Summary - An ordinance authorizing the issuance by the Unincorporated Town of Tonopah, Nevada of its Water Revenue Bonds, Series 2003, in the principal amount of $498,232 and providing other matters relating thereto.

ORDINANCE NO. 2003-01

AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE UNINCORPORATED TOWN OF TONOPAH, NEVADA, WATER REVENUE BOND, SERIES 2003 IN THE PRINCIPAL AMOUNT OF $498,232 TO PAY IN PART THE COST OF A WATER PROJECT; PROVIDING THE FORMS, TERMS AND CONDITIONS OF THE BOND, THE SECURITY THEREFOR AND THE SALE THEREOF TO THE UNITED STATES OF AMERICA; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES DERIVED FROM THE OPERATION OF THE WATER SYSTEM; PROVIDING OTHER MATTERS RELATING THERETO; PROVIDING FOR ADOPTION AS IF AN EMERGENCY EXISTS; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Unincorporated Town of Tonopah, Nevada (the "Town" and the "State," respectively) is a Town organized and operating under the laws of the State of Nevada (the "State"); and

WHEREAS, pursuant to NRS 269.400 through 269.470, inclusive (the "Project Act") and NRS Sections 350.350 through 350.490, NRS (the "Water Act"), cited in NRS Section 350.350 as the Water and Sewer Revenue Bond Law, the Town Board (the "Board") is authorized to provide for the purchase, construction, repair, maintenance and preservation of water systems for the Town and the purchase of sites therefor (the "Project"); and

WHEREAS, pursuant to the Project Act and the Water Act, the Board is authorized and empowered to issue the Town's water revenue bond to defray the cost of the Project, in the manner and on the conditions provided in the Project Act and the Water Act; and

WHEREAS, for the purpose of defraying a part of the cost of the Project, the Board deems it necessary to issue the "Unincorporated Town of Tonopah, Nevada, Water Revenue Bond, Series 2003" (the "Bond") in the aggregate principal amount of $498,232 payable solely from the net revenues of the water system as so improved and extended pursuant to the Project Act, the Water Act and the Local Government Securities Law cited as NRS 350.500 to 350.720, inclusive (the "Bond Act"), and all laws thereunto enabling; and

WHEREAS, the Project Act, the Water Act and the Bond Act authorize the Board to issue the Bond without the necessity of submitting the question of their issuance to the electors of the Town; and

WHEREAS, there are not sufficient funds in the treasury of the Town to construct and otherwise improve the Project; and

WHEREAS, the Board has determined, and does hereby declare its intention:

1. To effect the Project, and

2. To issue the Bond to defray in part the cost of the Project, pursuant to the Project Act, the Water Act and Bond Act; and

WHEREAS, the payment of the principal of and interest on the Bond will be secured by the net revenues of the Town's water system (the "System"); and

WHEREAS, the County has previously issued its Water Revenue Interim Debenture, Series 2002 in the maximum aggregate principal amount of $2,000,000 dated as of October 10, 2002 (the "Interim Debenture") primarily secured for payment by the receipt of the loan monies from the United States Department of Agriculture, Rural Development ("RD") and grant moneys (the "AB-198 Grant") from the State of Nevada Department of Conservation and Natural Resources, Division of Environmental Protection (the "Nevada DCNR"), the AB-198 Grant to be made from proceeds from bonds to be issued by the State, and also secured by the net revenues of the revenues of the System, the Interim Debenture to be paid immediately upon the delivery of the Bonds; and

WHEREAS, other than the Interim Debenture, the Town has not pledged the revenues derived and to be derived from the operation of the System for the redemption of any securities payable from such revenues, or otherwise, with the result that such revenues may be pledged lawfully and irrevocably to secure the payment of the Bond; and

WHEREAS, the United States of America, Department of Agriculture, acting by and through Rural Development ("RD"), pursuant to a letter of conditions dated April 11, 2001and by an approved request for obligation of funds, has agreed to purchase all of the Bonds herein authorized at par and at an interest rate of 4.5% per annum (provided, however, that the Town may elect to take the RD rate available at the date of the Bond closing, if lower) (the "Interest Rate"); and

WHEREAS, the Board has determined and does hereby determine and declare that the proposal for the purchase at private sale pursuant to NRS 350.616 of the single Bond by RD, for a price consisting of the principal amount of such Bond, at the Interest Rate, and otherwise maturing, being secured and otherwise being issued as herein provided, constitutes the best proposal for the Bond and is to the best advantage of the Town; and

WHEREAS, the effective Interest Rate on the Bond herein authorized or such lower elected rate, does not exceed by more than 3% the "Index of Revenue Bonds" which was most recently published before a negotiated offer was accepted for the Bond; and

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

WHEREAS, the Board hereby declares that it does not reasonably anticipate issuing more than $5,000,000 in bonds, debentures or other securities in calendar year 2003; and

WHEREAS, the Board has determined and does hereby declare that each of the limitations and other conditions to the issuance of the Bond in the Project Act, the Bond Act, the Supplemental Bond Act, and in any other relevant act of the State or the Federal Government has been met; and pursuant to § 350.708, Bond Act, this determination of the Board that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary or gross abuse of discretion; and

WHEREAS, the Board has determined and does hereby declare:

(a) This ordinance pertains to the sale, issuance and payment of the Bond;

(b) Such declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of subsection 2, § 350.579, Bond Act; and

WHEREAS, the Board has determined and does hereby declare:

b. This Ordinance pertains to the sale, issuance and payment of the Bond;

c. Such declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of Section 350.579, Bond Act; and

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

NOW, THEREFORE, THE TOWN BOARD OF THE UNINCORPORATED TOWN OF TONOPAH, NEVADA DOES ORDAIN:

Section 1. This ordinance shall be known and may be cited as the "2003 Water Revenue Bond Ordinance" (herein the "Ordinance").

Section 2. Definitions. The terms defined in this section, except where the context requires otherwise, shall have the following meanings in this Ordinance:

1. "Bond Act" or "Act" means the Local Government Securities Law, cited as NRS §§ 350.500 through 350.720 and all laws amendatory thereof.

2. "Bond Fund" means the "2003 Water Revenue Bond Fund" created in section 28 of this Ordinance.

3. "Bond" mean the securities herein authorized designated as the "Unincorporated Town of Tonopah, Nevada, Water Revenue Bond, Series 2003" in registered form, or the single registered water revenue bond.

4. "Consulting Engineer" or "Project Engineer" means any qualified registered or licensed professional engineer practicing under the laws of the State of Nevada.

5. "Town" means the Unincorporated Town of Tonopah, Nevada.

6. "Fiscal Year" means the twelve months commencing July 1 of any year and ending June 30 of the next succeeding year.

7. "Gross Income," "gross revenues," "income" or "revenues" means all income and revenue derived by the Town from any rates, fees, tolls, connection charges, stand-by charges and charges for availability of the water services furnished by, or the use of, the Town water system as the same may at any time exist to serve customers within or outside the Town limits, whether resulting from improvements, extensions, or otherwise.

8. "Holder," "Owner" or "Registered Owner" means a person (including the RD) in possession and the apparent owner of the Bond.

9. "Independent Accountant" means any certified public accountant practicing under the laws of the State of Nevada who is independent and not an officer or employee of the municipality.

10. "Insured Bank" means a bank defined in NRS 350.512 and qualified to accept public deposits under state law which is a member of the Federal Deposit Insurance Corporation.

11. "Net Income" or "Net Revenues" means the Gross Revenues less the Operation and Maintenance Expenses.

12. "Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the Town, paid or accrued, for operating, maintaining and repairing the System, as defined in NRS 350.542 including legal and overhead expenses of the Town directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries and administrative expenses, labor, and the cost of materials and supplies for current operation, but excluding any allowance for depreciation, any costs of improvements to the System, any accumulation of reserves for major capital replacements (other than normal repairs) or for the operation, maintenance or repair of the System, any allowance for the redemption of any securities of the Town, or any other ground of legal liability not based on contract, in accordance with NRS 350.544.

13. "Paying Agent" means the office of the Treasurer of the Town located in Tonopah, Nevada.

14. "Project" means purchase, construction, repair, maintenance and preservation of water systems for the Town and the purchase of sites therefor to be financed in part by the Bond and described in the preambles hereto.

15. "Project Act" means NRS 269.400 through 269.470, inclusive and all laws amendatory thereof.

16. "Purchaser" means the United States of America, acting by and through RD.

17. "RD" means the United States of America Department of Agriculture, Rural Development or any successor to Rural Development.

18. "Registrar" means the office of the Town Treasurer, located in Tonopah, Nevada.

19. "Reserve Fund" means the "2003 Water Revenue Bond Reserve Fund" created in section 28 of this Ordinance.

20. "System" means all of the Town's municipal water system and its water facilities and properties now owned or hereafter acquired, whether situated within or without the Town boundaries.

21. "Water Act" means NRS §§ 350.350 through 350.490, inclusive, and all laws amendatory thereof.

Section 3. Authority for This Ordinance. This Ordinance is adopted pursuant to the Project Act, the Water Act and the Bond Act.

Section 4. Life of the Project. The Board has determined and does hereby declare that the estimated life or estimated period of usefulness of the improvements to the System is not less than 40 years from the date of the Bonds; and the Bonds shall mature at such times not exceeding such estimated life or estimated period of usefulness of the System.

Section 5. Acceptance of Purchase Proposal. The proposal submitted by the United States, by and through RD, for the purchase of the Bonds in the principal amount of $498,232 at the Interest Rate which was received by the Town at the private sale of the Bonds be, and the same hereby is, accepted.

Section 6. Ratification. All consistent action taken previously by the Board and the Town officers directed toward the Project and toward the issuance of its Water Revenue Bond for that purpose is ratified, approved and confirmed.

Section 7. Authorization of Project. The Project is authorized at a total cost of approximately $1,063,102, and the necessity thereof is hereby declared. Of this amount, approximately $498,232 will be defrayed from Bond proceeds. The details of the Project are more specifically shown and described in engineering reports prepared by the Town Engineer (the "Consulting Engineer" or "Project Engineer"), which are now on file and available for inspection at the Town offices.

Section 8. Necessity of Project and Bonds. It is necessary and in the best interests of the Town and its inhabitants that the Town effect the Project and defray in part the cost thereof by issuing the Bonds therefor.

Section 9. Ordinance to Constitute Contract. In consideration of the purchase and the acceptance of the Bonds by the Purchaser and by those who shall own them from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Town and the Registered Owner.

Section 10. Bonds Equally Secured. The covenants and agreements herein set forth to be performed on behalf of the Town shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds of this issue over any other thereof, except as otherwise expressly provided herein.

Section 11. Special Obligations. The Bonds shall be payable and collectible (except as herein otherwise provided) solely out of the Net Revenues, which revenues are so pledged; the Holder or Registered Owner may not look to any general or other fund for the payment of the principal of, or interest on the Bonds, except the herein-designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation and the Bonds shall not be considered or held to be a general obligation of the Town but shall constitute its special obligation. The Town does not pledge its full faith and credit for the payment of the Bonds.

Section 12. Character of Agreement. None of the covenants, agreements, representations and warranties contained herein or in the Bonds, in the absence of any breach thereof, shall ever impose or shall be construed as imposing any liability, obligation or charge against the Town (except the special funds pledged therefor) or its general credit, payable out of its general fund or out of any funds derived from taxation.

Section 13. Authorization of Bonds. For the purpose of providing funds to pay a portion of the cost of the Project, the Town shall issue the "Unincorporated Town of Tonopah, Nevada, Water Revenue Bond, Series 2003" in the principal amount of $498,232. Such Bond shall be issued and be payable both as to principal and interest, solely from the Net Revenues of the System, and the Town shall pledge irrevocably such Net Revenues to the payment of the Bond and the interest thereon, the proceeds thereof to be used solely for the aforesaid purpose, pursuant to the Project Act, the Water Act and the Bond Act. RD has requested, and the Town has agreed, that the obligation of the Town hereunder shall be represented in the form of a single registered water revenue Bond. The Bond shall be in the form substantially as set forth in section 22 hereof.

Section 14. Bond Details. The Bond shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with § 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The Bond shall be dated initially as of the date of delivery thereof to the RD, and shall be issued as a single bond in the principal amount of $498,232. The Town's indebtedness as represented by the Bond shall be $498,232. The Bond shall bear interest at the Interest Rate on the unpaid balance of the total principal amount of $498,232 until the principal thereof is paid in full. The installments of principal of the Bond shall bear interest at the Interest Rate based on a 365-day year as set forth below from the date of the Bond until payment of such installment of principal shall have been discharged. The first interest payment shall be made by the Town on July 25, 2003 and on the 25th day of each month thereafter. The first amortized principal payment shall be made by the Town on July 25, 2003 and on the 25th day of each month thereafter for a period of 40 years from the date of delivery of the Bond. The interest and principal of the Bond shall be fully amortized so as to produce substantially equal monthly payments (of principal and interest) from payment date to payment date and which shall be in an amount sufficient to fully pay the total principal of and interest on the Bond within 40 years of the date of issuance of the Bond and as set forth in the amortization schedule attached to the Bond and made a part thereof. The amount of the first amortized payment after the date of delivery of the Bond may be different than other payments to take into account a delivery date that is other than the first day of the month. Except as otherwise provided herein, every payment on the Bond shall be applied first to interest computed to the date of payment and then to principal.

The Interest Rate submitted by the RD, in accordance with their regulations, as of the date of loan approval, was 4.5%, which may or may not be the lower rate charged by the RD at the time of loan closing. Should the Interest Rate at the time of the loan closing be lower than the rate of 4.5% in effect at the time of the loan approval, the Board directs the Town Treasurer or designee to make a written request to the RD for the lower rate, and the Board hereby authorizes the Chairman and the Town Treasurer to execute the Bond providing for the lower Interest Rate. If any installment of principal is not paid when due, then in addition to installments thereafter becoming due, the Town shall pay interest on the unpaid balance of the total principal amount from the due date of the delinquent installment to the date of payment of the delinquent installment, provided, that interest accruing by reason of any such delinquency shall not include any interest applicable to such delinquency period in any installment subsequently paid, and shall in no event cause the total interest payable on the Bond to exceed 4.5% per annum or such lower rate of interest as set forth in the Bond, on the unpaid balance of the total principal amount. The final installment on the Bond shall be payable in lawful money of the United States of America without deduction for exchange or collection charges at the office of the Treasurer of the Town, located in Tonopah, Nevada. The final installment of principal and interest due on the Bond is payable only upon surrender of the Bond to the Town. If, upon presentation at or after maturity, payment of the Bond is not made as herein provided, interest thereon shall continue at the same rate per annum until the principal thereof is paid in full.

So long as the United States is the Registered Owner of the Bond, payment of installments of principal and interest shall be made at the appropriate United States office, currently designated as 1390 S. Curry St., Carson City, Nevada 89703, or at such other address as the United States may designate in writing. During the time any registered assign is the Registered Owner of the Bond, payment shall be made at the address shown on the registration record kept by the Treasurer of the Town, located in Tonopah, Nevada, being both the registrar (the "Registrar") and paying agent (the "Paying Agent") for the Bond. The Bond must be registered by any Registered Owner, and may be assigned in the manner and with the effect set forth in the provisions for registration contained in the form of bond hereinafter set forth, and as herein further provided. The principal and interest of the single registered Bond shall be payable only to, or upon the order of, the

Registered Owner or his legal representative. Upon issuance to the United States, the Bond shall be registered in the name of the "United States of America".

The Town hereby reserves the right, at its option, to prepay the principal amount outstanding, in whole, or in the manner hereinafter provided, in part, at any time, in inverse order of maturity. Prepayments shall be made on the date, at the place, and in the manner provided herein for making regularly scheduled installments, and partial prepayments shall be in the amount of that portion of one or more installments which would be allocable to principal. No prepayment of an installment shall extend or postpone the due date of any subsequent installment. Any prepayments shall be in the amount of principal being prepaid, together with accrued interest thereon to the date of prepayment, and shall be made without penalty or without additional interest charges.

Section 15. Redemption Notice. Notice of prior redemption shall be given by the Town Treasurer in the name of the Town by mail, not less than 30 days prior to the redemption date. A copy of the notice shall be mailed at least 30 days prior to the redemption date to any Registered Owner whose name and address appear on the registration records maintained by the Registrar. So long as any Bond is owned by the United States, notice shall be mailed to the United States at least 30 days prior to the redemption date at such address as the United States may designate in writing. The notice shall identify the installments of principal to be redeemed, specify the redemption date, and state that on such date the principal amount thereof and accrued interest to the redemption date will become due and payable and thereafter interest will cease to accrue. After such notice, the Bond or portions thereof so called for redemption will be paid.

Section 16. Negotiability. Subject to the registration and payment provisions herein provided, the Bond shall be fully negotiable within the meaning of and for the purpose of the Uniform Commercial Code - Investment Securities and each Registered Owner shall possess all rights enjoyed by owners of negotiable instruments under the Uniform Commercial Code-Investment Securities.

Section 17. Registration as to Principal and Interest. The Bonds must be registered for payment as to both principal and interest. The Registrar shall maintain records for the registration and transfer of Bonds.

Section 18. Registration of Bond.

A. Records for the registration of the Bonds shall be kept by the Registrar. The person in whose name any Bond shall be registered, on the registration records kept by the Registrar, and as noted on the registration panel appended to the Bond, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the 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 Town 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 Town.

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

Section 19. Form of Execution. The Chairman of the Board (the "Chairman") and the Town Clerk shall file their manual signatures with the Secretary of State, pursuant to the Uniform Facsimile Signatures of Public Officials Act, cited as Chapter 351, NRS. The registered Bond shall be signed and executed in the corporate name of the Town with the manual or facsimile signature of the Chairman, countersigned with the manual or facsimile signature of the Treasurer, shall be attested with a manual or facsimile signature of the Town Clerk, shall be authenticated by the manual signature of an authorized officer of the Registrar, and a manual or facsimile of the seal of the Town shall be affixed thereto. The Bond bearing the signatures of the officers in office at the time of the signing thereof, shall be the valid and binding obligations of the Town, notwithstanding that before the delivery thereof and payment therefor, any or all of the persons whose signatures appear thereon shall have ceased to fill their respective offices. Any officer herein authorized or permitted to sign any Bond at the time of its execution and of the execution of a signature certificate, may adopt as and for his or her own facsimile signature, the facsimile signature of his or her predecessor in office in the event that such facsimile signature appears upon the Bond.

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

Section 21. Registration by Treasurer. Before the Bond is delivered, it shall be registered by the Treasurer of the Town in a record kept by the Treasurer for that purpose. The register shall show the principal amount of the Bond, the time of payment on the Bond, and the rate of interest the Bond bears.

Section 22. Form of Single Bond. Subject to the provisions of this Ordinance, the Bond, the registration panel, and the form of assignment therefor, shall be in substantially the following form:

(Form of Bond)

UNINCORPORATED TOWN OF TONOPAH, NEVADA
WATER REVENUE BOND, SERIES 2003

NO. R-1 Principal Amount: $498,232

Dated: ____________, 2003

THE UNINCORPORATED TOWN OF TONOPAH, NEVADA (the "Town"), solely from the special funds provided therefor, hereby acknowledges itself obligated, and for value received, hereby promises to pay to the UNITED STATES OF AMERICA (the "United States"), the principal amount above stated together with interest on the unpaid balance at the rate of ______ percent (_____%) per annum (the "Interest Rate"). Interest accrual shall be calculated based on a 365 day year. The first interest payment shall be made by the Town on July 25, 2003 and on the 25th day of each month thereafter until maturity or prior redemption. The first amortized principal payment shall be made by the Town on July 25, 2003 and on the 25th day of each month thereafter and ending within 40 consecutive years of the date hereof until the total principal amount with interest thereon as aforesaid has been fully paid. The Town shall pay amortized installments in an amount which shall be sufficient to fully pay the total principal amount plus interest thereon within forty (40) years from the date of this bond in the amounts set forth on Exhibit A attached hereto and made a part hereof.

If any installment is not paid when due, then in addition to installments thereafter becoming due, the Town shall pay interest on the unpaid balance of the total principal amount from the due date of the delinquent installment to the date of payment of the delinquent installment, provided, that interest accruing by reason of any such delinquency shall not include any interest applicable to such delinquency period in any installments subsequently paid and shall in no event cause the total interest payable on this bond to exceed Interest Rate per annum set forth above on the unpaid balance of the total principal amount. Except as otherwise provided herein, every payment on this bond shall be applied first to interest due through the next installment due date and then the balance to principal.

The monthly installments of principal and monthly installments of interest are payable in lawful money of the United States of America, without deduction for exchange or collection charges, during the period the United States of America is the registered owner of this single bond, at the appropriate United States Department of Agriculture, Rural Development office, currently designated as 1390 S. Curry St., Carson City, Nevada 89703, or at such other place as the United States may designate in writing, and are so payable during any period the United States is not the registered owner hereof at the address shown on the registration records of the Town. The final installment of principal due on this bond is payable only upon the surrender of this bond to the Town.

All installments of principal are subject to prepayment at the option of the Town prior to their stated due dates and, in inverse order of maturity, by the payment of such principal amount and accrued interest to the prepayment date. Prepayments shall be made on the date, at the place and in the manner provided herein for making regularly scheduled installment payments and partial prepayments shall be in the amount of that portion of one or more of the final installments allocable to principal. No partial prepayment shall extend or postpone the due date of any subsequent installment. Any prepayment shall be in the amount of principal being prepaid, together with accrued interest thereon to the date of prepayment, and shall be made without penalty or additional interest or charges. Prepayment shall be made upon prior notice as provided in the 2003 Water Revenue Bond Ordinance authorizing this bond and adopted on May 28, 2003 (the "Ordinance").

This single bond is duly authorized to defray in part the cost of the purchase, construction, repair, maintenance and preservation of water systems for the Town and the purchase of sites therefor (the "Project"), under the authority of and in full conformity with the constitution and laws of the State of Nevada, and in particular the Bond Act (hereinafter defined) and the provisions of Nevada Revised Statutes ("NRS") 269.400 to 26.470, inclusive and all laws amendatory thereof (the "Project Act"), NRS §§350.350 through 350.490, inclusive (the "Water Act"), and pursuant to the Ordinance.

This bond does not constitute a debt or indebtedness of the Town within the meaning of any constitutional or statutory limitation and shall not be considered or held to be a general obligation of the Town. The Town does not pledge its full faith and credit for the payment of this bond. Pursuant to the Project Act and the Water Act, as supplemented by Sections 350.500 through 350.720, Nevada Revised Statutes, and all laws amendatory thereof (the "Bond Act"), and all laws thereunto enabling, this bond is a special obligation of the Town payable and collectible solely out of and secured by an irrevocable pledge of certain net income derived from the operation of the Town's municipal water system(the "System"). The owner hereof may not look to any general or other fund for the payment of the principal of or interest on this bond except the special funds pledged therefor. This bond is issued pursuant to the Project Act, the Water Act and to the Bond Act. Pursuant to Section 350.628 of the Bond Act, this recital is conclusive evidence of the validity of this bond and the regularity of its issuance.

Payment of principal and interest on this bond shall be made solely from, and as security for such payment there are pledged, pursuant to the Ordinance, two special funds identified as the "2003 Water Revenue Bond Fund," and the "2003 Water Revenue Bond Reserve Fund," into which the Town covenants to pay from the revenues of the system, after provision only for all necessary and reasonable operation and maintenance expenses, sums sufficient to pay the principal and the interest of this bond and to create and maintain a reasonable and specified reserve. For a description of said funds and the nature and extent of the security afforded thereby, reference is made to the Ordinance. This bond is secured by and constitutes an irrevocable and prior lien (but not necessarily an exclusive lien) upon the net revenues of the System. Subject to designated conditions, additional bonds may be issued payable from said net revenues and having a lien thereon inferior and junior to the lien, or subject to additional conditions having a lien thereon on a parity with the lien of this bond, in accordance with the Ordinance.

The Town covenants and agrees with the owner hereof that it will keep and perform all the covenants of the Ordinance, including its covenant against the sale or mortgage of the System or any part thereof unless provision has been made for the payment of this bond and its covenant that it will fix, maintain and collect rates sufficient to pay operating and maintenance expenses and 100% of both the principal of and the interest on this bond and any other obligations payable annually from the net revenues of the System (including reserves).

This bond shall be registered for payment in the name of the registered owner hereof only as to both principal and interest in the records of the Town in the office of the Treasurer of the Town, as Registrar, and in the panel appended to this single bond. This bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the office of such County Treasurer, ex officio Town Treasurer. No transfer of this bond shall be valid until it has been duly entered in such records and duly noted on the registration panel appended to this bond.

It is further certified, recited, and warranted that all the requirements of law have been fully complied with by the proper Town officers in the issuance of this bond.

No recourse shall be had for the payment of the principal of or the interest on this bond or for any claim based thereon or otherwise upon the Ordinance or other instrument pertaining thereto, against any individual member of the Board of Town Commissioners or any officer or other agent of the Town, past, present or future, either directly or indirectly through the Board of Town Commissioners 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 single bond and as a part of the consideration of its issuance specially waived and released.

IN WITNESS WHEREOF, the Town Board of the Unincorporated Town of Tonopah, Nevada, has caused this bond to be signed and executed in its name and on its behalf with the manual or facsimile signature of the Chairman, countersigned by the manual or facsimile signature of the County Treasurer, ex officio Town Treasurer, attested by the manual or facsimile signature of the Town Clerk with the manual or facsimile seal of the Town affixed hereto, all as of the date of the delivery hereof.

THE UNINCORPORATED TOWN OF TONOPAH, NEVADA

____

Chairman

(SEAL)

Attest:

____

Town Clerk

Countersigned:

____

County Treasurer, ex officio Town Treasurer

(End of Form of Bond)

(Form of Prepayment Panel)

The following installments of principal (or portions thereof) of this Bond have been prepaid by the Unincorporated Town of Tonopah, Nevada, in accordance with the terms of the Ordinance authorizing the issuance of this Bond:

Date of Payment	Amount Prepaid	Signature of Registered Owner
____________	$ ____________	____________
____________	____________	____________
____________	____________	____________

(End of Prepayment Panel)

MANDATORY REGISTRATION FOR PAYMENT AS TO PRINCIPAL AND INTEREST

The within bond is registered in the office of the Treasurer of the Town, 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 2003 Water Revenue Bond Ordinance authorizing the bond's issuance.

Date of Registration	Name of Owner	Address of Owner	Signature of Registrar
____________, 2003	United States of America	Rural Development 1390 S. Curry St. Carson City, NV 89703	____________
____________	____________	____________	____________
____________	____________	____________	____________
____________	____________	____________	____________

(End of Form of Registration Panel)

(Form of Assignment Panel Appended to Bond)

Provision for Assignment

For value received, the undersigned hereby assigns and transfers unto ______________________ the within Single Registered Water Revenue Bond No. R-1, together with accrued interest thereon, and does hereby irrevocably constitute and appoint ______________ attorney in fact to transfer said bond on the registration records of the Unincorporated Town of Tonopah at the office of the Town Treasurer, a Registrar with full power of substitution in the premises.

Dated ______ _, 20__

____

In the presence of:
Signature Guaranteed
By

____

NOTICE: The Signature to this assignment must correspond with the name as it appears upon the Registration Panel of the within Bond in every particular, without any alteration whatsoever.

Name of Transferee:________________________

Address of Transferee:______________________

Taxpayer Identification number or

Social Security Number(s):___________________

(End of Form of Assignment Panel Appended to Bond)

Exhibit A

(Attach Amortization Schedule)

Section 23. Period of Facilities' Usefulness. The facilities to be acquired with Bond proceeds will be useful for at least 40 years from the date of delivery of the Bond.

Section 24. Bond Preparation. Execution and Delivery. The Chairman and the Town Clerk are directed to prepare and execute the Bonds. Thereafter, the Town Treasurer shall deliver them to the United States as purchaser on receipt of the agreed purchase price.

Section 25. Disposition of Bond Proceeds.

A. Interim Debenture. Bond proceeds shall be applied in full, together with any moneys remaining in the 2002 Interim Debenture Proceeds Account (the "Proceeds Account"), as described in the ordinance authorizing the issuance of the Interim Debenture, and any additional funds designated by the Town, to pay the outstanding principal of and accrued interest on the Interim Debenture on the redemption date.

B. Construction Account. Any monies thereafter remaining in the Proceeds Account and any other proceeds of the Bonds not necessary to pay the principal of and interest on the Interim Debenture shall be immediately deposited in an account hereby created and designated as the "2003 Construction Account". Such account shall be maintained in an Insured Bank selected by the Town and the United States. Moneys in the Construction Account shall be used solely for the Project and shall be withdrawn only upon warrants or checks drawn and signed by the Town Treasurer, and such expenditure approved by an United States official. Warrants or checks shall not be issued until the Board has received engineering approval that such sum is due and owing. The Town's share of any liquidated damages and other moneys paid by defaulting contractors or their sureties shall be deposited in the Construction Account to assure completion of the Project. After the Consulting Engineer has certified that work is completed and that all expenses have been paid, the Insured Bank shall transfer all remaining money (any remaining United States loan funds) to the Bond Fund to be used to the extent possible for redeeming Bonds prior to maturity as provided by the Ordinance.

C. Purchaser not Responsible. The Purchaser or any Registered Owner shall not be responsible for the application or disposal of Bond proceeds.

Section 26. Fiscal Year. For the purpose of this Ordinance the System shall be operated upon a fiscal year commencing July 1 in each year and ending on June 30 of the next succeeding year.

Section 27. Income Fund. A special account is hereby created and shall be known as the "Unincorporated Town of Tonopah, Nevada, Water Revenue Bond Gross Revenue Fund," herein sometimes designated as the "Income Fund". So long as the Bond shall be outstanding all income and revenues derived from the operation of the System shall be deposited into the Income Fund. Any money remaining in the Proceeds Account after payment of the Interim Debenture as described in Section 25(A) hereof and the completion of the Project shall be deposited in the Bond Fund.

Section 28. Administration of Income Fund. The following payments shall be made from the Income Fund.

A. Operation and Maintenance Expenses. First, there shall be set aside each month such reasonable percentage of the Income Fund as the Board shall determine to be reasonable and necessary for the proper operation and maintenance of the System. Any surplus remaining at the end of the Fiscal Year and not used for Operation and Maintenance Expenses shall be transferred back to the Income Fund.

B. Bond Fund Payments. Second, from any moneys remaining in the Income Fund there shall be deposited into a separate account hereby created to be known as the "2003 Water Revenue Bond Fund" (herein "Bond Fund") monthly, commencing on or before July 24, 2003 and the 24th day of every month thereafter until the Bond is paid in full, an amount sufficient, together with any available moneys therein, to pay the next maturing installment of principal and interest on the outstanding Bond until the maturity or prior redemption in full of the Bond.

C. Reserve Fund Payments. There shall be deposited annually into a separate account hereby created to be known as the "2003 Water Revenue Bond Reserve Fund" (herein "Reserve Fund"), commencing on or before the date which is on or before 12 full months from the date of delivery of the Bond, an amount equal at least equal one-tenth (1/10) of the average annual loan installment, and annually thereafter an amount each year of at least one-tenth (1/10) of the average annual loan installment until an amount equal to the average annual loan installment on the

Bond (the "Minimum Reserve") has been accumulated. After the Minimum Reserve has been accumulated, an amount shall be deposited annually from the Income Fund into the Reserve Fund sufficient to maintain said Reserve Fund in an amount not less than the Minimum Reserve. The moneys in the Reserve Fund shall be maintained as a continuing reserve to be used only for the following:

1. Securities Requirements. To pay principal and interest on the Bond, if necessary to prevent a default;

2. Emergency Maintenance Costs. To pay the costs of extraordinary and major repairs, renewal, replacements, or maintenance items appertaining to such System of a type not recurring annually and not defrayed as operation and maintenance expenses;

3. Capital Costs. To pay the cost of extending the System; and

4. Replacement Costs. To pay the costs of replacing short-lived assets of the System which have useful lives significantly less than the term of the Bond.

D. Termination of Deposits. Payment need not be made into the Bond Fund or the Reserve Fund if the total amount in both funds at least equals the principal and interest requirements of the then outstanding Bond to maturity. In that case such an amount equal to such principal and interest requirements shall be set aside for that purpose and all other moneys may be used in any lawful manner.

E. Defraying Delinquencies in Bond Fund and in Reserve Fund. If, for any reason, the Town shall fail to pay into the Bond Fund the full stipulated amount from Net Revenues, then the difference between that paid and the amount stipulated shall be paid into the Bond Fund from the Reserve Fund. Money so used shall be replaced in the Reserve Fund from the first revenues thereafter received not required to be otherwise applied by this section. If the proceedings authorizing other parity lien obligations require the replacement of moneys in a reserve fund, then money shall be replaced in each such reserve fund on a pro rata basis. If, for any reason, the Town shall fail to pay into the Reserve Fund the full stipulated amount, the difference between the amount paid and the amount stipulated shall in like manner be paid therein from the first revenues thereafter received not required to be otherwise applied by this section. The moneys in the Bond Fund shall be used only for the purpose of paying Bond principal and interest. Any moneys in the Reserve Fund in excess of the Minimum Reserve (including any investment income) may be withdrawn and used in the same manner as Net Income.

F. Payment for Additional Obligations. After making the above payments, any balance in the Income Fund may be used for the payment of principal and interest on additional bonds including reasonable reserves therefor. The lien of additional bonds on Net Income shall be on a parity with, or subordinate to, the lien and pledge of the Bond. Any payments with respect to additional parity bonds shall be made concurrently with those required by this section.

G. Use of Surplus Revenues. After making the above payments, the remaining Net Income, if any, may be applied to any other lawful purpose or purposes authorized by the Constitution and Laws of the State as the Board may direct.

Section 29. General Administration of Funds. The funds and accounts hereof shall be administered as follows:

A. Places and Times of Deposits. The above accounts and funds shall be separately maintained and deposited in one or more bank accounts in an Insured Bank or Banks. Each account shall be continuously secured to the extent required by law and shall be irrevocable and not withdrawable by anyone for any other purpose. Amounts in the account exceeding the applicable federal deposit insurance coverage shall be secured by the Insured Bank in advance in accordance with U.S. Treasury rules and regulations governing the deposit of government moneys. Payments shall be made into the proper account on the first day of the month or year, as the case may be, except that when the first day shall be a Sunday or legal holiday, the payment shall be made on the preceding calendar day which is not also a Sunday or legal holiday. At least one day prior to any principal and interest payment date, moneys sufficient to pay interest and principal then due shall be credited at the Paying Agent. Nothing in this Ordinance shall prevent the Board from establishing one bank account for any of the funds and accounts required by this Ordinance.

B. Investment of Money. Any moneys in any fund or account designated in Sections 25, 27 and 28 of this Ordinance may be invested or reinvested by the Town in such obligations as may be permitted by the Constitution and laws of the State of Nevada, and applicable federal statutes and regulations.

C. Tax Covenant. The Town covenants for the benefit of the Owners 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 Town or any facilities financed or 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 Internal Revenue Code of 1986, as amended to the date of delivery of the Bond (the "Tax 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 Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full of the Bond until the date on which all obligations of the Town in fulfilling the above covenant under the Tax Code have been met.

Section 30. Prior Lien Bonds. The Bond constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues and there are no outstanding bonds on a parity or superior to the lien of the Bond on the Net Revenues.

Section 31. Additional Bonds.

A. Earnings Test. This Ordinance shall not prevent the issuance of additional bonds payable from and constituting a lien upon Net Income on a parity with the lien of the Bond. Before any such additional parity bonds are actually issued (and upon receiving the prior written consent of the United States) it must be determined that:

1. The Town is not, and has not been in default as to any payments required to be made in Section 28 hereof during the Fiscal Year immediately preceding the issuance of such additional bonds, or if the Bond has not been outstanding for a full Fiscal Year, then for the longest period of time the Bond has been outstanding; and

2. The annual Net Revenues derived from the operation of the System for the Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of any such parity lien obligations shall have been sufficient to pay an amount representing 100% of the average annual principal and interest requirements

on all bonds then outstanding and constituting a lien upon Net Revenues and the parity bonds proposed to be issued (excluding reserves). As used in this section "average annual principal and interest requirements" shall be the total principal and interest coming due on the then outstanding Bonds and the proposed parity lien obligations during the period extending from the date of the proposed parity lien obligations to the final principal payment date of the then outstanding lien obligations or the proposed parity lien obligations, whichever is longer, divided by the number of years (including any fraction thereof) computed from the date of the proposed parity lien obligations to the last principal payment date of the then outstanding lien obligations, or the proposed parity lien obligations, whichever is longer.

The foregoing limitations upon the issuance of parity bonds shall not apply in the case of the issuance of additional parity bonds necessary to complete the Project in accordance with the original plans and specifications therefor as prepared and filed by the Consulting Engineer and upon certificates by such Consulting Engineer that such parity lien bonds are required for such Project. Such certificates shall conclusively determine the right of the Town to issue such parity lien bonds.

B. Certification or Opinion of Revenues. A written certificate or opinion by the Town Treasurer or an Independent Accountant that the earnings test set forth in Section 31(A) above has been met shall conclusively determine the right of the Town to issue additional parity bonds. The Town Treasurer or an Independent Accountant may utilize the results of any annual audit to the extent it covers the applicable period and may conclusively rely on a Consulting Engineer's Certificate for the amount of any adjustment required under Paragraph C of this Section. In the event that an annual audit covering the applicable period is unavailable, the Town Treasurer may utilize unaudited information covering the applicable period in making such written certification.

C. Consideration of Additional Expenses. In determining whether additional parity bonds may be issued, the Town Treasurer or the Independent Accountant shall consider any probable increase (but not reduction) in Operation and Maintenance Expenses. A written certificate by a Consulting Engineer as to the amount of such probable increase may be conclusively relied on by the Town and the Town Treasurer or the Independent Accountant in determining the right of the Town to issue additional parity bonds.

D. Subordinate Obligations Permitted. The Town may issue bonds or other obligations (upon receiving the prior written consent of the United States) having a lien on Net Revenues subordinate to the lien of the Bonds.

E. Superior Obligations Prohibited. The Town shall not issue any bond or other obligation having a lien on Net Revenues prior and superior to the lien of the Bonds.

F. Waiver of Earnings Test. The foregoing earnings test described at § 31(A), above, may be waived or modified by the written consent of Bondholders representing seventy-five percent (75%) of the then outstanding principal indebtedness on a parity with the proposed parity lien obligations.

Section 32. Defeasance. Pursuant to FmHA Instruction 1942-A, § 1942.19(h)(10)(iii), so long as the United States of America is the Registered Owner of the Bond, the Bond may not be defeased.

Notwithstanding the foregoing, if the United States is no longer the Registered Owner of the Bond, when the principal of and interest on the Bond (the "Bond Requirements") have been duly paid, the pledge and lien and all obligations hereunder shall thereby be discharged as to the Bond and the Bond shall no longer be deemed to be outstanding within the meaning of this Ordinance. There shall be deemed to be such due payment when the Town has placed in escrow or in trust with a trust bank located within or without the State (the "Bank"), 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 Town 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 Town and the Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the owners thereof to assure availability as so needed to meet the schedule. For the purpose of this Section, the term "Federal

Securities" shall be as defined in § 350.522 Bond Act, and shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the holder thereof.

Section 33. Protective Covenants. The Town covenants and agrees with each and every Holder that:

A. Use of Bond Proceeds. The Project shall be constructed and acquired and the System improved and extended without delay.

B. Payment of Bonds Herein Authorized. The Town will make the Bond principal and interest payments at the place, on the dates, and in the manner specified according to the true intent and meaning thereof.

C. Use Charges. Rates for services rendered by the System shall be reasonable and just, taking into account the cost and value of the System, Operation and Maintenance Expenses, possible delinquencies, proper allowances for depreciation, contingencies, and the amounts necessary to retire all bonds payable from Net Revenues, and the reserves therefor. There shall be charged against all users, including the State of Nevada and its subdivisions, rates and amounts sufficient to produce revenues to pay the annual Operation and Maintenance Expenses, and 100% of both the principal of and interest on all bonds and other obligations payable from Net Revenues, including reserves. Except as otherwise provided by law, no free service shall be furnished by the System. Any use of the System by the Town will be paid for from the Town's general fund at the reasonable value of the use so made. Income so derived from the Town shall be treated in the same manner as any other System income.

D. Levy of Charges. Prior to the delivery of the Bond, the Town will establish, levy and maintain the rates and charges which are required to meet the provisions of paragraph C of this Section 33. No reduction in any initial water rate schedule may be made unless:

1. The Town has complied with Section 28 for at least two Fiscal Years immediately preceding such reduction.

2. The audits for the full two Fiscal Years immediately preceding such reduction disclose that the estimated revenues resulting from the proposed rate schedule will be sufficient to meet the requirements of paragraph C of this section.

3. If the United States then owns the Bond or Bonds, the State Director of the RD (or equivalent RD officer) approves in writing the proposed reduction, provided that the United States, acting by and through RD, shall have first been furnished with a written request signed by the Treasurer requesting and justifying such reduction. This Section 33D(3) applies only if the United States owns the Bond on the date of the reduction.

E. Efficient Operation. The Town shall make such improvements and repairs to the System as may be necessary to insure its economical and efficient operation and its ability to meet demands for service.

F. Records. Separate records will be kept showing complete and correct entries of all transactions relating to the System. Such records shall include monthly entries showing:

1. The number of System customers;
2. The revenues received;
3. A detailed statement of expenses; and
4. Such other items specified by any form furnished by the United States.

Before each Fiscal Year the Board will cause an operating budget to be prepared.

G. Right to Inspect. Any Registered Owner, or their duly authorized agents, shall have the right at all reasonable times to inspect the System, and all records, accounts and data relating thereto.

H. Audits and Budgets. As long as the United States is the Registered Owner of the Bond, the Town agrees that it will, within 90 days following the close of each Fiscal Year, furnish an audit made by an Independent Accountant to RD (at the State Office of RD). Each such audit, in addition to matters thought proper by the accountant, shall include:

1. A statement for the Fiscal Year just closed, of the income and expenditures of the System, including Gross Income, Net Revenues, the amount of any capital expenditures and profit or loss;

2. A balance sheet as of the end of such Fiscal Year, including all funds and accounts created by proceedings authorizing bonds payable from System revenues;

3. The accountant's comment regarding the Town's methods of operation and accounting practices;

4. A list of the insurance policies in force, setting out the amount of each policy, the risks covered, the name of the insurer, and the expiration date;

5. A recapitulation of each fund or account created by the various proceedings showing deposits and withdrawals for said Fiscal Year.

After the beginning of each new Fiscal Year, the Town shall furnish an operating budget showing the planned budget for the ensuing year and a copy of the minutes of the meeting of the Board at which such budget was approved. Along with the operating budget, the Town shall provide a letter showing the name, address and term of office for each member of the Board, the number of residential users and the number of commercial users of the System as of the end of the Fiscal Year. The Town will furnish the designated United States representative with quarterly statements of income and expense on forms furnished by the United States. The Town will furnish a copy of each audit, budget, quarterly statement and written instrument to the United States.

I. Billing Procedure and Discontinuance of Service. All bills shall be sent out on a regularly established manner each month in advance or after service is rendered. Bills shall be due within an established number of days from the bill date. Bills for water use and water service may be sent out in combination with bills for another utility (e.g., sanitary sewer bills or refuse collection bills) as long as such amounts are separately stated. If bills are not paid 30 days after such due date they shall be collected in any lawful manner.

J. Use of Bond and Reserve Funds. The Bond Fund and the Reserve Fund shall be used solely and only, and said funds are hereby pledged, for the purposes set forth above.

K. Charges and Liens upon System. The Town will pay all taxes and governmental charges lawfully levied in respect of said System when due. The Town will comply with all valid requirements of any governmental authority relative to the System. It shall not create or permit to be created any lien or charge upon the System or the revenues except as permitted herein. The Town will satisfy all claims and demands within 60 days after the same shall accrue which might by law become a lien upon the System or upon the revenues unless the validity thereof is being contested in good faith by appropriate legal proceedings.

L. Construction Contract and Bond. The Town will require each person, firm or corporation with whom it may contract for labor or materials to furnish a performance and payment bond in the full amount of any contract. Any such contract will meet the reasonable requirements of the United States which are not inconsistent with State law.

M. Insurance. Fire and extended coverage insurance will be obtained and maintained on the facilities above ground, including Town-owned contents, equipment and machinery, the amounts of which will be determined with the assistance of the Project Engineer. The proceeds of such insurance shall be used to restore the property lost or damaged and any remainder (or if such lost or damaged property is no longer required for the System the entire proceeds) will be distributed as Net Income. The Town will carry workmen's compensation insurance on all full-time employees and will maintain public liability insurance (including liability and property damage insurance on Town-owned or operated vehicles) if authorized by State law as interpreted by the legal counsel for the Town.

N. Competing System or Works. The Town shall not grant any franchise or license to a competing System, or permit any person or organization to sell water or water service within the Town, but this covenant shall not require the Town to take any action which, in the opinion of the Town's legal counsel, may violate antitrust laws.

O. Alienating System. The Town will not sell, lease, mortgage, pledge, or otherwise alienate the System, or any part thereof, except any portion which shall have been replaced by other property of at least equal value or which shall cease to be necessary for the efficient operation of the System. In the event of any sale as aforesaid, the proceeds of such sale shall be distributed as Net Income.

P. Extension of Interest Payments. The Town will not extend or be a party to the extension of the time for paying any claim for interest. Any installment of interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Ordinance except subject to the prior payment in full of the principal of all bonds and interest which has not been extended.

Q. Management of the System. If an "event of default" shall occur or if the Net Revenues in any Fiscal Year fail to equal principal, interest and reserves for all bonds payable from Net Revenues, the Town shall retain a Consulting Engineer to assist in the management of the System so long as such default continues or the Net Revenues are less than the amount designated.

R. Fidelity Bonds. The persons, being responsible for receiving income and maintaining the accounts of the System, shall be bonded in a blanket position fidelity bond in a penal sum at least equal to the maximum amount on hand at any one time (exclusive of Bond proceeds), which fidelity bond may be provided on form FmHA 440-24 "Position Fidelity Bond" or other equivalent United States forms and shall designate the United States as a co-obligee.

S. The Town's Existence.

1. The Unincorporated Town of Tonopah, Nevada, will maintain its "corporate" identity and existence so long as any principal of the Bond remains outstanding (and the United States is a Registered Owner of any of such Bond), unless another political subdivision by operation of law succeeds to the liabilities and rights of the Town without adversely affecting to any substantial degree the privileges and rights of any Registered Owner.

2. The Town agrees to give written notice to the RD City or State Office, if the United States is a Registered Owner of any principal of the Bond, at least 30 days prior to any contemplated merger, consolidation or dissolution of the Town.

Section 34. Events of Default. It is an "event of default" if:

A. Nonpayment of Principal. Payment of any principal of the Bond is not made when due or upon prior redemption.

B. Nonpayment of Interest. Payment of interest is not made when due.

C. Incapable to Perform. The Town is not capable of fulfilling its obligations hereunder.

D. Default of Any Provision. The Town defaults in the punctual performance of its covenants hereunder for 60 days after written notice shall have been given by the Owners of 25% of the outstanding principal of the Bond.

Section 35. Remedies on Default. Upon the happening of any event of default, the Registered Owners or Holders of not less than 25% in principal amount of the outstanding Bond, or a trustee therefor, may protect and enforce the rights of any Bondholder or Owner by proper legal or equitable remedy deemed most effectual including mandamus, specific performance of any covenant, the appointment of a receiver (the consent to such appointment being hereby granted), injunctive relief, or requiring the governing body of the Town to act as if it were the trustee of an expressed trust, or any combination of such remedies. All proceedings shall be maintained for the equal benefit of all owners and holders of Bonds. Any receiver appointed to protect the rights of Bondholders may take possession and operate and maintain the System in the same manner as the Town itself might do. The failure of any Registered Owner or Holder to proceed does not relieve the Town or any person of any liability for failure to perform any duty hereunder. The foregoing rights are in addition to any other right and the exercise of any right by any Bondholder or Owner shall not be deemed a waiver of any other right.

Section 36. Duties upon Default. Upon the happening of any event of default, the Town will perform all proper acts to protect and preserve the security created for the prompt payment of the principal of and interest on the Bond. The Owners or Holders of not less than 25% in principal amount of the outstanding Bond after written demand, may proceed to protect and enforce the rights provided by this section.

Section 37. Prior Charge Upon Lower Rates. If any commission or authority lawfully prescribes a lower schedule of rates than that contemplated by this Ordinance, then the payment of principal and interest on the Bond, and any parity bonds, shall constitute a first and prior charge on revenues.

Section 38. Refinancing. If it shall appear to RD, during the time the United States owns any of the Bond, that the Town can refinance the amount of the Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time, the Town agrees (upon the request of RD), within the limitations of its then existing powers, (and subject to any contractual limitations contained herein concerning the payment of the Bond and its redemption), to apply for and to accept such loan, with conditions acceptable to the Town, in sufficient amount to repay the United States and agrees to take such action as may be required in connection with such loan. Any such refinancing shall be accomplished according to applicable statutes of the State.

Section 39. Bond Discharge. When the Bond has been paid, the pledge and lien and all obligations hereunder shall be discharged and the Bond shall no longer be deemed to be outstanding.

Section 40. Amendment of Ordinance. This Ordinance may be amended, without receipt by the Town of any additional consideration, but with the written consent of the Owners of seventy-five percent (75%) of the principal of the Bond then outstanding (not including any portion of the Bond which may be held for the account of the Town); but no Ordinance adopted without the written consent of the Owners of all of the outstanding Bond shall have the effect of permitting:

1. An extension of any installment payment of the Bond; or

2. A reduction in the principal amount or interest rate of the Bond; or

3. The creation of a lien upon revenue ranking prior to the lien or pledge created by this Ordinance; or

4. A reduction of the principal amount of the Bond required for consent to such amendatory Ordinance; or

5. The modification of or otherwise affecting the rights of the Holders of less than all of the outstanding Bond.

Section 41. Delegated Powers. The officers of the Town be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation, the execution of such certificates and forms as may be reasonably required by the United States, relating, inter alia, to the signing of the Bond, the tenure and identity of the officials of the Board and of the Town, the delivery of the Bond and the receipt of the Bond purchase price, and, if it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity thereof, and the absence and existence of factors affecting the exemption of interest on the Bond from federal income taxation, the assembly and dissemination of financial and other information concerning the Town, the Bond, and the sale and issuance of the Bond pursuant to the provisions of this Ordinance and to any instrument supplemental thereto.

Section 42. Prior Contracts. If any provision herein is inconsistent with any provision in any existing contract pertaining to the Town so as to affect prejudicially and materially the rights and privileges thereunder, so long as such contract shall remain viable and in effect such provision therein shall control such inconsistent provision herein and the latter provision shall be subject and subordinate to such provision in such existing contract.

Section 43. Police Power. Nothing in this Ordinance prohibits or otherwise limits or inhibits the reasonable exercise in the future by the State and its governmental bodies of the police powers and powers of taxation inherent in the sovereignty of the State or the exercise by the United States of the powers delegated to it by the Federal Constitution. The Town cannot contract away such powers nor limit or inhibit by contract the proper exercise thereof, and this Ordinance does not purport to do so.

Section 44. Ordinance Irrepealable. After the Bond is issued, this Ordinance shall constitute an irrevocable contract between the Town and the owner 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, canceled and discharged as herein provided.

Section 45. Implied Repealer. All ordinances, resolutions, 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 ordinance, resolution, bylaw or order, or part hereof, heretofore repealed.

Section 46. Emergency. The Board 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 Town may go into effect. Consequently, pursuant to NRS Section 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. The Board has expressed in the preambles to this Ordinance that it pertains to the sale, issuance, or payment of a water revenue interim debenture, and that this instrument may accordingly be adopted as if an emergency now exists. This Ordinance shall become effective after its publication at least twice by its title only, together with the names of the members of the Board voting for or against its passage and a statement that typewritten copies of this Ordinance are available for inspection by interested parties at the office of the Town Clerk, such publication to be made in a newspaper or newspapers of general circulation in the Town at least once a week for a period of two weeks, and such publication to be in substantially the following form:

BILL NO. TTO 03-01
ORDINANCE NO. TTO 03-01

AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE UNINCORPORATED TOWN OF TONOPAH, NEVADA, WATER REVENUE BOND, SERIES 2003 IN THE PRINCIPAL AMOUNT OF $498,232 TO PAY IN PART THE COST OF A WATER PROJECT; PROVIDING THE FORMS, TERMS AND CONDITIONS OF THE BOND, THE SECURITY THEREFOR AND THE SALE THEREOF TO THE UNITED STATES OF AMERICA; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES DERIVED FROM THE OPERATION OF THE WATER SYSTEM; PROVIDING OTHER MATTERS RELATING THERETO; PROVIDING FOR ADOPTION AS IF AN EMERGENCY EXISTS; AND PROVIDING FOR AN EFFECTIVE DATE.

PUBLIC NOTICE IS HEREBY GIVEN that typewritten copies of the above-numbered and entitled Ordinance are available for public inspection and distribution at the office of the Town Clerk of the Unincorporated Town of Tonopah, Nevada, at the office of the Town Clerk in Tonopah, Nevada and that such Ordinance was passed and adopted at a regular meeting of the Town Board on May 28, 2003 by the following vote of the Town Board:

Those Voting Aye:	Michael Truesdell
	Paul Campos
	Terry Rivero
	Tony Philips
Those Absent:	Cindy Kaminkski
Those Voting Nay:	None

IN WITNESS WHEREOF, the Town Board of the Unincorporated Town of Tonopah, Nevada has caused this Ordinance to be published by title only.
DATED this May 28, 2003.

Chairman
Town Board of the Unincorporated Town of Tonopah, Nevada

Attest:
Town Clerk

Section 47. 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 May 28, 2003.
Proposed by Michael Truesdell.
Passed on May 28, 2003.

Those Voting Aye:	Michael Truesdell Paul Campos Terry Rivero Tony Philips
Those Voting Nay:	None
Absent:	Cindy Kaminski

Chairman
Town Board of the Unincorporated Town of
Tonopah, Nevada

Attest:

Town Clerk

This Ordinance shall be in full force and effect from and after the 12th day of the month of June of the year 2003 i.e., the day after the second publication of such Ordinance by title only.

STATE OF NEVADA)
) SS.
UNINCORPORATED TOWN OF)
TONOPAH)

I, Paul Campos, am the qualified and elected Town Clerk of the Unincorporated Town of Tonopah, Nevada (the "Town"), and in the performance of my duties as Clerk do hereby certify:

1. The foregoing pages are a true, correct and compared copy of a ordinance adopted by Town Board (the "Board") of the Town at a meeting held on May 28, 2003. The original of the ordinance has been approved and authenticated by the signatures of the Chairman of the Board and myself as Town Clerk and sealed with the seal of the Town, and has been recorded in the records of the Board kept for that purpose in my office.

2. The proceedings were duly had and taken as therein shown. The Commissioners indicated in the ordinance were present at said meeting and voted on the ordinance as set forth therein.

3. All members of the Board were given due and proper notice of such meeting.

4. 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 and excerpts from the agenda for the meeting relating to the ordinance, as posted by 9:00 a.m. at least 3 working days in advance of the meeting at:

(i) U.S. Post Office 201 Main Street, Tonopah, NV 89049
(ii) Tonopah Convention Center, 301 Brougher Street, Tonopah, NV. 89049
(iii) Tonopah Town Office, 102 Burro Avenue, Tonopah, NV 89049
(iv) Nye County Courthouse, Radar Road, Tonopah, NV. 89049

is attached as Exhibit "A".

5. Prior to 9:00 a.m. at least 3 working days before such meeting, such notice was delivered to each member of the Board and to each person, if any, who has requested Notice of meetings of the Board in the same manner in which notice is required to be mailed to a member of the Board.

IN WITNESS WHEREOF, I have hereunto set my hand this May 28, 2003.

(SEAL)

Paul Campos
Town Clerk

EXHIBIT A

(Attach Copy of Notice of Meeting)

TONOPAH TOWN BOARD
MEETING AGENDA
MAY 28, 2003
TONOPAH CONVENTION CENTER
301 Brougher Avenue, Tonopah, NV 89049
7:00P.M.

Michael Truesdell, Chairman
Cindy Kaminski, Vice Chairman
Paul Campos, Clerk
Terry Rivero, Member
Tony Philips, Member

NOTE: All times are approximate except for bid openings, public hearings, and any other items agendized at a specific time. Action may be taken on all items except where otherwise indicated. Items not scheduled for a specific time may be considered at any time and in any order.

Any member of the public who is disabled and requires accommodations or assistance at the meeting is requested to notify the Town Office in writing or call 482-6336 within 24 hours prior.

ITEM # **SUBJECT**

Pledge of Allegiance

1. ACTION Review and Approval of Minutes from Regular Meeting on May 15, 2003

2. ACTION Approval of USDA-Rural Development Amended Letter of Conditions for Loan and Grants for the Tonopah Public Utilities Water Improvement Project

3. ACTION Consideration and Possible Adoption of an Ordinance Authorizing the Issuance of the Unincorporated Town of Tonopah, Nevada, Water Revenue Bond, Series 2003 in the Principal Amount of $498,232 to pay in part the cost of a Water Project; Providing the Forms, Terms and Conditions of the Bond, the Security therefore and the Sale thereof to the United States of America; Providing for the Collection and Disposition of Revenues Derived from the Operation of the Water System; Providing other Matters Relating thereto; Providing for Adoption as if an emergency exists; and Providing for an Effective Date

4. PUBLIC COMMENT Three-minute time limit per person and requested to be limited to items not listed on the agenda. No action will be taken by the Board

5. ACTION Discussion and Decision regarding Volunteer Appreciation Day

6. ACTION Tonopah Recreational Facility Report

7. ACTION Approval of Contract between Town of Tonopah and Newmont Mining Company

8. STAFF REPORTS Review and Discussion; no action will be taken

9. TONOPAH TOWN DEPARTMENT BUDGET REPORTS

9. CORRESPONDENCE Review and Discussion: no action will be taken

10. ACTION Approval of Vouchers for Payment

11. ACTION Adjourn

AFFIDAVIT OF POSTING

STATE OF NEVADA

COUNTY OF NYE

The undersigned, being duly sworn according to law, deposes and says: That s/he is over the age of 21 years; that on the 22nd day of May, 2003, s/he posted the agenda for the Tonopah Town Board regular meeting on May 28, 2003, at the places listed below, or caused the same to be posted, and mailed to all persons requesting same.

Subscribed and sworn before me

This 22 day of May, 2003.

NOTARY PUBLIC

OFFICIAL SEAL
DEBORAH ANDERSON
No. 98-1103-14
NOTARY PUBLIC, STATE OF NEVADA
NYE COUNTY NEVADA
My Appointment Exp. Jan 11, 2006

POSTED:

U.S. Post Office, 201 Main Street, Tonopah, NV 89049
Tonopah Convention Center, 301 Brougher Street, Tonopah, NV 89049
Tonopah Town Office, 102 Burro Avenue, Tonopah, NV 89049
Nye County Courthouse, Radar Road, Tonopah, NV 89049

EXHIBIT B

(Attach Affidavit(s) of Publication Twice by Title)

H:\05410\004\2003bond\BONDordv1.wpd

BILL NO. TTO 03-01
ORDINANCE NO. TTO 03-01
AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE UNINCORPORATED TOWN OF TONOPAH, NEVADA, WATER REVENUE BOND, SERIES 2003 IN THE PRINCIPAL AMOUNT OF $498,232 TO PAY IN PART THE COST OF A WATER PROJECT; PROVIDING THE FORMS, TERMS AND CONDITIONS OF THE BOND, THE SECURITY THEREFOR AND THE SALE THEREOF TO THE UNITED STATES OF AMERICA; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES DERIVED FROM THE OPERATION OF THE WATER SYSTEM; PROVIDING OTHER MATTERS RELATING THERETO; PROVIDING FOR ADOPTION AS IF AN EMERGENCY EXISTS; AND PROVIDING FOR AN EFFECTIVE DATE.

PUBLIC NOTICE IS HEREBY GIVEN that typewritten copies of the above-numbered and entitled Ordinance are available for public inspection and distribution at the office of the Town Clerk of the Unincorporated Town of Tonopah, Nevada, at the office of the Town Clerk in Tonopah, Nevada and that such Ordinance was passed and adopted at a regular meeting of the Town Board on May 28, 2003 by the following vote of the Town Board:

Those Voting Aye:
Michael Truesdell
Paul Campos
Terry Rivero
Tony Philips
Those Absent:
Cindy Kaminski
Those voting Nay:
None

IN WITNESS WHEREOF, the Town Board of the Unincorporated Town of Tonopah, Nevada has caused this Ordinance to by published by title only.

DATED this May 28, 2003.
/s/ Michael Truesdell
Chairman
Town Board of the Unincorporated Town of Tonopah, Nevada

Attest:
/s/ Paul Campos
Town Clerk
T1571 6/5,12

Affidavit of Publication

State of Nevada,

ss.

County of Nye

I, W.G. Roberts, publisher of the **Tonopah Times-Bonanza & Goldfield News**, a weekly newspaper published in Tonopah, Nye County, Nevada, being duly sworn, hereby certifies that the Public Notice is Hereby Given

a copy of which is hereon attached, was published in the said Tonopah Times-Bonanza & Goldfield News on the following dates: June 5, 12, 2003

WITNESS my hand this
12 day of June, 2003

W. G. Roberts

SUBSCRIBED and sworn to before me this
12 day of June, 2003

C. Clifford

OFFICIAL SEAL
C. CLIFFORD
No: 89-0110-14
NOTARY PUBLIC, STATE OF NEVADA
NYE COUNTY, NEVADA
My Appointment Exp. Apr. 26, 2005