rebated to the United States for such securities, as the same accrue. The lien of such additional bonds or other additional securities on the Pledged Revenues and the pledge thereof for the payment of such additional securities shall be on a parity with or subordinate to the lien and pledge of the Bond, as herein provided. Payments for bond and reserve funds for Parity Securities shall be made concurrently with the payments required by Section 43 hereof and payments for rebate funds for Parity Securities shall be made concurrently with the payments required by Section 44 hereof, but payments for the bond, reserve and rebate funds for additional Subordinate Securities shall be made after the payments required by Sections 43 and 44 hereof.

SECTION 47. **Use of Surplus Revenues.** After the payments hereinabove required to be made by Sections 42 through 46 hereof are made, any remaining Pledged Revenues in the Revenue Fund may be used at any time during any Fiscal Year whenever in the Fiscal Year there shall have been credited to the Operation and Maintenance Fund, to the Bond Fund, the Rebate Fund

and to any other bond fund, reserve fund and rebate fund, if any, for the payment of any other securities payable from the Pledged Revenues, all amounts required to be deposited in those special accounts for such portion of the Fiscal Year, as hereinabove provided, for any one or any combination of lawful purposes relating to the Sewer System, or otherwise, as the Council may from time to time determine, including, without limitation, the payment of any Bond Requirements of the Bond or other securities relating to the Sewer System, general obligations or special obligations, and regardless of whether the respective proceedings authorizing or otherwise relating to the issuance of the securities provides for their payment from Pledged Revenues.

SECTION 48. **Administration of Accounts.** The special accounts designated in this Ordinance shall be administered as provided in Sections 49 through 56 hereof.

SECTION 49. **Places and Times of Deposits.** Each of such special accounts hereof shall be maintained as a record account and kept separate from all other accounts as a trust account solely for the purposes herein designated therefor, and the moneys accounted for in such special book accounts shall be deposited in one bank account or more in a Banking Institution or Banking Institutions as determined and designated by the Council (except as otherwise expressly stated herein). Nothing herein prevents the commingling of moneys accounted for in any two or more record accounts relating to the Sewer System in any bank account or any investment in Federal Securities hereunder. Each bank account shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds and shall be irrevocable and not withdrawable by anyone for any purpose other than the respective designated purposes. Each periodic payment shall be credited to the proper book account not later than the date therefor herein designated, except that when any such date shall be a Saturday, a Sunday or a legal holiday, then the payment shall be made on or before the next preceding secular day. Notwithstanding any other provision herein to the contrary, moneys sufficient to pay the Bond Requirements then coming due on the Bond shall be deposited with the Paying Agent at least on the day of each interest payment date herein designated and, in any event, in sufficient time to make timely payment of such Bond Requirements.

SECTION 50. **Investment of Moneys.** Any moneys in any such special account and not needed for immediate use, may be invested or reinvested by the Treasurer in any investments permitted under State law.

SECTION 51. **Required and Permissive Investments.** The Treasurer shall have no obligation to make any investment or reinvestment hereunder, unless any moneys on hand and accounted for in any one account exceeds \$5,000 and at least \$5,000 therein will not be needed for a period of not less than 60 days. In that event the Treasurer shall invest or reinvest in Federal Securities to the extent practicable not less than substantially all the amount which will not be needed during such 60-day period, except for any moneys on deposit in an interest-bearing account in any Banking Institution, regardless of whether such moneys are evidenced by a certificate of deposit or otherwise, pursuant to Section 54 hereof. The Treasurer may invest or reinvest any moneys on hand at any time as provided in Section 50 hereof even though he is not obligated to do so.

SECTION 52. **Accounting for Investments.** The Federal Securities so purchased as an investment or reinvestment of moneys in any such account shall be deemed at all times to be a part of the account and held in trust therefor. Except as herein otherwise provided, any interest or other gain in any account resulting from any such investments and reinvestments in Federal Securities and from any deposits of moneys in any Banking Institution pursuant to this Ordinance shall be credited to that account, and any loss in any account resulting from any such investments and reinvestments in Federal Securities and from any such deposits in any Banking Institution shall be charged or debited to that account. No loss or profit in any account on any investments or reinvestments in Federal Securities or any certificates of deposit shall be deemed to take place as a result of fluctuations in the market quotations of the investments, reinvestments or certificates before the sale or maturity thereof. In the computation of the amount in any account for any purpose hereunder, except as herein otherwise expressly provided, Federal Securities and certificates of deposit shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation) and other bank deposits shall be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the City until such gain is realized. The expenses of purchase, safekeeping, sale and all other expenses incident to any investment or

reinvestment of moneys hereunder shall be accounted for as Operation and Maintenance Expenses of the Sewer System and charged to the Operation and Maintenance Fund.

SECTION 53. **Redemption or Sale of Investment Securities.** The Treasurer shall present for redemption at maturity or sale on the prevailing market at the best price obtainable any Federal Securities and certificates of deposit so purchased as an investment or reinvestment of moneys in any account whenever it shall be necessary to do so in order to provide moneys to meet any withdrawal, payment or transfer from such account. The Treasurer and each other officer of the City shall not be liable or responsible for any loss resulting from any such investment or reinvestment made in accordance with this Ordinance.

SECTION 54. **Character of Funds.** The moneys in any account herein authorized shall consist either of lawful money of the United States or Federal Securities, or both. Moneys deposited in a demand or time deposit account or evidenced by a certificate of deposit of any Banking Institution, appropriately secured according to the laws of the State, shall be deemed lawful money of the United States.

SECTION 55. **Accelerated Payments.** Nothing contained herein prevents the accumulation in any account herein designated of any monetary requirements at a faster rate than the rate or minimum rate provided therefor, as the case may be; but no payment shall be so accelerated if such acceleration shall cause the City to default in the payment of any obligation of the City relating to the Pledged Revenues or the Sewer System. Nothing herein in connection with the Pledged Revenues received in any Fiscal Year requires the accumulation in any account for the payment in the Comparable Bond Year of Bond Requirements due in connection with the Bond or other securities payable from the Pledged Revenues and heretofore, herein or hereafter authorized, in excess of the Bond Requirements due in the Comparable Bond Year, and of any existing deficiencies, and payable from such account, as the case may be, except as may be otherwise provided herein.

SECTION 56. **Payment of Securities Requirements.** The moneys credited to any account designated herein for the payment of the Bond Requirements due in connection with the Bond or other securities payable from the Pledged Revenues and heretofore, herein or hereafter authorized shall be used, without requisition, voucher, warrant or further order or authority (other

than is contained herein), or any other preliminaries, to pay promptly the Bond Requirements payable from such account as the Bond or other securities become due, upon the respective interest payment dates and redemption dates, if any, on which the City is obligated to pay the Bond or other securities, or upon the respective interest payment and maturity dates of the Bond or other securities, as provided therefor herein or otherwise, except to the extent any other moneys are available therefor, including, without limitation, moneys accounted for in the Bond Fund.

SECTION 57. **Redemption Premium.** Notwithstanding any other provision herein, this Ordinance requires the accumulation in any account designated herein for the payment of the Bond or other securities payable from the Pledged Revenues of amounts sufficient to pay not only the principal thereof and interest thereon payable from such account but also the prior redemption premiums due, whenever the City shall have exercised or shall have obligated itself to exercise a prior redemption option relating thereto, except to the extent provision is otherwise made therefor, if any prior redemption premium is due in connection therewith. In that event moneys shall be deposited into such account in due season for the payment of all such Bond Requirements without default as the same become due.

SECTION 58. **Lien of the Bonds.** The Bond, subject to the payment of all necessary and reasonable Operation and Maintenance Expenses of the Sewer System as well as concurrent payments made in connection with the Outstanding Parity Bonds and any Parity Securities hereafter issued, constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Gross Pledged Revenues.

SECTION 59. **Equality of Bonds.** The Bond, the Outstanding Parity Bonds, and any Parity Securities hereafter authorized to be issued and from time to time Outstanding are equally and ratably secured by a lien on the Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Pledged Revenues, regardless of the time or times of the issuance of the Bond and any other such securities, it being the intention of the City that there shall be no priority among the Bond and any such Parity Securities, regardless of the fact that they may be actually issued and delivered at different times.

SECTION 60. **Issuance of Parity Securities.** Nothing herein, subject to the limitations stated in Sections 69 and 70 hereof, prevents the issuance by the City of additional bonds

or other additional securities payable from the Pledged Revenues and constituting a lien thereon on a parity with, but not prior nor superior to, the lien thereon of the Bond, nor prevents the issuance of bonds or other securities refunding all or a part of the Bond (or funding or refunding any other then Outstanding securities payable from Pledged Revenues), except as provided in Sections 65 through 70 hereof; but before any such additional Parity Bond or other additional Parity Securities are authorized or actually issued (excluding any parity refunding securities other than any securities refunding Subordinate Bonds or other Subordinate Securities, as permitted in Section 68C hereof):

A. Absence of Default. At the time of the adoption of the supplemental instrument authorizing the issuance of the additional securities as provided in Section 70 hereof, the City shall not be in default in making any payments required by Sections 42 through 44 hereof.

B. Projected Earnings Test. Except as hereinbelow otherwise provided, the Gross Pledged Revenues projected by the Director of Financial Services or an Independent Engineer 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 the Outstanding Bond, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued shall be at least sufficient to pay:

1. An amount equal to the Operation and Maintenance Expenses of the Sewer System for such Fiscal Year, and
2. An amount equal to the principal and interest requirements to be paid during that Fiscal Year of the Outstanding Bond, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued (excluding any reserves therefor).

C. Consideration of Additional Expenses. In determining whether or not additional Parity Securities may be issued as aforesaid under the projected earnings test in subsection B of this Section, consideration shall be given to any probable estimated increase (but not reduction) in Operation and Maintenance Expenses of the

Sewer System that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional securities.

D. Reduction for Moneys in Escrow. The respective annual Bond Requirements (including as such a requirement not only the principal of and interest on the securities but also the amount of any prior redemption premiums due on any Redemption Date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option) shall be reduced to the extent the Bond Requirements are scheduled to be paid in each of the respective Bond Years with moneys held in trust or in escrow for that purpose by any Trust Bank located within or without the State and exercising trust powers, including the known minimum yield from any investment Federal Securities.

SECTION 61. Certification of Revenues. A written certification or written opinion by the Director of Financial Services or an Independent Engineer, based upon estimates thereby as provided in Section 60C hereof, that the projected revenues when adjusted as hereinabove provided in Section 60D hereof are sufficient to pay such amounts as provided in Section 60B hereof shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional securities on a parity with the Bond.

SECTION 62. Subordinate Securities Permitted. Nothing herein prevents the City from issuing additional bonds or other additional securities payable from the Pledged Revenues having a lien thereon subordinate, inferior and junior to the lien thereon of the Bond.

SECTION 63. Superior Securities Prohibited. Nothing herein permits the City to issue additional bonds or other additional securities payable from the Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the Bond.

SECTION 64. Use of Proceeds. The proceeds of any additional securities (other than any funding or refunding securities) payable from the Pledged Revenues shall be used only to pay the cost of a project for constructing, purchasing, otherwise acquiring, bettering, enlarging, extending, otherwise improving and equipping any facilities (or any combination thereof) authorized by the City Bond Law, or any act, general or special, supplemental thereto.

SECTION 65. **Issuance of Refunding Securities.** At any time after the Bond, or any part thereof, is issued and remains Outstanding, if the Council shall find it desirable to refund the Outstanding Bond or other Outstanding securities payable from and constituting a lien upon any Pledged Revenues, the Bond or other securities, or any part thereof, may be refunded only if the Bond or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the City's option upon proper call, unless the Owner or Owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Pledged Revenues is changed (except as provided in Sections 63 and 66 through 70 hereof).

SECTION 66. **Equality of Refunding Bonds.** The refunding bonds or other refunding securities so issued, unless issued as Subordinate Securities, 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.

SECTION 67. **Limitations Upon Refundings.** Any refunding bonds or other refunding securities payable from any Pledged Revenues shall be issued with such details as the Council may by instrument provide, subject to the provisions of Sections 69 and 70 hereof, and subject to the inclusion of any such rights and privileges designated in Section 66 hereof, but without any impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bond).

SECTION 68. **Protection of Securities Not Refunded.** If only a part of the Outstanding Bond and other Outstanding securities of any issue or issues payable from the Pledged Revenues is refunded, then such securities may not be refunded without the consent of the Owner or Owners of the unrefunded portion of such securities:

A. **Requirements Not Increased.** Unless the refunding securities do not increase for any Bond Year the Annual 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 Pledged Revenues is not raised to a higher priority than the lien thereon of the Bond or other securities thereby refunded; or

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

C. Default and Earnings Test. Unless the refunding bonds or other refunding securities are issued in compliance with Section 60 hereof (including subsections A through D thereof) and Section 61 hereof.

SECTION 69. Payment Dates of Additional Securities. Any additional Parity or Subordinate Securities (including, without limitation, any funding or refunding securities) issued in compliance with the terms hereof shall bear interest payable at the times and shall mature on the dates designated by the Council in the supplemental instrument authorizing such securities as provided in Section 70 hereof.

SECTION 70. Supplemental Instrument. Additional securities payable from the Pledged Revenues shall be issued only after authorization thereof by a supplemental instrument of the Council stating the purpose or purposes of the issuance of the additional bonds or other additional securities, directing the application of the proceeds thereof to such purpose or purposes, directing the execution thereof, and fixing and determining the date, principal amount, maturity or maturities, designation and numbers thereof, the maximum rate or rates of interest to be borne thereby, any prior redemption privileges of the City with respect thereto and other provisions thereof not in conflict with this Ordinance. All additional securities shall bear such date, shall bear such numbers and series designation, letters or symbols prefixed to their numbers distinguishing them from each other security, shall be payable at such place or places, may be subject to redemption prior to maturity on such terms and conditions, and shall bear interest at such rate or at such different and varying rates per annum, as may be fixed by instrument or other document of the Council.

SECTION 71. **Protective Covenants Generally.** The City hereby particularly covenants and agrees with the Owners of the Bond and makes provisions which shall be a part of its contract with such Owners to the effect and with the purposes set forth in the following provisions (Sections 72 through 103).

SECTION 72. **Performance of Duties.** The City, acting by and through the Council, or otherwise, shall faithfully and punctually perform or cause to be performed all duties with respect to the Pledged Revenues and the Sewer System required by the Constitution and laws of the State and the various resolutions, ordinances and other instruments of the City, including, without limitation, the proper segregation of the proceeds of the Bond and the Pledged Revenues and their application from time to time to the respective accounts provided therefor.

SECTION 73. **Contractual Obligations.** The City shall perform all contractual obligations undertaken by it under leases or other agreements and with all Persons.

SECTION 74. **Further Assurances.** At any and all times the City, acting by and through the Council except when otherwise required by law, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Revenues, and other moneys and accounts hereby pledged or assigned, or which the City may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Ordinance and to comply with the Project Act, the Bond Act and all laws supplemental thereto. The City, acting by and through the Council or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of every Owner of the Bond against all claims and demands of all Persons whomsoever.

SECTION 75. **Conditions Precedent.** Upon the date of issuance of the Bond, all conditions, acts and things required by the Constitution or statutes of the State, including without limitation, the Project Act and the Bond Act, or this Ordinance, to exist, to have happened, and to have been performed precedent to or in the issuance of the Bond shall exist, have happened, and

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

SECTION 76. **Efficient Operation and Maintenance.** The City, acting by and through the Council, shall at all times operate the Sewer System properly and in a sound and economical manner; and the City shall maintain, preserve and keep the same properly or cause the same so to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the Sewer System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating facilities of like size and character. All salaries, fees, wages and other compensation paid by the City in connection with the maintenance, repair and operation of the Sewer System shall be reasonable and no more than would be paid by other corporations, municipalities or public bodies for similar services.

SECTION 77. **Rules, Regulations and Other Details.** The City, acting by and through, the Council, or otherwise, shall establish and enforce reasonable rules and regulations governing the operation, care, repair, maintenance, management, control, occupancy, use and services of the Sewer System and the disconnection therefrom. The City shall observe and perform all of the terms and conditions contained in this Ordinance and the Project Act, the Bond Act and all laws supplemental thereto and shall comply with all valid acts, rules, regulations, orders and directives of any legislative, executive, administrative or judicial body applicable to the Sewer System, to any such other facilities, or to the City.

SECTION 78. **Payment of Governmental Charges.** The City shall pay or cause to be paid all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Sewer System, or upon any part thereof, or upon any portion of the Pledged Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Sewer System or any part thereof, except for any period during which the same is being contested in good faith by proper legal proceedings. The City shall not create or suffer to be created any lien or charge upon the Sewer System, or any part thereof, or upon the Pledged Revenues, except the pledge and

lien created by this Ordinance for the payment of the Bond Requirements due in connection with the Bond, and except as herein otherwise permitted. The City shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects, which, if unpaid, might by law become a lien upon the Sewer System, or any part thereof, or the Pledged Revenues; but nothing herein requires the City to pay or to cause to be discharged or to make provision for any such tax, assessment, lien or charge, so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

SECTION 79. **Protective Security.** The City, the officers, agents and employees of the City, and the Council shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the Bond and any other securities payable from the Pledged Revenues according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Owner of the Bond or other security payable from the Pledged Revenues might be prejudicially and materially impaired or diminished.

SECTION 80. **Accumulation of Interest Claims.** In order to prevent any accumulation of claims for interest after maturity, the City shall not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on the Bond or any other securities payable from the Pledged Revenues; and the City shall not directly or indirectly be a party to or approve any arrangements for any such extension or for the purpose of keeping alive any of such claims for interest. If the time for the payment of any such installment of interest shall be extended in contravention of the foregoing provisions, such installment or installments of interest after such extension or arrangement shall not be entitled in case of default hereunder to the benefit or the security of this Ordinance, except upon the prior payment in full of the principal of the Bond and any such other securities then Outstanding and of all matured interest on such securities the payment of which has not been extended.

SECTION 81. **Prompt Payment of Bond.** The City shall promptly pay the Bond Requirements of the Bond at the places, on the dates, and in the manner specified herein and in the Bond according to the true intent and meaning hereof.

SECTION 82. **Use of Bond Fund.** The Bond Fund shall be used solely, and the moneys credited to such account are hereby pledged, for the purpose of paying the Bond Requirements of the Bond, subject to the provisions concerning surplus moneys.

SECTION 83. **Other Liens.** Other than as provided herein, there are no liens or encumbrances of any nature whatsoever on or against the Sewer System, or any part thereof, or on or against the Pledged Revenues derived or to be derived therefrom.

SECTION 84. **Corporate Existence.** The City shall maintain its corporate identity and existence so long as any part of the Bond remains Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities, duties and immunities of the City and is obligated by law to operate and maintain the Sewer System and to fix and collect the Pledged Revenues as herein provided without adversely affecting to any substantial degree at any time the privileges and rights of any Owner of the Outstanding Bond or any other securities payable from Pledged Revenues.

SECTION 85. **Disposal of Sewer System Prohibited.** Except for the use of the Sewer System and services relating thereto in the normal course of business, neither all nor a substantial part of the Sewer System shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, until the Bond has been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the Bond has otherwise been redeemed, including, without limitation, the termination of the pledge as herein authorized; and the City shall not dispose of its title to the Sewer System or to any useful part thereof, except as provided in Section 86 hereof.

SECTION 86. **Disposal of Property Permitted.** The City, acting by and through the Council, at any time or from time to time may sell, exchange, lease or otherwise dispose of any property or any interest therein constituting a part of the Sewer System which are not useful in the construction, reconstruction or operation thereof, or which shall cease to be necessary for the efficient operation thereof, or which shall have been replaced by other property of at least equal value, or if the Council receives at the time of such disposal a report of the Director of Financial Services or an Independent Accountant that the Net Pledged Revenues for the next preceding Fiscal Year, if adjusted to take into account the disposal of the facility disposed, would be sufficient to meet

the Council's obligations under Section 93 hereof for such preceding Fiscal Year. Any proceeds of any such sale, exchange, or other disposition received and not used to replace such property so sold or so exchanged or otherwise so disposed of, and any proceeds of any such lease received shall be deposited by the City as Pledged Revenues in the Revenue Fund.

SECTION 87. **Loss from Condemnation.** If any part of the Sewer System is taken by the exercise of a power of eminent domain, the amount of any award received by the City as a result of such taking shall be paid into a capital improvement account relating to the Sewer System for the purposes thereof, or shall be applied to the redemption of the Bond and any Outstanding Parity Securities in accordance with the provisions hereof and with the provisions authorizing or otherwise relating to the issuance of any such Parity Securities at maturity or prior thereto if the authorizing proceedings authorize the redemption of such securities, respectively, or held as a reserve for deposit subsequently into such an account or for such subsequent redemption of such securities or for both such deposit and such redemption, as the Council may determine.

SECTION 88. **Competent Management.** The City acting by and through the Council shall employ experienced and competent management personnel for the Sewer System, who shall have full control over and shall operate the Sewer System for the City, subject to the reasonable control and direction of the Council.

SECTION 89. **Employment of Operations Consultants.** If the City defaults in paying promptly the Bond Requirements of the Bond or any other securities payable from the Pledged Revenues as the same fall due, or in the keeping of any covenants herein contained, and if such default continues for a period of 60 days, or if the Net Pledged Revenues in any Fiscal Year fail to equal at least the amount of the Bond Requirements of the Bond and any other securities (including all reserves therefor specified in the authorizing proceedings, including, without limitation, this ordinance) payable from the Pledged Revenues in any Fiscal Year, the City shall retain a firm of competent operations consultants skilled in the operation of such facilities to assist the management of the Sewer System so long as such default continues or so long as the Net Pledged Revenues are less than the amount hereinabove designated.

SECTION 90. **Fidelity Bond.** Each official of the City or other individual having custody of any Pledged Revenues or of any other moneys relating to the Sewer System, including,

without limitation, Bond proceeds, or responsible for the handling of such moneys, shall be bonded at all times in an amount which the Council deems sufficient, which bond shall be conditioned upon the proper application of such funds (but need not necessarily be limited thereto). The costs of each such bond or a reasonably allocated share of the costs of any blanket bond, shall be regarded and paid as Operation and Maintenance Expenses of the Sewer System.

SECTION 91. **Budgets**. The Council and officials of the City shall annually and at such other times as may be provided by law prepare and adopt a budget relating to the Sewer System.

SECTION 92. **Reasonable and Adequate Charges**. While any part of the Bond remains Outstanding, the fees, rates and other charges for the use of or otherwise relating to services rendered by the Sewer System to users thereof within or without the boundaries of the City and also to purchasers of by-products or commodities, shall be reasonable and just, taking into account and consideration public interests and needs, the moneys derived from the General Taxes, the cost and value of the Sewer System, the Operation and Maintenance Expenses thereof, the proper and necessary allowances for the depreciation thereof, and the amounts necessary to meet the Bond Requirements of the Bond and any other securities payable from the Pledged Revenues, including, without limitation, reserves and any replacement funds therefor.

SECTION 93. **Adequacy and Applicability of Charges**. There shall be charged against users of the Sewer System (but not necessarily all users thereof) and against purchasers of services or commodities relating to the Sewer System such fees, rates and other charges as shall be at least adequate to meet the requirements of this Section and other provisions hereof. Such charges relating to the Sewer System shall be sufficient together with the proceeds from General Taxes and any other funds available therefor, to produce Gross Pledged Revenues to pay in each Fiscal Year:

A. **O. & M. Expenses**. An amount equal to the annual Operation and Maintenance Expenses of the Sewer System for the Fiscal Year,

B. **Principal, Interest and Reserves**. An amount equal to the sum of the Annual Principal and Interest Requirements on the Bond and any other securities payable from the Pledged Revenues in the Comparable Bond Year and any amounts

required to be accumulated from the Pledged Revenues in such Bond Year into any reserves for the Bond and such other securities, and

C. Deficiencies. Any amounts required to meet then existing deficiencies relating to any account relating to the Pledged Revenues or any securities payable therefrom;

but the foregoing rate maintenance covenant is subject to compliance by the City with any legislation of the United States or the State or any regulation or other action taken by the Federal Government or any State agency or public body 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 due to the City for the use of or otherwise relating to, and all services rendered by, the Sewer System, including, without limitation, increases in the amounts of such charges. All of such Pledged Revenues shall be subject to distribution to the payment of Operation and Maintenance Expenses of the Sewer System and to the payment of the Bond Requirements of all securities payable from the Pledged Revenues, including reasonable reserves therefor, as herein provided.

SECTION 94. Levy of Charges. The City, acting by and through the Council, shall continue to establish, fix and levy the rentals, fees, rates and other charges which are required by Section 93 hereof, if such action is necessary therefor. No reduction in any initial or existing schedule of charges for the Sewer System may be made unless:

A. No Default. The Council, on behalf of the City, has fully complied with the provisions of Sections 40 through 47 hereof for at least the full Fiscal Year immediately preceding such reduction of the schedule of charges; and

B. Sufficient Revenues. The estimated revenues resulting from the proposed schedule, after its proposed reduction, shall be sufficient each subsequent Fiscal Year to pay:

1. An amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year,

2. An amount equal to the Bond Requirements of the Bond and any other securities payable from the Pledged Revenues in the Comparable Bond Year (including the reserves therefor), and

3. Any amounts required to meet then existing deficiencies relating to any account relating to the Pledged Revenues or any securities payable therefrom.

SECTION 95. **Diligent Collection of Fees.** The City shall cause all fees, rates and other charges relating to the Sewer System to be collected as soon as reasonable, shall prescribe and enforce rules and regulations or impose contractual obligations for the payment thereof and for the connection with and the disconnection therefrom, and shall provide methods of collection and penalties, including, without limitation, the denial of service for nonpayment of such fees, rates and other charges to the end that the Gross Pledged Revenues shall be adequate to meet the requirements hereof. All bills for use, service or facilities furnished or served by or through the Sewer System shall be rendered to customers on a regularly established day of each and every month, every other month, quarter, half-year or year, monthly, bimonthly, quarterly, semiannually or annually in advance, or not later than a regularly established day of each month, two successive months or quarter in which the use, service or facilities were rendered. The fees, rates and other charges due shall be collected in a lawful manner, including, without limitation, the discontinuance of service by the City, subject to any exception implied by law for the preservation of the police power. The City shall take all steps necessary to collect by any legal means any fee, rate or other charge pertaining thereto which shall be delinquent for more than six months.

SECTION 96. **Records.** So long as any part of the Bond and any other securities payable from the Pledged Revenues remain Outstanding, proper records and accounts shall be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Sewer System or to the Pledged Revenues, or to both. Such records shall include (but not necessarily be limited to) monthly records showing:

A. **Receipts.** The Gross Pledged Revenues and other moneys received and relating to the Sewer System, and

B. Expenses. The respective purposes for which such moneys were paid and the respective accounts in which such moneys were accounted for, and complete and correct entries of all transactions relating to the receipt, disbursement, allocation and application of all moneys.

SECTION 97. Insurance and Reconstruction. The City, acting by and through the Council, shall at all times maintain fire and extended coverage insurance, worker's compensation insurance, public liability insurance, and all such other insurance as is customarily maintained with respect to facilities of like character against loss of or damage to the Sewer System, against loss of Pledged Revenues and against public and other liability to the extent reasonably necessary to protect the interests of the City and of the Owner of the Bond or any other security payable from the Pledged Revenues, except as herein otherwise provided. The City may establish a program of self-insurance in lieu of providing the insurance hereinabove required by this Section. If at any time the City is unable to obtain insurance to the extent provided herein, the City shall maintain such insurance to the extent it is reasonably obtainable. If any useful part of the Sewer System shall be damaged or destroyed, the City shall, as expeditiously as possible, commence and diligently prosecute the repair or replacement of the damaged or destroyed property so as to restore the same to use. The proceeds of any such property insurance relating to the Sewer System shall be payable to the City and shall be applied to the necessary costs involved in such repair and replacement and to the extent not so applied shall be deposited in the Revenue Fund as Pledged Revenues. If the costs of such repair and replacement of the damaged or destroyed property exceed the proceeds of the property insurance available for payment of the same, moneys in the Revenue Fund shall be used to the extent necessary for such purposes.

SECTION 98. Title to Sites. The Sewer System and each part thereof shall continue to be constructed or otherwise acquired and located on land owned in fee simple by the City or over which the City has a perpetual easement, free and clear of all liens and encumbrances of whatsoever nature, except for any facilities located in a public street or highway or upon other lands of any other public body politic and corporate, which lands in the opinion of counsel for the City are sufficient for its purposes. Promptly, from time to time, the City shall take such action as may be necessary or proper to remedy or cure any defect in or cloud upon such title to such lands owned in

fee simple or subject to an easement (other than such excepted public lands), or any part thereof, whether now existing or hereafter developing, and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose. Nothing herein prohibits locating the Sewer System on lands which are subject to an easement for utility purposes provided use of the easement will not interfere with use of the Sewer System located on such lands.

SECTION 99. **Tax Levies.** The Council annually shall levy, or cause to be levied, General Taxes on all taxable property in the City fully sufficient to pay the Bond Requirements of the Bond (and any other indebtedness or other obligations of the City), except to the extent other revenues are available therefor, including, without limitation, the Net Pledged Revenues pledged for the payment of the Bond, as the Bond Requirements accrue, a reasonable allowance being made for delinquent tax collections anticipated at the time of each levy, at the time and in the manner provided by law for levying other General Taxes; and the Council shall require the officers of the City to levy, extend, and collect General Taxes in the manner provided by law for the purpose of creating funds for the payment of the Bond Requirements of the Bond, other indebtedness, or general obligations. General Taxes for the Bond, when collected, shall be kept for and applied only to the payment of the Bond Requirements of the Bond, as herein provided.

SECTION 100. **Performance Bonds.** Any sum or sums derived by the City from any performance bond or performance bonds with respect to the construction of the Project shall be used within six months after such receipt for the completion of the construction and, if not so used within that period, shall be placed in and shall be subject to the provisions of the Revenue Fund.

SECTION 101. **Competing Facilities.** The City shall neither construct nor permit to be constructed other facilities or structures to be operated by the City separate from the Sewer System and competing for Pledged Revenues otherwise available for the payment of the Bond or any other securities payable from Pledged Revenues; but nothing herein contained impairs the police powers of the City. As long as any of the Bond is Outstanding, the City shall neither grant any franchise or license to any competing facilities, nor shall it permit during such period (except as it may legally be required so to do) any Person to sell such services or any rights to the use of similar facilities to any user, public or private, within the City.

SECTION 102. **City Use of Sewer System.** No free services, facilities, by-products or other commodities shall be furnished by the Sewer System except as hereinbelow provided. If the City elects in any manner to use the Sewer System or any part thereof, or any service or commodities derived therefrom, any such use, service or commodities will be paid for from the City's general fund or from other available revenues other than Pledged Revenues at the reasonable value of the use so made; but during any Fiscal Year in which surplus revenue are available for use pursuant to Section 47 hereof, the City need not pay for its use of the Sewer System or services pertaining thereto. All the income so derived from the operation of the Sewer System, shall be used and accounted for in the same manner as any other income derived from the operation of the Sewer System.

SECTION 103. **Tax Covenant.** The City covenants for the benefit of the Owner of the Bond that it will not take any action or omit to take any action with respect to the Bond, the proceeds thereof, any other funds of the City or any facilities refinanced with the proceeds of the Bond if such action or omission (i) would cause the interest on the Bond to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, or (ii) would cause interest on the Bond to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the 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 Bond until the date on which all obligations of the City in fulfilling the above covenant under the Code have been met.

SECTION 104. **Defeasance.** When all Bond Requirements of the Bond have been duly paid, the pledge and lien and all obligations hereunder 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 due payment of the Bond when the City has placed in escrow or in trust with a Trust Bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Bond as the same become due to the final maturity of the Bond, or upon any redemption date as of which the City shall have exercised or shall

have obligated itself to exercise its prior redemption option by a call of the Bond for payment. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed in accordance with a schedule established and agreed upon between the City and the Trust Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holder thereof to assure availability as so needed to meet the schedule. For the purpose of this Section "Federal Securities" shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the owner thereof. When such defeasance is accomplished the Paying Agent shall mail written notice of the defeasance to the Registered Owner of the Bond at the address last shown on the registration records for the Bond maintained by the Registrar.

SECTION 105. **Evidence of Security Owners.** Any request, consent or other instrument which this Ordinance may require or may permit to be signed and to be executed by the Owner of the Bond or other securities may be in one or more instruments of similar tenor and shall be signed or shall be executed by each such Owner in person or by his or her attorney appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership by any Person of the securities pertaining thereto, shall be sufficient for any purpose of this Ordinance (except as otherwise herein expressly provided) if made in the following manner:

A. **Proof of Execution.** The fact and the date of the execution by any Owner of the Bond or other securities or his or her attorney of such instrument may be provided by a certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the City or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the individual signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before the notary public or other officer; the authority of the individual or individuals executing any such instrument on behalf of a corporate owner of any securities may be established without further proof if the instrument is signed by an individual purporting to be the president or a vice

president of the corporation with a corporate seal affixed and attested by an individual purporting to be its secretary or an assistant secretary; and the authority of any Person or Persons executing any such instrument in any fiduciary or representative capacity may be established without further proof if the instrument is signed by a Person or Persons purporting to act in such fiduciary or representative capacity; and

B. Proof of Holdings. The amount of the Bond held by any Person may be proved only by reference to the registration records of the City.

SECTION 106. Warranty upon Issuance of Bond. The Bond , when duly executed and delivered for the purpose provided for in this Ordinance, shall constitute a warranty by and on behalf of the City for the benefit of each and every future Owner of the Bond that the Bond has been issued for a valuable consideration in full conformity with law.

SECTION 107. Immunities of Purchaser. The Purchaser and any associate thereof are under no obligation to any Owner of the Bond for any action that they may or may not take or in respect of anything that they may or may not do by reason of any information contained in any reports or other documents received by them under the provisions of this Ordinance. The immunities and exemptions from liability of the Purchaser and any associate thereof hereunder extend to their partners, directors, successors, employees and agents.

SECTION 108. Bondowner's Remedies. Each Owner of the Bond issued hereunder shall be entitled to all of the privileges, rights and remedies provided or permitted in the Project Act and the Bond Act, and as otherwise provided or permitted by law or in equity or by other statutes, except as provided herein, but subject to the provisions herein concerning the pledge of and the covenants and the other contractual provisions concerning the Pledged Revenues and the proceeds of the Bond.

SECTION 109. Right to Enforce Payment. Nothing herein affects or impairs the right of any Owner of the Bond to enforce the payment of the Bond Requirements due in connection with the Bond or the obligation of the City to pay the Bond Requirements of the Bond to the Owner thereof at the time and the place expressed in the Bond.

SECTION 110. **Events of Default.** Each of the following events is hereby declared an “event of default”:

A. **Nonpayment of Principal or Redemption Premium.** Payment of the principal of the Bond or any prior redemption premium due in connection therewith is not made when the same becomes due and payable, either at maturity or by proceedings for optional prior redemption, or otherwise;

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

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

D. **Nonperformance of Duties.** The City fails to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to the Pledged Revenues or to the Sewer System, or otherwise, including, without limitation, this Ordinance, and such failure continues for 60 days after receipt of notice from the Owners of not less than 10% in principal amount of the Bond then Outstanding;

E. **Failure to Reconstruct.** The City discontinues or unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any part of the Sewer System which is destroyed or damaged and is not promptly repaired or replaced (whether the failure promptly to repair the same is due to impracticality of the repair or replacement or is due to a lack of moneys therefor or for any other reason);

F. **Appointment of Receiver.** An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the Sewer System or for the Pledged Revenues and any other moneys subject to the lien to secure the payment of the Bond, or both the Sewer System and such moneys, or if an order or decree having been entered without the consent or acquiescence of the City is not vacated or discharged or stayed on appeal within 60 days after entry; and

G. Default of Any Provision. The City makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bond or in this Ordinance on its part to be performed, and if the default continues for 60 days after written notice specifying the default and requiring the same to be remedied is given to the City by the Owner of not less than 10% in principal amount of the Bond then Outstanding.

SECTION 111. Remedies for Default. Upon the happening and continuance of any of the Events of Default, then and in every case the Owner or Owners of not less than 10% in principal amount of the Bond then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the City and its agents, officers and employees to protect and to enforce the rights of any Owner of the Bonds under this Ordinance by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award of execution of any power herein granted for the enforcement of any proper, legal or equitable remedy as the Owner or Owners may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of any of the Bonds, or to require the City to act as it if were the trustee of an express trust, or any combination of such remedies. All proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the Bond and any Parity Securities then Outstanding.

SECTION 112. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of Owners hereunder, the consent to any such appointment being hereby expressly granted by the City, may enter and may take possession of the Sewer System, subject to the rights and privileges of any lessee or other user under any lease or other contract, may operate and maintain the same, may prescribe fees, rates and other charges, and may collect, receive and apply all Pledged Revenues arising after the appointment of the receiver in the same manner as the City itself might do.

SECTION 113. Rights and Privileges Cumulative. The failure of any Owner of any Outstanding Bond to proceed in any manner herein provided shall not relieve the City, the

Council or any officers, agents or employees thereof of any liability for failure to perform or carry out any duty, obligation or other commitment. Each right or privilege of any Owner (or trustee thereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof.

SECTION 114. **Duties upon Defaults.** Upon the happening of any of the Events of Default the City, in addition, shall do and perform all proper acts on behalf of and for the Owner of the Bond to protect and to preserve the security created for the payment of the Bond and to insure the payment of the Bond Requirements promptly as the same become due. During any period of default, so long as any part of the Bond issued hereunder, as to any Bond Requirements, is Outstanding, except to the extent it may be unlawful to do so, all Pledged Revenues shall be paid into the Bond Fund, or, in the event of securities heretofore or hereafter issued and Outstanding during that period of time on a parity with the Bond, shall be paid into the bond funds for all Parity Securities on an equitable and prorated basis, and used for the purposes therein provided. If the City fails or refuses to proceed as in this Section provided, the Owner or Owners of not less than 10% in principal amount of the Bond then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Owner or Owners of such Bond as hereinabove provided; and to that end any such Owner or Owners of any of the Bond then Outstanding shall be subrogated to all rights of the City under any user agreement, lease or other contract involving the Sewer System or the Pledged Revenues entered into before the effective date of this Ordinance or thereafter while any part of the Bond is Outstanding.

SECTION 115. **Duties in Bankruptcy Proceedings.** If a user of the Sewer System or any Person paying fees, rates, or other charges pertaining thereto or to Pledged Revenues, proceeds under any laws of the United States relating to bankruptcy, including, without limitation, any action under any law providing for corporate reorganization, it shall be the duty of the City, and its appropriate officers are hereby authorized and directed, to take all necessary steps for the benefit of the Owner or Owners of the Bond in such proceedings, including the filing of any claims for unpaid fees, rates, other charges and any other payments or otherwise arising from the breach of any

of the covenants, terms or conditions of any contract involving the Sewer System or the Pledged Revenues.

SECTION 116. **Prejudicial Action Unnecessary.** Nothing herein requires the City to proceed as provided herein if the Council determines in good faith and without any gross abuse of its discretion that if the City so proceeds it is more likely than not to incur a net loss rather than a net gain, or the action is otherwise likely to affect materially and prejudicially the Owner or Owners of the Outstanding Bond and any Outstanding Parity Securities.

SECTION 117. **Privilege of Ordinance Amendments.** This Ordinance may be amended or supplemented by instruments adopted by the Council in accordance with the laws of the State, without receipt by the City of any additional consideration, but with the written consent of the Owner or Owners of not less than 66% in aggregate principal amount of the Bond Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding any portion of the Bond which may then be owned for the account of the City, but including such refunding securities as may be issued for the purpose of refunding any of the Bond if the refunding securities are not owned by the City.

SECTION 118. **Prohibited Amendments.** No such instrument shall permit without the written consent of all Owners of the Bond adversely and materially affected thereby:

A. **Changing Payment.** A change in the maturity or in the terms of redemption of the principal of the Bond then Outstanding or any installment of interest thereon; or

B. **Reducing Return.** A reduction in the principal amount of the Bond, the rate of interest thereon, or any prior redemption premium payable in connection therewith, without the consent of the Owner or Owners of the Bond; or

C. **Prior Lien.** The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by this Ordinance; or

D. **Modifying Any Bond.** A reduction of the principal amount or percentages or otherwise affecting the description of the Bond the consent of the Owner or Owners of which is required for any modification or amendment; or

E. Priorities Between Bonds. The establishment of priorities as between portions of the Bond issued and Outstanding under the provisions of this Ordinance; or

F. Partial Modification. The modifications of or otherwise materially and prejudicially affecting the rights or privileges of the Owners of less than all of the Bond then Outstanding.

SECTION 119. Notice of Amendment. Whenever the Council proposes to amend or modify this Ordinance under the provisions hereof, it shall cause notice of the proposed amendment to be given not later than 30 days prior to the date of the proposed enactment of the amendment by mailing to the Registered Owner of the Outstanding Bond and the Paying Agent. The notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the City Clerk for public inspection.

SECTION 120. Time for Amendment. Whenever at any time within one year from the date of the mailing of such notice there shall be filed in the office of the City Clerk an instrument or instruments executed by the Owner or Owners of the requisite aggregate principal amount of the Bond 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 Council may adopt the amendatory instrument and the instrument shall become effective.

SECTION 121. Binding Consent to Amendment. If the Owner or Owners of the requisite aggregate principal amount of the Bond Outstanding, at the time of the adoption of the amendatory instrument, or the predecessors in title of such Owner or Owners shall have consented to and approved the adoption thereof as herein provided, no Owner of the Bond, whether or not the Owner shall have consented to or shall have revoked any consent as herein provided, shall have any right or interest to object to the adoption of the amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin the City from taking any action pursuant to the provisions thereof.

SECTION 122. Time Consent Binding. Any consent given by the Owner or Owners of the Bond pursuant to the provisions hereof shall be irrevocable for a period of six (6)

months from the date of the mailing of the notice above provided for, and shall be conclusive and binding upon all future Owners of the same Bond during that period. The consent may be revoked at any time after six (6) months from the date of the mailing of the notice by the Owner or Owners who gave the consent or by a successor in title by filing notice of the revocation with the City Clerk but the revocation shall not be effective if the Owner or Owners of not less than the requisite aggregate principal amount of the Bond Outstanding, before the attempted revocation, consented to and approved the amendatory instrument referred to in the revocation.

SECTION 123. **Unanimous Consent.** Notwithstanding anything contained in the foregoing provisions, the terms and the provisions of this Ordinance or of any instrument amendatory hereof or supplemental hereto and the rights and the obligations of the City and of the Owner or Owners of the Bond hereunder may be modified or amended in any respect upon the adoption by the City and upon the filing with the City Clerk of an instrument to that effect and with the consent of the Owner or Owners of the Bond then Outstanding, and no notice to the Owner or Owners of the Bond, either by mailing or publication, shall be required as provided in Section 119 hereof, nor shall the time of consent be limited except as may be provided in the consent.

SECTION 124. **Exclusion of City's Bonds.** At the time of any consent or of other action taken hereunder, the City shall furnish to the City Clerk a certificate of the Treasurer, upon which the City may rely, describing the Bond to be excluded, for the purpose of consent or of other action or of any calculation of Outstanding Bond provided for herein, and the City shall not be entitled with respect to such Bond to give any consent or to take any other action provided for in Sections 117 through 125 hereof.

SECTION 125. **Notation on Bonds.** Any Bond authorized and delivered after the effective date of any action taken as in Sections 117 through 125 hereof provided may bear a notation by endorsement or otherwise in form approved by the Council as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the Owner of the Bond Outstanding at such effective date and upon presentation of his or her Bond for that purpose at the principal office of the City Clerk, suitable notation shall be made on the Bond by the City Clerk as to any such action. If the Council so determines, a new Bond so modified as in the opinion of the Council to conform to such action shall be prepared, authenticated and delivered; and upon demand

of the Owner of the Bond then Outstanding, shall be exchanged without cost to the Owner of the Bond then Outstanding upon surrender of the Bond.

SECTION 126. **Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Council shall determine that it is in the best interests to replace said Registrar or Paying Agent, the City may, upon notice mailed to each Owner of the Bond at his or her address last shown on the registration records, appoint a successor Registrar or Paying Agent, or both. No resignation or dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. It shall not be required that the same person or institution serve as both Registrar and Paying Agent hereunder, but the City shall have the right to have the same person or institution serve as both Registrar and Paying Agent.

SECTION 127. **Delegated Powers.** The officers of the City are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

- A. The printing of the Bond;
 - B. The execution of such certificates as may be reasonably required by the State, relating, inter alia,
 - 1. to the signing of the Bond,
 - 2. to the tenure and identity the officials of the City,
 - 3. to the assessed valuation of the taxable property in and the indebtedness of the City,
 - 4. to the rate of General Taxes levied against the taxable property within the City,
 - 5. the exclusion of interest on the Bond from gross income for federal income tax purposes,
 - 6. the delivery of the Bond and the receipt of the Bond purchase price,
 - 7. the completeness and accuracy of any information provided to the State in connection with the Bond as of the date of delivery of the Bond,
- and

8. if it is in accordance with the fact, the absence of litigation, pending or threatened, affecting the validity of the Bond;

C. The assembly and dissemination of financial and other information concerning the City and the Bond; and

D. The execution by the Director of Financial Services of the Loan Contract with the State of Nevada, Department of Conservation and Natural Resources.

SECTION 128. **Ordinance Irrepealable**. After the Bond is issued and delivered to the State, this Ordinance shall constitute an irrevocable contract between the City and the Owner or Owners of the Bond; and this Ordinance, if the Bond is in fact issued, shall be and shall remain irrepealable until the Bond, as to all Bond Requirements, shall be fully paid, satisfied and discharged, as herein provided.

SECTION 129. **Implied Repealer**. All resolutions, 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 130. **Emergency**. The Council has expressed in the preambles of this Ordinance that it pertains to the sale, issuance and payment of the Bond, 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 City 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 in Section 131.

SECTION 131. **Publication and Effective Date**. After this Ordinance is signed by the Mayor and attested and sealed by the Clerk, this Ordinance shall be published, once by its title in a newspaper published and having a general circulation in the City, and such publication to be in substantially the following form, together with the names of the Council members 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 City Clerk, and shall be effective after said publication:

(Form of Publication)

BILL NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF SPARKS, NEVADA, PROVIDING FOR THE ISSUANCE OF ITS GENERAL OBLIGATION (LIMITED TAX) SEWER REFUNDING BOND (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2016B, IN THE PRINCIPAL AMOUNT OF \$27,099,690.98; PROVIDING THE FORM, TERMS, CONDITIONS AND COVENANTS RELATING TO THE PAYMENT OF SAID BOND; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF THE BOND; ADDITIONALLY SECURING ITS PAYMENT BY A PLEDGE OF NET REVENUES DERIVED FROM THE OPERATION OF THE SEWER SYSTEM OF THE CITY; PROVIDING FOR ADOPTION OF THE ORDINANCE AS IF AN EMERGENCY EXISTS; AND PROVIDING THE EFFECTIVE DATE THEREOF.

PUBLIC NOTICE IS HEREBY GIVEN that an adequate number of typewritten copies of the above-numbered and entitled proposed Ordinance are available for public inspection and distribution at the office of the City Clerk of the City of Sparks at her office at 431 Prater Way, Sparks, Nevada, and that such Ordinance was proposed, passed and adopted at the regular meeting of the Sparks City Council on September 12, 2016, by the following vote of the City Council:

Those Voting Aye:

Those Voting Nay:

Those Absent:

This Ordinance shall be in full force and effect on September ____, 2016.

IN WITNESS WHEREOF, the City Council of the City of Sparks, Nevada has caused this Ordinance to be published by title only.

DATED this September 12, 2016.

/s/ Geno Martini
Mayor

(SEAL)

Attest:

/s/ Teresa Gardner
City Clerk

(End of Form of Publication)

SECTION 132. **Severability.** If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Proposed on September 12, 2016.

Passed on September 12, 2016.

Those Voting Aye:

Those Voting Nay:

Those Absent:

(SEAL)

Mayor

City Clerk

APPROVED AS TO FORM

City Attorney

This Ordinance shall be in full force and effect on September ____, 2016.

STATE OF NEVADA)
) ss.
CITY OF SPARKS)

I am the duly chosen and qualified City Clerk of the City of Sparks (herein “City”), Nevada (the “State”), and in the performance of my duties as Clerk do hereby certify:

1. The foregoing pages constitute a true, correct and compared copy of an ordinance introduced and adopted as if an emergency exists at the meeting of the City Council held on September 12, 2016.

2. The original of such ordinance has been approved and authenticated by the signatures of the Mayor of the City and myself as Clerk, sealed with the seal of the City, and has been recorded in the minute book of the Council kept for that purpose in my office, which record has been duly signed by such officers and properly sealed.

3. The members of the City Council present at the meeting voted on the passage of the ordinance as set forth therein.

4. All members of the Council were given due and proper notice of the meeting held on September 12, 2016.

5. Public notice of such meeting was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020. A copy of the notice of meeting (attached hereto as Exhibit “A”) containing the time, place, location and an excerpt from the agenda for the meeting relating to the ordinance, as posted no later than 9 a.m. at least 3 working days in advance of the meeting at the Council’s office, the City’s website, the State’s website and at:

- (i) Sparks Legislative Building
 745 4th Street
 Sparks, Nevada
- (ii) Sparks City Hall
 431 Prater Way
 Sparks, Nevada
- (iii) Sparks Recreation Center
 98 Richards Way
 Sparks, Nevada

- (iv) Alf Sorensen Center
1400 Baring Blvd.
Sparks, Nevada
- (v) Sparks Branch Library
1125 12th Street
Sparks, Nevada
- (vi) Sparks Justice Court
1675 E. Prater Way #107
Sparks, Nevada
- (vii) Sparks Senior Citizens Center
97 Richards Way
Sparks, Nevada

6. Prior to 9 a.m. at least 3 working days before such meeting, such notices were given to each person, if any, who has requested notice of meetings of the Council in accordance with the provisions of Chapter 241 of NRS.

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

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the City this September 12, 2016.

City Clerk

(SEAL)

EXHIBIT "A"

(Attach Copy of Notice of Meeting)

EXHIBIT "B"

(Attach Affidavit of Publication)