

Governor Brian Sandoval  
*Chairman*



State of Nevada  
STATE BOARD OF FINANCE

*Members*  
Treasurer Dan Schwartz  
Controller Ron Knecht  
Teresa J. Courier  
Brian A. Sagert

## PUBLIC NOTICE

### AGENDA

MEETING OF THE STATE BOARD OF FINANCE  
Tuesday, August 14, 2018  
1:00 P.M.

#### **Locations:**

Via videoconference at the following locations:

Old Assembly Chambers  
Capitol Building, Second Floor  
101 N. Carson Street  
Carson City, NV 89701

Grant Sawyer State Office Building  
555 E. Washington Avenue, Suite 5100  
Las Vegas, NV 89101

#### **Agenda Items:**

1. **Public Comment**  
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.
2. **For discussion and possible action:** Approval of the Board of Finance minutes from the meeting held on June 12, 2018.

Presenter: Tara Hagan, Chief Deputy Treasurer

101 N. Carson Street, Suite 4  
Carson City, Nevada 89701  
775-684-5600  
Website: [NevadaTreasurer.gov/BoF](http://NevadaTreasurer.gov/BoF)

3. **For discussion and possible action:** Discussion and possible action on a resolution designated the “2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution”; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A, in the aggregate principal amount not to exceed \$125,000,000; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Presenter: Lori Chatwood, Deputy Treasurer – Debt Management

4. **For discussion and possible action:** Discussion and possible action on a resolution designated the “2018B Natural Resources Tahoe Bond Resolution”; (a) authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B, in the aggregate principal amount not to exceed \$2,835,000; providing the purpose for which such bond is issued, the form, terms, and conditions of such bond and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bond; and (b) approving the investment of moneys in the Consolidated Bond Interest and Redemption Fund of the State in such bond; and providing other related matters.

Presenter: Lori Chatwood, Deputy Treasurer – Debt Management

5. **For discussion and possible action:** Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry to approve the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$47,000,000 for the purpose of assisting in the financing or refinancing of a portion of the additional costs of (i) constructing and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada; and (ii) the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada. The project will be owned by Fulcrum Sierra Holdings, LLC, and operated by Fulcrum BioEnergy, Inc. Approval of the Board of Finance is required pursuant to NRS 349.580(2).

Presenter: CJ Manthe, Director, Department of Business and Industry.

6. **For discussion and possible action:** Discussion and possible action on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$27,000,000 of Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments), for the purpose of construction of a 195-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership entity comprised of Ovation Affordable Housing, Inc. (an affiliate of Ovation Development Corporation) and Coordinated Living of Southern Nevada, Inc. Bank of America, N.A. will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4)

Presenter: Stephen Aichroth, Administrator, Housing Division.

7. **For discussion and possible action:** Consideration and Approval of form of master repurchase agreement for RBC Royal Bank and RBC Capital Markets, LLC. pursuant to NRS 355.140(2)(a)(3).

Presenter: Kim Shafer, Deputy Treasurer – Investments

8. **For discussion and possible action:** Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended June 30, 2018 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Presenter: Tara Hagan, Chief Deputy Treasurer

9. Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

10. Public Comment

Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

## ADJOURNMENT

### Notes:

Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The State Board of Finance is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-7109 if assistance is needed.

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Carson City, NV 89701.

**THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:**

- **Capitol Building, 1<sup>st</sup> & 2<sup>nd</sup> Floors, Carson City, Nevada**
- **Legislative Building, Carson City, Nevada**
- **Nevada State Library, Carson City, Nevada**
- **Blasdel Building, Carson City, Nevada**
- **Grant Sawyer Building, Las Vegas, Nevada**
- **City Halls in Reno, Elko and Henderson, Nevada**

Also online at: [http://www.nevadatreasurer.gov/Finances/Board/BOF\\_Home/](http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/) and <https://notice.nv.gov/>

**STATE BOARD OF FINANCE**  
**June 12, 2018 – 1:00 PM**  
**Summary Minutes**

**Location:**

Via videoconference at the following locations:

Old Assembly Chambers	Governor's Office Conference Room
Capitol Building, Second Floor	555 E Washington Avenue, Suite 5100
101 N. Carson Street	Las Vegas, NV 89101
Carson City, NV 89701	

Governor Sandoval called the meeting to order at 1:00 P.M.

**Board members present:**

Governor Brian Sandoval – Carson City  
Treasurer Dan Schwartz – Las Vegas  
Controller Ron Knecht – Carson City  
Teresa Courier – Carson City

**Others present:**

Tara Hagan – Chief Deputy Treasurer  
Lori Chatwood – Deputy Treasurer – Debt  
Dennis Belcourt – Deputy Attorney General  
CJ Manthe – Nevada Department of Business and Industry  
Stephen Aichroth – Nevada Housing Division  
Michael Holliday – Nevada Housing Division  
Fred Eoff – Public Financial Management  
Jenni Cartright - Nevada Department of Administration  
Mike Willden – Governor's Office  
Kendra Follett – Sherman & Howard  
Marty Johnson – JNA Consulting

**Agenda Item 1 – Public Comment.**

No public comment in Carson City or Las Vegas.

**Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on March 13, 2018.**

Controller Knecht moved to approve the minutes. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 3** – For discussion and possible action: Discussion and possible action on the approval of the bonding programs to be included in the Fall 2018 issuance of general obligation and refunding bonds by the State of Nevada.

- (1) Department of Administration-Capital Improvement Projects (~\$110 million)
  - (a) 2017 CIP Tranche 2 (~\$20 million)
  - (b) 2017 CIP Reno DMV Building Tranche 2 (~\$15 million)
  - (c) 2017 CIP UNR Engineering Building Tranche 1 (~\$25 million)
  - (d) 2009 Build America Bond Refunding (~\$50 million)
- (2) Department of Conservation and Natural Resources (~\$3.5 million)
  - (a) Historic Preservation Grants (~\$1 million)
  - (b) Tahoe Environmental Improvement Program (~\$2.5 million)

Ms. Chatwood presented to the Board of Finance (Board) the bonding programs to be included in the Fall 2018 issuance of general obligation and refunding bonds by the State of Nevada. Ms. Chatwood explained each of the Department of Administration-Capital Improvement Projects, which total ~\$110 million, to the Board as well as the Department of Conservation and Natural Resources projects which total ~\$3.5 million. Ms. Chatwood stated that all of the bonds were presented in the Governor’s biennium budget which was approved by the Legislature and signed into law in June 2017. Ms. Chatwood explained that the bonds conform to the parameters of the State’s Constitutional Debt Limitation and the General Obligation Debt Capacity and Affordability model. Ms. Chatwood stated that if the Board approves the bonding programs they will be included in the Fall 2018 general obligation securities issuance and the State Treasurer’s Office will present the sale resolutions and other applicable documents to the Board at its August 2018 meeting.

Controller Knecht inquired regarding the agencies usage of the bond proceeds and questioned if the amounts that are remaining to be spent are reasonable, especially in light of the request for new monies.

Ms. Chatwood stated she has been working very closely with the agencies and she thinks the they are doing a very good job at expending their proceeds in a timely manner.

Teresa Courier moved to approve Agenda Item 3. Controller Knecht seconded the motion. Motion passed unanimously.

**Agenda Item 4** – For discussion and possible action: Discussion and possible action on a resolution authorizing the replacement of the existing paying agent for outstanding bonds guaranteed by the State Permanent School Fund in accordance with the applicable bond resolutions if so determined by the respective School Districts and the State Treasurer; and approving any necessary amendments to the existing State Permanent School Fund Guarantee Agreements in connection with the replacement of such paying agent.

Ms. Chatwood presented and stated that the State Treasurer and the Board have approved the Guarantee of certain bonds issued by the school districts in the State of which Wells Fargo Bank, N.A. serves as the paying agent for the outstanding Guarantee Bonds as required by the State Treasurer, in accordance with the Guarantee Act. She noted that the State Treasurer’s Office (STO) has determined it is in the best interest of the State and school districts to distribute a request for

proposal soliciting bids for paying agent services on the terms set forth in the bond resolutions which have previously been approved by the Board.

Ms. Chatwood explained that we do not know if we will be changing the paying agent but we're being proactive because we will complete a solicitation for qualified bidders and should the paying agent change, we want the ability to amend any of the past Guarantees to list who the new paying agent is and to also give the option to the school districts of whether they want to change to the new paying agent or retain the old. Ms. Chatwood stated that the STO is asking the Board to give the responsibility to the Treasurer to amend the Guarantee agreement to be in sync with any requirements needed should the paying agent change.

No comments or questions from the Board.

Controller Knecht moved to approve Agenda Item 4. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 5 – For discussion and possible action:** Discussion and possible action regarding revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy last amended on August 9, 2016 to update the Policy to conform to legislative and other changes in practices.

Ms. Lori Chatwood presented revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy. Ms. Chatwood explained that consistent with best practices, the State maintains a debt management policy that sets general parameters for the issuance and maintenance of the State's debt. Pursuant to Section XIII-Review of Policy, the STO is to review the policy every two years. The STO reviewed the 2016 Policy and requests Board approval of the following revisions:

- Miscellaneous corrections to typos and formatting changes;
- Conforming references and changes to legislative actions and specifically, the addition of the Economic Development Bonds Authorization in Section V(B)(3);
- Conforming references and changes to federal policy;
- Clarifications or modifications to administrative functions and specifically, the addition of the Custodial Accounts administration procedure in Section XII(A); and
- Delegation to the State Treasurer the authority to make non-material revisions to the Policy as specified in Section XIII.

Controller Knecht stated that he would like to see a change to the verbiage used on page 50 of the packet under section A Legal Authorization in the second to the last paragraph it states "University" of Nevada System of Higher Education when the correct title is "Nevada" System of Higher Education.

Ms. Chatwood stated that she would make that change.

Teresa Courier questioned if Nevada System of Higher Education should be included under section II, paragraph A – Legal Action on page 50 of the packet.

Kendra Follett, Bond Counsel with Sherman and Howard, reviewed NRS 349.225 and stated that the NRS is applicable to the Colorado Commission and not to the Nevada System of Higher Education and is correct as stated. So, the inclusion of the Nevada System of Higher Education and the Colorado Commission within section II, paragraph A is appropriate.

Controller Knecht moved to approve Agenda Item 5. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 6** - Receive a report on the sale of the Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018.

Ms. Lori Chatwood presented a report on the sale of the Highway Improvement Revenue Bonds, Series 2018 stating that in March of 2018 the Board approved the issuance of the State of Nevada Highway Revenue Bonds in a maximum aggregate amount of \$140 million. She noted that since that time, the three major credit rating agencies reaffirmed the ratings at the highest possible rating for the Highway Motor Fuel tax bonds. Ms. Chatwood stated that there was a competitive sale in May 2018 and it was well received in the market. She noted that the bonds are 20-year bonds, issued with a par of \$126 million with about \$10 million in premium and that Bank of America Merrill Lynch submitted the winning bid at a true interest cost of 3.339%. Ms. Chatwood explained that after the issuance of the 2018 bonds, the STO and the Department of Transportation (DOT) reviewed the final bonding costs for the entire project (Project Neon) as compared to the original public-private partnership (P3) model evaluated by the Board of Transportation. She noted that the results were staggering and undeniably confirmed the Transportation Board's evaluation and approval of moving this project forward with the bonding versus funding Project Neon as part of a P3 was a great benefit to the State. Ms. Chatwood explained that the bonding allowed the financing piece of the project to be completed 18 years sooner and the bonds will be paid off in fiscal year 2035 vs fiscal year 2053. In addition, over the life of the project, there is approximately a billion dollars in savings in finance costs over that time frame.

Treasurer Schwartz commented that the savings are staggering and gave praise to Ms. Chatwood and the DOT on behalf of Nevada tax payers.

Governor Sandoval thanked Treasurer Schwartz for his comments. He noted he recalls the discussions which occurred during the Transportation Board meetings in regards to the type of financing for this project which is the largest public works project in Nevada history. He noted that the project is 69% complete and the project will be completed on time and on budget. He stated that the Board of Transportation projected savings similar to the billion dollars and is glad to hear that was indeed the case. Governor Sandoval also congratulated the team and thanked Ms. Chatwood for her hard work on this project.

Controller Knecht congratulated Ms. Chatwood and asked in getting to \$986 million in nominal dollars to the present value savings of \$278 million what discount rate was used and why.

Ms. Chatwood noted that she would need to fall back on the DOT's numbers which were supplied to her. She noted she assumed DOT considered the cost of today's financing and present value to that interest rate in comparison to the length of time to the P3.

**Agenda Item 7** – Receive notification of the Underwriter Pool Solicitation Selection on March 1, 2018.

Ms. Lori Chatwood presented the notification of the Underwriter Pool Solicitation Selection stating that the STO put forth a solicitation in January 2018 for both Senior Managing and Co-Managing Underwriters should the state determine to have a negotiated sale. Ms. Chatwood explained that normally the state chooses a competitive sale in the market when issuing bonds; however, there are certain circumstances, such as a specialty bond or a new revenue stream which could make the bond difficult to sell in the market. She noted that therefore, there are times when a negotiated sale is appropriate, and, in that case, it is preferred to have a pool of pre-qualified underwriters that can be called upon for assistance. She noted that during the selection process there were fourteen firms that responded to the solicitation and all were evaluated based on their experience serving as an underwriter to states and large municipalities. She noted the evaluation focused on qualifications, experience, availability of the lead personnel; coverage and commitment to the State of Nevada and its municipalities; retail and institutional distribution capabilities; and the firm's financial strength, capital position, and ability and willingness to underwrite securities. She noted that the evaluation committee selected three senior underwriting firms and five co-managing underwriting firms for the formation of the pool.

No comments or questions from Board members.

**Agenda Item 8** – **For discussion and possible action:** Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact pertaining to the issuance of up to \$20,000,000 of Multi-Unit Housing Revenue Bonds (Capistrano Pines Senior Apartments), for the purpose of acquisition and remodel of a 184-unit affordable housing rental project in Henderson, Nevada. The project owner/developer will be a limited partnership entity comprised of the Nevada HAND and the Raymond James Tax Credit Equity Fund, Inc. The Raymond James Tax Credit Equity Fund, Inc. will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request seeking approval from the Board for the Findings of Fact pertaining to the issuance of up to \$20,000,000 of Multi-Unit Housing Revenue Bonds for the Capistrano Pines Senior Apartments. He noted that the bonds will be used to provide for the acquisition and rehabilitation of an existing 184-unit affordable senior apartment complex in Henderson, Nevada. He stated the rental housing will serve 173 tenants, at or below 60% of the area medium income, and 11 tenants at or below 30% of area medium income. Mr. Aichroth stated the 60% medium income represents a population who earn \$29,460 or less and the 30% figure represents a population who earn \$14,750 or less. He noted that the project will provide onsite resident services, which connect residents to community assistance programs and coordination of community activities. He stated that the property is currently owned by Nevada HAND and is being acquired by new ownership partnership to generate low income tax credit supporting the plan of renovation and updates to the facility. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The financing proposed is a direct bond purchased by Citi Bank and the project will be structured in two phases; the construction phase and the permanent phase.

Mr. Fred Eoff provided an overview of the property and financing and noted that he anticipated the final numbers to be very similar to those noted in the Board materials.

Governor Sandoval questioned if any of the residents will be displaced during the construction phase and inquired as to whether the rental rates would remain the same. David Paul with Nevada HAND stated their goal is not to displace any residents with the rehabilitation but at worst residents would be out of the unit for only one or two days. He also affirmed that the rental rates will remain the same.

Controller Knecht asked about the differences in the financing rates in both the construction and permanent phase. He noted that the rate noted in the Board materials is the 30 day LIBOR plus 2.00% which is noted as 4.21%. He questioned if the margin is around 2.21% but noted that Mr. Eoff stated the actual rate may be around 15 basis points higher than the amount stated in the materials.

Mr. Eoff stated that he did look up the 30 day LIBOR rate today and noted that it is about 15 basis points higher than noted in the materials and noted the financing would be around 4.35% versus the 4.21%.

Controller Knecht questioned if the 15 basis points increase could be attributable to the anticipated move by the Federal Reserve to increase the overall U.S. interest rates another 25 basis points. Mr. Eoff noted that yes, the Federal Reserve's incremental increases in short-term rates is moving the 30-day LIBOR but noted that the Fed's policy has had little effect on longer-term rates which has been positive for financing.

Governor Sandoval noted that on the first page of the Findings of Fact there is an error in the title and it needs to be amended from "Desert Properties Apartments" to Capistrano Pines Senior Apartments". Mr. Aichroth stated that was a mis-print and they will correct the document.

Teresa Courier moved to approve Agenda Item 8. Controller Knecht seconded the motion. Motion passed unanimously.

**Agenda Item 9** - Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2018 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Ms. Hagan presented the overview of the current fixed income market and presented the investment performance as of March 31, 2018 for both the LGIP and General Portfolio. She noted the LGIP portfolio continues to outperform its benchmark with a return of 1.69%, which is 5 basis points higher than its benchmark. She discussed the current composition of the General Portfolio and noted that 73% is managed in-house by the State Treasurer's staff and 27% is managed by outside managers. She stated that the outside managers managed maturities in the 3 – 5 year range and internally staff manages 1 – 2 year range. She stated that yield to maturity for the entire General Portfolio as of March 31, 2018 was 2.02%. She noted to the Board that the report uses both yield to maturity and time-weighted return to measure the performance of the General Portfolio.

Controller Knecht noted that the Treasury yield curve, most importantly the 3-month maturities tend to reflect the past 6 rate hikes; however, longer-term rates remain relatively consistent. He noted that this signals that the curve is driven more by monetary policy and without the rise in the longer-term rates it reflects less movement due to growth of the economy and more organic factors.

Treasurer Schwartz asked Ms. Hagan for a brief summary of where we stand vs. where we were. Ms. Hagan stated that generally the portfolio stays pretty consistent in terms of its asset weighted maturities; therefore, the one to two-year maturities will continue to receive the benefit of the rising rate environment. She noted that the portfolios for both LGIP and the General have seen a significant increase in yield over the past several years.

Treasurer Schwartz moved to approve Agenda Item 9. Controller Knecht seconded the motion. Motion passed unanimously.

**Agenda Item 10** - Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

Treasurer Schwartz stated that there is clearly a housing shortage within the greater Reno area and wanted to know if the Housing Division will be able to respond to the shortage. Mr. Aichroth responded yes, it is a deepening situation in Washoe County and that the mission of the division is to elevate the shortage; however, he noted that there are currently limited resources and limited tools. He stated that the Division works as best as it can to create the most innovative solutions and explained that there are currently four projects under construction and which have been approved through this Board which will help elevate the shortage.

**Agenda Item 11** – Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 2:07pm.

**Dan Schwartz**  
*State Treasurer*



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance Members  
FROM: Lori Chatwood, Deputy Treasurer of Debt Management  
SUBJECT: August 14, 2018 Agenda Item #3-General Obligation Bond Issuance  
DATE: July 25, 2018

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***Agenda Item #3***

For discussion and possible action: Discussion and possible action on a resolution designated the "2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A, in the aggregate principal amount not to exceed \$125,000,000; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

***BOND ISSUANCE BACKGROUND:***

Nevada Revised Statutes (NRS) 349.071 states the State Board of Finance may issue and redeem securities on behalf of the State, when such issue is authorized by law, in the manner provided by the State Securities Law. The Nevada Legislature authorizes certain projects and funding mechanisms for those projects. NRS 349.330 further governs the refunding of State general and special obligation bonds. The State Treasurer's Office, in cooperation with other state agencies which have authority to implement those projects, coordinate the timing, rating agency presentations, and professional services necessary to issue securities on behalf of the State. Prior to the issuance of securities by the State Treasurer, a resolution describing the authority to issue and prior securities issuances must be approved by the Board of Finance.

**CARSON CITY OFFICE**  
101 N. Carson Street, Suite 4  
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**STATE TREASURER PROGRAMS**  
Governor Guinn Millennium Scholarship  
Program  
Nevada Prepaid Tuition Program  
Unclaimed Property  
College Savings Plans of Nevada  
Nevada College Kick Start Program

**LAS VEGAS OFFICE**  
555 E. Washington Avenue, Suite 4600  
Las Vegas, Nevada 89101-1074  
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Website: [NevadaTreasurer.gov](http://NevadaTreasurer.gov)

E-mail: [StateTreasurer@NevadaTreasurer.gov](mailto:StateTreasurer@NevadaTreasurer.gov)

## ***The 2018A Bonds:***

The 2018A Capital Improvement, Historic Preservation, and Refunding Bond Resolution (the “2018A Bonds”) authorizes the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$125,000,000.

The 2018A Bonds are a combination of “New Money” and refunding bonds issued for the purpose of financing various capital improvement, historic preservation, and refunding projects authorized by:

- Senate Bill (SB) 546 (*the 2017 CIP Act*) Section 6 in the face amount of not more than \$117,912,005 with remaining authorization of \$57,505,560. An aggregate principal amount not to exceed \$20,500,000 will be issued subject to this authorization.
- SB 546 (*the 2017 CIP Act*) Section 8(1) in the face amount of not more than \$42,016,797 with remaining authorization of \$29,676,797 for the purpose of financing project 17-C04, construction of the new Department of Motor Vehicles (DMV) Service Office, Reno (*the “Reno DMV Service Office”*). An aggregate principal amount not to exceed \$15,250,000 will be issued subject to this authorization.
  - Pursuant to SB 546 Section 8(2), the Board shall not issue the bonds for the Reno DMV Service Office unless the Board determines that the money budgeted or to be budgeted will be sufficient to pay the bond repayment costs of the bonds issued for the Reno DMV Service Office.
  - Pursuant to SB 546 Section 8(3), 12% of the annual bond repayment costs of the bonds attributable to the Reno DMV Service Office will be paid from the Pollution Control Account created by NRS 445B.830 and the remaining 88% by the State Highway Fund.
  - The Board shall be entitled to rely on a certification of the Director of the Office of Finance in the Office of the Governor that the money budgeted and to be budgeted pursuant SB 546 Section 8(3) will be sufficient to pay the bond repayment costs of the bonds issued for the Reno DMV Service Office. This certification is included as Attachment A of this memo.
- SB 546 (*the 2017 CIP Act*) Section 10(1) in the face amount of not more than \$41,500,000 with remaining authorization of \$41,500,000 for the purpose of financing project 17-C06, construction of the new Engineering Building, University of Nevada, Reno (*the “UNR Engineering Building”*). An aggregate principal amount not to exceed \$25,500,000 will be issued subject to this authorization.
  - Pursuant to SB 546 Section 10(2), the Board shall not issue the bonds for the UNR Engineering Building unless the Board determines that the money budgeted or to

be budgeted will be sufficient to pay the bond repayment costs of the bonds issued for the UNR Engineering Building.

- Pursuant to SB 546 Section 10(3), the annual bond repayment costs of the bonds attributable to the UNR Engineering Building will be paid from the State General Fund.
- The Board shall be entitled to rely on a certification of the Director of the Office of Finance in the Office of the Governor that the money budgeted and to be budgeted pursuant SB 546 Section 10(3) will be sufficient to pay the bond repayment costs of the bonds issued for the UNR Engineering Building. This certification is included as Attachment B of this memo.
- Nevada Revised Statutes (NRS) 383.530 and SB 546 (*the 2017 CIP Act*) Section 26 in the face amount of not more than \$1,000,000 with remaining authorization of \$1,000,000 for the *Historic Preservation Grants Project Act*. An aggregate principal amount not to exceed \$1,000,000 will be issued subject to this authorization.
- NRS 349.330 in an amount necessary for the *refunding of all or a portion of the 2009A Bonds* (estimated at \$50,115,000). The 2009A bonds were issued pursuant to AB564 (*the 2009 CIP Act*) and paid from the ad valorem tax. Savings received from this refunding will benefit the Bond Interest and Redemption Fund.
  - Attachment C of this memo summarizes the maximum aggregate refunding par amounts and the anticipated refunding sizing and savings authorized by the 2018A bond resolution

The 2018A Bonds are general obligations of the State subject to the debt limit, paid with property tax, and which conform to the parameters of the debt limit and affordability model.

A portion of the 2018A Bonds are considered to be self-supporting as these bonds are expected to be paid in full from revenues received from the Pollution Control Account, Highway Fund, and the General Fund. The State does not generally levy ad valorem taxes to pay general obligation bonds expected to be paid with other available money (NRS 349.244). However, in the event other available money was insufficient to pay the bonds, the bonds have the same claim to ad valorem tax receipts as other general obligation bonds of the State.

Attachment A

Certification of Sufficiency of Money Budgeted

For

CIP Project 17-Co4, Reno DMV Service Office

Bond Repayment Costs

Brian Sandoval  
Governor



Paul Nicks  
Acting Director

Susan Brown  
Acting Deputy Director

**STATE OF NEVADA  
GOVERNOR'S FINANCE OFFICE  
Budget Division**

209 E. Musser Street, Suite 200 | Carson City, NV 89701-4298  
Phone: (775) 684-0222 | [www.budget.nv.gov](http://www.budget.nv.gov) | Fax: (775) 684-0260

July 30, 2018

State of Nevada Board of Finance  
Carson City, Nevada

Re: Project 17-C04, Construct New Department of Motor Vehicles Service Office,  
Reno – Sufficiency of Money Budgeted to Pay Bond Repayment Costs

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Ladies and Gentlemen:

The State of Nevada Board of Finance (the "Board") is authorized by Section 8 of Chapter 606, Statutes of Nevada, 2017 (the "DMV Project Act"), to issue general obligation bonds of the State of Nevada in the face amount not to exceed \$42,016,797 (the "Bonds") for the purpose of financing the costs of the project numbered and identified in the Executive Budget for the 2017-2019 biennium and otherwise described as Project 17-C04, Construct New Department of Motor Vehicles Service Office, Reno. I understand that the Bonds must mature within 20 years following the date of passage of the DMV Project Act (i.e., not later than June 16, 2037). I further understand that the Board plans to issue a portion of the Bonds in an aggregate face amount not to exceed \$15,250,000 later this year, and the Board issued \$12,340,000 in Bonds on November 7, 2017 under the DMV Project Act. In my capacity as the Acting Director of the Office of Finance in the Office of the Governor of the State of Nevada, I hereby certify to the Board that the money budgeted and to be budgeted as described in subsection 3 of the DMV Project Act will be sufficient to pay the bond repayment costs of the Bonds.

A handwritten signature in blue ink, appearing to read "Paul Nicks".

Paul Nicks  
Acting Director

## Attachment B

Certification of Sufficiency of Money Budgeted

For

CIP Project 17-C06, New Engineering Building,  
University of Nevada, Reno

Bond Repayment Costs

Brian Sandoval  
Governor



Paul Nicks  
Acting Director

Susan Brown  
Acting Deputy Director

**STATE OF NEVADA  
GOVERNOR'S FINANCE OFFICE  
Budget Division**

209 E. Musser Street, Suite 200 | Carson City, NV 89701-4298  
Phone: (775) 684-0222 | [www.budget.nv.gov](http://www.budget.nv.gov) | Fax: (775) 684-0260

July 30, 2018

State of Nevada Board of Finance  
Carson City, Nevada

Re: Project 17-C06, Construction of New Engineering Building, University of Nevada,  
Reno – Sufficiency of Money Budgeted to Pay Bond Repayment Costs

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Ladies and Gentlemen:

The State of Nevada Board of Finance (the "Board") is authorized by Section 10 of Chapter 606, Statutes of Nevada, 2017 (the "UNR Project Act"), to issue general obligation bonds of the State of Nevada in the face amount not to exceed \$41,500,000 (the "Bonds") for the purpose of financing the costs of the project numbered and identified in the Executive Budget for the 2017-2019 biennium and otherwise described as Project 17-C06, Construction of New Engineering Building, University of Nevada, Reno. I understand that the Bonds must mature within 20 years following the date of passage of the UNR Project Act (i.e., not later than June 16, 2037). I further understand that the Board plans to issue a portion of the Bonds in an aggregate face amount not to exceed \$25,500,000 later this year. In my capacity as the Acting Director of the Office of Finance in the Office of the Governor of the State of Nevada, I hereby certify to the Board that the money budgeted and to be budgeted as described in subsection 3 of the UNR Project Act will be sufficient to pay the bond repayment costs of the Bonds.

A handwritten signature in blue ink, appearing to read "Paul Nicks".

Paul Nicks  
Acting Director

## Attachment C

### Summary of Anticipated Refundings, Sizing, and Savings

**Attachment A**

**SUMMARY OF 2018A REFUNDING BONDS**

August 14, 2018 Board of Finance

(Pre-Issuance)

Series	Program	Uses	Refunding Par Authorized	Estimated Par 7/17/2018	Estimated Total Savings (\$) 7/17/2018	Estimated PV Savings (\$) 7/17/2018	Estimated PV Savings (%) Refunded Par	Term (Years)
Series 2018A	Capital Improvements	Refunding	\$ 62,500,000	\$ 50,115,000	\$ 2,835,756	\$ 2,289,494	4.18%	11
				<b>\$ 50,115,000</b>	<b>\$ 2,835,756</b>	<b>\$ 2,289,494</b>		

## RESOLUTION

**A RESOLUTION DESIGNATED THE "2018A CAPITAL IMPROVEMENT, HISTORIC PRESERVATION AND REFUNDING BOND RESOLUTION"; AUTHORIZING THE ISSUANCE AND SALE OF THE STATE OF NEVADA GENERAL OBLIGATION (LIMITED TAX) CAPITAL IMPROVEMENT, HISTORIC PRESERVATION AND REFUNDING BONDS, SERIES 2018A; PROVIDING THE PURPOSE FOR WHICH SUCH BONDS ARE ISSUED, THE FORM, TERMS, AND CONDITIONS OF SUCH BONDS AND OTHER DETAILS IN CONNECTION THEREWITH; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BONDS; AND PROVIDING OTHER RELATED MATTERS.**

**WHEREAS**, the Board of Finance (the "Board") of the State of Nevada (the "State") is authorized by Chapter 606, Statutes of Nevada, 2017 (the "Project Act") to issue general obligation bonds in the face amount of not more than \$117,912,005 for the purpose of financing various capital improvement projects, described in Section 6 of the Project Act (the "Capital Improvement Project"); and

**WHEREAS**, the Board is authorized by the Project Act to issue general obligation bonds in the face amount of not more than \$42,016,797 for the purpose of financing the project numbered and identified as Project 17-C04, Construct New Department of Motor Vehicles Service Center, Reno, described in Section 8 of the Project Act (the "DMV Project"); and

**WHEREAS**, the Board is authorized by the Project Act to issue general obligation bonds in the face amount of not more than \$41,500,000 for the purpose of financing the project numbered and identified as Project 17-C06, Construction of New Engineering Building, University of Nevada, Reno, described in Section 10 of the Project Act (the "UNR Project"); and

**WHEREAS**, the Board is authorized by the Project Act in accordance with Nevada Revised Statutes ("NRS") 383.530 to issue general obligation bonds in the face amount of not more than \$1,000,000 for the purpose of financing the program for awarding financial assistance to pay the actual expenses of preserving or protecting historical buildings to be used to

develop a network of cultural centers and activities, described in Section 26 of the Project Act (the "Historic Preservation Project"); and

**WHEREAS**, the Board has previously issued its State of Nevada General Obligation (Limited Tax) Capital Improvement Bonds, Series 2017A in the aggregate principal amount of \$85,635,000 (the "2017A Bonds") pursuant to the Project Act and a resolution designated as the "2017A Capital Improvement Bond Resolution" adopted by the Board on September 12, 2017 (the "2017A Bond Resolution"), of which (i) \$60,406,445 was issued for the purpose of financing a portion of the Capital Improvement Project, and (ii) \$12,340,000 was issued for the purpose of financing a portion of the DMV Project; and

**WHEREAS**, the Board has determined at this time to issue a portion of the general obligation bonds authorized by the legislature pursuant to the Project Act in an aggregate principal amount not to exceed \$20,500,000 for the purpose of financing the Capital Improvement Project; and

**WHEREAS**, the Board has determined at this time to issue the general obligation bonds authorized by the legislature pursuant to the Project Act in an aggregate principal amount not to exceed \$15,250,000 for the purpose of financing the DMV Project; and

**WHEREAS**, the Board has determined at this time to issue the general obligation bonds authorized by the legislature pursuant to the Project Act in an aggregate principal amount not to exceed \$25,500,000 for the purpose of financing the UNR Project; and

**WHEREAS**, the Board has determined at this time to issue the general obligation bonds authorized by the legislature pursuant to the Project Act in accordance with NRS 383.350 in an aggregate principal amount not to exceed \$1,000,000 for the purpose of financing the Historic Preservation Project; and

**WHEREAS**, the State Securities Law, cited as NRS 349.150 through and including 349.364, as amended (the "Bond Act"), applies to the bonds authorized hereunder; and

**WHEREAS**, the Board hereby elects to have the provisions of Chapter 348, Nevada Revised Statutes (the "Supplemental Bond Act") apply to the bonds authorized hereunder; and

**WHEREAS**, the State has previously issued its State of Nevada, General Obligation (Limited Tax) Capital Improvement Bonds, Series 2009A (Taxable Direct Pay Build America Bonds) (the "2009A Bonds"); and

**WHEREAS**, the Board desires to provide for the issuance of general obligation bonds to be designated the "State of Nevada, General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A" (the "2018A Bonds" or the "Bonds") to finance the Capital Improvement Project, the DMV Project, the UNR Project and the Historic Preservation Project (collectively, the "Capital Improvement and Historic Preservation Project") and the Refunding Project (defined below); and

**WHEREAS**, the Bonds will be sold in an initial aggregate principal amount set forth in the certificate of the State Treasurer (the "Certificate of the Treasurer"): (i) not to exceed \$20,500,000 for the purpose of the Capital Improvement Project, (ii) not to exceed \$15,250,000 for the DMV Project, (iii) not to exceed \$25,500,000 for the UNR Project, (iv) not to exceed \$1,000,000 for the Historic Preservation Project, and (v) if the State Treasurer or designee determines that interest rate savings can be effected, the State Treasurer or designee is authorized to specify in the Certificate of the Treasurer which maturities of the 2009A, if any, will be refunded (the "Refunded Bonds") with a portion of the proceeds of the 2018A Bonds (the "Refunding Project") in an additional amount not to exceed the amount necessary to effect the Refunding Project; and

**WHEREAS**, pursuant to NRS 349.303, the Board is authorized to delegate to the Treasurer or designee the power to accept a binding bid for the Bonds subject to certain requirements specified in this Resolution; and

**WHEREAS**, the Treasurer or designee is authorized to accept the bid submitted by the lowest responsible bidder for the Bonds as determined by the Treasurer or designee and as set forth in the Certificate of the Treasurer (the "Purchaser"), for the purchase of the Bonds at a price equal to the principal amount thereof, plus accrued interest from their date to the date of their delivery, less the discount, of not more than 9 percent of the principal amount, or plus a premium, if any, in each case as shown on the Certificate of the Treasurer, and otherwise upon the terms and conditions provided in this Resolution and in the Certificate of the Treasurer; and

**WHEREAS**, the Board, on behalf of and in the name of the State, has determined and does declare:

**A.** To secure and preserve the public health, safety, convenience, and welfare, it is necessary to issue the 2018A Bonds for the Capital Improvement and Historic

Preservation Project and the Refunding Project, pursuant to the Project Act, the Bond Act, the Supplemental Bond Act, and all supplemental laws;

**B.** Each of the limitations and other conditions to the issuance of the Bonds in the Project Act, the Bond Act, the Supplemental Bond Act, and in any other relevant act of the State have been met; and pursuant to NRS 349.352, this determination of the Board that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary or gross abuse of discretion;

**C.** The money budgeted or to be budgeted by the State Legislature as described in subsection 3 of Section 8 of the Project Act while the Bonds remain outstanding will be sufficient to pay the bond repayment costs of the portion of the Bonds issued for the purpose of financing the DMV Project; and

**D.** The money budgeted or to be budgeted by the State Legislature as described in subsection 3 of Section 10 of the Project Act while the Bonds remain outstanding will be sufficient to pay the bond repayment costs of the portion of the Bonds issued for the purpose of financing the UNR Project.

**NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF FINANCE OF THE STATE OF NEVADA:**

**Section 1. Title.** This Resolution shall be known as the "2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution."

**Section 2. Defined Terms.** In addition to the terms defined in the "Whereas" clauses of this Resolution, capitalized undefined terms used herein shall have the following meanings:

"Acquisition Accounts" means the Capital Improvement Acquisition Account together with the Historic Preservation Acquisition Account.

"Authorized Denomination" means denominations of \$5,000 or any integral multiple thereof.

"Board" means the Board of Finance of the State of Nevada.

"Bond Requirements" means the principal of, and interest and redemption premium, if any, on, the Bonds.

"Bonds" or "2018A Bonds" means the State of Nevada General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A.

"Capital Improvement Acquisition Account" means a separate account held by the Treasurer and designated as the "State of Nevada General Obligation (Limited Tax) Capital Improvement, Series 2018A Capital Improvement Acquisition Account."

"Certificate of the Treasurer" means the certificate executed by the Treasurer or designee on or after the sale of the Bonds and on or before the closing on the Bonds.

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

"Consolidated Bond Fund" means the fund created pursuant to NRS 349.236.

"Costs of Issuance Account" means a separate account held by the Treasurer and designated as the "State of Nevada General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A Cost of Issuance Account."

"Custodial Deposit" means deposit of Bonds pursuant to a book-entry only system of registration as provided in Section 22 hereof.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., as the disclosure dissemination agent for the State with respect to the Bonds, or any successor disclosure dissemination agent appointed by the State.

"Escrow Account" means the escrow account designated as the "State of Nevada General Obligation (Limited Tax) Refunding Bonds, Series 2018A, Escrow Account."

"Escrow Agreement" means the "State of Nevada General Obligation (Limited Tax) Refunding Bonds, Series 2018A, Escrow Agreement" between the Escrow Bank and the State relating to the Escrow Account for the Refunded Bonds.

"Escrow Bank" means U.S. Bank National Association, and its successors and assigns, if any.

"Federal Securities" means federal securities as defined in NRS 349.172, or any successor provision thereto.

"Historic Preservation Acquisition Account" means a separate account created in NRS 383.540, held by the Commission for Cultural Centers and Historic Preservation and designated as the "Fund for the Preservation and Promotion of Cultural Resources."

"Interest Payment Date" means April 1 and October 1 of each year, commencing on April 1, 2019.

"Owner" means the person in whose name a Bond is registered on the books of registry maintained by the Registrar.

"Paying Agent" means U.S. Bank National Association, and its successors and assigns.

"Project" means the Capital Improvement and Historic Preservation Project and the Refunding Project, if any.

"Purchaser" means the initial purchase of the Bonds named in the Certificate of the Treasurer.

"Registrar" means U.S. Bank National Association, and its successors and assigns.

"Regular Record Date" means the fifteenth day of the calendar month preceding each Interest Payment Date (other than a special interest payment date established pursuant to Section 17 hereof for defaulted interest).

"Securities Depository" means Cede & Co., as nominee of The Depository Trust Company, or its successor appointed pursuant to Section 22 hereof, which successor must be both a "clearing corporation" as defined in NRS 104.8102, and a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended.

"Special Record Date" means a special record date fixed by the Registrar pursuant to Section 17 hereof for the payment of defaulted interest.

"Taxes" means annual general (ad valorem) taxes.

"Treasurer" means the State Treasurer.

**Section 3. Authority for Resolution.** This Resolution is adopted pursuant to the Project Act, the Bond Act, the Supplemental Bond Act, and all supplemental laws.

**Section 4. Acceptance of Bids.** Pursuant to NRS 349.303, the Board hereby delegates to the Treasurer or designee the authority to accept a binding bid for the Bonds from the Purchaser pursuant to the Certificate of the Treasurer subject to the following requirements:

**A.** the effective interest rate on the 2018A Bonds, calculated in accordance with Chapter 99 of NRS, must not exceed by more than 3% the "Index of Twenty Bonds" which was most recently published in The Bond Buyer before the Purchaser's bid was received;

B. the Treasurer or designee, in the Treasurer's or designee's discretion, will determine the dates on which, if any, and the prices at which the Bonds may be called for redemption prior to maturity;

C. the purchase price for the 2018A Bonds will be an amount equal to the aggregate principal amount of the 2018A Bonds less a discount, if any, of not more than 9 percent of such aggregate principal amount, or plus a premium, if any, all as set forth in the Certificate of the Treasurer; and

D. the aggregate principal amount of the Bonds payable in any particular year must not exceed \$75,000,000.

**Section 5. Life of Project.** The Board has determined and declares:

A. The estimated life or estimated period of usefulness of the Project financed or refinanced with the proceeds of the Bonds is not less than the average maturity of the Bonds; and

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

**Section 6. Necessity of Project and Bonds.** It is necessary and in the best interests of the State that the Board undertake the Project and defray the cost by the issuance of the Bonds.

**Section 7. Authorization of Project.** The Board has determined to undertake the Project and defray the cost by the issuance of the Bonds.

**Section 8. Estimated Cost of Project.** The cost of the Project is estimated not to exceed the amount received from the sale of the Bonds, excluding any such cost to be defrayed by any source other than the proceeds of the Bonds.

**Section 9. Resolution to Constitute Contract.** In consideration of the purchase and the acceptance of the Bonds by the Owners thereof from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the State and the Owners of the Bonds.

**Section 10. Bonds Equally Secured.** The covenants and agreements of the State and the Board set forth in this Resolution shall be for the equal benefit, protection, and security of the Owners of any and all of the outstanding Bonds, all of which, regardless of the

time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction, except as otherwise expressly provided in or pursuant to this Resolution.

**Section 11. General Obligations.** All of the Bonds and the Bond Requirements shall constitute general obligations of the State, which hereby pledges its full faith and credit for their payment. All Bond Requirements shall be payable from Taxes as provided in this Resolution.

**Section 12. Non-Exempted Debt.** The issuance of the Bonds constitutes an exercise of the authority conferred by the first paragraph of Section 3, Article 9, of the Constitution of the State, and the Bonds will be treated as bonds to which the limitations stated in the first paragraph of said Section apply.

**Section 13. Limitations upon Security.** Pursuant to NRS 349.250, the payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the State, except the proceeds of Taxes and any other monies pledged for the payment of the Bonds. No property of the State, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds.

**Section 14. Limitations upon Recourse.** Pursuant to NRS 349.252, no recourse shall be had for the payment of the Bond Requirements or for any claim based thereon or otherwise upon this Resolution, against any individual member of the Board or any officer or other agent of the State, past, present, or future, either directly or indirectly through the Board or the State, or otherwise, whether by virtue of any constitution, statute, or rule of law, or by the enforcement of any penalty, or otherwise, all such liability, if any, being by the acceptance of the Bonds and as a part of the consideration of their issuance specially waived and released.

**Section 15. No Repeal of Bond Act.** Pursuant to NRS 349.256, the faith of the State is hereby pledged that the Project Act, the Bond Act, the Supplemental Bond Act and any other law supplemental or otherwise pertaining thereto, and any other act concerning the Bonds or the Taxes, or both, shall neither be repealed nor amended nor otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding Bonds, until all the Bonds have been discharged in full or provision for their payment and redemption has been fully made.

**Section 16. Authorization of Bonds.** For the purpose of defraying the cost of the Project, there are hereby authorized to be issued the 2018A Bonds in the aggregate principal amount designated in the Certificate of the Treasurer, which shall not exceed \$125,000,000 and

will include: (i) the principal amount for the Capital Improvement Project, which shall not exceed \$20,500,000, (ii) the principal amount for the DMV Project, which shall not exceed \$15,250,000, (iii) the principal amount for the UNR Project, which shall not exceed \$25,500,000, (iv) the principal amount for the Historic Preservation Project, which shall not exceed \$1,000,000, and (v) the principal amount sufficient to effect the Refunding Project, if any, which shall not exceed \$62,750,000.

**Section 17. Bond Details.** The Bonds will be dated as of their date of delivery to the Purchaser and shall be issued in Authorized Denominations. The Bonds shall bear interest from their date until their respective fixed maturity dates (or, if called for redemption prior to maturity as provided below, their redemption dates) at the respective rates per annum set forth in the Certificate of the Treasurer calculated on the basis of a 360-day year of twelve 30-day months, payable on each Interest Payment Date; provided that those Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the applicable rates set forth in the Certificate of the Treasurer from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bonds. The Bonds will mature on the dates and in the principal amounts and bear interest at the rates per annum set forth in the Certificate of the Treasurer.

The portion of the 2018A Bonds used to finance the Capital Improvement Project, the DMV Project, the UNR Project and the Historic Preservation Project must mature within 20 years following the date of passage of the Project Act (not to exceed June 16, 2037). The portion of the 2018A Bonds used to refinance the 2009A Bonds authorized in the 2009 legislative session must mature within 20 years following the date of passage of the act authorizing the 2009A Bonds (not to exceed June 23, 2029).

The principal of and redemption premium, if any, on any Bond shall be payable to the Owner thereof upon maturity or prior redemption thereof and upon presentation and surrender at the principal office of the Paying Agent, or such other office as may be designated by the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after redemption or maturity, it shall continue to bear interest at the interest rate borne by said Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the Owner thereof by check or draft mailed by first-class mail by the Paying Agent, on each Interest Payment Date (or, if such Interest Payment Date is not a business day, on the next

succeeding business day), to the Owner thereof, at such Owner's address, as shown on the registration records kept by the Registrar as of the Regular Record Date. Interest not so timely paid or duly provided for shall cease to be payable to the Owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the person who is the Owner thereof, at such Owner's address, as shown on the registration records of the Registrar as of the close of business on a Special Record Date fixed for the purpose of paying any such defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten days prior thereto by first-class mail to each such Owner as shown on the Registrar's registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

**Section 18. Redemption.**

**A. Optional Redemption.** The 2018A Bonds, or portions thereof in Authorized Denominations, maturing on and after the date designated in the Certificate of the Treasurer, shall be subject to optional redemption prior to their respective maturities, on and after the date designated in the Certificate of the Treasurer, at the option of the State to be exercised by delivery of a written certificate of the Treasurer to the Registrar, in whole or in part at any time, from any maturities selected by the State and by lot within a maturity, at a price equal to the principal amount of each 2018A Bond, or portion thereof, to be so redeemed, plus accrued interest thereon to the redemption date and a premium, if any, computed in accordance with the schedule contained in the Certificate of the Treasurer.

**B. Mandatory Redemption.** The 2018A Bonds maturing on the dates specified in the Certificate of the Treasurer (the "Term Bonds") are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date. As and for a sinking fund for the redemption of the Term Bonds, there shall be deposited into the Consolidated Bond Fund on or before the dates

described in the Certificate of the Treasurer, a sum which, together with other moneys available in the "State of Nevada, General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A Tax Fund-Principal," is sufficient to redeem (after credit is provided below) on the dates and in the principal amounts of Term Bonds as provided in the Certificate of the Treasurer. The Term Bonds being redeemed in part will be selected by lot in such manner as the Registrar may determine.

Not more than sixty days nor less than thirty days prior to the sinking fund payment dates for the Term Bonds, the Registrar shall proceed to select for redemption (in the manner described above) from all Outstanding Term Bonds of the maturity and series being redeemed, a principal amount of the Term Bonds equal to the aggregate principal amount of the Term Bonds redeemable with the required sinking fund payments.

At the option of the Treasurer to be exercised by delivery of a written certificate to the Registrar not less than 60 days next preceding any sinking fund redemption date, the State may (i) deliver to the Registrar for cancellation Term Bonds (which are subject to sinking fund redemption on such sinking fund redemption date) or portions thereof in Authorized Denominations in an aggregate principal amount desired by the Treasurer, or (ii) specify a principal amount of such Term Bonds (which are subject to sinking fund redemption on such sinking fund redemption date) or portions thereof in Authorized Denominations which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Registrar and not theretofore applied as a credit against any sinking fund redemption obligation with respect to such Term Bonds. Each Term Bond or portion thereof so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the State on such sinking fund redemption date and any excess shall be so credited against future sinking fund redemption obligations in such manner as the Treasurer determines. In the event the Treasurer shall utilize the provisions of clause (i) of the first sentence of this paragraph on behalf of the State, the certificate required by the first sentence of this paragraph shall be accompanied by the respective Term Bonds or portions thereof to be cancelled.

**Section 19. Redemption Notice.** Unless waived by any Owner of a Bond to be redeemed, notice of redemption shall be given by the Registrar (on direction of the State Treasurer given not less than 60 days prior to the redemption date), by electronic mail as long as

Cede & Co. or a nominee or a successor depository is the Owner of the Bonds, and otherwise by first class postage prepaid mail, at least 30 days but not more than 60 days prior to the redemption date, to the Owner of any Bond all or a part of which is called for redemption at the Owner's address as it last appears on the registration records kept by the Registrar, and electronically (1) to the Disclosure Dissemination Agent or (2) if Digital Assurance Certification, L.L.C. no longer serves as the Disclosure Dissemination Agent and the State has not appointed a successor Disclosure Dissemination Agent, to the Municipal Securities Rulemaking Board ("MSRB") via its Electronic Municipal Market Access system. The notice shall identify the Bonds or portions thereof to be redeemed, specify the redemption date and state that on such date the principal amount thereof, accrued interest and premium, if any, thereon will become due and payable at the principal office of the Paying Agent or such other office as may be designated by the Paying Agent, and that after such redemption date interest will cease to accrue.

After such notice and presentation of said Bonds, the Bonds called for redemption will be paid. Actual receipt of the notice by the Disclosure Dissemination Agent, MSRB or the Owners of Bonds shall not be a condition precedent to redemption of such Bonds. Failure to give such notice to the Disclosure Dissemination Agent, MSRB or the Owner of any Bond designated for redemption, or any defect therein, shall not affect the validity of the proceedings for redemption of any other Bond. A certificate by the Registrar that notice of redemption has been given as provided in this section shall be conclusive as against all parties; and no Owner whose Bond is called for redemption or any other Owner of any Bond may object thereto or may object to the cessation of interest on the redemption date on the ground that he failed to actually receive such notice of redemption.

Notwithstanding the provisions of this section, any notice of redemption may contain a statement that the redemption is conditional upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the Owners of the Bonds called for redemption in the same manner as the original notice of redemption was given.

**Section 20. Negotiability.** Subject to the registration provisions herein provided, the Bonds shall be fully negotiable within the meaning of and for the purposes of the

Uniform Commercial Code-Investment Securities, and each Owner shall possess all rights enjoyed by holders of negotiable instruments under the Uniform Commercial Code-Investment Securities.

**Section 21. Registration, Transfer and Exchange of Bonds.** Except as otherwise provided in Section 22 hereof:

**A.** Records for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, or at such other office as may be designated by the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the Owner or attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same series and maturity of other Authorized Denominations, as provided in Section 17 hereof. The Registrar shall authenticate and deliver a Bond or Bonds which the Owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. The Registrar shall require the payment by the Owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer and shall charge a sum sufficient to pay the cost of preparing and authenticating a new Bond.

**B.** The Registrar shall not be required to transfer or exchange (i) any Bond subject to redemption during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds by the Registrar and ending at the close of business on the day of such mailing, or (ii) any Bond after the mailing of notice calling such Bond or any portion thereof for redemption as herein provided.

**C.** The person in whose name any Bond shall be registered on the registration records kept by the Registrar shall be deemed and regarded as the absolute Owner thereof for the purpose of payment and for all other purposes; 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 legal representative. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

**D.** If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the State may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

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

**Section 22. Custodial Deposit.**

**A.** Notwithstanding the foregoing provisions of Sections 17 to 21 hereof, the Bonds shall initially be evidenced by one or more Bonds per maturity in denominations equal to the aggregate principal amounts of the Bonds maturing in that year. Such initially delivered Bonds shall be registered in the name of "Cede & Co." as nominee for the Securities Depository. The Bonds may not thereafter be transferred or exchanged except:

(1) to any successor of the Securities Depository; or

(2) upon the resignation of the Securities Depository or a determination by the State that the Securities Depository is no longer able to carry out its functions, and the designation by the State of a new Securities Depository;  
or

(3) upon the resignation of the Securities Depository or a determination by the State that the Securities Depository is no longer able to carry out its functions, and the failure by the State, after reasonable investigation, to locate another qualified depository institution to carry out such depository functions; or

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

**B.** In the case of a transfer to a successor of the Securities Depository as referred to in clause (1) of Subsection A hereof or designation of a new Securities Depository pursuant to clause (2) of Subsection A hereof, upon receipt of the outstanding Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, a new Bond for each maturity shall be issued to such successor or new Securities Depository, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) or (4) of Subsection A hereof, and receipt of the outstanding Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, new Bonds shall be issued in Authorized Denominations as provided in and subject to the limitations of Section 17 hereof, registered in the names of such persons, and in such denominations as are requested in such written transfer instructions; however, the Registrar shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

**C.** The Registrar and the Paying Agent shall have no responsibility for transmitting payments to the beneficial owners of the Bonds held by a Securities Depository.

**D.** The State, the Registrar and the Paying Agent shall endeavor to cooperate with any Securities Depository in effectuating payment of the Bond Requirements of the Bonds by arranging for payment in such a manner that funds representing such payments are available to the Securities Depository on the date they are due.

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

**Section 23. Execution and Authentication.**

**A.** Prior to the execution of any Bond and pursuant to NRS 349.284, to the act known as the Uniform Facsimile Signatures of Public Officials Act, cited as Chapter 351, NRS, and to the Supplemental Bond Act, the Governor of the State, the State

Controller, the Secretary of State and the State Treasurer (the "Governor," the "Controller," the "Secretary" and the "Treasurer," respectively) shall each file with the Secretary such officer's manual signature certified under oath.

**B.** Pursuant to NRS 349.282, the Bonds shall be approved, signed and executed in the name of and on behalf of the State with the manual or facsimile signature of the Governor, shall be countersigned and executed with the manual or facsimile signature of the Controller, and shall be countersigned, subscribed and executed with the manual or facsimile signature of the Treasurer. There shall be affixed on the Bonds the manual or facsimile impression of the great seal of the State, and each Bond shall each be attested, signed and executed with the manual or facsimile signature of the Secretary.

**C.** No Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form provided in Exhibit A, has been duly manually executed by the Registrar. The Registrar's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder. By authenticating any of the Bonds initially delivered pursuant to this Resolution, the Registrar shall be deemed to have assented to all of the provisions of this Resolution.

**Section 24. Use of Predecessor's Signature.** The Bonds bearing the signatures of the officers in office at the time of their execution shall be the valid and binding obligations of the State, notwithstanding that before their delivery any or all of the persons who executed them shall have ceased to fill their respective offices. The Governor, the Controller, the Treasurer and the Secretary, at the time of the execution of a signature certificate relating to the Bonds, may each adopt as and for such officer's own facsimile signature the facsimile signature of such officer's predecessor in office if such facsimile signature appears upon any of the Bonds.

**Section 25. Incontestable Recital.** Pursuant to NRS 349.274, the Bonds shall contain a recital that they are issued pursuant to the Bond Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of their issuance.

**Section 26. State Tax Exemption.** Pursuant to NRS 349.354, the Bonds, their transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the

provisions of Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

**Section 27. Bond Execution.** The Governor, Controller, Treasurer and Secretary are authorized and directed to prepare and to execute the Bonds as provided above.

**Section 28. Initial Registration.** The Registrar shall maintain the registration records of the State for the Bonds, showing the name and address of the Owner of each Bond authenticated and delivered, the date of authentication, the maturity of the Bond, and its interest rate, bond number and its principal amount.

**Section 29. Bond Delivery.** After such registration and after their execution and authentication as provided herein, the Treasurer or designee shall cause the Bonds to be delivered to the Purchaser thereof, upon payment being made in accordance with the terms of their sale.

**Section 30. Bond Form.** Subject to the provisions of this Resolution, the Bonds shall be in substantially the form attached hereto as Exhibit A, with such omissions, insertions, endorsements and variations as may be required by the circumstances, be required or permitted by this Resolution, or be consistent with this Resolution and necessary and appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto.

**Section 31. Consolidated Bond Fund.** Pursuant to NRS 349.236, payment of the Bond Requirements of the Bonds shall be made from the Consolidated Bond Fund of the State, under the provisions of NRS 349.080 through 349.140, except to the extent any provision is otherwise made for such payment by the Project Act or this Resolution.

**Section 32. General Tax Levies.** There shall be levied in each calendar year annually until all of the Bond Requirements of the Bonds shall have been fully paid, satisfied and discharged, a Tax on all property, both real and personal, subject to taxation within the boundaries of the State, fully sufficient together with the revenue which will result from the application of the rate to the net proceeds of minerals, to pay and retire the Bonds, without regard to any statutory tax limitations now or thereafter existing, but subject to the limitations imposed by NRS 361.453, and by Section 2 of Article 10 of the Constitution of the State, and after there are made due allowances for probable delinquencies.

**Section 33. Budget Provisions.** In the preparation of the budget for the State, the State Legislature shall first make proper provisions through the levy of sufficient Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the State, including, without limitation, the Bonds subject to the limitations imposed by Section 2 of Article 10 of the Constitution of the State and by NRS 361.453, and the amount of money necessary for this purpose shall be a first charge against all revenues received by the State.

**Section 34. Priorities for Bonds.** As provided in NRS 361.463, in any year the total Taxes levied against the property in the State by all overlapping units within the boundaries of the State may exceed the limitation imposed by NRS 361.453 and it shall become necessary for that reason to reduce the levies made by any of those units, the reduction so made shall be in Taxes levied by such units (including, without limitation, the State) for purposes other than the payment of their bonded indebtedness, including interest thereon. The Taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including, without limitation, the State), for all other purposes where reduction is necessary in order to comply with the limitation imposed by NRS 361.453.

**Section 35. Correlation of Levies.** Such Taxes shall be levied and collected in the same manner and at the same time as other Taxes are levied and collected. The proceeds of Taxes levied to pay interest on the Bonds shall be kept by the Treasurer in a special fund designated as the "State of Nevada General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A Tax Fund-Interest," and the proceeds of Taxes levied to pay the principal of the Bonds shall be kept in a special fund designated as the "State of Nevada General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A Tax Fund-Principal." Such funds shall be used for no other purpose than the payment of interest on and principal of the Bonds, respectively, as the same become due.

**Section 36. Use of General Fund.** Any sums coming due on the Bonds at any time when there are on hand from such Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from general funds on hand belonging to the State, reimbursement to be made for such general funds in the amounts so advanced when the Taxes have been collected, pursuant to NRS 349.242.

**Section 37. Use of Other Funds.** Nothing in this Resolution prevents the State from applying any funds (other than Taxes) that may be available for that purpose to the payment of the Bond Requirements of the Bonds, including without limitation any funds described in the Project Act, and upon such payment, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 349.244.

**Section 38. Legislative Duties.** In accordance with NRS 349.238 through 349.244, it shall be the duty of the State Legislature, at the time and in the manner provided by law for levying other taxes of the State, if such action shall be necessary to effectuate the provisions of this Resolution, to ratify and carry out the provisions of this Resolution with reference to the annual levy and collection of such Taxes; and the State Legislature shall require the officers of the State to levy, extend and collect such Taxes in the manner provided by law for the purpose of creating funds for the payment of the Bond Requirements of the Bonds.

**Section 39. Appropriation of Taxes.** In accordance with NRS 349.248, there is specially appropriated the proceeds of such Taxes to the payment of the Bond Requirements of the Bonds; and such appropriations shall neither be repealed nor such Taxes postponed or diminished (except as otherwise expressly provided) until the Bond Requirements of the Bonds have been wholly paid.

**Section 40. Use of Bond Proceeds.** Pursuant to NRS 349.294, amounts received from the sale of the 2018A Bonds shall be deposited promptly by the Treasurer and shall be accounted for in the following manner and priority and are hereby pledged for such purposes:

**A.** First, there shall be credited to the Escrow Account from the proceeds of the 2018A Bonds, an amount fully sufficient to establish, together with any other moneys therein (including moneys deposited therein from the debt service fund for the Refunded Bonds), any initial cash balance remaining uninvested and to buy the Federal Securities designated in the Escrow Agreement for credit to the Escrow Account, to be used solely for the purpose of paying the Bond Requirements of the Refunded Bonds as provided in the Escrow Agreement. After completion of the Refunding Project, any unexpended balance of 2018A Bond proceeds in the Escrow Account shall be deposited into the Consolidated Bond Fund.

**B.** Second, the amount received from the sale of the 2018A Bonds for the purpose of effecting the Capital Improvement Project shall be credited to the Capital Improvement Acquisition Account.

**C.** Third, the amount received from the sale of the 2018A Bonds for the purpose of effecting the Historic Preservation Project shall be credited to the Historic Preservation Acquisition Account.

**D.** Fourth, the balance of the amount received from the sale of the 2018A Bonds, after the deposits required by subsections A through C of this Section, shall be credited to the Costs of Issuance Account for the purpose of paying the costs of issuance relating to the Bonds. After all expenses have been paid, any unexpended balance of Bond proceeds shall be deposited into the Acquisition Accounts pro rata.

**Section 41. Investments.** Pursuant to NRS 349.304, the Board hereby authorizes the Treasurer to cause to be invested and reinvested any proceeds of Taxes and any proceeds from the issuance of the Bonds. Pursuant to NRS 349.304, (i) any gain from the investment of any proceeds of the 2018A Bonds credited to the Capital Improvement Acquisition Account shall be deposited promptly upon its receipt to the Capital Improvement Acquisition Account and applied to the Capital Improvement Project; (ii) any gain from the investment of any proceeds of the 2018A Bonds credited to the Historic Preservation Acquisition Account shall be deposited promptly upon its receipt to the Historic Preservation Acquisition Account and applied to the Historic Preservation Project; and (iii) any gain from the investment of any proceeds of the 2018A Bonds credited to the Costs of Issuance Account shall be deposited promptly upon its receipt to the Costs of Issuance Account and applied to the costs of issuance of the Bonds.

**Section 42. Use of Acquisition Accounts.** The moneys in the Acquisition Accounts, except as otherwise expressly provided, shall be used and paid out solely for the purpose of paying the cost of the Capital Improvement and Historic Preservation Project; or, if not needed for that purpose, shall be credited to the Consolidated Bond Fund and applied to pay the Bond Requirements of the Bonds as they become due.

**Section 43. Prevention of Bond Default.** Except as otherwise expressly provided by this Resolution, the Treasurer shall use any Bond proceeds credited to the Acquisition Accounts, without further order or warrant, to pay the Bond Requirements of the

Bonds, as the same become due, whenever and to the extent moneys otherwise available therefor are insufficient for that purpose. The Treasurer or designee shall promptly notify the Board of any such use. Any moneys so used shall be restored to the applicable fund, from the first revenues thereafter received and available for such restoration.

**Section 44. Defeasance.** When all Bond Requirements of any Bond have been duly paid, the pledge and lien and all obligations hereunder with respect to such Bond shall thereby be discharged and such Bond shall no longer be deemed to be outstanding within the meaning of this Resolution. Except as provided in the last sentence of this Section, a Bond will be deemed to be paid when there has been placed in irrevocable escrow an amount sufficient (including the known minimum yield available for such purpose from Federal Securities, as defined in NRS 349.174, in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of such Bond, as the same become due to the final maturity thereof or upon any prior redemption date as of which the Board shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of such Bond for payment, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the Bond Requirements of such Bond, as the same become due. The Federal Securities shall become due at or before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the State and the escrow agent at the time of the creation of the escrow or trust. 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 holder thereof. Upon direction of the Treasurer or designee, the Paying Agent shall mail written notice of the defeasance of any Bonds to the Owners of such Bonds at the addresses last shown on the registration records for such Bonds maintained by the Registrar.

**Section 45. Tax Covenant.** The State covenants for the benefit of the Owners of the 2018A Bonds that it will not take any action or omit to take any action with respect to the 2018A Bonds, the proceeds thereof, any other funds of the State, or any facilities financed or refinanced with the proceeds of the 2018A Bonds if such action or omission would (i) cause interest on the 2018A Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, or (ii) cause interest on the 2018A Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code,

except to the extent that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing corporate alternative minimum taxable income for taxable years of corporations beginning before January 1, 2018. The foregoing covenant shall remain in full force and effect notwithstanding the defeasance of all of the 2018A Bonds until the date on which all obligations of the State in fulfilling the above covenant under the Code have been met.

**Section 46. Modification, Alteration, Supplementation or Amendment of Resolution.**

**A.** The Board may, from time to time, modify, amend, supplement or alter this Resolution without the consent of, or notice to any of the Owners of the Bonds or the insurer of the Bonds, if any, for any one or more of the following purposes:

(1) to add to the agreements of the Board or the State contained in this Resolution, other agreements thereafter to be observed or to surrender, restrict or limit any right or power herein reserved to or conferred upon the Board or the State;

(2) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Resolution, or in regard to matters or questions arising under this Resolution, as the Board may deem necessary or desirable and not inconsistent with this Resolution;

(3) to grant to or confer any additional rights, remedies, powers or authorities that may be lawfully granted to or conferred upon the Owner of the Bonds;

(4) to evidence the appointment of successors to any depositories, custodians, Paying Agent or Registrar; or

(5) to make any other change which shall not have a material adverse effect on the interests of the Owners of the Bonds.

**B.** The Board may, from time to time, modify, amend, alter, or supplement this Resolution other than as provided in A above; provided that the Board shall give notice to insurer of the Bonds, if any, and the Owners of the Bonds in the manner herein described and shall receive the written consent of the insurer of the Bonds, if any, or the Owners

of not less than 51% of the Bonds then outstanding; provided, however, that no such supplemental proceedings shall:

(1) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond outstanding hereunder;

(2) reduce or extend the time of payment of the principal of, redemption premium or interest on any Bond outstanding hereunder;

(3) reduce any premium payable upon the redemption of any Bond hereunder or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date;

(4) give to any Bond or Bonds a preference over any other Bond or Bonds; or

(5) reduce the percentage of Bonds the Owners of which are required to consent to any proceedings amending or supplementing the provisions hereof.

**C.** In the event that the Board intends to enter into or adopt any modification, alteration or amendment of this Resolution as described in B above, the Treasurer or designee shall mail, by registered or certified mail, to insurer of the Bonds, if any, and the Owners of the Bonds at their addresses as shown on the registration records maintained by the Registrar, a notice of such intention along with a description of such amendment or modification not less than 30 days prior to the proposed effective date of such amendment or modification. The consents of the insurer of the Bonds, if any, or the Owners of the Bonds need not approve the particular form of wording of the proposed amendment, modification or supplement, but it shall be sufficient if such consents approve the substance thereof. Failure of the insurer of the Bonds, if any, or the Owner of any Bond to receive the notice required herein shall not affect the validity of any proceedings supplemental hereto if the insurer of the Bonds, if any, or the required number of Owners of the Bonds shall provide their written consent to such amendment or modification.

**D.** No such supplemental resolution which is described in B above shall become effective unless the insurer of the Bonds, if any, or Owners of at least 51% in aggregate principal amount of the Bonds then outstanding shall have filed with the secretary of the Board within three (3) months after the date of adoption of such supplemental resolution

properly executed instruments approving the adoption of such supplemental resolution, each such instrument to be accompanied by proof of insurance or ownership of the Bonds satisfactory to the secretary of the Board to which such instrument refers.

**E.** Any supplemental resolution adopted and becoming effective in accordance with the provisions of this Section shall thereafter form a part of this Resolution and all conditions of this Resolution for any and all purposes, and shall be effective as to all Owners of Bonds then outstanding and no notation or legend of such modifications and amendments shall be required to be made thereon.

**Section 47. Purchaser Not Responsible.** The validity of the Bonds shall not be dependent on or be affected by the validity or regularity of any proceedings relating to the Project. The Purchaser and any Owner of the Bonds shall in no manner be responsible for the application or disposal by the State or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys described in this Resolution.

**Section 48. Limitations upon Contract.** The enforceability of the obligations of the State is subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the United States Constitution.

**Section 49. Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Board shall reasonably determine that said Registrar or Paying Agent has become incapable of performing its duties hereunder, the Board may, upon notice mailed to each Owner of any Bond at such Owner's 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 institution serve as both Registrar and Paying Agent hereunder, but the State shall have the right to have the same institution serve as both Registrar and Paying Agent hereunder.

Any corporation or association into which the Registrar or Paying Agent may be converted or merged, or with which they may be consolidated, or to which they may sell or transfer their corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer, to which they are a party, shall be and become the successor Registrar or Paying Agent

under this Resolution, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything in this Resolution to the contrary notwithstanding.

**Section 50. Continuing Disclosure Undertaking.** The State covenants for the benefit of the holders and beneficial owners of the Bonds to comply with the provisions of the Disclosure Dissemination Agreement, in substantially the form on file with the secretary of the Board, to be executed by the Treasurer or designee, with any amendments deemed necessary by the Treasurer or designee, and delivered in connection with the delivery of the Bonds.

**Section 51. Maintenance of Escrow Account.**

**A.** The Escrow Account shall be maintained by the State in an amount at the time of those initial deposits therein and at all times subsequently at least sufficient, together with the known minimum yield to be derived from the initial investment and any temporary reinvestment of the deposits therein or any part thereof in Federal Securities, to pay the interest due in connection with the Refunded Bonds, both accrued and not accrued, as the same become due up to and including the redemption dates for the Refunded Bonds as set forth in the Escrow Agreement and the resolutions authorizing the issuance of the Refunded Bonds; and to redeem, on such date the Refunded Bonds then outstanding, in accordance with the resolutions authorizing the issuance of the Refunded Bonds.

**B.** Moneys shall be withdrawn by the Escrow Bank from the Escrow Account in sufficient amounts and at such times to permit the payment without default of interest due in connection with the Refunded Bonds, and in accordance with the provisions of the Escrow Agreement, shall cause the notices of call for prior redemption of the then outstanding Refunded Bonds to be effected. Any moneys remaining in the Escrow Account after provision shall have been made for the redemption in full of the Refunded Bonds shall revert to the State to be applied to any lawful purpose.

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

**Section 52. Call of Refunded Bonds.** The State hereby elects to call for prior redemption the Refunded Bonds on the date set forth in the Escrow Agreement. Such election and call shall be irrevocable upon the issuance of the Bonds. The Escrow Bank is hereby authorized and directed to give directions to the paying agent and registrar for the Refunded Bonds to give a notice of call for redemption in the manner and at the time required by the resolution authorizing the issuance of the Refunded Bonds and to give such other notice of defeasance and call for redemption as is deemed appropriate or advisable as is directed by the State Treasurer or a deputy thereof.

**Section 53. Delegated Powers.** The officers of the State are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation:

**A.** The printing of the Bonds, including a statement of insurance, if applicable;

**B.** The completion and execution of such certificates and agreements as may be reasonably required by the Purchaser relating, among other things, to the execution of the Bonds, the deposit of the Bonds with The Depository Trust Company, the tenure and identity of the officials of the Board and of the State, the delivery of the Bonds, the assessed valuation of the taxable property in and the indebtedness of the State, the receipt of the purchase price of the Bonds, the exemption of interest on the Bonds from gross income and alternative taxable income for federal income tax purposes, and, if it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity of the Bonds;

**C.** The execution and completion of the Escrow Agreement in substantially the form on file with the secretary of the Board, to be executed by the Treasurer or designee, with any amendments deemed necessary by the Treasurer or designee, and delivered in connection with the delivery of the Bonds and the execution of appropriate agreements with the Registrar and Paying Agent as to their services hereunder;

**D.** The assembly and dissemination of financial and other information concerning the State and the Bonds;

**E.** The preparation and circulation of a preliminary official statement, a notice of sale and an official statement for the Bonds in the forms specified by the Treasurer or designee. The Treasurer or designee is authorized to deem the official statement or the

preliminary official statement to be a "final" official statement on behalf of the State for the purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended;

**F.** The completion and execution of the Certificate of the Treasurer and the Disclosure Dissemination Agreement; and

**G.** The issuance and sale of the Bonds pursuant to the provisions of this Resolution.

**Section 54. Ratification.** All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board and the officers of the State, and otherwise taken by the State in connection with:

**A.** The Project; and

**B.** The issuance and sale of the Bonds, is ratified, approved and confirmed, including without limitation the preparation and distribution of a preliminary official statement, a notice of sale and a final official statement relating to the Bonds and the supplement thereto and the convening of the meeting at which this Resolution is adopted.

**Section 55. Additional Securities.** The Board reserves the privilege of issuing additional general obligation securities authorized by law at any time or from time to time for any lawful purpose.

**Section 56. Resolution Irrepealable.** After any of the Bonds are issued, this Resolution shall constitute an irrevocable contract between the State and the Owner or Owners of the Bonds; and this Resolution, if any Bonds are in fact issued, shall be and shall remain irrepealable until the Bonds, as to all Bond Requirements, shall be fully paid, canceled and discharged except as this Resolution may be amended, modified, supplemented or altered pursuant to Section 46 hereof.

**Section 57. Repealer.** All bylaws, orders, resolutions, other instruments, or parts thereof, inconsistent with this Resolution are repealed to the extent of such inconsistency.

**Section 58. Severability.** If any section, subsection, paragraph, clause, or other provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause or other provision shall not affect any of the remaining provisions of this Resolution.

**Section 59. Effective Date.** This Resolution shall be in full force and effect from and after its adoption.

ADOPTED on August 14, 2018.

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Chairman  
State Board of Finance

Attest:

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Secretary  
State Board of Finance

**EXHIBIT A**  
**FORM OF BOND**

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

STATE OF NEVADA  
GENERAL OBLIGATION (LIMITED TAX)  
CAPITAL IMPROVEMENT, HISTORIC PRESERVATION AND REFUNDING BOND  
SERIES 2018A

No.			\$
<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated as of</u>	<u>CUSIP</u>
___%	_____ 1, 20__	_____, 2018	

OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The State of Nevada (the "State") for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner, or registered assigns, the Principal Amount, on the Maturity Date (unless called for earlier redemption), and to pay interest thereon on April 1 and October 1 of each year, commencing on April 1, 2019 at the Interest Rate, until the Principal Amount is paid or payment has been provided therefor. This Bond will 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 this Bond. The principal of and redemption premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of the State's paying agent for the Bonds (as hereinafter defined), presently U.S. Bank National Association (the "Paying Agent"), or at such other office as may be designated by the Paying Agent. Interest on this Bond will be paid on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), by check or draft mailed by first-class mail to the person in whose name this Bond is registered in the registration records of the State maintained by the State's registrar for the Bonds, presently U.S. Bank National Association (the "Registrar"), and at the address appearing thereon, as of the close of business on the fifteenth day of the calendar month preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid (or duly provided for) shall cease to be payable to the person who is the Owner as of the close of business on the Regular Record Date and shall be payable to the person who is the Owner as of the close of business on a Special Record Date for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owner by first-class mail not less than ten (10) days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the Owner and the Paying Agent, as provided in the resolution of the State Board of Finance of the State (the "Board") authorizing the issuance of the Bonds and designated in Section 1 thereof as the "2018A Capital Improvement, Historic Preservation and Refunding

Bond Resolution" (the "Resolution"), duly adopted by the Board prior to the issuance of the Bonds. 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.

This Bond is one of a series of bonds (the "Bonds"), of like tenor except as to number and denominations, issued pursuant to the Resolution.

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

The Registrar will not be required to transfer or exchange (i) any Bond subject to redemption during a period beginning at the opening of business fifteen (15) days before the day of the mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) any Bond after the mailing of notice calling such Bond or any portion thereof for prior redemption.

This Bond is transferable by the Owner in person or by such Owner's duly authorized attorney on the registration records kept by the Registrar upon surrender of this Bond together with a duly executed written instrument of transfer satisfactory to the Registrar. Upon such transfer a new fully registered Bond of authorized denomination or denominations of the same aggregate principal amount and maturity will be issued to the transferee in exchange for this Bond, subject to such terms and conditions, and on payment of the charges as set forth in the Resolution.]

The State, the Registrar and Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute Owner hereof for the purpose of payment and for all other purposes, except to the extent otherwise provided hereinabove and in the Resolution with respect to Regular and Special Record Dates for the payment of interest.

[The Bonds shall not be transferable or exchangeable except as set forth in the Resolution.]

The Bonds are issued by the State, upon its behalf and upon its credit, for the purpose of paying, wholly or in part, the cost of the Project set forth in the Resolution, under the authority of and in full compliance with the constitution and laws of the State, and pursuant to the Resolution. A copy of the Resolution is on file in the office of the ex-officio secretary of the State Board of Finance, in Carson City, Nevada, for public inspection.

The Bonds, or portions thereof, will be subject to redemption prior to their respective maturities, at the option of the Board, as provided in the Resolution and the Certificate of the Treasurer.

[Upon partial prior redemption of Bonds, Cede & Co., in its discretion, may request the Registrar to authenticate a new Bond or shall make an appropriate notation on this

Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case this Bond must be presented to the Paying Agent prior to prepayment.]<sup>2</sup>

[Certain of the Bonds shall be subject to mandatory sinking fund redemption as provided in the Certificate of the Treasurer.]<sup>3</sup>

In the case of Bonds of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Registrar will, without charge to the Owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. Redemption shall be made upon not more than sixty (60) nor less than thirty (30) days prior notice as provided in the Resolution.

This Bond must be registered in the name of the Owner as to both principal and interest on the registration records kept by the Registrar in conformity with the provisions stated herein and endorsed hereon and subject to the terms and conditions set forth in the Resolution. No transfer of this Bond shall be valid unless made on the registration records maintained by the Registrar at its principal office, or such other office as may be designated by the Registrar, by the Owner or such Owner's attorney duly authorized in writing.

It is hereby certified, recited and warranted that all the requirements of law have been fully complied with by the proper officers of the State in the issuance of this Bond; that the total indebtedness of the State, including that of this Bond, does not exceed any limit of indebtedness prescribed by the constitution or laws of the State; that provision has been made for the levy and collection of annual general (ad valorem) taxes sufficient to pay the principal of, redemption premiums, if any, and interest on this Bond when the same become due (except to the extent other funds 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 State are hereby irrevocably pledged to the punctual payment of the principal of, redemption premiums, if any, and interest on this Bond according to its terms.

Reference is made to the Resolution and all modifications and amendments thereof, if any, to the act authorizing the issuance of the Bonds, *i.e.*, Chapter 606, Statutes of Nevada, 2017 (the "Project Act"), and all laws amendatory thereof, to NRS 349.150 to 349.364, designated in NRS 349.150 thereof as the State Securities Law (the "Bond Act"), to Chapter 348 of NRS (the "Supplemental Bond Act") and to all laws supplemental thereto, for an additional description of the nature and extent of the security for the Bonds, the accounts, funds or revenues pledged, the terms and conditions upon which the Bonds are issued, and a statement of rights duties, immunities and obligations of the State, and the rights and remedies of the Owner of this Bond.

The Bonds are issued pursuant to the Project Act, the Bond Act, the Supplemental Bond Act, and all laws supplemental thereto; pursuant to NRS 349.274, this recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance; and pursuant to NRS 349.354, the Bonds, their transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of Nevada Revised Statutes and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of Nevada Revised Statutes.

In accordance with NRS 349.252, no recourse shall be had for the payment of the principal of, redemption premium, if any, and interest on this Bond or for any claim based thereon or otherwise in respect to the Resolution, against any individual member of the Board, or any officer or other agent of the State, past, present or future, either directly or indirectly through the Board or the State, 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.

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

IN WITNESS WHEREOF, the State, acting by and through the Board, has caused this Bond to be signed and executed in the name of and on behalf of the State with the manual or facsimile signature of the Governor of the State, to be countersigned with the manual or facsimile signature of the Controller of the State, and to be attested, signed and executed with the manual or facsimile signature of the Secretary of State; has caused the manual or facsimile impression of the great seal of the State to be affixed hereon; and has caused this Bond to be countersigned, subscribed and executed with the manual or facsimile signature of the State Treasurer; all as of \_\_\_\_\_, 2018.

THE STATE OF NEVADA

(Manual or Facsimile Signature) \_\_\_\_\_  
Governor of the State of Nevada

[MANUAL OR FACSIMILE SEAL]  
Attest:

(Manual or Facsimile Signature) \_\_\_\_\_  
Secretary of State

Countersigned:

(Manual or Facsimile Signature) \_\_\_\_\_  
State Controller

Countersigned:

(Manual or Facsimile Signature) \_\_\_\_\_  
State Treasurer

- 1 - Insert only if Bonds are delivered pursuant to Section 22(A)(3) of this Resolution.
- 2 - Insert only if the Bonds are initially delivered to the Depository Trust Company pursuant to Section 22(A) of this Resolution.
- 3 - Insert only if the Certificate of the Treasurer designates any of the Bonds as term bonds.

[End of Form of Bond]

[FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION FOR BONDS]

Date of authentication and registration: \_\_\_\_\_

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

U.S. BANK NATIONAL ASSOCIATION,  
as Registrar

By \_\_\_\_\_  
Authorized Officer

[End of Form of Registrar's Certificate of Authentication for Bonds]

[FORM OF ASSIGNMENT]

ASSIGNMENT

*FOR VALUE RECEIVED* the undersigned hereby sells, assigns and transfers unto

---

(Please print or typewrite Name and Address, including Zip Code, and Federal Taxpayer  
Identification or Social Security Number of Assignee)

---

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

---

Attorney to transfer the within Bond on the records kept for registration thereof, with full power  
of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed by:

---

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

---

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

[End of Form of Assignment]

[FORM OF PREPAYMENT PANEL]

The following installments of principal (or portions thereof) of this Bond have been prepaid in accordance with the terms of the Resolution authorizing the issuance of this Bond.

<u>Date of Prepayment</u>	<u>Maturity Principal</u>	<u>Principal Prepaid</u>	<u>Signature of Authorized Representative of DTC</u>
_____	_____	_____	_____
_____	_____	_____	_____

[End of Form of Prepayment Panel]

STATE OF NEVADA            )  
  )  
CARSON CITY                 )        ss.

I am the duly chosen and qualified Chief Deputy Treasurer of the State of Nevada (the "State") and ex officio secretary of the State Board of Finance (the "Board"), do hereby certify that:

1.       The foregoing pages constitute a true, correct, complete and compared copy of the 2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution, which resolution was passed and adopted by the Board at the duly held meeting of August 14, 2018, in the Old Assembly Chambers of the Capitol Building, Second Floor, 101 N. Carson Street, Carson City, Nevada 89701 and at 555 E. Washington Avenue, Las Vegas, Nevada.

2.       The original of the 2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution was signed by the chairman of the Board and authenticated by me as ex officio secretary of the Board, and was recorded in the minute book of the Board kept for that purpose in my office.

3.       The following members of the Board, *i.e.*,

Governor:	Brian Sandoval
Treasurer:	Daniel M. Schwartz
Controller:	Ronald L. Knecht
Other Members:	Teresa Courier
	Brian Sagert

attended such meeting and voted in favor of the passage of the 2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution.

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

5.       Pursuant to and in full compliance with NRS 241.020, written notice of such meeting was given at least three working days before the meeting:

(a)       By giving a copy of the notice to each member of the Board;

(b)       By posting a copy of the notice on the State Treasurer's website; on the official website of the State of Nevada pursuant to NRS 232.2175; at the principal office of the Board, or if there is no principal office, at the building in which the meeting was held; and at least three other separate, prominent places within the jurisdiction of the Board, to wit:

(i)       Capitol Building, Carson City, Nevada,

(ii)      Blasdel Building, Carson City, Nevada,

- (iii) Legislative Building, Carson City, Nevada,
- (iv) Nevada State Library, Carson City, Nevada,
- (v) Grant Sawyer Building, Las Vegas, Nevada,
- (vi) City Hall, Reno Nevada,
- (vii) City Hall, Elko, Nevada,
- (viii) City Hall, Henderson, Nevada; and

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

6. A copy of the notice so given is attached to this certificate as Appendix I.

7. No other proceedings were adopted and no other action taken or considered at such meeting relating to the subject matter of the 2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand on August 14, 2018.

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Secretary  
State Board of Finance

**APPENDIX I**

**(Copy of Notice of Meeting)**

**Dan Schwartz**  
State Treasurer



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: August 14, 2018 Agenda Item #4-General Obligation Bond Issuance and the Investment of moneys in the Consolidated Bond Interest and Redemption Fund in such Bond

DATE: July 25, 2018

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***Agenda Item #4***

For discussion and possible action: Discussion and possible action on a resolution designated the "2018B Natural Resources Tahoe Bond Resolution"; (a) authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B, in the aggregate principal amount not to exceed \$2,835,000; providing the purpose for which such bond is issued, the form, terms, and conditions of such bond and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bond; and (b) approving the investment of moneys in the Consolidated Bond Interest and Redemption Fund of the State in such bond; and providing other related matters.

***BOND ISSUANCE BACKGROUND:***

Nevada Revised Statutes (NRS) 349.071 states the State Board of Finance may issue and redeem securities on behalf of the State, when such issue is authorized by law, in the manner provided by the State Securities Law. The Nevada Legislature authorizes certain projects and funding mechanisms for those projects. NRS 349.330 further governs the refunding of State general and special obligation bonds. The State Treasurer's Office, in cooperation with other state agencies which have authority to implement those projects, coordinate the timing, rating agency presentations, and professional services necessary to issue securities on behalf of the State. Prior to the issuance of securities by the State Treasurer, a resolution describing the authority to issue and prior securities issuances must be approved by the Board of Finance.

**CARSON CITY OFFICE**  
101 N. Carson Street, Suite 4  
Carson City, Nevada 89701-4786  
(775) 684-5600 Telephone  
(775) 684-5623 Fax

**STATE TREASURER PROGRAMS**  
Governor Guinn Millennium Scholarship  
Program  
Nevada Prepaid Tuition Program  
Unclaimed Property  
College Savings Plans of Nevada  
Nevada College Kick Start Program

**LAS VEGAS OFFICE**  
555 E. Washington Avenue, Suite 4600  
Las Vegas, Nevada 89101-1074  
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(702) 486-3246 Fax

Website: [NevadaTreasurer.gov](http://NevadaTreasurer.gov)

E-mail: [StateTreasurer@NevadaTreasurer.gov](mailto:StateTreasurer@NevadaTreasurer.gov)

### ***THE 2018B BONDS:***

The 2018B Natural Resources Tahoe Bond Resolution (the “2018B Bonds”) authorizes the issuance and sale of Tahoe Environmental Improvement Project bonds in an aggregate principal amount not to exceed \$2,835,000.

The 2018B Bonds are “New Money” bonds issued for the purpose of financing the costs of environmental improvement projects for the Lake Tahoe Basin (the “Tahoe Projects”) authorized by:

- Senate Bill 438 of the 2011 legislative session and SB 546 (*the 2017 CIP Act*) Section 28 in the face amount of not more than \$5,000,000 with remaining authorization of \$2,835,000 for the *Tahoe Projects*. An aggregate principal amount not to exceed \$2,835,000 will be issued subject to this authorization.

### ***INVESTMENT OF MONEYS WITHIN THE CONSOLIDATED BOND INTEREST AND REDEMPTION FUND IN THE 2018B BONDS:***

The Board is accustomed to seeing resolutions requesting approval for the issuance of State general obligation bonds. The difference with this resolution is the element of the Consolidated Bond Interest and Redemption Fund (the “Bond Fund”) purchasing the bond as an investment rather than the bond being sold through a public competitive sale or a bank private placement.

This proposed method of financing authorized under NRS 349.356 and NRS 355.140 is advantageous to the State’s Bond Fund from both the issuance perspective and the investment/overall return perspective. The State Bond Purchase method of financing is estimated to produce an ***overall return of \$56,346*** to the Bond Fund. The overall return is calculated as a combination of the loan origination fee, interest earnings, and retained fund balance (issuance savings).

Advantages of the State Bond Purchase Method of Financing from an issuance perspective (*Attachment B*) are:

- Expedient delivery of bond proceeds;
- Reduced Cost of Issuance Fees (savings) estimated to be over \$22,500;
- Reduced Total Financing/Interest Cost (savings) of approximately \$24,908

Advantages of the State Bond Purchase Method of Financing from an investment perspective (*Attachment C*) are:

- Receipt of Loan Origination Fee of approximately \$2,500;
- Additional Interest Earnings of approximately \$28,938; and
- Total Overall Return to the Bond Fund of approximately \$56,346

***INVESTMENT IN STATE BONDS NRS:***

NRS 349.356 states the Board may invest any permanent State funds or other State funds available for investment in any of the bonds or other securities authorized to be issued pursuant to the provisions of the State Securities Law (NRS 349.150-349.364 inclusive) if the securities constitute general obligations.

NRS 355.140(1)(d) states that in addition to other investments provided for by a specific statute, the following bonds and other securities are proper and lawful investments of any of the money of this state, of its various departments, institutions and agencies, and of the State Insurance Fund: (d) Bonds of this state or other states of the Union.

NRS 355.150, before making any investment in bonds or other securities designated in NRS 355.140, the Board shall make due and diligent inquiry as to the financial standing and responsibility of the State, whether the Bonds is valid and duly authorized and issued, and the proceedings incident to the Bond have been fully complied with and shall receive an opinion of the Attorney General of the State as to the validity of the laws under which the Bond is authorized and of the Bond itself, which opinion is included as Attachment A to this memo.

# Attachment A

## Opinion of Attorney General-NRS 355.150(2)

ADAM PAUL LAXALT  
*Attorney General*



J. BRIN GIBSON  
*First Assistant Attorney General*

NICHOLAS A. TRUTANICH  
*Chief of Staff*

KETAN D. BHIRUD  
*General Counsel*

STATE OF NEVADA  
OFFICE OF THE ATTORNEY GENERAL  
100 North Carson Street  
Carson City, Nevada 89701

## MEMORANDUM

**DATE:** July 27, 2018  
**TO:** Lori Chatwood, Deputy Treasurer for Debt  
**FROM:** Dennis L. Belcourt, Deputy Attorney General   
**SUBJECT:** Purchase of State of Nevada, 2018B Natural Resources  
Tahoe Bond Resolution

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### A. Question

The State Board of Finance has been requested to approve the purchase for investment purposes, using funds available in the Consolidated Bond Interest and Redemption Fund, of a bond in the amount of \$2,835,000 to be issued pursuant to SB 546 (2017).

This legal opinion is issued pursuant to NRS 355.150(2), which requires that the State Board of Finance, when contemplating an investment in bonds or other securities designated in NRS 355.140, "shall require the Attorney General . . . [t]o give his or her legal opinion in writing as to: . . . (1) The validity of any laws under which such bonds or securities are issued and authorized and in which such investments are contemplated . . . (and) (2) The validity of such bonds or other securities." As to the second of the foregoing requirements, this opinion addresses the facial validity of the bonds only, and not the validity or enforceability of any transaction by which the bonds may ultimately be purchased, procured or otherwise acquired by the State of Nevada.<sup>1</sup>

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<sup>1</sup> Whether the bond is a suitable State investment is a determination to be made by the State Treasurer, pursuant to NRS 355.145. It is not the subject of this opinion.

## B. Discussion

### 1. The Validity of Section 28 of SB 546 (2017) as an Authorization to Incur Debt

In section 28(1) of SB 546 (2017), enacted in Chapter 606, Statutes of Nevada 2011, 77<sup>th</sup> Session, the Legislature provided as follows:

Sec. 28. 1. The State Board of Finance shall issue \$5,000,000 in general obligation bonds of the State in the 2017-2019 biennium for the purposes described in section 1 of chapter 437, Statutes of Nevada 2011, at page 2638. [SB 438 (2011)].

Based on the information provided (see below, footnote 3) there remains exactly the sum of \$2,835,000 in bond authority of the \$5,000,000 so authorized. The purpose of said authorization was, *inter alia*, to carry out the Environmental Improvement Program for the Lake Tahoe Basin established pursuant to section 1 of chapter 514, Statutes of Nevada 1999, at page 2627. Section 1 of SB 438 laid out uses to which the funds could be put, specifically, such as enhancement of recreational opportunities; continued implementation of forest health, restoration, and fuels management projects; protection of sensitive species and improvement of wildlife habitat; and control of invasive terrestrial and aquatic species, among other things.

Section 3 of SB 438, the Legislature stated further “that the issuance of securities and the incurrence of indebtedness pursuant to this act: 1. Are necessary for the protection and preservation of the natural resources of this State and for the purpose of obtaining the benefits thereof; and 2. Constitute an exercise of the authority conferred by the second paragraph of Section 3 of Article 9 of the Constitution of the State of Nevada.”

Authority for the State of Nevada to incur public debts lies in Section 3 of Article 9 of the Nevada Constitution:

The State may contract public debts; but such debts shall never, in the aggregate, exclusive of interest, exceed the sum of two percent of the assessed valuation of the State, as shown by the reports of the county assessors to the State Controller, except for the purpose of defraying extraordinary expenses, as hereinafter mentioned. Every such debt shall be authorized by law for some purpose or purposes, to be distinctly specified therein; and every such law shall provide for levying an annual

tax sufficient to pay the interest semiannually, and the principal within twenty years from the passage of such law, and shall specially appropriate the proceeds of said taxes to the payment of said principal and interest; and such appropriation shall not be repealed nor the taxes postponed or diminished until the principal and interest of said debts shall have been wholly paid. Every contract of indebtedness entered into or assumed by or on behalf of the State, when all its debts and liabilities amount to said sum before mentioned, shall be void and of no effect, except in cases of money borrowed to repel invasion, suppress insurrection, defend the State in time of war, or, if hostilities be threatened, provide for the public defense.

The State, notwithstanding the foregoing limitations, may, pursuant to authority of the Legislature, make and enter into any and all contracts necessary, expedient or advisable for the protection and preservation of any of its property or natural resources, or for the purposes of obtaining the benefits thereof, however arising and whether arising by or through any undertaking or project of the United States or by or through any treaty or compact between the states, or otherwise. The Legislature may from time to time make such appropriations as may be necessary to carry out the obligations of the State under such contracts, and shall levy such tax as may be necessary to pay the same or carry them into effect.

The validity of section 28 of SB 546 hinges on its coming within either the first or the second paragraph of the above provision. *See, e.g., Marlette Lake Co. v. Sawyer*, 79 Nev. 334, 336, 383 P.2d 369, 370 (1963). As noted above, section 28 of SB 546 incorporates the purpose of section 1 of SB 438, which purpose was expressly found in section 3 of SB 438 to meet the requirements of the second paragraph of section 3 of Article 9. Although said finding is not directly made in section 28 of SB 546, the incorporation of the purpose of section 1 of SB 438 is sufficiently clear to further incorporate that finding. Such interpretation is further supported by the canon of constitutional avoidance. *State v. Castaneda*, 126 Nev. 478, 481 245 P.3d 550, 552-3 (2010) (canon favors reasonable construction that does not void statute).

Therefore, it is the opinion of this office that section 28 of SB 546 constitutes a valid exercise of the Constitutional authority of the State of Nevada to contract debt pursuant to the second paragraph of section 3 of Article 9 of the Nevada Constitution.

## 2. Validity of the Bond

The issuance of the Bond is a valid exercise of the authority conferred upon the Board of Finance by section 28 of SB 546. The amount of the issuance does not run afoul of bond limits under the second paragraph of section 3 of Article 9 of the Constitution, because it is for a purpose determined by the Legislature to come within the exception set forth in the second sentence of that section and is therefore not void under the first sentence of that section.<sup>2</sup> Nor does the amount of the Bond, \$2,835,000, exceed the balance of the amounts in subsections 1 and 2 of section 28.<sup>3</sup>

Moreover, the Bond appears valid under a statutory presumption. The transactional documents related to the Bond—the Resolution and Bond form—are not final. Any opinion issued by this office is therefore subject to revision should these documents be adopted in amended form. With that noted, the draft Bond Resolution provided to this office provides that the Bond shall contain an incontestability recital, pursuant to NRS 349.274, and the draft of the Bond provided this office does contain such a clause. NRS 349.274 provides as follows (emphasis added):

NRS 349.274 Recital in securities conclusive evidence of validity and regularity of issuance. A resolution providing for the issuance of bonds or other state securities hereunder or an indenture or other proceedings appertaining thereto may provide that the securities contain a recital that they are issued pursuant to the State Securities Law, *which recital shall be conclusive evidence of their validity* and the regularity of their issuance.

Against substantially similar statutory language, such a recital was given full force and effect by the North Dakota Supreme Court in *Allen v. City of Minot By and Through Mayor and City Council*, 363 N.W.2d 553 (N.D.

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<sup>2</sup> Subsection 1 of section 28 states that the purpose of the Bond shall be those identified in section 1 of SB 438, which purposes were found by the Legislature in section 3 of SB 438 to be exempt under section 3 of Article 9 of the Constitution.

<sup>3</sup> Under subsection 1 of section 28 of SB 546, the remaining amount is precisely \$2,835,000, after the \$5,000,000 is reduced by the \$2,165,000 issued in the Series 2017 Bonds. Under subsection 2, remaining bond authority is \$7,035,000 (\$12,000,000 minus the sum of three bond issuances, Series 2014B (\$1,455,000, Series 2016D (\$1,345,000), and Series 2017B (\$2,165,000)).

1985), and found to preclude a challenge based on the authorizing entity's alleged failure to comply with statutory requirements for bond issuance. In that matter, the court rejected an argument that the recital was only conclusive as to technical defects, finding the argument unsupported by the plain meaning of the statute. *Id.* at p. 555.

In conclusion, the Bond passes constitutional muster under Article 9, section 3, and should the Bond Resolution that is approved provide for the recital set forth in NRS 349.274, the answer to the second question under NRS 355.150(2) is conclusively determined in the affirmative under applicable statutes. The Bond would be valid.

### **C. Conclusion**

Section 28 of SB 546 authorizes a valid exercise of the State of Nevada's authority to contract debt under its Constitution, the Bond as proposed would be validly issued thereunder, and facial validity of the Bond would be conclusively established by recital of compliance with the State Securities Law. Therefore, it is this office's opinion that the requirements of NRS 355.150(2) are met for purchasing the bond issuance in question.

DLB/sab

## Attachment B

# 2018B Natural Resources Tahoe Bonds Financing Cost Comparison

## ATTACHMENT B

Issuance advantages to a purchase of the bond by the Consolidated Bond Interest and Redemption Fund:

1. Expedient Issuance and Delivery of Bond Proceeds

a. Does not require preparation of an Official Statement, Rating Presentations, and Marketing

2. Reduced Costs of Issuance

3. Reduced Financing/Interest Costs

<b>EXAMPLE</b>	<b>EXAMPLE</b>
2018B Bond Purchase Method of Financing-Issuance	2018B Bond Financing Cost Comparison <i>Estimated as of July 5, 2018</i>
State Bond Purchase Method of Financing-Issuance	Competitive or Private Placement Method of Financing-Issuance
Bond Amount: \$ 2,500,000	Bond Amount: \$ 2,500,000
Closing Date: 11/1/2018	Closing Date: 11/1/2018
Applicable Interest Rate <sup>(1)</sup> : 4.292%	Applicable Interest Rate <sup>(1)</sup> : 6.00%
Lender Origination Fee <sup>(2)</sup> : \$ 2,500.00	Lender Origination Fee: \$ -
Maturity Date: 6/1/2019	Maturity Date: 6/1/2019
Proceeds Required: \$ 2,500,000	Proceeds Required: \$ 2,500,000
Transaction Costs: \$ 22,500	Transaction Costs <sup>(2)</sup> : \$ 45,000
Repayment Schedule:	Repayment Schedule:
Repayment Date	Repayment Date
6/1/2019	6/1/2019
Repayment Amount	Repayment Amount
\$ 2,562,591.67	\$ 2,587,500.00
Interest Cost	Interest Cost
\$ 62,591.67	\$ 87,500.00
<sup>(1)</sup> Based on a comparable Treasury security plus 25 bps and the assumed rate required to generate premium to cover origination fee and transaction costs	
<sup>(2)</sup> \$1k/\$1MM (based on Bond Amount)	
<b>State Bond Purchase Financing Method-Cost Savings</b>	
Bank Loan Financing Method Interest Cost	\$ 87,500.00
State Bond Purchase Financing Method Interest Cost	\$ 62,591.67
<b>Finance/Interest Cost Savings to BIRF</b>	<b>\$ 24,908.33</b>

## Attachment C

# 2018B Natural Resources Tahoe Bonds Overall Bond Fund Earnings Comparison

**ATTACHMENT C**

Investment advantages to a purchase of the bond by the Consolidated Bond Interest and Redemption Fund:

1. Receipt of Lender Origination Fee equal to \$1,000/\$1,000,000
2. Interest Earnings on Lender Origination Fee
3. Additional overall return

<b>EXAMPLE</b>		<b>EXAMPLE</b>	
<b>State Bond Purchase Method of Financing</b>		<b>Competitive or Private Placement Method of Financing</b>	
Bond Amount:	\$ 2,500,000.00	Bond Amount:	\$ 2,500,000.00
Closing Date:	11/1/2018	Closing Date:	11/1/2018
Applicable Interest Rate <sup>(1)</sup> :	2.31%	Applicable Interest Rate <sup>(1)</sup> :	2.31%
Lender Origination Fee <sup>(2)</sup> :	\$ 2,500.00	Lender Origination Fee <sup>(2)</sup> :	\$ -
Maturity Date:	6/1/2019	Maturity Date:	6/1/2019
	Lending Origination Fee \$ 2,500.00		Lending Origination Fee \$ -
	Interest Earnings on Lending Origination Fee \$ 33.69		Interest Earnings on Lending Origination Fee \$ -
	Interest Earnings on 2018B Bond Principal Retained in Bond Fund (BIRF) \$ (33,687.50)		Interest Earnings on 2018B Bond Principal Retained in Bond Fund (BIRF) \$ 33,687.50
	2018B Bond Interest Earnings \$ 62,591.67		2018B Bond Interest Earnings \$ -
	State Bond Purchase Financing Method-Issuance Savings \$ 24,908.33		Total Earnings to Bond Fund (BIRF) \$ 33,687.50
	<b>Total Earnings to Bond Fund (BIRF) \$ 56,340.19</b>		
<sup>(1)</sup> Assumed rate is 1 year T-bill rate as of July 5, 2017		<sup>(1)</sup> Assumed rate is 1 year T-bill rate as of July 5, 2017	
<sup>(2)</sup> \$1K/\$1MM (based on Bond Amount)		<sup>(2)</sup> \$1K/\$1MM (based on Bond Amount)	

## RESOLUTION

**A RESOLUTION DESIGNATED THE "2018B NATURAL RESOURCES TAHOE BOND RESOLUTION"; AUTHORIZING THE ISSUANCE AND SALE OF THE STATE OF NEVADA, GENERAL OBLIGATION (LIMITED TAX) NATURAL RESOURCES TAHOE BOND, SERIES 2018B; PROVIDING THE PURPOSE FOR WHICH SUCH BOND IS ISSUED, THE FORM, TERMS, AND CONDITIONS OF SUCH BOND AND OTHER DETAILS IN CONNECTION THEREWITH; PROVIDING FOR THE LEVY AND COLLECTION OF ANNUAL GENERAL (AD VALOREM) TAXES FOR THE PAYMENT OF SUCH BOND; APPROVING THE INVESTMENT OF MONEYS IN THE CONSOLIDATED BOND INTEREST AND REDEMPTION FUND OF THE STATE IN SUCH BOND; AND PROVIDING OTHER RELATED MATTERS.**

**WHEREAS**, the Board of Finance (the "Board") of the State of Nevada (the "State") is authorized by Section 28 of Chapter 606, Statutes of Nevada 2017 and Chapter 437, Statutes of Nevada, 2011, as amended (collectively, the "Tahoe Project Act") to issue \$5,000,000 in general obligation bonds for the purpose of financing the costs of environmental improvement projects for the Lake Tahoe Basin as provided in the Tahoe Project Act (the "Project"); and

**WHEREAS**, the State Securities Law, cited as NRS 349.150 through and including 349.364, as amended (the "Bond Act"), applies to the bond authorized hereunder; and

**WHEREAS**, the Board hereby elects to have the provisions of Chapter 348, Nevada Revised Statutes (the "Supplemental Bond Act") apply to the bond authorized hereunder; and

**WHEREAS**, the Board authorized the issuance of the "State of Nevada, General Obligation (Limited Tax) Natural Resources and Refunding Bonds, Series 2017B" in the amount of \$2,165,000 (the "2017B Bonds") to fund a portion of the Project pursuant to the Tahoe Project Act that may be financed with the proceeds of bonds which are exempt from the debt limit of the State; and

**WHEREAS**, the Board desires to provide for the sale of a general obligation bond of the State to finance a portion of the Project and to issue such general obligation bond to be designated the "State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond,

Series 2018B" (the "Bond") pursuant to the Tahoe Project Act in an aggregate principal amount not to exceed \$2,835,000 which proceeds of the Bond are exempt from the State debt limit; and

**WHEREAS**, the Bond will be sold in the principal amount set forth in the Certificate of the Treasurer and Financing Agreement (the "Certificate of the Treasurer") which amount is not to exceed \$2,835,000, for the purpose of financing the Project; and

**WHEREAS**, NRS 349.356 provides that the Board may invest any permanent state funds or other state funds, including the interest earnings on certain funds in the Consolidated Bond Interest and Redemption Fund (the "Consolidated Bond Fund"), in certain general obligations of the State, including the Bond; and

**WHEREAS**, pursuant to NRS 349.356, the Board desires to authorize the purchase of the Bond as an investment of funds in the Consolidated Bond Fund and has received an opinion of the Attorney General of the State as to the validity of such purchase as an investment under NRS 349.356, which opinion is attached hereto as Appendix 2; and

**WHEREAS**, pursuant to NRS 355.140, the Board desires to authorize a proper and lawful investment of any money of the State in the Bond as a bond of the State; and

**WHEREAS**, pursuant to NRS 355.150, before making any investment in bonds or other securities designated in NRS 355.140, the Board has made due and diligent inquiry as to the financial standing and responsibility of the State, whether the Bond is valid and duly authorized and issued, and the proceedings incident to the Bond have been fully complied with and has received an opinion of the Attorney General of the State as to the validity of any laws under which the Bond is issued and authorized and in which such investments are contemplated and the validity of the Bond, which opinion is attached hereto; and

**WHEREAS**, the Board has received a copy of the Certificate of the Treasurer to be executed by the State Treasurer and by the Chairman of the Board in substantially the form on file with the Secretary to the Board (the "Secretary to the Board") with such amendments as deemed necessary by the State Treasurer authorizing the issuance of the Bond and authorizing the purchase of the Bond as an investment of the Consolidated Bond Fund on the terms and conditions set forth in this Resolution and the Certificate of the Treasurer.

**WHEREAS**, pursuant to NRS 349.303, the Board is authorized to delegate to the Treasurer the power to accept a binding bid for the Bond subject to certain requirements specified in this Resolution; and

**WHEREAS**, the Treasurer or designee is authorized to accept the purchase of the Bond by the Treasurer as the custodian of the Consolidated Bond Fund as set forth in the Certificate of the Treasurer (the "Purchaser"), for the purchase of the Bond at a price equal to the principal amount thereof, less the discount, if any, of not more than 9 percent of the principal amount, or plus a premium, if any, in each case as shown on the Certificate of the Treasurer, and otherwise upon the terms and conditions provided in this Resolution and in the Certificate of the Treasurer; and

**WHEREAS**, as required by NRS 349.225, the Board has approved the issuance of the Bond pursuant to this Resolution; and

**WHEREAS**, the Board, on behalf of and in the name of the State, has determined and does declare:

**A.** To secure and preserve the public health, safety, convenience, and welfare, it is necessary to issue the Bond for the Project, pursuant to the Tahoe Project Act, the Bond Act, the Supplemental Bond Act, and all supplemental laws of the State; and

**B.** Each of the limitations and other conditions to the issuance of the Bond in Tahoe Project Act, the Bond Act, the Supplemental Bond Act, and in any other relevant act of the State have been met; and pursuant to NRS 349.352, 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.

**NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF FINANCE OF THE STATE OF NEVADA:**

**Section 1. Title.** This Resolution shall be known as the "2018B Natural Resources Tahoe Bond Resolution".

**Section 2. Defined Terms.** In addition to the terms defined in the "Whereas" clauses of this Resolution, capitalized undefined terms used herein shall have the following meanings:

"Acquisition Account" means a separate account held by the Treasurer and designated as the "State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B Acquisition Account."

"Board" means the State Board of Finance of the State of Nevada.

"Bond Requirements" means the principal of, and interest and redemption premium, if any, on, the Bond.

"Bond" means the State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B.

"Certificate of the Treasurer" means the Certificate of the State Treasurer and Financing Agreement executed by the Treasurer or designee and the Chairman of the Board on or after the sale of the Bond and on or before the closing on the Bond.

"Code" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bond.

"Consolidated Bond Fund" means the fund created pursuant to NRS 349.236.

"Federal Securities" means federal securities as defined in NRS 349.172, or any successor provision thereto.

"Interest Payment Date" means June 1, 2019.

"Owner" means the person in whose name a Bond is registered on the registration records maintained by the Registrar.

"Paying Agent" means the Treasurer and successors and assigns.

"Registrar" means the Treasurer and its successors and assigns.

"Regular Record Date" means the fifteenth day of the calendar month preceding each Interest Payment Date (other than a special interest payment date established pursuant to Section 17 hereof for defaulted interest).

"Special Record Date" means a special record date fixed by the Registrar pursuant to Section 17 hereof for the payment of defaulted interest.

"Taxes" means annual general (ad valorem) taxes.

"Treasurer" means the State Treasurer.

**Section 3. Authority for Resolution.** This Resolution is adopted pursuant to the Election, the Tahoe Project Act, the Bond Act, the Supplemental Bond Act, and all supplemental laws.

**Section 4. Acceptance of Bids.** Pursuant to NRS 349.303, the Board hereby delegates to the Treasurer or designee the authority to accept a binding bid for the Bond from the Purchaser subject to the following requirements:

A. the effective interest rate on the Bond must not exceed by more than 3% the "Index of Twenty Bonds" which was most recently published in The Bond Buyer before the Purchaser's bid was received;

B. the Treasurer or designee, in such officer's discretion, will determine the dates on which, if any, and the prices at which the Bond may be called for redemption prior to maturity;

C. the purchase price for the Bond will be equal to the amount of the aggregate principal amount of the Bond as set forth in the Certificate of the Treasurer less a discount, if any, of not more than 9 percent of such aggregate principal amount, or plus a premium, if any, all as set forth in the Certificate of the Treasurer; and

D. the aggregate principal amount of the Bond maturing in any particular year must not exceed \$2,835,000.

**Section 5. Life of Project.** The Board has determined and declares:

A. The estimated life or estimated period of usefulness of the Project financed with the proceeds of the Bond is not less than the average maturity of the Bond; and

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

**Section 6. Necessity of Project and Bond.** It is necessary and in the best interests of the State that the Board undertake the Project and defray their cost by the issuance of the Bond.

**Section 7. Authorization of Project.** The Board has determined to undertake the Project and defray their cost by the issuance of the Bond.

**Section 8. Estimated Cost of Project.** The cost of the Project is estimated not to exceed the amount received from the sale of the Bond, excluding any such cost to be defrayed by any source other than the proceeds of the Bond.

**Section 9. Resolution to Constitute Contract.** In consideration of the purchase and the acceptance of the Bond by the Owners thereof from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the State and the Owners of the Bond.

**Section 10. Bond Equally Secured.** The covenants and agreements of the State and the Board set forth in this Resolution shall be for the equal benefit, protection, and security of the Owners of any and all of the outstanding Bond, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction, except as otherwise expressly provided in or pursuant to this Resolution.

**Section 11. General Obligations.** The Bond and the Bond Requirements shall constitute general obligations of the State, which hereby pledges its full faith and credit for their payment. All Bond Requirements shall be payable from Taxes as provided in this Resolution.

**Section 12. Exempted Debt.** The issuance of the Bond constitutes an exercise of the authority conferred by the second paragraph of Section 3, Article 9, of the Constitution of the State, and the Bond will be treated as a bond to which the limitations stated in the first paragraph of said Section do not apply.

**Section 13. Limitations upon Security.** Pursuant to NRS 349.250, the payment of the Bond is not secured by an encumbrance, mortgage or other pledge of property of the State, except the proceeds of Taxes and any other monies pledged for the payment of the Bond. No property of the State, subject to such exception, shall be liable to be forfeited or taken in payment of the Bond.

**Section 14. Limitations upon Recourse.** Pursuant to NRS 349.252, no recourse shall be had for the payment of the Bond Requirements or for any claim based thereon or otherwise upon this Resolution, against any individual member of the Board or any officer or other agent of the State, past, present, or future, either directly or indirectly through the Board or the State, 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 their issuance specially waived and released.

**Section 15. No Repeal of Bond Act.** Pursuant to NRS 349.256, the faith of the State is hereby pledged that Tahoe Project Act, the Bond Act, the Supplemental Bond Act and any other law supplemental or otherwise pertaining thereto, and any other act concerning the Bond or the Taxes, or both, shall neither be repealed nor amended nor otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding Bond, until Bond has been discharged in full or provision for its payment and redemption has been fully made.

**Section 16. Authorization of Bond.** For the purpose of defraying the cost of the Project, there are hereby authorized to be issued the Bond in the aggregate principal amount designated in the Certificate of the Treasurer, which amount will not exceed \$2,835,000 for the Project.

**Section 17. Bond Details.** The Bond will be dated as of the date of delivery of the Bond to the Purchaser as set forth in the Certificate of the Treasurer and shall be issued as a single bond. The Bond shall bear interest from its date until its fixed maturity dates (or, if called for redemption prior to maturity as provided below, the redemption dates) at the rates per annum set forth in the Certificate of the Treasurer calculated on the basis of a 360-day year of twelve 30-day months, payable on the Interest Payment Date; provided that the Bond which is reissued upon transfer, exchange or other replacement shall bear interest at the applicable rates set forth in the Certificate of the Treasurer from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bond. The Bond will mature in installments on each of the dates and in the principal amounts and bear interest at the rates per annum set forth in the Certificate of the Treasurer. The Bond issued must mature within 30 years of the date of the Bond.

The principal of and redemption premium, if any, on any Bond shall be payable to the Owner thereof upon maturity or prior redemption thereof and upon presentation and surrender at the principal office of the Paying Agent, or such other office as may be designated by the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after redemption or maturity, it shall continue to bear interest at the interest rate borne by said Bond until the principal

thereof is paid in full. Payment of interest on any Bond shall be made to the Owner thereof by check or draft mailed by first-class mail by the Paying Agent, on the Interest Payment Date (or, if such Interest Payment Date is not a business day, on the next succeeding business day), to the Owner thereof, at such Owner's address, as shown on the registration records kept by the Registrar as of the Regular Record Date. Interest not so timely paid or duly provided for shall cease to be payable to the Owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the person who is the Owner thereof, at such Owner's address, as shown on the registration records of the Registrar as of the close of business on a Special Record Date fixed for the purpose of paying any such defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the Bond not less than ten days prior thereto by first-class mail to each such Owner as shown on the Registrar's registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

**Section 18. Optional Redemption.** The Bond, or portions maturing on and after the date designated in the Certificate of the Treasurer, shall be subject to optional redemption prior to maturity, on and after the date designated in the Certificate of the Treasurer, at the option of the State, in whole or in part at any time, at a price equal to the principal amount of each Bond, or portion thereof, to be so redeemed, plus accrued interest thereon to the redemption date without notice.

**Section 20. Negotiability.** Subject to the registration provisions herein provided, the Bond shall be fully negotiable within the meaning of and for the purposes of the Uniform Commercial Code--Investment Securities, and each Owner shall possess all rights enjoyed by holders of negotiable instruments under the Uniform Commercial Code--Investment Securities.

**Section 21. Registration, Transfer and Exchange of Bond.**

**A.** Records for the registration and transfer of the Bond shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, or at such other office as may be designated by the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the Owner or the Owner's attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bond of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. The Bond may be exchanged at the Registrar for an equal aggregate principal amount of Bond and maturity. The Registrar shall authenticate and deliver a Bond which the Owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. The Registrar shall require the payment by the Owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer and shall charge a sum sufficient to pay the cost of preparing and authenticating a new Bond.

**B.** The person in whose name any Bond shall be registered on the registration records kept by the Registrar shall be deemed and regarded as the absolute Owner thereof for the purpose of payment and for all other purposes; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the Owner

thereof or such Owner's legal representative. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

**D.** If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the State may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

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

**Section 23. Execution and Authentication.**

**A.** Prior to the execution of any Bond by facsimile signature and pursuant to NRS 349.284, to the act known as the Uniform Facsimile Signatures of Public Officials Act, cited as Chapter 351, NRS, and to the Supplemental Bond Act, the Governor of the State, the State Controller, the Secretary of State and the State Treasurer (the "Governor," the "Controller," the "Secretary" and the "Treasurer," respectively) shall each file with the Secretary such officer's manual signature certified under oath.

**B.** Pursuant to NRS 349.282, the Bond shall be approved, signed and executed in the name of and on behalf of the State with the manual or facsimile signature of the Governor, shall be countersigned and executed with the manual or facsimile signature of the Controller, and shall be countersigned, subscribed and executed with the manual or facsimile signature of the Treasurer. There shall be affixed on the Bond the manual or facsimile impression of the great seal of the State, and each Bond shall each be attested, signed and executed with the manual or facsimile signature of the Secretary.

**C.** No Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form provided in Exhibit A, has been duly

manually executed by the Registrar. The Registrar's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bond issued hereunder. By authenticating the Bond initially delivered pursuant to this Resolution, the Registrar shall be deemed to have assented to all of the provisions of this Resolution.

**Section 24. Use of Predecessor's Signature.** The Bond bearing the signatures of the officers in office at the time of their execution shall be the valid and binding obligation of the State, notwithstanding that before delivery of the Bond any or all of the persons who executed the Bond shall have ceased to fill their respective offices. The Governor, the Controller, the Treasurer and the Secretary, at the time of the execution of a signature certificate relating to the Bond, may each adopt as and for such officer's own facsimile signature the facsimile signature of such officer's predecessor in office if such facsimile signature appears upon the Bond.

**Section 25. Incontestable Recital.** Pursuant to NRS 349.274, the Bond shall contain a recital that they are issued pursuant to the Bond Act, and such recital shall be conclusive evidence of the validity of the Bond and the regularity of their issuance.

**Section 26. State Tax Exemption.** Pursuant to NRS 349.354, 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 Chapter 375B of NRS.

**Section 27. Bond Execution.** The Governor, Controller, Treasurer and Secretary are authorized and directed to prepare and to execute the Bond as provided above.

**Section 28. Initial Registration.** The Registrar shall maintain the registration records of the State 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, bond number and its principal amount.

**Section 29. Bond Delivery.** After such registration and after their execution and authentication as provided herein, the Treasurer or designee shall cause the Bond to be delivered to the Purchaser thereof, upon payment being made in accordance with the terms of their sale.

**Section 30. Bond Form.** Subject to the provisions of this Resolution, the Bond shall be in substantially the form attached hereto as Exhibit A, with such omissions, insertions, endorsements and variations as may be required by the circumstances, be required or permitted by this Resolution, or be consistent with this Resolution and necessary and appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto.

**Section 31. Consolidated Bond Fund.** Pursuant to NRS 349.236, payment of the Bond Requirements of the Bond shall be made from the Consolidated Bond Fund of the State, under the provisions of NRS 349.080 through 349.140, except to the extent any provision is otherwise made for such payment by the Tahoe Project Act or this Resolution.

**Section 32. General Tax Levies.** There shall be levied in the calendar year 2018 and annually thereafter until all of the Bond Requirements of the Bond shall have been fully paid, satisfied and discharged, a Tax on all property, both real and personal, subject to taxation within the boundaries of the State, fully sufficient together with the revenue which will result from the application of the rate to the net proceeds of minerals, to pay and retire the Bond, without regard to any statutory tax limitations now or thereafter existing, but subject to the limitations imposed by Section 2 of Article 10 of the Constitution of the State, and after there are made due allowances for probable delinquencies.

**Section 33. Budget Provisions.** In the preparation of the budget for the State, the State Legislature shall first make proper provisions through the levy of sufficient Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the State, including, without limitation, the Bond, subject to the limitations imposed by Section 2 of Article 10 of the Constitution of the State, and the amount of money necessary for this purpose shall be a first charge against all revenues received by the State.

**Section 34. Priorities for Bonds.** In any year the total Taxes levied against the property in the State by all overlapping units within the boundaries of the State may exceed the limitation imposed by Section 2 of Article 10 of the Constitution of the State and it shall become necessary for that reason to reduce the levies made by any of those units, the reduction so made shall be in Taxes levied by such units (including, without limitation, the State) for purposes other than the

payment of their bonded indebtedness, including interest thereon. The Taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including, without limitation, the State), for all other purposes where reduction is necessary in order to comply with the limitation imposed by Section 2 of Article 10 of the Constitution of the State.

**Section 35. Correlation of Levies.** Such Taxes shall be levied and collected in the same manner and at the same time as other Taxes are levied and collected. The proceeds of Taxes levied to pay interest on the Bond shall be kept by the Treasurer in a special fund designated as the "State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B Tax Fund--Interest," and the proceeds of Taxes levied to pay the principal of the Bond shall be kept in a special fund designated as the "State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B Tax Fund--Principal." Such funds shall be used for no other purpose than the payment of interest on and principal of the Bond, respectively, as the same become due.

**Section 36. Use of General Fund.** Any sums coming due on the Bond at any time when there are on hand from such Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from general funds on hand belonging to the State, reimbursement to be made for such general funds in the amounts so advanced when the Taxes have been collected, pursuant to NRS 349.242.

**Section 37. Use of Other Funds.** Nothing in this Resolution prevents the State from applying any funds (other than Taxes) that may be available for that purpose to the payment of the Bond Requirements of the Bond, and upon such payment, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 349.244.

**Section 38. Legislative Duties.** In accordance with NRS 349.238 through 349.244, inclusive, it shall be the duty of the State Legislature, at the time and in the manner provided by law for levying other taxes of the State, if such action shall be necessary to effectuate the provisions of this Resolution, to ratify and carry out the provisions of this Resolution with reference to the annual levy and collection of such Taxes; and the State Legislature shall require the officers of the State to levy, extend and collect such Taxes in the manner provided by law for the purpose of creating funds for the payment of the Bond Requirements of the Bond.

**Section 39. Appropriation of Taxes.** In accordance with NRS 349.248, there is specially appropriated the proceeds of such Taxes to the payment of the Bond Requirements of the Bond; and such appropriations shall neither be repealed nor such Taxes postponed or diminished (except as otherwise expressly provided) until the Bond Requirements of the Bond have been wholly paid.

**Section 40. Use of Bond Proceeds.** Pursuant to NRS 349.294, amounts received from the sale of the Bond shall be deposited promptly by the Treasurer and shall be accounted for in the following manner and priority and are hereby pledged for such purposes:

**A.** First, an amount sufficient to pay the costs of issuance of the Bond shall be credited to the State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B Costs of Issuance Account (the "Costs of Issuance Account") to be held by the Treasurer and used for the purpose of paying the costs of issuance of the Bond. Any proceeds of the Bond remaining in the Costs of Issuance Account after paying the costs of issuance of the Bond shall be deposited in the Acquisition Account.

**B.** Second, the remainder of the proceeds received from the sale of the Bond shall be credited to the Acquisition Account and used for the purpose of effecting the Project and the costs of administering the provisions of the Tahoe Project Act.

**Section 41. Investments.** Pursuant to NRS 349.304, the Board hereby authorizes the Treasurer to cause to be invested and reinvested any proceeds of Taxes and any proceeds from the issuance of the Bond. Pursuant to NRS 349.304, (i) any gain from the investment of any proceeds of the Bond credited to the Acquisition Account shall be deposited promptly upon its receipt to the Acquisition Account and applied to the Project; and (ii) any gain from the investment of any proceeds of the Bond credited to the Cost of Issuance Account shall be deposited promptly upon its receipt to the Costs of Issuance Account and applied to the costs of issuance of the Bond.

**Section 42. Use of Acquisition Account.** The moneys in the Acquisition Account, except as otherwise expressly provided, shall be used and paid out solely for the purpose of paying the cost of the Project and the costs of issuance of the Bond and administering the Project and the Bond.

**Section 43. Prevention of Bond Default.** Except as otherwise expressly provided by this Resolution, the Treasurer shall use any Bond proceeds credited to the Acquisition Account, without further order or warrant, to pay the Bond Requirements of the Bond, as the same become due, whenever and to the extent moneys otherwise available therefor are insufficient for that purpose. The Treasurer or designee shall promptly notify the Board of any such use. Any moneys so used shall be restored to the Acquisition Account from the first revenues thereafter received and available for such restoration.

**Section 44. Defeasance.** When all Bond Requirements of a Bond have been duly paid, the pledge and lien and all obligations hereunder with respect to such Bond shall thereby be discharged and such Bond shall no longer be deemed to be outstanding within the meaning of this Resolution. A Bond will be deemed to be paid when there has been placed in irrevocable escrow an amount sufficient (including the known minimum yield available for such purpose from Federal Securities, as defined in NRS 349.174, in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of such Bond, as the same become due to the final maturity thereof or upon any prior redemption date as of which the Board shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of such Bond for payment, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the Bond Requirements of such Bond, as the same become due. The Federal Securities shall become due at or before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the State and the escrow agent at the time of the creation of the escrow or trust. 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 holder thereof. Upon direction of the Treasurer or designee, the Paying Agent shall mail written notice of the defeasance of any Bond to the Owners of such Bond at the addresses last shown on the registration records for such Bond maintained by the Registrar.

**Section 46. Modification, Alteration, Supplementation or Amendment of Resolution.**

**A.** The Board may, from time to time, modify, amend, supplement or alter this Resolution without the consent of, or notice to any of the Owners of the Bond for any one or more of the following purposes:

**1.** to add to the agreements of the Board or the State contained in this Resolution, other agreements thereafter to be observed or to surrender, restrict or limit any right or power herein reserved to or conferred upon the Board or the State;

**2.** to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Resolution, or in regard to matters or questions arising under this Resolution, as the Board may deem necessary or desirable and not inconsistent with this Resolution;

**3.** to grant to or confer any additional rights, remedies, powers or authorities that may be lawfully granted to or conferred upon the Owner of the Bond;

**4.** to evidence the appointment of successors to any depositories, custodians, Paying Agent or Registrar; or

**5.** to make any other change which shall not have a material adverse effect on the interests of the Owners of the Bond.

**B.** The Board may, from time to time, modify, amend, alter, or supplement this Resolution other than as provided in A above; provided that the Board shall give notice to the insurer of the Bond, if any, or the Owners of the Bond in the manner herein described and shall receive the written consent of the insurer of the Bond, if any, or the Owners of not less than 51% of the Bond then outstanding; provided, however, that no such supplemental proceedings shall:

**1.** extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond outstanding hereunder;

**2.** reduce or extend the time of payment of the principal of, redemption premium or interest on any Bond outstanding hereunder;

**3.** reduce any premium payable upon the redemption of any Bond hereunder or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date;

**4.** give to any Bond a preference over any other Bond; or

5. reduce the percentage of Bond the Owners of which are required to consent to any proceedings amending or supplementing the provisions hereof.

C. In the event that the Board intends to enter into or adopt any modification, alteration or amendment of this Resolution as described in B above, the Treasurer or designee shall mail, by registered or certified mail, to the insurer of the Bond, if any, or the Owners of the Bond at their addresses as shown on the registration records maintained by the Registrar, a notice of such intention along with a description of such amendment or modification not less than 30 days prior to the proposed effective date of such amendment or modification. The consent of the insurer of the Bond, if any, or the Owners of the Bond need not approve the particular form of wording of the proposed amendment, modification or supplement, but it shall be sufficient if such consents approve the substance thereof. Failure of the Owner of any Bond to receive the notice required herein shall not affect the validity of any proceedings supplemental hereto if the required number of Owners of the Bond shall provide their written consent to such amendment or modification.

D. No such supplemental resolution which is described in B above shall become effective unless the insurer of the Bond, if any, has consented or the Owners of at least 51% in aggregate principal amount of the Bond then outstanding shall have filed with the Secretary of the Board within three (3) months after the date of adoption of such supplemental resolution properly executed instruments approving the adoption of such supplemental resolution, each such instrument to be accompanied by proof of insurance or of ownership of the Bond satisfactory to the Secretary of the Board to which such instrument refers.

E. Any supplemental resolution adopted and becoming effective in accordance with the provisions of this Section shall thereafter form a part of this Resolution and all conditions of this Resolution for any and all purposes, and shall be effective as to all Owners of Bond then outstanding and no notation or legend of such modifications and amendments shall be required to be made thereon.

**Section 47. Purchaser Not Responsible.** The validity of the Bond shall not be dependent on or be affected by the validity or regularity of any proceedings relating to the Project. The Purchaser and any Owner of the Bond shall in no manner be responsible for the application or

disposal by the State or by any of its officers, agents and employees of the moneys derived from the sale of the Bond or of any other moneys described in this Resolution.

**Section 48. Limitations upon Contract.** The enforceability of the obligations of the State is subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the United States Constitution.

**Section 49. Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Board shall reasonably determine that said Registrar or Paying Agent has become incapable of performing its duties hereunder, the Board may, upon notice mailed to each Owner of any Bond at its, 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 institution serve as both Registrar and Paying Agent hereunder, but the State shall have the right to have the same institution serves as both Registrar and Paying Agent hereunder.

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

**Section 50. Delegated Powers.** The officers of the State are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation:

A. The printing of the Bond, including a statement of insurance, if applicable;

B. The completion and execution of such certificates and agreements as may be reasonably required by the Purchaser relating, among other things, to the execution of the

Bond, the tenure and identity of the officials of the Board and of the State, the delivery of the Bond, the assessed valuation of the taxable property in and the indebtedness of the State, the receipt of the purchase price of the Bond, and, if it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity of the Bond;

C. The execution of appropriate agreements with the Registrar and Paying Agent as to their services hereunder;

D. The assembly and dissemination of financial and other information concerning the State and the Bond;

E. The completion of the Certificate of the Treasurer; and

F. The issuance and sale of the Bond pursuant to the provisions of this Resolution.

**Section 51. Ratification.** All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board and the officers of the State, and otherwise taken by the State in connection with:

A. The Project; and

B. The issuance and sale of the Bond, is ratified, approved and confirmed, including without limitation the preparation and distribution of a preliminary official statement and a final official statement relating to the Bond and the convening of the meeting at which this Resolution is adopted.

**Section 52. Additional Securities.** The Board reserves the privilege of issuing additional general obligation securities authorized by law at any time or from time to time for any lawful purpose.

**Section 53. Resolution Irrepealable.** After the Bond is issued, this Resolution shall constitute an irrevocable contract between the State and the Owner or Owners of the Bond; and this Resolution, 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 except as this Resolution may be amended, modified, supplemented or altered pursuant to this Resolution.

**Section 54. Repealer.** All bylaws, orders, resolutions, other instruments, or parts thereof, inconsistent with this Resolution are repealed to the extent of such inconsistency.

**Section 55. Severability.** If any section, subsection, paragraph, clause, or other provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause or other provision shall not affect any of the remaining provisions of this Resolution.

**Section 56. Effective Date.** This Resolution shall be in full force and effect from and after its adoption.

ADOPTED on August 14, 2018.

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Chairman  
State Board of Finance

Attest:

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Secretary  
State Board of Finance

**EXHIBIT A**

**TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE**

**STATE OF NEVADA  
GENERAL OBLIGATION (LIMITED TAX)  
NATURAL RESOURCES TAHOE BOND  
SERIES 2018B**

No. 1

\$ \_\_\_\_\_

Interest Rate                      Maturity Date                      Dated as of  
\_\_\_\_\_ % per annum              June 1, 2019                      \_\_\_\_\_, 2018

REGISTERED OWNER: STATE OF NEVADA ON BEHALF OF THE BOND INTEREST AND REDEMPTION FUND

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The State of Nevada (the "State") for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner, or registered assigns, the Principal Amount, on the Maturity Date (unless called for earlier redemption), and to pay interest thereon on the Maturity Date, at the Interest Rate calculated on the basis of a 360 day year of twelve 30-day months, until the Principal Amount is paid or payment has been provided therefor. This Bond will 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 this Bond. The principal of and redemption premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of the State's paying agent for the Bond (as hereinafter defined), presently the State Treasurer (the "Paying Agent"), or at such other office as may be designated by the Paying Agent. Interest on this Bond will be paid on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), by check or draft mailed by first-class mail to the person in whose name this Bond is registered in the registration records of the State maintained by the State's registrar for the Bond, presently the State Treasurer (the "Registrar"), and at the address appearing thereon, as of the close of business on the fifteenth day of the calendar month preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid (or duly provided for) shall cease to be payable to the person who is the Owner as of the close of business on the Regular Record Date and shall be payable to the person who is the Owner as of the close of business on a Special Record Date for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owner by first-class mail not less than ten (10) days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the Owner and the Paying Agent, as provided in the resolution of the State Board of Finance of the State (the

"Board") authorizing the issuance of the Bond and designated in Section 1 thereof as the "2018B Natural Resources Tahoe Bond Resolution" (the "Resolution"), duly adopted by the Board prior to the issuance of the Bond. 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.

This Bond (the "Bond") is issued pursuant to the Resolution. The Bond is issuable solely as fully registered Bond and is exchangeable for fully registered Bond of the same maturity in equivalent aggregate principal at the aforesaid office of the Registrar but only in the manner, subject to the limitations and on payment of the charges provided in the Resolution.

This Bond is transferable by the Owner in person or by his duly authorized attorney on the registration records kept by the Registrar upon surrender of this Bond together with a duly executed written instrument of transfer satisfactory to the Registrar. Upon such transfer a new fully registered Bond of the same aggregate principal amount and maturity will be issued to the transferee in exchange for this Bond, subject to such terms and conditions, and on payment of the charges as set forth in the Resolution.

The State, the Registrar and Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute Owner hereof for the purpose of payment and for all other purposes, except to the extent otherwise provided hereinabove and in the Resolution with respect to Regular and Special Record Dates for the payment of interest.

The Bond is issued by the State, upon its behalf and upon its credit, for the purpose of paying, wholly or in part, the cost of the Project set forth in the Resolution, under the authority of and in full compliance with the constitution and laws of the State, and pursuant to the Resolution. A copy of the Resolution is on file in the office of the ex officio secretary of the State Board of Finance, in Carson City, Nevada, for public inspection.

The Bond, or portions thereof, will be subject to redemption prior to maturity, at the option of the Board as designated by the State Treasurer, as provided in the Resolution and the Certificate of the Treasurer.

This Bond must be registered in the name of the Owner as to both principal and interest on the registration records kept by the Registrar in conformity with the provisions stated herein and endorsed hereon and subject to the terms and conditions set forth in the Resolution. No transfer of this Bond shall be valid unless made on the registration records maintained by the Registrar at its principal office, or such other office as may be designated by the Registrar, by the Owner or his attorney duly authorized in writing.

It is hereby certified, recited and warranted that all the requirements of law have been fully complied with by the proper officers of the State in the issuance of this Bond; that the total indebtedness of the State, including that of this Bond, does not exceed any limit of indebtedness prescribed by the constitution or laws of the State; that provision has been made for the levy and

collection of annual general (ad valorem) taxes sufficient to pay the principal of, redemption premiums, if any, and interest on this Bond when the same become due (except to the extent other funds are available therefor), subject to the limitations imposed by the constitution of the State; and that the full faith and credit of the State are hereby irrevocably pledged to the punctual payment of the principal of, redemption premiums, if any, and interest on this Bond according to its terms.

Reference is made to the Resolution and all modifications and amendments thereof, if any, to the acts authorizing the issuance of the Bond, *i.e.*, Section 28 of Chapter 606, Statutes of Nevada 2017 and Chapter 437, Statutes of Nevada, 2011, as amended (collectively, the "Tahoe Project Act"), and all laws amendatory thereof, to Sections 349.150 to 349.364, Nevada Revised Statutes, designated in Section 349.150 thereof as the State Securities Law (the "Bond Act"), to Chapter 348, Nevada Revised Statutes (the "Supplemental Bond Act") and to all laws supplemental thereto, for an additional description of the nature and extent of the security for the Bond, the accounts, funds or revenues pledged, the terms and conditions upon which the Bond are issued, and a statement of rights duties, immunities and obligations of the State, and the rights and remedies of the Owner of this Bond.

The Bond is issued pursuant to the Tahoe Project Act, the Bond Act, the Supplemental Bond Act, and all laws supplemental thereto; pursuant to NRS 349.274, this recital is conclusive evidence of the validity of the Bond and the regularity of their issuance; and pursuant to NRS 349.354, 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 Chapter 375A of Nevada Revised Statutes and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of Nevada Revised Statutes.

In accordance with NRS 349.252, no recourse shall be had for the payment of the principal of, redemption premium, if any, and interest on this Bond or for any claim based thereon or otherwise in respect to the Resolution, against any individual member of the Board, or any officer or other agent of the State, past, present or future, either directly or indirectly through the Board or the State, 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.

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

IN WITNESS WHEREOF, the State, acting by and through the Board, has caused this Bond to be signed and executed in the name of and on behalf of the State with the manual or facsimile signature of the Governor of the State, to be countersigned with the manual or facsimile signature of the Controller of the State, and to be attested, signed and executed with the manual or facsimile signature of the Secretary of State; has caused the manual or facsimile impression of the great seal of the State to be affixed hereon; and has caused this Bond to be countersigned, subscribed

and executed with the manual or facsimile signature of the State Treasurer; all as of dated date above.

THE STATE OF NEVADA

(Manual or Facsimile Signature)

Governor of the State of Nevada

[MANUAL OR FACSIMILE SEAL]

Attest:

(Manual or Facsimile Signature)

Secretary of State

Countersigned:

(Manual or Facsimile Signature)

State Controller

Countersigned:

(Manual or Facsimile Signature)

State Treasurer

[End of Form of Bond]

[FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION FOR BOND]

Date of authentication and registration:

This Bond has been duly registered on the registration records kept by the undersigned as Registrar for such Bond.

STATE OF NEVADA  
as Registrar

By \_\_\_\_\_  
State Treasurer

[End of Form of Registrar's Certificate of Authentication for Bond]

[FORM OF ASSIGNMENT]

ASSIGNMENT

*FOR VALUE RECEIVED* the undersigned hereby sells, assigns and transfers unto

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(Please print or typewrite Name and Address, including Zip Code, and Federal Taxpayer Identification or Social Security Number of Assignee)

---

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

---

Attorney to transfer the within Bond on the records kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed by:

---

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

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

[End of Form of Assignment]

[FORM OF PREPAYMENT PANEL]

The following installments of principal (or portions thereof) of this Bond have been prepaid in accordance with the terms of the Resolution authorizing the issuance of this Bond.

<u>Date of Prepayment</u>	<u>Maturity Principal</u>	<u>Principal Prepaid</u>	<u>Signature of Registrar</u>
_____	_____	_____	_____
_____	_____	_____	_____

[End of Form of Prepayment Panel]

STATE OF NEVADA            )  
  )  
CARSON CITY                 )            ss.

I, Tara R. Hagan, the Chief Deputy Treasurer of the State of Nevada (the "State") and ex officio secretary of the State Board of Finance (the "Board"), do hereby certify that:

1.       The foregoing pages constitute a true, correct, complete and compared copy of the 2018B Natural Resources Tahoe Bond Resolution, which resolution was passed and adopted by the Board at the duly held meeting of August 14, 2018, in the Old Assembly Chambers of the Capitol Building, Second Floor, 101 N. Carson Street, Carson City, Nevada 89701 and at 555 E. Washington Avenue, Las Vegas, Nevada.

2.       The original of the 2018B Natural Resources Tahoe Bond Resolution was signed by the chairman of the Board and authenticated by me as secretary of the Board, and was recorded in the minute book of the Board kept for that purpose in my office.

3.       The following members of the Board, *i.e.*,

Governor:	Brian Sandoval
Treasurer:	Daniel M. Schwartz
Controller:	Ronald L. Knecht
Other Members:	Teresa Courrier
	Brian Sagert

attended such meeting and voted in favor of the passage of the 2018B Natural Resources Tahoe Bond Resolution.

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

5.       Pursuant to and in full compliance with NRS 241.020, written notice of such meeting was given at least three working days before the meeting:

(a)      By giving a copy of the notice to each member of the Board;

(b)      By posting a copy of the notice on the State Treasurer's website; on the official website of the State of Nevada pursuant to NRS 232.2175; at the principal office of the Board, or if there is no principal office, at the building in which the meeting was held; and at least three other separate, prominent places within the jurisdiction of the Board, to wit:

(i)      Capitol Building

Carson City, Nevada,

- (ii) Blasdel Building  
Carson City, Nevada,
- (iii) Legislative Building  
Carson City, Nevada,
- (iv) Nevada State Library  
Carson City, Nevada,
- (v) Grant Sawyer Building  
Las Vegas, Nevada,
- (vi) City Hall  
Reno Nevada,
- (vii) City Hall  
Elko, Nevada,
- (viii) City Hall  
Henderson, Nevada; and

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

6. A copy of the notice so given is attached to this certificate as Appendix 1.

7. No other proceedings were adopted and no other action taken or considered at such meeting relating to the subject matter of the 2018B Natural Resources Tahoe Bond Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand on August 14, 2018.

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Secretary  
State Board of Finance

**APPENDIX 1**

**(Copy of Notice of Meeting)**

**APPENDIX 2**  
**(Attach copy of opinion of Attorney General)**

ADAM PAUL LAXALT  
*Attorney General*



J. BRIN GIBSON  
*First Assistant Attorney General*

NICHOLAS A. TRUTANICH  
*Chief of Staff*

KETAN D. BHIRUD  
*General Counsel*

STATE OF NEVADA  
OFFICE OF THE ATTORNEY GENERAL  
100 North Carson Street  
Carson City, Nevada 89701

## MEMORANDUM

**DATE:** July 27, 2018  
**TO:** Lori Chatwood, Deputy Treasurer for Debt  
**FROM:** Dennis L. Belcourt, Deputy Attorney General   
**SUBJECT:** Purchase of State of Nevada, 2018B Natural Resources  
Tahoe Bond Resolution

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### A. Question

The State Board of Finance has been requested to approve the purchase for investment purposes, using funds available in the Consolidated Bond Interest and Redemption Fund, of a bond in the amount of \$2,835,000 to be issued pursuant to SB 546 (2017).

This legal opinion is issued pursuant to NRS 355.150(2), which requires that the State Board of Finance, when contemplating an investment in bonds or other securities designated in NRS 355.140, "shall require the Attorney General . . . [t]o give his or her legal opinion in writing as to: . . . (1) The validity of any laws under which such bonds or securities are issued and authorized and in which such investments are contemplated . . . (and) (2) The validity of such bonds or other securities." As to the second of the foregoing requirements, this opinion addresses the facial validity of the bonds only, and not the validity or enforceability of any transaction by which the bonds may ultimately be purchased, procured or otherwise acquired by the State of Nevada.<sup>1</sup>

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<sup>1</sup> Whether the bond is a suitable State investment is a determination to be made by the State Treasurer, pursuant to NRS 355.145. It is not the subject of this opinion.

## B. Discussion

### 1. The Validity of Section 28 of SB 546 (2017) as an Authorization to Incur Debt

In section 28(1) of SB 546 (2017), enacted in Chapter 606, Statutes of Nevada 2011, 77<sup>th</sup> Session, the Legislature provided as follows:

Sec. 28. 1. The State Board of Finance shall issue \$5,000,000 in general obligation bonds of the State in the 2017-2019 biennium for the purposes described in section 1 of chapter 437, Statutes of Nevada 2011, at page 2638. [SB 438 (2011)].

Based on the information provided (see below, footnote 3) there remains exactly the sum of \$2,835,000 in bond authority of the \$5,000,000 so authorized. The purpose of said authorization was, *inter alia*, to carry out the Environmental Improvement Program for the Lake Tahoe Basin established pursuant to section 1 of chapter 514, Statutes of Nevada 1999, at page 2627. Section 1 of SB 438 laid out uses to which the funds could be put, specifically, such as enhancement of recreational opportunities; continued implementation of forest health, restoration, and fuels management projects; protection of sensitive species and improvement of wildlife habitat; and control of invasive terrestrial and aquatic species, among other things.

Section 3 of SB 438, the Legislature stated further “that the issuance of securities and the incurrence of indebtedness pursuant to this act: 1. Are necessary for the protection and preservation of the natural resources of this State and for the purpose of obtaining the benefits thereof; and 2. Constitute an exercise of the authority conferred by the second paragraph of Section 3 of Article 9 of the Constitution of the State of Nevada.”

Authority for the State of Nevada to incur public debts lies in Section 3 of Article 9 of the Nevada Constitution:

The State may contract public debts; but such debts shall never, in the aggregate, exclusive of interest, exceed the sum of two percent of the assessed valuation of the State, as shown by the reports of the county assessors to the State Controller, except for the purpose of defraying extraordinary expenses, as hereinafter mentioned. Every such debt shall be authorized by law for some purpose or purposes, to be distinctly specified therein; and every such law shall provide for levying an annual

tax sufficient to pay the interest semiannually, and the principal within twenty years from the passage of such law, and shall specially appropriate the proceeds of said taxes to the payment of said principal and interest; and such appropriation shall not be repealed nor the taxes postponed or diminished until the principal and interest of said debts shall have been wholly paid. Every contract of indebtedness entered into or assumed by or on behalf of the State, when all its debts and liabilities amount to said sum before mentioned, shall be void and of no effect, except in cases of money borrowed to repel invasion, suppress insurrection, defend the State in time of war, or, if hostilities be threatened, provide for the public defense.

The State, notwithstanding the foregoing limitations, may, pursuant to authority of the Legislature, make and enter into any and all contracts necessary, expedient or advisable for the protection and preservation of any of its property or natural resources, or for the purposes of obtaining the benefits thereof, however arising and whether arising by or through any undertaking or project of the United States or by or through any treaty or compact between the states, or otherwise. The Legislature may from time to time make such appropriations as may be necessary to carry out the obligations of the State under such contracts, and shall levy such tax as may be necessary to pay the same or carry them into effect.

The validity of section 28 of SB 546 hinges on its coming within either the first or the second paragraph of the above provision. *See, e.g., Marlette Lake Co. v. Sawyer*, 79 Nev. 334, 336, 383 P.2d 369, 370 (1963). As noted above, section 28 of SB 546 incorporates the purpose of section 1 of SB 438, which purpose was expressly found in section 3 of SB 438 to meet the requirements of the second paragraph of section 3 of Article 9. Although said finding is not directly made in section 28 of SB 546, the incorporation of the purpose of section 1 of SB 438 is sufficiently clear to further incorporate that finding. Such interpretation is further supported by the canon of constitutional avoidance. *State v. Castaneda*, 126 Nev. 478, 481 245 P.3d 550, 552-3 (2010) (canon favors reasonable construction that does not void statute).

Therefore, it is the opinion of this office that section 28 of SB 546 constitutes a valid exercise of the Constitutional authority of the State of Nevada to contract debt pursuant to the second paragraph of section 3 of Article 9 of the Nevada Constitution.

## 2. Validity of the Bond

The issuance of the Bond is a valid exercise of the authority conferred upon the Board of Finance by section 28 of SB 546. The amount of the issuance does not run afoul of bond limits under the second paragraph of section 3 of Article 9 of the Constitution, because it is for a purpose determined by the Legislature to come within the exception set forth in the second sentence of that section and is therefore not void under the first sentence of that section.<sup>2</sup> Nor does the amount of the Bond, \$2,835,000, exceed the balance of the amounts in subsections 1 and 2 of section 28.<sup>3</sup>

Moreover, the Bond appears valid under a statutory presumption. The transactional documents related to the Bond—the Resolution and Bond form—are not final. Any opinion issued by this office is therefore subject to revision should these documents be adopted in amended form. With that noted, the draft Bond Resolution provided to this office provides that the Bond shall contain an incontestability recital, pursuant to NRS 349.274, and the draft of the Bond provided this office does contain such a clause. NRS 349.274 provides as follows (emphasis added):

NRS 349.274 Recital in securities conclusive evidence of validity and regularity of issuance. A resolution providing for the issuance of bonds or other state securities hereunder or an indenture or other proceedings appertaining thereto may provide that the securities contain a recital that they are issued pursuant to the State Securities Law, *which recital shall be conclusive evidence of their validity* and the regularity of their issuance.

Against substantially similar statutory language, such a recital was given full force and effect by the North Dakota Supreme Court in *Allen v. City of Minot By and Through Mayor and City Council*, 363 N.W.2d 553 (N.D.

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<sup>2</sup> Subsection 1 of section 28 states that the purpose of the Bond shall be those identified in section 1 of SB 438, which purposes were found by the Legislature in section 3 of SB 438 to be exempt under section 3 of Article 9 of the Constitution.

<sup>3</sup> Under subsection 1 of section 28 of SB 546, the remaining amount is precisely \$2,835,000, after the \$5,000,000 is reduced by the \$2,165,000 issued in the Series 2017 Bonds. Under subsection 2, remaining bond authority is \$7,035,000 (\$12,000,000 minus the sum of three bond issuances, Series 2014B (\$1,455,000, Series 2016D (\$1,345,000), and Series 2017B (\$2,165,000)).

1985), and found to preclude a challenge based on the authorizing entity's alleged failure to comply with statutory requirements for bond issuance. In that matter, the court rejected an argument that the recital was only conclusive as to technical defects, finding the argument unsupported by the plain meaning of the statute. *Id.* at p. 555.

In conclusion, the Bond passes constitutional muster under Article 9, section 3, and should the Bond Resolution that is approved provide for the recital set forth in NRS 349.274, the answer to the second question under NRS 355.150(2) is conclusively determined in the affirmative under applicable statutes. The Bond would be valid.

### C. Conclusion

Section 28 of SB 546 authorizes a valid exercise of the State of Nevada's authority to contract debt under its Constitution, the Bond as proposed would be validly issued thereunder, and facial validity of the Bond would be conclusively established by recital of compliance with the State Securities Law. Therefore, it is this office's opinion that the requirements of NRS 355.150(2) are met for purchasing the bond issuance in question.

DLB/sab

STATE OF NEVADA



DEPARTMENT OF BUSINESS AND INDUSTRY  
OFFICE OF THE DIRECTOR

MEMORANDUM OF FINDINGS

**TO:** Nevada State Board of Finance and Storey County Board of County Commissioners

**FROM:** C.J. Manthe, Director, State of Nevada Department of Business and Industry

**DATE:** July 25, 2018

**RE:** Memorandum of the Director Substantiating Findings Pursuant to Nevada Revised Statutes 349.580(2) and 349.590 relating to the issuance of industrial revenue bonds for the Fulcrum Biorefinery and Feedstock Processing Facility Project

**BACKGROUND**

Nevada Revised Statutes (NRS) 349.400 through 349.670, inclusive, (the "Act") authorize the Director of the State of Nevada Department of Business and Industry (the "Director") to issue industrial development revenue bonds for financing projects owned, operated, or used by one or more obligors for industrial uses, including assembling, fabricating, manufacturing, processing or warehousing.

The Nevada State Board of Finance (the "Board of Finance") and the Board of County Commissioners of Storey County, Nevada (the "County Commissioners") are being asked to approve findings of the Director in connection with a proposed issuance of approximately \$44,000,000 Director of the State of Nevada Department of Business and Industry Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project) (Green Bonds) in one or more series or issues (the "Bonds"). Currently the Director expects to issue approximately \$44,000,000 in aggregate principal amount of the Bonds in August or September 2018, contingent upon its receipt of 2018 volume cap and an opinion of bond counsel. Fulcrum Sierra Holdings, LLC, a Delaware limited liability company, validly authorized to do business under the laws of

the State of Nevada (“Fulcrum”) has requested that the Director issue the Bonds on its behalf. Proceeds from the sale of the Bonds will be used for the purpose of assisting in the financing or refinancing of a portion of the additional costs of (i) constructing and equipping a facility owned by Fulcrum Sierra BioFuels, LLC (the “Project Company”) and operated by Fulcrum BioEnergy, Inc. (the “Operator”) to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the “Biorefinery”) and (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the “Feedstock Processing Facility” and, together with the Biorefinery, the “Project”). Bonds in the aggregate principal amount of up to \$47,000,000 (excluding any original issue premium or discount) may be issued with respect to either component of the Project identified herein; however, the aggregate amount of Bonds to be issued for the Project will not be greater than \$47,000,000.

The Board of Finance and the County Commissioners previously approved certain findings of the Director, dated as of July 14, 2017, relating to the Director’s \$150,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017 (Green Bonds) issued on October 27, 2017, and certain findings of the Director, dated as of November 27, 2017, relating to the Director’s \$21,960,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017A (Green Bonds) issued on December 21, 2017 and the Director’s \$3,040,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2018 (Green Bonds) issued on March 6, 2018 (collectively, the “Project Bonds”). The proceeds of the Project Bonds were loaned to the Project Company to finance a portion of the costs of the acquisition, construction, and equipping of the Project. Fulcrum is the sole member of Fulcrum Sierra Finance Company, LLC, a Delaware limited liability company (“Sierra Finance”), which is the sole member of the Project Company.

The additional costs of the Project being financed by the Bonds are being incurred to provide certain upgrades to the Project. Such upgrades include (i) the construction of a water treatment facility that will enable the Project Company to recycle water and reduce its water consumption by approximately 48 million gallons per year (or approximately 50% of its expected water consumption per year), which will address the growing concern with respect to the increased burden on local groundwater wells and the Truckee River and decrease the burden on local sewage and treatment facilities and (ii) the acquisition and installation of additional trommel screens and dryers that will enhance the processing of the feedstock. Proceeds of the Bonds in the amount of approximately \$20 million will be used to construct the water treatment facility, approximately \$15 million will be used for the acquisition and installation of the trommel screens and dryers, and the remaining portion of the proceeds of the Bonds will be used to finance additional improvements to the Project, pay capitalized interest on the Bonds, fund certain reserves relating to the Bonds, and pay certain issuance expenses of the Bonds. The Operator will also make an equity contribution of approximately \$10 million for the additional costs of the Project.

Fulcrum submitted its application for this industrial development bond financing to the Director on June 6, 2018 (the “Application”). A summary memorandum of the Application and proposed financing prepared by the financial advisor to the Director is attached hereto as Exhibit A. The Director and Fulcrum signed a Letter Agreement dated July 17, 2018, setting forth certain requirements and fees to be paid by Fulcrum for the bond financing. Pursuant to NRS 349.585 the Director received approval of the Office of Economic Development to finance or refinance the Project on July 20, 2018, attached hereto as Exhibit B. The Director also received a resolution in support of the Project from the County adopted June 19, 2018, attached hereto as Exhibit C. A public hearing to receive public comment regarding the issuance of the Bonds and necessary to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “TEFRA Hearing”) was held on July 3, 2018. Upon approval of the Findings, the Director expects to issue a certificate of private activity bond volume cap allocation for the Project. Subject to final approval from the Board of Finance and the County Commissioners, the Bonds will be sold in a negotiated, limited public offering and are expected to be issued in August or September 2018, subject to market conditions.

The Bonds and the interest due thereon will not be an obligation, debt or liability of the State of Nevada or the Director and will not constitute or give rise to any pecuniary liability or charge against the credit of the Director or the credit or taxing power of the State of Nevada, but will be a limited obligation payable solely from loan payments made by Fulcrum, the guaranty of the Operator and other revenues derived from the financing. Unlike the Project Bonds, which are secured by a mortgage covering the Project, the Bonds cannot be secured by a mortgage on the Project due to certain restrictions required by the owners of the Project Bonds and, pursuant to NRS 349.620(1)(a), the Director has not required that a mortgage be delivered to cover the Project. However, in order to provide additional security for the Bonds, Fulcrum will deliver a technology performance insurance policy from Indian Harbor Insurance Company and a pledge of the membership interests of the Operator in Fulcrum and Holdings in Sierra Finance.

As a prerequisite to the issuance of the Bonds, attached are findings of the Director as required by NRS 349.580(2) (the “Findings”) for approval by the Board of Finance and the County Commissioners. Additional considerations of the Director as set forth in NRS 349.590 (the “Additional Considerations”) are also attached.

Additional documents relevant to the Findings and Additional Considerations have been placed on file with the Ex-Officio Secretary of the Board of Finance and the County Manager of Storey County and are available for review by the Board of Finance and the County Commissioners. A list of such additional documents is attached to the Findings. The Findings are based on the totality of the record, and the Director has not attempted to list each element of the record which has led to each of the determinations made in the Findings. The Director, in consultation with financial professionals, legal counsel and bond counsel, represents that the Findings comply with NRS 349.580(2) and recommends approval of the Findings by the Board of Finance and the County Commissioners for the issuance of the Bonds.

If the Board of Finance and the County Commissioners approve the Findings as required by law, the financing may proceed. Issuance of the Bonds as tax-exempt obligations is contingent upon the satisfaction of the following conditions:

1. Receipt of an unqualified opinion from Gilmore & Bell, P.C., bond counsel to the State of Nevada Department of Business and Industry, that interest on the Bonds will be tax-exempt for federal tax purposes. This opinion will be in a standard form acceptable to the financial market. The financing will not go forward unless such opinion is delivered.

2. The issuance by the Director of a certificate of private activity bond volume cap allocation.

3. The final agreements related to the Bonds will be in forms acceptable to the Director and its legal counsel.

**FINDINGS OF THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY PURSUANT TO NEVADA REVISED STATUTES 349.580(2) RELATING TO THE FINANCING OF AN INDUSTRIAL DEVELOPMENT PROJECT TO BE LOCATED IN STOREY COUNTY, NEVADA**

WHEREAS, Fulcrum Sierra Holdings, LLC, a Delaware limited liability company validly authorized to do business under the laws of the State of Nevada (“Fulcrum”) has submitted its application dated June 6, 2018, as amended (the “Application”), to the Director of the State of Nevada Department of Business and Industry (the “Director”) for the issuance of industrial development revenue bonds in an amount not to exceed \$47,000,000 (excluding any original issue premium or discount) (the “Bonds”); and

WHEREAS, proceeds from the sale of the Bonds will be used for the purpose of assisting in the financing or refinancing of a portion of the additional costs of (i) constructing and equipping a facility owned by Fulcrum Sierra BioFuels, LLC, a Delaware limited liability company (the “Project Company”) and operated by Fulcrum BioEnergy, Inc. (the “Operator”) to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the “Biorefinery”) and (ii) the improvements to and equipping of the facility owned by Fulcrum and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the “Feedstock Processing Facility” and, together with the Biorefinery, the “Project”). Bonds in the aggregate principal amount of up to \$47,000,000 (excluding any original issue premium or discount) may be issued with respect to either component of the Project identified herein; however, the aggregate amount of Bonds to be issued for the Project will not be greater than \$47,000,000; and

WHEREAS, the Director has authority to issue the Bonds pursuant to the Nevada Revised Statutes, including Sections 349.400 through 349.670, inclusive, thereof (the “Act”); and

WHEREAS, Fulcrum, the Project Company, the Operator, and other interested parties have prepared and submitted to the Director certain reports, records and other information related to the Project, and the Director has reviewed such reports, records and other information and has otherwise investigated the facts concerning the Project to enable the Director to make the following findings in accordance with the Act;

NOW, THEREFORE, pursuant to Section 349.580(2) of the Act, the Director hereby finds and determines as follows (the “Findings”):

1. Pursuant to Section 349.580(2)(a) of the Act, based on the Application and other documents on file with the Director, the Project consists of land, buildings and other improvements and all real and personal property necessary in connection therewith (excluding inventories, raw

materials, and working capital) which is suitable for construction, improvement, preservation, restoration, rehabilitation or redevelopment of an industrial or other commercial enterprise.

2. Pursuant to Section 349.580(2)(b) of the Act, based on the Application, and other documents on file with the Director, the Project will provide significant public benefits. The public benefits include an approximately \$410 million investment in the Project (\$58 million of which is attributable to the proposed financing) located in Storey County, Nevada (the “County”) which is expected to add (a) 550 construction jobs (50 of which are attributable to the proposed financing); (b) 120 permanent, direct jobs; and (c) more than 1,100 indirect jobs (100 of which are attributable to the proposed financing) and provide other economic benefits to the County. In addition, a portion of the Bonds will be used to construct a water treatment facility (the “Water Treatment Facility”) that will enable the Project Company to recycle water and reduce its water consumption by approximately 48 million gallons per year (or approximately 50% of its expected water consumption per year), which will address the growing concern with respect to the increased burden on local groundwater wells and the Truckee River and decrease the burden on local sewage and treatment facilities. See Exhibit A for a summary of estimated economic benefits.

3. Pursuant to Section 349.580(2)(c) of the Act, based on the Application, financial statements of Fulcrum, the Project Company, and the Operator, a technology performance insurance policy to be entered into by Indian Harbor Insurance Company, The Bank of New York Mellon Trust Company, N.A., as collateral agent (the “Collateral Agent”), and the Borrower in connection with the issuance of the Bonds, and other documents on file with the Director, Fulcrum, the Project Company and the Operator have sufficient financial resources to place the Project in operation, continue or cause the operations conducted at the Project to be continued, and meet the obligations of (a) Fulcrum under the Financing Agreement to be entered into by Fulcrum and the Director in connection with the issuance of the Bonds (the “Financing Agreement”), and (b) the Operator under the Guaranty Agreement to be entered into in connection with the issuance of the Bonds (the “Guaranty”).

4. Pursuant to Section 349.580(2)(d) of the Act, based on the Financing Agreement, the Trust Indenture to be entered into by the Director and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), in connection with the issuance of the Bonds (the “Indenture”), and other financing documents on file with the Director, there are sufficient safeguards to assure that all money provided by or through the State of Nevada Department of Business and Industry will be expended solely for the purposes of the Project, including (a) certain provisions in the Financing Agreement and other financing documents that have been or will be entered into in connection with the issuance of the Bonds which set forth procedures ensuring that such moneys shall only be used to pay for certain costs relating to the acquisition, construction, improvement and equipping of the Project, and (b) the appointment of The Bank of New York Mellon Trust Company, N.A., as the Trustee and the Collateral Agent with respect to the Bonds to ensure such procedures are correctly followed. See Exhibit F hereto for related document extracts.

5. Pursuant to Section 349.580(2)(e) of the Act, based on the Application, a special use permit issued by the County and other documents on file with the Director, the Project will be compatible with the existing facilities in the area adjacent to the location of the Project.

6. Pursuant to Section 349.580(2)(f) of the Act, based upon the Application, including the table of governmental approvals, an email from the Nevada Division of Environmental Protection confirming that no additional permits are necessary for the construction and operation of the Water Treatment Facility, and opinions of counsel to Fulcrum attached thereto, the certificate of Fulcrum attached hereto as Exhibit G and other documents on file with the Director, the Project has received all approvals by local, state and federal governments which may be necessary at this time to proceed with the construction, improvement, rehabilitation or redevelopment of the Project.

7. Pursuant to Section 349.580(2)(g) of the Act, by submission of the Application for financing, Fulcrum has requested the Director to issue the Bonds to assist in the financing or refinancing of the Project.

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**ADDITIONAL CONSIDERATIONS OF THE DIRECTOR OF THE STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY PURSUANT TO NEVADA REVISED  
STATUTES 349.590 RELATING TO THE FINANCING OF AN INDUSTRIAL  
DEVELOPMENT PROJECT TO BE LOCATED IN STOREY COUNTY, NEVADA**

Pursuant to NRS 349.590, as additional considerations required for the approval and issuance of the Bonds, the Director has determined the following (the “Additional Considerations”). The Director hereby requests the Board of Finance to make the same determinations.

1. Pursuant to Section 349.590(1) of the Act, based upon the Application, and other documents on file with the Director, the total amount of funds necessary to be provided by the Director through the issuance of the Bonds shall not exceed \$47,000,000 (exclusive of any original issuance premium or discount).

2. Pursuant to Section 349.590(2)(a) of the Act, the Director has received a 5-year operating history from each of Fulcrum, the Project Company, and the Operator, either on an individual or consolidated basis. Further the Director has received assurances based on covenants in the Indenture that all the Bonds will be sold only to qualified institutional buyers as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”) and/or accredited investors as defined in Rule 501(a)(1), (2), (3) or (7) promulgated under the Securities Act in minimum denominations of \$100,000.

3. Pursuant to Section 349.590(3) of the Act, based upon the Application and other documents on file with the Director, Fulcrum, the Project Company, and the Operator are not currently rated by Moody’s Investors Service, S&P Global Ratings, or Fitch Ratings, Inc.

4. Pursuant to Section 349.590(4) of the Act, based upon the Application and other documents on file with the Director, there are no existing facilities of a like nature within the County. The Director is not prohibited from financing the Project as provided in NRS 349.565.

5. Pursuant to Section 349.590(5) of the Act, the Director has considered the extent to which the Project is affected by various federal, state and local governmental action, activities, programs and development and has determined to issue the Bonds, including the consideration that the U.S. Department of Defense is providing a grant of up to \$70 million for the Project and that the Project is deemed a National Security Program.

6. Pursuant to Section 349.590(6) of the Act, none of Fulcrum, the Project Company, or the Operator have maintained facilities appropriate to the community in Nevada for longer than ten years, but have maintained facilities since 2016.

These Findings and Additional Considerations are made only for the purposes of Sections 349.580 and 349.590, respectively, of the Act and do not constitute a guarantee of financial results

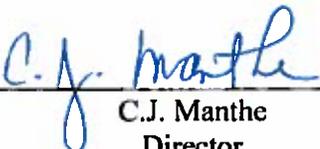
with respect to the Project or otherwise with respect to the business prospects of Fulcrum, the Project Company, or the Operator. These Findings are not intended as an analysis of the Bonds as investments or intended to be relied upon by investors.

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NOW, THEREFORE, the Director hereby requests, pursuant to Sections 349.580 and 349.590 of the Act, that the Nevada State Board of Finance and the Board of County Commissioners of Storey County, Nevada approve the Findings as set forth above and evidence such approval by execution of the certificate and adoption of the resolution, respectively, each in the respective form attached hereto as Exhibit H.

Dated this 25th day of July, 2018

DIRECTOR OF THE STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY

By:   
C.J. Manthe  
Director

S-1

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**Carson City:** 1830 E. College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

**Las Vegas:** 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758  
[www.business.nv.gov](http://www.business.nv.gov)

## **LIST OF EXHIBITS**

- EXHIBIT A Financial Advisor Memorandum
- EXHIBIT B Office of Economic Development Approval
- EXHIBIT C County Support Resolution
- EXHIBIT D Reserved
- EXHIBIT E Governor's Certificate regarding the issuance of the Bonds for TEFRA Hearing Purposes
- EXHIBIT F Document Extracts Regarding Use of Funds
- EXHIBIT G Certificate of Fulcrum Regarding Federal, State & Local Approvals
- EXHIBIT H Form of Certificate of Approval by the State Board of Finance and Resolution of Approval by the County Commissioners

## **ADDITIONAL DOCUMENTS ON FILE**

1. Revenue Bonds for Industrial Development Act (NRS 349.400 – 349.670)
2. Regulations Pertaining to the Act (NAC 349.010-349.080)
3. Fulcrum Application
4. Trust Indenture (draft), between the Director and the Trustee
5. Financing Agreement (draft), between the Director and Fulcrum
6. Preliminary Limited Offering Memorandum (draft) relating to the Bonds
7. Bond Purchase Agreement (draft) among the Director, Fulcrum and the underwriters named therein
8. Guaranty Agreement (draft) of the Operator

EXHIBIT A

FINANCIAL ADVISOR MEMORANDUM

(Attached)

July 23, 2018

C. J. Manthe  
Director  
Nevada Department of Business & Industry  
1830 College Pkwy Ste# 100  
Carson City, NV 89706

Re: Fulcrum Sierra Holdings, LLC  
(Fulcrum BioEnergy, Inc.)  
Environmental Improvement Revenue Bonds

Director Manthe:

Acting in its capacity as Financial Advisor ("FA") to the Nevada Department of Business & Industry ("B&I"), Lewis Young Robertson & Burningham, Inc. ("LYRB") is providing this letter to complement your Findings to be submitted to the Board of Finance addressing the Fulcrum Sierra Holdings, LLC ("Fulcrum Holdings") financing application and the proposed issuance by the Director of the B&I of approximately \$44,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project), Series 2018 ("Series 2018 Bonds") (industrial development revenue bonds) to finance the Fulcrum Project, as more fully described below.

The proposed financing of the Series 2018 Bonds is in concert with the initial three financings recently completed totaling \$175,000,000 of Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017 & 2018 (Green Bonds) for Fulcrum Sierra BioFuels, LLC ("Fulcrum BioFuels"). As Fulcrum has discovered efficiencies in engineering the plant, along with reducing dependency on outside services, Fulcrum Holdings is seeking additional funding to integrate an onsite water treatment facility along with incorporating strategic trommels and dryers into the process. These enhancements will make the plant more efficient, reduce operating costs and streamline the processing of the materials onsite.

Fulcrum has investigated a variety of funding sources for these improvements to the Project. Upon initial feedback from its various lending sources and its underwriter, this financing will deliver the best financing package which will enable Fulcrum to maximize cash flow to maintain overall financial strength. These bonds are projected to realize a higher interest rate than the aforementioned transactions but are anticipated to still outperform the alternatives.

Whereas the Series 2017 & 2018 Bonds were issued on behalf of Fulcrum BioFuels, a subsidiary of Fulcrum Holdings, Fulcrum Holdings will be the beneficiary of the Series 2018 Bonds.

### **Introduction**

The B&I has successfully facilitated the issuance of three prior series of bonds in the aggregate amount of \$175,000,000 to finance the overall Project as described below. The first financing was completed in October 2017 and the latest transaction closed in March of 2018. All of these transactions were for Fulcrum BioFuels which provided a security interest in the revenues of the Project, along with a security

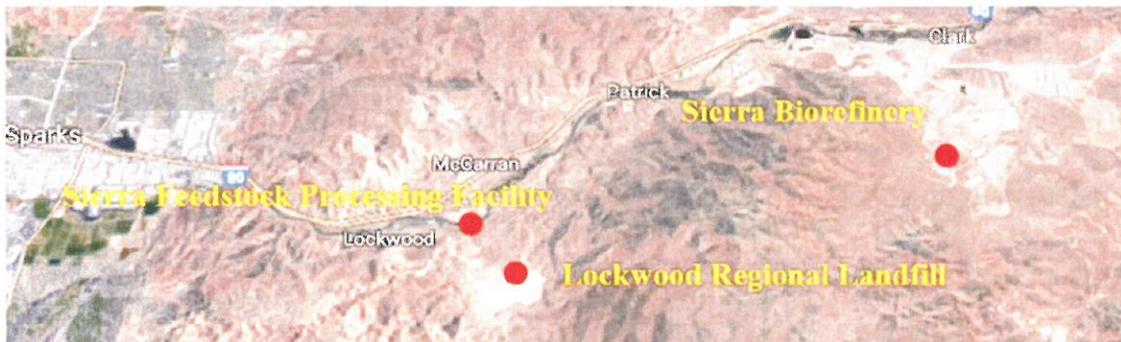


interest in the assets. Since there are certain covenants and limitations on additional bonds that can be issued on behalf of Fulcrum BioFuels, Fulcrum Holdings has applied for this 2018 Project financing.

Fulcrum Holding's assets consist of its ownership interests in its subsidiaries and the realized revenues from those projects. As such, Fulcrum Holdings is limited in its ability to secure additional bonds. The Series 2018 Bonds will be secured as described below. LYRB is tasked, along with Gilmore & Bell, P.C., to review Fulcrum Holding's application and supplemental materials on the validity of the application in concert with your Findings. This letter highlights segments of the review process.

### **Summary of Original Project:**

The Fulcrum Project will annually convert approximately 175,000 tons of municipal solid waste (MSW) diverted from the local landfill, into approximately 10.5 million gallons of low-carbon transportation fuel to be utilized primarily for aircraft fuel, but also potentially for military purposes.



The entire Fulcrum Project, located in Storey County, Nevada, is being constructed in two phases. **Phase 1**, located at 350 Saddle Court, Mustang, Storey County, is the Feedstock Processing Facility where the MSW is sized, sorted and processed to meet the specifications of the Biorefinery. The Feedstock Processing Facility is approximately 65,000 square-feet with a capacity to process more than 1,500 tons of MSW per day and is strategically located on 10-acres adjacent to the Lockwood Regional Landfill. The Feedstock Processing Facility utilizes conventional MSW processing equipment, including shredders, waster screens, density separators, magnets, eddy currents and other equipment to process and remove high-value recyclable products (metals and plastics) and inorganic materials not suitable for the feedstock.

The Feedstock Processing Facility was completed in 2016 and has been operational since that time. Construction of Phase 1 was 100% financed through equity contributions. Proceeds from the second issuance of bonds will finance approximately \$8.5 million of equipment upgrades for the Feedstock Processing Facility.



**Phase 2** of the Project, located at 3600 Peru Drive, in the Tahoe Reno Industrial Center, Storey County, is the Biorefinery where the feedstock is converted into a low-carbon, renewable synthetic crude oil, or “syncrude”. This Biorefinery is located on 19.4 acres, about 20 miles east of Reno, Nevada and 10 miles east of the Feedstock Processing facility. The Biorefinery employs commercially proven equipment deployed in a proprietary and innovative process utilizing a steam-reforming gasifier to convert the MSW-derived feedstock into syncrude. This syncrude product will be transported to Andeavor’s (formerly known as Tesoro Corporation) refinery to be further processed into transportation fuel.



*Processing System*

Fulcrum has entered into a fixed-priced, guaranteed Engineering, Procurement, and Construction (EPC) contract with an EPC Contractor for the construction of the Biorefinery. The Bonds will fund a portion of the construction of Phase 2 of the Fulcrum Project which is expected to begin operation in early 2020.

Additional site and facility photos are in Appendix A.



*Biorefinery site w/ rendering overlay*

**Summary of the 2018 Project:**

The 2018 Project will be comprised of two components: a water treatment facility (the “Water Treatment Facility”) along with incorporating trommels and dryers.

A Water Treatment Facility will be constructed at the Biorefinery to enable the Project to recycle water and reduce its water consumption by approximately 48 million gallons per year (or approximately 50%



of its expected water consumption per year). As confirmed by Farr West Engineering, the engineer of record for the TRI General Improvement District (the “District”) which operates the water and sewer systems in the Tahoe-Reno Industrial Center (“TRIC”), the Water Treatment Facility will enable the Biorefinery to “maximize the reuse of water and minimize consumption” as referenced above. Further, the 2018 Project addresses the overall concern regarding the increased burden of existing water supplies of the District, including groundwater wells and the Truckee River, to facilitate growth and expansion in TRIC. The Water Treatment Facilities will allow the Project to “operate more autonomously and decrease its burden on local sewage systems and treatment facilities, which will, in turn, preserve such facilities and capacity for other industrial development in the area.”. Additionally, this aspect of the Project will reduce expenses and reliance on third-party entities to operate the Project.

Other enhancements to the Project will include installing trommels and dryers to the process. The trommels will aid in sorting materials to reduce excess burden on other machinery in the process. The dryers will enable more efficient processing of the materials throughout the plant. Together, the trommels and dryers will extend the useful life of the Plant’s machinery, reduce repair & replacement of parts, improve operations and reduce overall costs.

### **Process and Product:**

Fulcrum has developed and perfected the process of gasification and FT technologies, in connection with other standard refining processes at a commercial level of operation, to process waste diverted from local landfills into jet fuel of a quality to be purchased directly by a major airline and for potential military uses at competitive market pricing. Fulcrum has already demonstrated its process at a fully-integrated plant with over two years of successful operations.

Fulcrum expects to deliver approximately 10.5 million gallons of syncrude per year at full capacity. Fulcrum has entered into agreements with its strategic partners to provide the MSW stream (Waste Management of Nevada), refine the syncrude (Andeavor Offtaker) and take delivery of the final transportation product (United Airlines and potential military clients).

### **Construction & Permits**

Fulcrum has confirmed that site preparation and construction related activities have commenced at the various sites as appropriate to the overall construction schedule.

As for the new 2018 Project components, Fulcrum and its related parties have confirmed that all pertinent permits and approvals are in place. Considering the 2018 Project components, the Nevada Division of Environmental Protection (“NDEP”) has confirmed that no other water pollution control permits from the NDEP will be required for the construction or operation of the Biorefinery, but for the storm water permits already in process.

### **Economic Impact to Nevada**

Fulcrum anticipates that the overall, the Project will have a significant economic impact by creating skilled, high-paying jobs both from the initial construction phase and from full-time permanent jobs, generating both new property and sales tax revenues. These jobs and revenues will generate additional economic value within the community with its employees utilizing local services. In summary, Fulcrum anticipates the following benefits to the local economy:



### Construction

- \$410 million to fund construction of the Feedstock and Biorefinery projects
- Subsequently, Fulcrum expects to spend approximately \$20-30 million to install a jet fuel upgrading system
- Future plans include a 30-million gallon per year expansion totaling \$450 million

### Job Creation

- Fulcrum projects creating approximately 550 construction jobs and more than 1,100 indirect jobs in the area.
- Fulcrum projects creating approximately 120 non-construction permanent jobs, all of which will be filled by local residents but for one person being transferred
- Anticipated \$9.4MM in expected payroll increase for the first three years
- Anticipated \$4MM+ annual salary budget with the following likely positions and salary ranges for the 120 non-construction permanent jobs are as follows:
  - Management / Supervisor (7): \$22.77/hour to \$64.42/hour
  - Operators (28): \$24.88/hour to \$32.82/hour
  - Maintenance (34): \$29.11/hour to \$29.34/hour
  - Equipment Operators (10): \$17.25/hour
  - Other (41): \$11.61/hour
- Trucking - \$1.0MM annually for 20 drivers at \$24.04/hour
- Maintenance - \$600,000 annually for a third-party employer for 10 positions at \$28.85/hour
- Wastewater Treatment & ASU – \$750,000 annually for a third-party for 10 positions at \$36.06/hour
- Construction Jobs (550)
  - Construction labor will be hired by Fulcrum’s construction contractor under a fixed-price EPC agreement.
  - Although the detailed hourly wage information is not available to Fulcrum, the budgeted construction costs include an estimate of over \$60MM for the labor portion of the fixed-price contract, which includes the various construction, engineering & design subcontractors.
  - Various jobs will include construction, engineering & design subcontractors
- Indirect jobs (1,100)
  - Jobs generated within the community

### Taxes

- Property taxes are estimated at \$13 million over a 10-year tax abatement period

(\$ In Millions)	Amount Paid 10-Yr Total	Amount Abated 10-Yr Total	Amount Paid Annual Average	Amount Abated Annual Average
Biorefinery	\$11.50	\$11.50	\$1.15	\$1.15
Feedstock Facility	1.50	1.50	0.15	0.15
<b>Total</b>	<b>\$13.00</b>	<b>\$13.00</b>	<b>\$1.30</b>	<b>\$1.30</b>

- Sales taxes of approximately \$11 million generated during construction and over the 10-year tax abatement period
  - Additional sales tax will be generated through normal operations of the Project and from employees living within the community



(\$ In Millions)	Amount Paid	Amount Abated
<b><i>During Construction</i></b>		
Biorefinery	\$3.90	\$10.90
Feedstock Facility	0.34	0.95
<b><i>10 Yrs. of Operations</i></b>		
Biorefinery	\$6.20	\$0.00
Feedstock Facility	0.60	0.00
<b>Total</b>	<b>\$11.04</b>	<b>\$11.85</b>

**Benefit to the Local Utility District**

- With the Water Treatment Facility, the District will retain valuable resources that can be applied to other growth and development in TRIC.
- Additionally, the Water Treatment Facility will enable Fulcrum to not use local resources to deliver or treat water and sewer. It will not be creating a new demand on the District which could impact its operations and/or capital improvement plan

**Appraisal and Market Study**

Fulcrum originally engaged Duff & Phelps, LLC (D&P) to provide an estimate of the fair market value of the Project, a plant located in the Tahoe-Reno Industrial Center, Storey County, Nevada, as if complete, as of May 31, 2017 (Valuation Date). Based on D&P’s analysis as detailed in its report and exhibits, the Fair Market Value of the Plant is reasonably estimated at \$340 million as of the Valuation Date. It would be expected that the 2018 Project will only increase the estimated value of the Plant and its assets.

Fulcrum engaged Argus Consulting Services and Nexant, Inc. to prepare market study reports. The reports’ findings are as follows:

**Quality:**

- “In summary, the Project’s FT Syncrude’s primary qualities overall are superior for the production of transportation fuels compared to conventional crude oils being processed at Tesoro’s Martinez refinery. A number of secondary characteristics, including poor cold flow properties, a highly paraffinic naphtha fraction, and its oxygen content, make the FT Syncrude somewhat more challenging to refine to finished products. However, the plan to blend Fulcrum’s FT Syncrude in small percentages with conventional crude oils will mitigate these issues, and based on Nexant’s review of the FT Syncrude’s characteristics, Nexant concludes that the Project’s FT Syncrude overall is an easier and less costly refinery feedstock to process than the types of conventional crude oils typically processed at Tesoro’s Martinez refinery, and in the quantities being considered, will not require any modifications to the existing Martinez refinery.”

**Competition:**

- “The Project is a one-of-a-kind, processing municipal solid waste into a FT syncrude product that will be sold to Tesoro’s Martinez refinery located in the San Francisco Bay area. Nexant evaluated the competitiveness of the Project against U.S. competitive facilities and international imports.”
- “National: Nexant reviewed the potential competitiveness of the Project versus the ongoing U.S. projects and concluded that there is almost no competition to the Project.



California refiners, especially in the targeted San Francisco area, are an attractive market for the Project's FT syncrude since the Project will have advantages due to superior logistics, attractive costs for refiners, and limited competition from other FT-based facilities."

- "International: All the worldwide FT syncrudes produced today are captively processed into intermediate or finished products on site. None of the synthesis activities suggest that there is a potential for them to supply FT syncrude to the United States. As such, Nexant does not foresee any international competition for the Project's FT syncrude."

#### Price Sensitivity:

Wherein the Cellulosic Waiver Credit ("CWC") price is inversely correlated to gasoline prices, the CWC creates an effective hedge against gasoline and oil prices. Even in a low oil price environment of \$35 per barrel, the effective floor for Fulcrum's Cellulosic RIN will exceed \$3.50 per gallon. This Renewable Fuel Standard mechanism that is established under law provides Fulcrum with price stability in any oil price environment. Because the CWC is inversely correlated to gasoline prices, the CWC creates an effective hedge against gasoline and oil prices (see the "Market Overview—Renewable Fuel Standard" section in the Preliminary Limited Offering Memorandum). As oil prices go down, cellulosic RIN prices go up.

### **Revenues & Expenditures Summary**

Fulcrum anticipates generation of meaningful revenues from the Project in FY 2020 with full operations commencing in 2022. Fulcrum will increase production over a 3-year period beginning with 6 million gallons in 2020 to approximately 10.5 million gallons in 2022. Approximately 80-85% of the revenues are derived from generating the syncrude with the balance coming from tipping fees, portfolio energy credits and recyclables being the largest revenue component. As for expenditures, approximately 80% are comprised of plant labor & maintenance, purchased natural gas & power and other operating and General & Administrative expenses. Other expenditures include catalyst and chemicals, an operating cost contingency, property taxes, insurance and transportation.

Fulcrum has engaged third-party consultants to determine the feasibility and integrity of the model by stressing the variables and inputs to the model. Conservative inflators were incorporated accordingly.

In servicing the debt, Fulcrum BioFuels projects 1.4x, 1.6x and 1.9x coverage respectively in the first three years of operations, with an average of 2.4x coverage for the next 5-yrs. This is conservative in nature with contingencies incorporated into the model allowing flexibility in managing future cash-flows. The excess revenues will be available for the repayment on the Series 2018 Bonds.

The projected debt service coverage for the Fulcrum Holdings' Series 2018 Bonds is 5.5x, 3.1x and 6.0x respectively for the first three years and averaging 3.9x for the next 5-yrs thereafter.

### **Financing Summary**

Fulcrum requesting that approximately \$44,000,000 of tax-exempt bonds together with an additional \$10,000,000 of equity from its partners be applied as follows:

#### Sources:

- Bonds Issued: \$44,000,000



- Fulcrum Equity Contribution: \$10,000,000
- Total Sources of Funds: \$54,000,000
- Uses:
  - Project costs: \$30,600,000
    - Water Treatment Facility: \$19,600,000
    - Trommels and Dryers: \$11,000,000
  - Financing Costs:
    - Capitalized Interest (through February 2021): ~\$15,000,000
    - Debt Service Reserve Fund: \$4,400,000
    - Costs of Issuance: \$1,300,000
    - Performance Insurance Premium: \$1,000,000
    - Electrical Substation: \$500,000
    - Engineering Services: \$500,000
    - Start-Up: \$700,000
- Payments
  - The first interest payment will be February 15, 2019 and semiannually thereafter
  - The first principal payment will be August 15, 2023 and semiannually thereafter
    - The final principal payment is anticipated to occur in February 2038
    - There will be level debt service payments on the bonds
  - The projected average annual debt service payment after the capitalized interest period is: \$5,725,000

### **Financing Security:**

As alluded to above, Fulcrum Holdings has limited assets that could be pledged to secure the Series 2018 Bonds in its ownership interest in its subsidiaries. Accordingly, the following items have been pledged the security for the Series 2018 Bonds:

- All revenues and funds of Fulcrum Holdings under the Trust Indenture and Collateral Agreement which include the following:
  - Debt service reserve fund: \$4,400,000
  - Capitalized interest fund: ~\$15,000,000
- Fulcrum provides a Parent Guaranty on the timely repayment of the Series 2018 Bonds of all principal, interest and other payments due under the Financing Agreement.
- Although the EPC Contract is for Fulcrum BioFuels, it contains specific Project performance security measures, including a guarantee of cost, schedule and performance, a standby letter-of-credit, and a guarantee by the EPC Contractor's parent company, Abengoa, for the Project each as more particularly described below:
  - That the Biorefinery will meet all the performance guarantees set forth in the EPC Contract, satisfy all other conditions set forth in the EPC Contract, and cause the Biorefinery to achieve Final Completion
  - An unconditional, irrevocable (subject to the terms thereof) standby letter-of-credit in the amount of approximately \$18.2 million has been issued by Wells Fargo Bank, N.A.



- On October 27, 2017, the EPC Contractor furnished to Fulcrum BioFuels a parent guarantee from Abengoa guaranteeing the payment and performance of EPC Contractor's obligations under the EPC Contract.
- As for the Water Treatment Facility, there is a separate EPC contract with Aquatech International, LLC that will guarantee specific performance measures including necessary costs, schedule and general Facility performance. This EPC is still being finalized as of the date of this letter, but will be placed prior to the marketing and sale of the Series 2018 Bonds.
- The trommels are being purchased under a fixed-price agreement that guarantees, price, schedule and performance. The contract for the dryers has yet to be finalized, but will also include such guarantees.
- In addition to the EPC Contractor's guarantees, Fulcrum has provided \$10 million of contingent equity capital and has committed up to an additional \$12.2 million of contingent equity capital pursuant to the Fulcrum Project Support Agreement to cover additional costs of the Project.
- Fulcrum Holdings secured a technology performance insurance policy from Indian Harbor Insurance Company (the "Performance Insurer") that insures against losses resulting from defective, faulty or incomplete performance of the Biorefinery at Mechanical Completion. The Performance Insurance Policy will provide funds for the mandatory redemption of the Series 2018 Bonds (up to the lesser of (A) the maximum principal amount of the Series 2018 Bonds outstanding as of the Mechanical Completion Date, together with capitalized interest accrued but not paid prior to the Mechanical Completion Date and (B) the par amount of Series 2018 Bonds should, among other required loss triggers, projected cash flows not meet the minimum loan-life coverage ratio of 1.20 as calculated in the Performance Insurance Policy prior to the Mechanical Completion Date due to defective, faulty or incomplete performance of the Biorefinery. The Performance Insurance Policy does not guarantee payment on the Series 2018 Bonds and is NOT a municipal bond insurance policy.
- The Series 2018 Bonds are obligations exclusively of Fulcrum Holdings and are not guaranteed by any of its subsidiaries. Because Fulcrum Holdings is a holding company with no material assets other than its ownership interests in its subsidiaries and all of its operations are conducted by its subsidiaries, the Series 2018 Bonds are structurally subordinated to all existing and future debt, trade credit and other liabilities of those subsidiaries including Fulcrum BioFuels and Fulcrum Holdings' rights, and hence the rights of the Series 2018 Bondholders, to participate in any bond distribution of assets of the Fulcrum BioFuels upon liquidation or reorganization or otherwise would be subject to the prior claims of such subsidiary's creditors, except to the extent that Fulcrum Holdings' claims as a creditor of such subsidiary may be recognized.
- In addition to the EPC Contractor's guarantees, Fulcrum has committed \$10 million in equity capital as contingency to cover costs incurred in excess of the EPC Contractor's \$18.2 million liability during performance testing of the Biorefinery.

### **Series 2018 Bond Sale Summary**

With approval of the Board of Finance, Fulcrum Holdings expects to release the preliminary limited offering memorandum to investors soon after the August Board meeting. Upon such release, the underwriter will immediately market the bonds with an anticipated closing date with a few weeks of approval.



In speaking with the underwriter, due to the unique structure and credit quality of the Series 2018 Bonds, it is likely that existing bond holders of the Fulcrum BioFuels Project Financings would be prime candidates to invest in the Series 2018 Bonds.

### **Estimated Draw Schedule**

Fulcrum issued the full notice to proceed to the EPC contractor on October 31, 2017. Construction began in May of 2018 with construction completion expected in December 2019. Fulcrum has three main sources of funds for the Project: Investor Equity, a Department of Defense Grant and the Tax-Exempt Bonds issued through the B&I. It should be noted that Fulcrum has already expended approximately \$57.4MM for development of Phase 1 of the Project. Fulcrum anticipates spending down the balance of the funds for Phase 2 accordingly:

- Construction:
  - May 2018 thru December 2019
  - Total: \$410MM
    - This amount includes equity funds expended to date along with new energy risk insurance
- Use of Funds
  - Investor Equity (\$123.5MM)
    - 100% of the Investor Equity was spent prior to expending any bond proceeds
  - Department of Defense Grant (\$67.5MM)
    - Is being expended having started in November 2017 on thru August 2019
  - Fulcrum BioFuels Tax-Exempt Bonds issued through the B&I (\$175MM)
    - Was used to reimburse approximately \$17MM of investor equity expended to date (after capitalized interest, debt service reserve and COI are paid at closing)
    - The remaining is being expended from February 2018 thru November 2019 (including payment of capitalized interest through 2020)
  - Fulcrum Holdings Tax-Exempt Bonds issued through the B&I (\$44MM)
    - Will be used to finance the Water Treatment Facility and incorporate trommels and dryers into the Process (after capitalized interest, debt service reserve and costs of issuance (“COI”) are paid at closing)

Fulcrum did begin utilizing its Equity and Grants before expending bond proceeds.

### **Conclusion**

The Fulcrum group has created a unique project that, if successful, will bring great economic and environmental benefits to the region in creating new jobs, generating a positive economic impact while reducing landfill waste to produce renewable energies. There are structural components to this financing that are less secure than the Fulcrum BioFuels financings. However, Fulcrum Holdings has sought additional measures to counter the unique nature of the financing. This is all supported by the strong, diverse partnerships Fulcrum has cultivated to make success realistic.

Since the Series 2018 Bonds have a variety of security features and enhancements to the overall Fulcrum Project which will reduce the impact on local service providers by reducing consumption of local resources, particularly water and sewer, and proactively managing operational costs, I concur with you and Bond Counsel that this Financing Application is appropriate for your consideration and should be allocated private activity bond resources.



LYRB concurs with the B&I and Bond Counsel that the Fulcrum Project meets the requisite Nevada Revised Statutes and should be presented to the Board of Finance for its approval.

We welcome the opportunity to discuss the Fulcrum financing application. Please contact me at (801) 456-3903 or by cell (801) 647-4823 or by e-mail [david@lewisyoung.com](mailto:david@lewisyoung.com).

Sincerely,

David Robertson  
Vice President

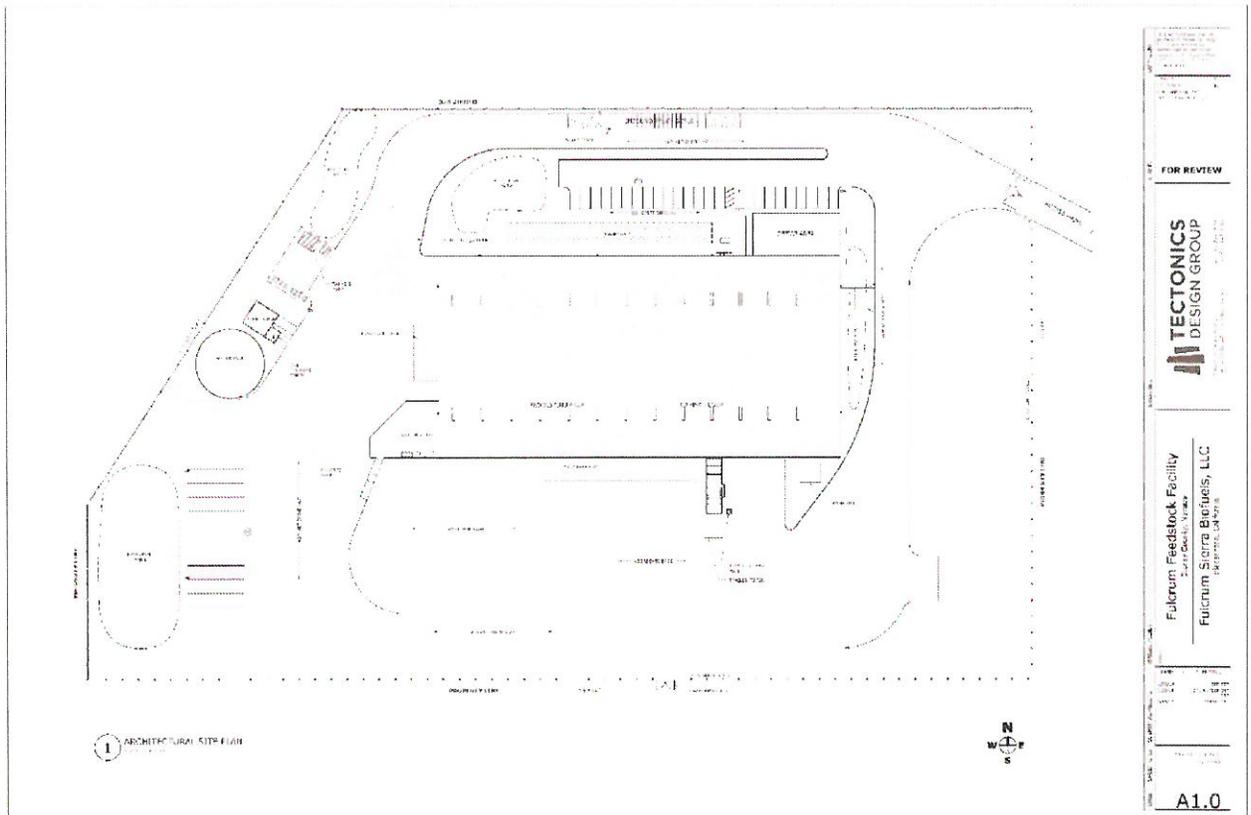
APPENDIX A



FEEDSTOCK AND BIOREFINERY PHOTOS



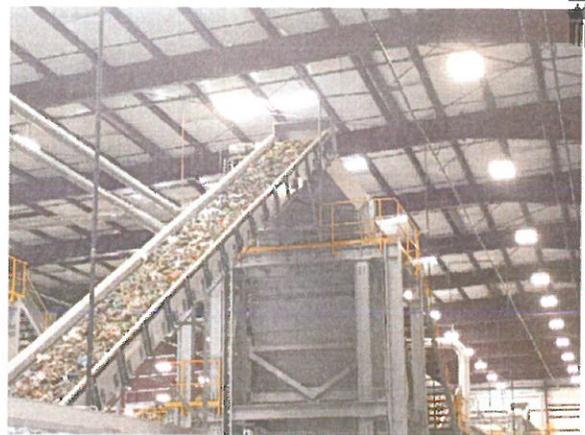
Biorefinery site (current)



FPF Site Layout



*Tipping floor*



*Post-Shredded MSW Moving Into the Processing System*



*MSW Shredder and Conveyor Moving MSW into the Processing System*



*Waste tipper*

EXHIBIT B

OFFICE OF ECONOMIC DEVELOPMENT APPROVAL

(Attached)

**DETERMINATION AND APPROVAL OF THE STATE OF NEVADA  
OFFICE OF ECONOMIC DEVELOPMENT PURSUANT TO NEVADA REVISED  
STATUTES 349.585 RELATING TO THE FINANCING OR REFINANCING OF A  
PROJECT LOCATED IN STOREY COUNTY, NEVADA**

WHEREAS, Fulcrum Sierra Holdings, LLC, a Delaware limited liability company (“Fulcrum”), a wholly owned subsidiary of Fulcrum Bioenergy, Inc. (the “Operator”) has submitted the attached application dated June 6, 2018 (the “Application”) to the Director of the State of Nevada Department of Business and Industry (the “Director”) for the issuance of industrial development revenue bonds in an amount not to exceed \$47,000,000 (the “Bonds”) for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing and equipping a facility owned by Fulcrum Sierra BioFuels, LLC, a Delaware limited liability company (the “Project Company”) and operated by the Operator to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada and (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada (collectively, the “Project”); and

WHEREAS, the Director has authority to issue the Bonds pursuant to the Nevada Revised Statutes, including Sections 349.400 through 349.670 thereof (the “Act”); and

WHEREAS, Fulcrum, the Operator, and other interested parties have prepared and submitted to the Director certain reports, records and other information related to the Project, and the Director has reviewed such reports, records and other information and has otherwise investigated the facts concerning the Project so as to enable the Director to make certain findings in accordance with the Act; and

WHEREAS, pursuant to Section 349.585 of the Act, the State of Nevada Office of Economic Development (the “Office”) must, prior to the issuance of the Bonds, determine that the Project is consistent with the State Plan for Economic Development and must approve the financing of the Project;

NOW, THEREFORE, pursuant to Section 349.585 of the Act, the Office hereby determines and approves as follows:

The Project is consistent with the State Plan for Economic Development developed by the Executive Director of the Office pursuant to Subsection 2 of Section 231.053 Nevada Revised Statutes.

Based upon the foregoing, the Project is hereby approved by the Office.

This determination and approval is made only for the purposes of Section 349.585 of the Act and does not constitute a guarantee of financial results with respect to the Project or otherwise with respect to the business prospects of Fulcrum, the Project Company, or the Operator. This

determination and approval is not intended as an analysis of the Bonds as investments or intended to be relied upon by investors.

IN WITNESS WHEREOF, the STATE OF NEVADA OFFICE OF ECONOMIC DEVELOPMENT has caused this determination and approval to be made this 20<sup>th</sup> day of July, 2018

THE STATE OF NEVADA OFFICE OF  
ECONOMIC DEVELOPMENT

By:  \_\_\_\_\_  
Executive Director

EXHIBIT C

COUNTY SUPPORT RESOLUTION

(Attached)

**RESOLUTION NO. 18-497**

RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF STOREY, NEVADA PROVIDING FOR THE TRANSFER OF THE COUNTY'S 2018 PRIVATE ACTIVITY BOND VOLUME CAP TO THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY OF THE STATE OF NEVADA.

WHEREAS, pursuant to the provisions of Chapter 348A of the Nevada Revised Statutes ("NRS") and Chapter 348A of the Nevada Administrative Code ("NAC"), there has been allocated to the County of Storey, Nevada (the "County" and "State," respectively), the amount of \$215,227.18 in tax-exempt private activity bond volume cap for year 2018 (the "2018 Bond Cap"); and

WHEREAS, the Director of the State of Nevada Department of Business and Industry (the "Director"), has requested that the County transfer the 2018 Bond Cap to the Director for the purpose of assisting in the financing or refinancing a portion of the costs of (i) improvements to and equipping of a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the "Biorefinery") and/or (ii) improvements to and equipping of a facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the "Feedstock Processing Facility" and, together with the Biorefinery, the "Project"); and

WHEREAS, the County is a "local government" as defined by NAC 348A.070; and

WHEREAS, Section 348A.180 of the NAC provides a procedure whereby the County may, by resolution, transfer to the Director, the 2018 Bond Cap to assist in the financing of an eligible project; and

WHEREAS, the Board of County Commissioners of the County has the responsibility for allocating private activity bond volume cap available to the County, including the 2018 Bond Cap.

NOW, THEREFORE, the Board of County Commissioners of the County do hereby find, resolve, determine and order us follows:

*Section 1. Recitals.* The recitals set forth herein above are true and correct in all respects.

*Section 2. Transfer of Private Activity Bond Volume Cap.* Pursuant to NAC 348A.180, the County hereby transfers the 2018 Bond Cap to the Director for the Project, to be undertaken by Fulcrum Sierra Holdings, LLC ("Fulcrum Holdings").

*Section 3. Use of 2018 Bond Cap.* The Director will use the 2018 Bond Cap for the Project in calendar year 2018, or carry forward any remaining amount according to the Internal Revenue Code of 1986, as amended, for such purposes.

*Section 4. Support of County.* The Board of County Commissioners of the County do hereby endorse and support Fulcrum Holdings' efforts to obtain bonding and funding support for the Project through the Nevada Department of Business and Industry.

*Section 5. Representative of County.* Pursuant to NAC 348A.180(1), the Director may contact Pat Whitten regarding this Resolution at (775) 847-0968 or in writing at 26 S. B Street, P.O. Box 176, Virginia City, Nevada 89440.

*Section 6. Additional Action.* The Board of County Commissioners of the County are hereby authorized and directed to take all actions as necessary to effectuate the transfer of the 2018 Bond Cap, and carry out the duties of the County hereunder, including the execution of all certificates pertaining to the transfer as required by NAC Ch. 348A. The Clerk-Treasurer of the Board of County Commissioners is hereby authorized and directed to mail a certified copy of this Resolution to the Director.

*Section 7. Obligation of the County:* This Resolution is not to be construed as a pledge of the faith and credit of or by the County, or of any agency, instrumentality, or subdivision of the County. Nothing in this Resolution obligates or authorizes the County to issue bonds for any project or to grant approvals for a project or constitutes a representation that such bonds will be issued.

*Section 8. Enforceability.* If any section, paragraph, clause or provision of this Resolution 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 Resolution. This Resolution shall go into effect immediately upon its passage.

ADOPTED, SIGNED AND APPROVED this 19th day of June, 2018.

COUNTY OF STOREY, NEVADA

By:   
Its: Chairman, Marshall McBride

ATTEST:

By:   
Title: Storey County Clerk/Treasurer

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# EXHIBIT B

**CERTIFICATE OF TRANSFER OF VOLUME CAP**

I, [ Marshall McBride ], am the duly chosen and qualified [ BOCC Chairman ] of the County of Storey, Nevada (the "County") and in the performance of my duties as [ Chairman ] do hereby certify to the Office of Business Finance and Planning in accordance with Section 348A.260 of the Nevada Administrative Code ("NAC"), that the private activity bond volume cap allocated to the County for the year 2018 in the amount of \$215,227.18 has been transferred as follows:

\$215,227.18 has been transferred pursuant to NAC 348A.180 from the County, a "local government" as defined by NAC 348A.070, to the Director of the State of Nevada Department of Business and Industry for the purpose of assisting in the financing or refinancing a portion of the costs of (i) improvements to and equipping of a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada and/or (ii) improvements to and equipping of a facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada, to be undertaken by Fulcrum Sierra Holdings, LLC.

This certificate is being filed within five (5) days of the transfer being made in accordance with NAC 348.260.

COUNY OF STOREY, NEVADA

By: 

Its: Chairman, Marshall McBride

EXHIBIT D

RESERVED

EXHIBIT E

GOVERNOR'S CERTIFICATE REGARDING THE  
ISSUANCE OF THE BONDS FOR TEFRA HEARING PURPOSES

(Attached)



STATE OF NEVADA

CERTIFICATE BY THE GOVERNOR  
REGARDING DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS  
AND INDUSTRY'S ISSUANCE OF ENVIRONMENTAL IMPROVEMENT REVENUE  
BONDS

I, Brian Sandoval, Governor of the State of Nevada, DO HEREBY CERTIFY:

A public hearing was held on July 3, 2018, at the principal office of the Nevada Department of Business and Industry Director's office located at 1830 E. College Parkway, Suite 200, Carson City, Nevada 89706 to hear public comment on plans for the issuance and sale of up to \$47,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project) (Green Bonds) to be issued in one or more series or issues (the "Bonds") to assist in the financing or refinancing of a portion of the costs of constructing and equipping a facility to be used for converting municipal solid waste into renewable fuel products and the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste, each located in Storey County, Nevada.

Notice for the hearing was given and the hearing was conducted in accordance with the Report of Hearing. Such Notice and Report of Hearing are attached hereto as Exhibit A. Solely for the purpose of satisfying the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and for no other purpose, I hereby approve the plan of financing for the issuance of the Bonds. This approval is not to be construed as a pledge of the faith and credit of or by the State of Nevada, or of any agency, instrumentality, municipality, or subdivision of the State of Nevada.

IN WITNESS WHEREOF, I have set my hand this 17<sup>th</sup> day of July, 2018.

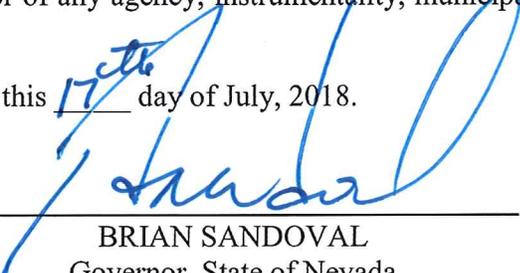
  
\_\_\_\_\_  
BRIAN SANDOVAL  
Governor, State of Nevada

EXHIBIT F

DOCUMENT EXTRACTS REGARDING USE OF FUNDS

(Attached)

## Extracts from the Indenture

### Section 5.02 Delivery of Series 2018 Bonds and Other Moneys.

(a) On the Closing Date, the Trustee shall deposit the proceeds of the Series 2018 Bonds, in the aggregate amount of \$[\_\_\_\_\_] (representing \$44,000,000 of proceeds of the Series 2018 Bonds less the underwriting fee and expenses of \$[\_\_\_\_\_] ), as follows:

(i) \$[\_\_\_\_\_] , allocable to the proceeds of the Series 2018 Bonds, to the Series 2018 Capitalized Interest Account held by the Trustee;

(ii) \$[\_\_\_\_\_] , allocable to the proceeds of the Series 2018 Bonds, to the Series 2018 Costs of Issuance Account held by the Trustee;

(iii) \$[\_\_\_\_\_] , allocable to the proceeds of the Series 2018 Bonds, to the Construction Collateral Account within the Construction Collateral Fund held by the Collateral Agent; and

(iv) \$[\_\_\_\_\_] , allocable to the proceeds of the Series 2018 Bonds, to the Series 2018 Debt Service Reserve Account of the Debt Service Reserve Fund held by the Trustee.

(b) On the Closing Date, the Trustee shall deposit \$[\_\_\_\_\_] received from the Director as a return of an application deposit, to the Series 2018 Costs of Issuance Account held by the Trustee.

(c) On the Closing Date, the Trustee shall deposit \$[\_\_\_\_\_] received from the Company as an equity contribution, to the Series 2018 Costs of Issuance Account held by the Trustee.

(d) On the Closing Date, the Trustee shall deposit \$[\_\_\_\_\_] received from the Company as an equity contribution, to the Series 2018 Equity Capitalized Interest Account held by the Trustee.

### Section 5.03 Project Fund.

(a) Subaccounts. The Trustee, upon direction from the Company on behalf of the Director, shall open new subaccounts of the Project Fund as specified by the Company for the purpose of (i) depositing the proceeds of any Bond (other than proceeds to be applied to a refunding of the Series 2018 Bonds) permitted to be incurred by the Bond Documents, (ii) accounting for and payment of the capitalized interest or costs of issuance thereof, or (iii) for any other purpose permitted by the Bond Documents. To the extent that a subaccount of the Project Fund is established, such proceeds may be used for the purposes for which such Bonds are issued and applied or requisitioned solely as set forth in any related Supplemental Indenture; provided, that the Company may, at any time, (x) open such subaccounts, (y) direct the Trustee to retain any necessary amounts therein and (z) transfer any remaining funds therein to the Revenue Fund; provided, further, that, for the avoidance of doubt, amounts on deposit in the other accounts

pursuant to this Indenture or any Project Accounts pursuant to the Collateral Agency Agreement may not be transferred to such new subaccounts unless expressly permitted herein or therein.

(b) Series 2018 Capitalized Interest Account; Series 2018 Equity Capitalized Interest Account. Amounts on deposit in the Series 2018 Capitalized Interest Account and the Series 2018 Equity Capitalized Interest Account shall be used to pay capitalized interest related to the Series 2018 Bonds or to reimburse any affiliate of the Company for capitalized interest actually paid by or on behalf of the Company and eligible for reimbursement pursuant to the Tax Certificate. On any date upon which capitalized interest is due and payable, and prior to any payments under Section 5.05(a) hereto, in accordance with schedule attached as Exhibit C hereto, the Trustee shall, without further authorization, instruction or delivery by the Company of a Requisition, withdraw sufficient funds to make such payments first from the Series 2018 Capitalized Interest Account until such account is depleted and then from the Series 2018 Equity Capitalized Interest Account. Upon receipt of interest earnings, the Trustee shall, without further authorization, instruction or delivery by the Company of a Requisition, transfer any interest earned on the Series 2018 Capitalized Interest Account and the Series 2018 Equity Capitalized Interest Account to the applicable subaccount of the Construction Collateral Account held by the Collateral Agent for the payment or reimbursement of Tax-Exempt Project Costs pursuant to the Collateral Agency Agreement. Upon the acceleration of the Series 2018 Bonds pursuant to Section 7.03 hereof, the amounts on deposit in the Series 2018 Capitalized Interest Account and the Series 2018 Equity Capitalized Interest Account shall be applied in accordance with Section 7.06 hereof, provided that if such acceleration shall be rescinded before such application date, any unapplied amounts on deposit in such Series 2018 Capitalized Interest Account or the Series 2018 Equity Capitalized Interest Account shall continue to be applied as provided herein.

Notwithstanding the foregoing, if proceeds of the Series 2018 Bonds remain in the Series 2018 Capitalized Interest Account or the Series 2018 Equity Capitalized Interest Account on the earlier of (i) the date on which the Company reasonably determines that the Biorefinery and Stage 2 of the Feedstock Processing Facility will not be completed, or (ii) the later of the date on which the Biorefinery is placed in service for federal income tax purposes or the date on which Stage 2 of the Feedstock Processing Facility is placed in service for federal income tax purposes, then to the extent the Company does not reasonably expect those proceeds of the Series 2018 Bonds will be allocated to costs of the Project consistent with the Tax Certificate, unless the Company obtains an opinion of Bond Counsel to the effect that a failure to redeem Tax-Exempt Bonds as contemplated by Section 7.3(c) of the Financing Agreement will not adversely affect the tax-exempt status of the Tax-Exempt Bonds, then proceeds of Series 2018 Bonds in the Series 2018 Capitalized Interest Account or the Series 2018 Equity Capitalized Interest Account may be used to redeem Series 2018 Bonds or other Tax-Exempt Obligations.

Subject to the requirements set forth in the Tax Certificate, any amount remaining in the Series 2018 Capitalized Interest Account and the Series 2018 Equity Capitalized Interest Account upon the final scheduled payment of capitalized interest on the Series 2018 Bonds, shall, without further authorization, instruction or delivery by the Company of a Requisition, be transferred by the Trustee to the Collateral Agent for deposit as follows: (i) if such transfer occurs prior to Trustee's receipt of written notice from the Company confirming the occurrence of the Final

Completion Date, to the applicable subaccount of the Construction Collateral Account of the Construction Collateral Fund, and (ii) if such final disbursement occurs on or after the Trustee's receipt of a certification from the Company that the Final Completion Date has occurred, to the Revenue Fund.

(c) Series 2018 Costs of Issuance Account. Amounts on deposit in the Series 2018 Costs of Issuance Account shall be used to pay the costs of issuance of the Series 2018 Bonds or to reimburse the Company or any affiliate of the Company for costs of issuance of the Series 2018 Bonds actually paid by or on behalf of the Company and eligible for reimbursement, all in compliance with the Tax Certificate, upon receipt of an executed COI Requisition, in substantially the form attached to this Indenture as Exhibit D. The Trustee shall from time to time withdraw sufficient funds from the Series 2018 Costs of Issuance Account to fund disbursements made with respect to the Series 2018 Bonds on the date of issuance of such Series 2018 Bonds. Any amounts remaining in the Series 2018 Costs of Issuance Account on the 90th day after the Closing Date shall be transferred by the Trustee to the applicable subaccount of the Construction Collateral Account held by the Collateral Agent.

Section 5.04 [Reserved].

Section 5.05 Debt Service Fund. Pursuant to the Financing Agreement, the Company shall pay or cause moneys to be paid by the Collateral Agent to the Trustee for deposit in the accounts within the Debt Service Fund described below at the times and in the amounts necessary for the Trustee to make the transfers described below. Such amounts shall be paid by the Company in accordance with Exhibit C hereto; provided, however, that the Company shall, from time to time, prepare and provide to the Trustee an amended Exhibit C as may be required in connection with any prepayments, optional redemptions or mandatory redemptions that result in a change in Debt Service hereunder. The Trustee shall create, and shall apply money contained, in the accounts described below at the following respective times in the manner hereinafter provided, which accounts the Trustee hereby agrees to establish and maintain within the Debt Service Fund so long as this Indenture is not discharged in accordance with Article IX and each such account shall constitute a trust fund for the benefit of the Bondholders, and the money in each such account shall be disbursed only for the purposes and uses hereinafter authorized. Funds will be applied pro rata across all Outstanding Series of Bonds.

(a) Bond Interest Account. The Trustee, on each Interest Payment Date, shall withdraw and apply from moneys on deposit in the Bond Interest Account, an amount which shall be sufficient to pay interest payable on the Outstanding Bonds on such Interest Payment Date.

(b) Bond Principal Account. The Trustee, on each Principal Payment Date, shall withdraw and apply from moneys on deposit in the Bond Principal Account, an amount equal to the principal due on Bonds on each date on which principal is due (other than a Redemption Date). Money in the Bond Principal Account shall be used and withdrawn by the Trustee on each date on which principal is due solely for the payment of the principal of Outstanding Bonds.

(c) Bond Redemption Account. The Trustee, on each Redemption Date, shall withdraw and apply moneys on deposit in the Bond Redemption Account, amounts required to pay the redemption price on Bonds to be redeemed prior to their stated maturity. Money in the Bond Redemption Account shall be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the redemption price other than in the case of a Sinking Fund Installment, which payments shall be made from the Bond Sinking Fund Installment Payment Subaccount.

(d) Bond Sinking Fund Installment Payment Subaccount. The Trustee shall deposit to the credit of the Bond Sinking Fund Installment Payment Subaccount within the Bond Principal Account moneys deposited by the Company or the Collateral Agent to pay each Sinking Fund Installment when due.

## **Extracts from the Collateral Agency Agreement**

### **Section 5.05 Construction Collateral Fund.**

(a) Construction Collateral Account. On the Series 2018 Bonds Closing Date, the proceeds of the Series 2018 Bonds, net of all costs and expenses incurred in connection with the issuance thereof and the costs and expenses of the borrowing of Loans related to the issuance of the Series 2018 Bonds under the Financing Agreement, amounts for the payment of which shall be deposited into the Series 2018 Costs of Issuance Account under the Indenture, and net of the amounts to be deposited into the Series 2018 Capitalized Interest Account and the Series 2018 Debt Service Reserve Account, shall be deposited into a segregated subaccount of the Construction Collateral Account and thereafter, any interest earned on such proceeds shall be deposited into the Construction Collateral Account. Amounts on deposit in the Construction Collateral Account shall be used to pay Tax-Exempt Project Costs or to reimburse the Company or any affiliate of the Company for any Tax-Exempt Project Costs actually paid by the Company or on behalf of the Company and eligible for reimbursement, allocation or reallocation pursuant to the Tax Certificate. The Collateral Agent shall from time to time withdraw funds from the Construction Collateral Account in accordance with a Requisition delivered by the Company pursuant to Section 5.06. The Construction Collateral Account is created solely for the benefit of the Trustee on behalf of the owners of the Bonds and shall not be subject to any Lien in favor of any Person other than the Collateral Agent solely for the benefit of the Trustee on behalf of the owners of the Bonds and shall be held by the Collateral Agent for the exclusive benefit of only such parties.

(b) Disbursements from Construction Collateral Account. The Collateral Agent shall make withdrawals, transfers and payments from the Construction Collateral Account, or any additional Project Account or subaccount created within the Construction Collateral Fund as set forth in Section 5.01(a), in accordance with Sections 5.05(a) and in the amounts, at the times and only for the purposes specified in this Section 5.05.

(c) Reserved.

(d) Equity Construction Account. On the Series 2018 Bonds Closing Date, the Company shall make an equity contribution into the Equity Construction Account in an amount

equal to \$[\_\_\_\_\_]. From time to time, the proceeds of any subsequent equity contributions may be deposited into the Equity Construction Account or into a new sub-account of the Construction Collateral Fund pursuant to the terms hereof at the sole option of the Company. From time to time, on not less than ten (10) Business Days' notice to the Collateral Agent, the Company may deposit Additional Equity Letters of Credit with the Collateral Agent for deposit into the Equity Construction Account, and at the direction of the Company at the time of deposit of any such Additional Equity Letter of Credit, the Collateral Agent shall release an amount of cash from the Equity Construction Account equal to the stated amount of the Additional Equity Letter of Credit and transfer such released amount to such accounts or payees as set forth in such direction. For all purposes of this Section 5.05(d), each Additional Equity Letter of Credit shall be deemed to be an Equity Construction Letter of Credit. The Company hereby agrees and directs the Collateral Agent to execute and deliver to the issuer of the applicable Equity Construction Letter of Credit (i) promptly, upon five (5) Business Days prior written notice from the Company, a fully completed drawing certificate in the amount set forth in such written notice, and (ii) thirty (30) days prior to the expiration date of the Equity Construction Letter of Credit, a fully completed drawing certificate in an amount equal to the Equity Construction Letter of Credit's then-current stated amount (as determined in accordance with the terms thereof), only to the extent that the Company has not provided to the Collateral Agent prior to such date a substantially similar (in all material respects) letter of credit, or other letter of credit in form reasonably acceptable to the Collateral Agent, issued by an Acceptable Letter of Credit Bank with a stated amount equal to the undrawn amount of the Equity Construction Letter of Credit that such letter of credit replaces. The Collateral Agent shall promptly execute and deliver a fully completed drawing certificate under the Equity Construction Letter of Credit to the issuer thereof pursuant to a Direction Notice. All amounts drawn on any Equity Construction Letter of Credit shall be deposited in the Equity Construction Account and all amounts available under any such Equity Construction Letter of Credit shall be deemed to be on deposit in the Equity Construction Account for all purposes hereunder. Amounts on deposit in the Equity Construction Account shall be used to pay Project Costs or to reimburse the Company or any affiliate of the Company for any Project Costs actually paid by the Company or on behalf of the Company. The Collateral Agent shall from time to time withdraw funds from the Equity Construction Account in accordance with a Requisition delivered by the Company pursuant to Section 5.06. In the event that, on the Series 2018 Bonds Closing Date, the Company has not deposited an Equity Construction Letter of Credit, then any Additional Equity Letter of Credit thereafter delivered, in substitution for cash as provided in Section 5.05(d) above or otherwise, shall be a direct pay letter of credit and provide that the Collateral Agent shall make drawings thereunder for the purposes set forth in this Agreement and in the form of the Additional Equity Letter of Credit by sending a sight draft and drawing certificate in the form attached to such Additional Equity Letter of Credit signed by an authorized officer of the Collateral Agent under the circumstances described in this Section 5.05(d), within the time period specified in the Additional Equity Letter of Credit, and there shall be no other preconditions to any such drawing.

- (e) Reserved.
- (f) Reserved.

(g) Final Project Costs. Subject to Section 5.05(l), pursuant to instructions of the Company, at any time on or prior to the Mechanical Completion Date, the Company shall direct the Collateral Agent in writing to retain in the Construction Collateral Fund or its sub-accounts amounts necessary for the payment or reimbursement of all remaining Project Costs reasonably expected to become due and payable on or prior to the Final Completion Date. On the Operations Date, the Collateral Agent shall pursuant to instructions of the Company transfer any remaining amounts in the Construction Collateral Fund (except for amounts to be retained therein or in any sub-account thereof pursuant to the first sentence of this Section 5.05(g)) to the Revenue Fund; provided, however, that Collateral Agent shall retain in the Construction Collateral Fund an amount equal to all remaining Project Costs certified in writing by the Company as reasonably expected to be due and payable in order to achieve the Final Completion Date.

(h) Reserved.

(i) Closing Date Costs. Notwithstanding anything herein to the contrary, any disbursements requested to be made from the Equity Construction Account of the Construction Collateral Fund for payments to be made on or in connection with the Series 2018 Bonds Closing Date shall be made pursuant to a Requisition delivered on or within ninety (90) days after the Series 2018 Bonds Closing Date.

(j) Proceeds of Additional Obligations. Except as otherwise provided in the Financing Documents, net proceeds of Additional Obligations issued to finance Project Costs prior to the Final Completion Date (but not refinancing proceeds which may be deposited under the Indenture to facilitate such refinancing) shall be remitted to the Collateral Agent, for deposit into additional sub-accounts of the Construction Collateral Fund as provided in Section 5.01(a) and Section 5.05(k).

(k) Sub-Accounts. In accordance with the terms of Section 5.01(a), the Collateral Agent, upon direction from the Company, shall open new sub-accounts of the Construction Collateral Fund as specified by the Company (including the name of any such sub-account) for the purpose of (i) depositing the proceeds of any Additional Obligations (but not refinancing proceeds which may be deposited under the Indenture or as provided in Section 5.05(j) to facilitate such refinancing) permitted to be incurred by the Financing Documents in accordance with Section 5.05(j), (ii) accounting for and payment of the capitalized interest, costs of issuance or otherwise thereof, or (iii) any other purpose permitted by the Financing Documents pursuant to Section 5.06.

(l) Funds Transfer Required Pursuant to the Financing Agreement. Notwithstanding anything in this Section 5.05 to the contrary, on or after the earlier of the third anniversary of the issuance date of the Series 2018 Bonds or the Final Completion Date, the Collateral Agent shall transfer all amounts on deposit in the Construction Collateral Fund representing the proceeds of Tax-Exempt Bonds to the Trustee for the purpose of redeeming Tax-Exempt Bonds in accordance with Section 7.3(c) of the Financing Agreement.

(m) Reserved.

(n) Reserved.

(o) Reserved.

#### **Section 5.06 Construction Collateral Fund Requisition Procedures.**

(a) Withdrawals from all sub-accounts of the Construction Collateral Fund, collectively, may be made from time to time, subject to the terms and conditions of Section 5.05 and this Section 5.06 (to the extent applicable).

(b) Subject to the last sentence of this clause (b) and other than as expressly provided in Sections 5.05(g) and 5.05(k), the Company shall request disbursements of monies on deposit in the Construction Collateral Fund (and any sub-account thereof) by delivering to the Collateral Agent (with a copy to each Agent), not later than the tenth (10<sup>th</sup>) Business Day prior to the proposed date of disbursement (unless such disbursement is requested on the Series 2018 Bonds Closing Date, in which case no prior notice shall be required), a withdrawal certificate (the “Company Withdrawal Certificate”) signed by an Authorized Company Representative in the form of Exhibit I attached hereto (a “Requisition”) (together with a certificate of the Engineer in the form of Exhibit H attached hereto (the “Engineer Withdrawal Certificate”), in each case, to the extent necessary for compliance with Section 5.06(c) and Section 5.06(d)) (collectively, a “Requisition”); provided, that an Engineer Withdrawal Certificate shall only be required to the extent a Requisition includes a disbursement for payment of Project Costs. Upon receipt of each Requisition, the Collateral Agent shall make the payments set forth in such Requisition out of money in the Construction Collateral Fund (and each sub-account thereof) as set forth in such Requisition. For the avoidance of doubt, the Collateral Agent is not prevented by the two (2) Business Day notice requirement from paying the obligations set forth in the Requisition prior to the date of disbursement proposed in the Requisition. In making such payments the Collateral Agent may conclusively rely upon the Requisition without further inquiry. However, notwithstanding anything to the contrary contained herein, Collateral Agent may decline to disburse funds pursuant to a Requisition if Collateral Agent determines that any such Requisition is incomplete in any material respect, or does not include the attachments required by this Section 5.06 and provides notice thereof and the basis for such assertion to the Company. Except as provided in Sections 5.05(g), 5.05(k) and 5.05(l), any payments from the Construction Collateral Fund shall be made by the Collateral Agent solely based on Requisitions received from time to time pursuant to this Section 5.06. The opening of or requisitioning of amounts on deposit in any new sub-accounts pursuant to Section 5.05(k) shall be made by the Collateral Agent solely based on instructions received by the Collateral Agent from the Company.

(c) Each Company Withdrawal Certificate shall set forth the funds requested to be withdrawn and the applicable accounts and payees to which such funds shall be transferred (with a description of the purpose therefor), referencing customary invoices, to the extent required, and attaching a lien waiver from the EPC Contractor in accordance with the requirements of the EPC Contract, and lien waivers in accordance with the requirements of the EPC Contract from all Major Subcontractors with respect to which work has been performed and for which disbursement is requested, conditioned solely upon payment of such requisitioned funds. Such Company Withdrawal Certificate shall also include a statement from the EPC Contractor representing that the EPC Contractor has made all payments or arranged for payment of all payments due and

payable to all of its Subcontractors (as defined in the EPC Contract) with respect to work which has previously been reimbursed by a Requisition. Each Company Withdrawal Certificate shall include the following certifications of the Company as of the date of proposed requisition:

(i) All amounts previously requisitioned pursuant to prior Requisitions for the payment or reimbursement of Project Costs have been applied solely to pay or reimburse Project Costs;

(ii) All amounts requisitioned in such Company Withdrawal Certificate relate to Project Costs that have been or are reasonably projected to be incurred in connection with the Facilities within thirty (30) days and none have been the basis for a prior Requisition that has been paid; and

(iii) Solely to the extent funds are being requisitioned pursuant to such Requisition to pay Project Costs, no Funding Shortfall exists; and

(iv) No Event of Default has occurred and is continuing.

(d) Subject to Section 5.06(e) and Section 5.06(f) hereof, each Engineer Withdrawal Certificate shall include the following certifications of the Engineer, in its reasonable belief, as of the date of proposed requisition:

(i) Based on its reasonable belief, no Funding Shortfall exists; and

(ii) Solely to the extent funds are being requisitioned pursuant to such Requisition to pay the EPC Contractor, (A) the work performed by the EPC Contractor pursuant to the EPC Contract to date has been performed in accordance with the terms of the EPC Contract; (B) the amount being paid to the EPC Contractor pursuant to the applicable Requisition does not exceed the amount then due and payable to the EPC Contractor under the EPC Contract, and (C) in its reasonable belief, Substantial Completion can be achieved by the Outside Operations Date.

(e) No funds shall be requisitioned under this Section 5.06 from any sub-account of the Construction Collateral Fund with respect to the payment of interest on the Series 2018 Bonds unless no more funds are available in the Series 2018 Capitalized Interest Account under the Indenture, and the only certification required to be made to requisition for due payment of interest shall be a certification by the Company that as of the date of the proposed requisition, no Financing Default Event has occurred and is continuing with respect to the applicable Bonds (each such requisition solely of interest in accordance with this Section 5.06(e), an “Interest Requisition”); provided that, following the funding by the Collateral Agent of any Interest Requisition, the Collateral Agent shall request a certificate from the Engineer certifying that, based on its reasonable belief, no Funding Shortfall then exists or would directly result from such requisition. If the Engineer cannot deliver such certificate, the Collateral Agent shall withhold funding future Interest Requisitions unless and until (i) the Engineer is able to deliver a certificate to the Collateral Agent certifying that, based on its reasonable belief, no Funding Shortfall then exists or would directly result from such requisition, or (ii) the Collateral Agent is instructed by

the Trustee (at the direction of the Holders or Beneficial Owners of at least a majority of the aggregate principal amount of Bonds outstanding) to resume funding of such Interest Requisitions without the delivery of such certificate; provided further that, notwithstanding any instructions of the Holders or Beneficial Owners of Bonds, the Collateral Agent shall not withhold funding of any requisitions that satisfy all the conditions that would otherwise apply to requisitions of such amounts pursuant to this Section 5.06 (other than this clause (e)).

(f) Notwithstanding the foregoing, the Company shall not be able to requisition for the payment of Project Costs from any sub-account of the Construction Collateral Fund subject to the requisition procedures of Section 5.06 to the extent that an Event of Default has occurred and is continuing.

EXHIBIT G

CERTIFICATE OF FULCRUM REGARDING FEDERAL, STATE & LOCAL APPROVALS

(Attached)

CERTIFICATE OF FULCRUM SIERRA HOLDINGS, LLC REGARDING FEDERAL,  
STATE, AND LOCAL APPROVALS OF THE PROJECT

This certification is made by Fulcrum Sierra Holdings, LLC, a Delaware limited liability company validly authorized to do business under the laws of the State of Nevada (“Fulcrum”), in connection with the findings made by the Director of the State of Nevada Department of Business and Industry (the “Director”) pursuant to Nevada Revised Statutes 349.580(2)(b) relating to the issuance by the Director of the State of Nevada Department of Business and Industry Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project) (Green Bonds) in one or more issues, for the purpose of assisting in the financing or refinancing of a portion of the additional costs of (i) constructing and equipping a facility owned by Fulcrum Sierra BioFuels, LLC (the “Project Company”) and operated by Fulcrum BioEnergy, Inc. (the “Operator”) to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the “Biorefinery”) and (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada (the “Feedstock Processing Facility” and, together with the Biorefinery, the “Project”).

THE UNDERSIGNED, DOES HEREBY CERTIFY THAT the Project has received all approvals by local, state and federal governments which may be necessary at this time to proceed with the construction, improvement, rehabilitation or redevelopment of the Project.

IN WITNESS WHEREOF, I have hereunto set my signature as an authorized officer of Fulcrum this 18<sup>th</sup> day of July, 2018.

FULCRUM SIERRA HOLDINGS, LLC, a  
Delaware limited liability company

By:  \_\_\_\_\_

RICHARD D. BARRAZA

Its: VICE PRESIDENT

*(Signature Page to Certificate of Fulcrum Regarding Federal, State, and Local Approvals of the Project)*

EXHIBIT H

FORM OF CERTIFICATE OF APPROVAL BY THE STATE BOARD OF FINANCE  
AND RESOLUTION OF APPROVAL BY THE COUNTY COMMISSIONERS

(Attached)

CERTIFICATE OF APPROVAL BY THE STATE BOARD OF FINANCE

The undersigned duly qualified Chief Deputy Treasurer and Ex-Officio Secretary of the State Board of Finance of the State of Nevada (the "Board of Finance"), does hereby certify as follows:

1. The Board of Finance met on August 14, 2018, in a duly noticed open meeting at which a quorum of the members of the Board of Finance were in attendance.
2. At such meeting the Board of Finance approved the Findings of the Director of the Department of Business and Industry of the State of Nevada (the "Director") dated as of July 25, 2018, relating to its Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project) (Green Bonds) to be issued in one or more series or issues (the "Bonds") and reviewed the Additional Considerations contained therein.
3. The foregoing actions have not been amended, modified, rescinded and are now in full force and effect.

IN WITNESS WHEREOF, I have executed and delivered this Certificate on the date set forth below.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2018.

STATE BOARD OF FINANCE

By: \_\_\_\_\_

Tara Hagan  
Chief Deputy Treasurer  
Ex-Officio Secretary

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF STOREY APPROVING CERTAIN FINDINGS MADE BY THE DIRECTOR OF THE DEPARTMENT OF BUSINESS AND INDUSTRY OF THE STATE OF NEVADA PURSUANT TO NEVADA REVISED STATUTES SECTION 349.580 RELATING TO THE FINANCING OF A SOLID WASTE DISPOSAL FACILITY PROJECT LOCATED IN THE COUNTY OF STOREY; AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO.**

**WHEREAS**, Fulcrum Sierra Holdings, LLC, a Delaware limited liability company (“Fulcrum”), a wholly owned subsidiary of Fulcrum BioEnergy, Inc. (the “Operator”), has applied to the Director of the State of Nevada Department of Business and Industry (the “Director”) for the issuance of industrial development revenue bonds (the “Bonds”) pursuant to Nevada Revised Statutes (“NRS”) Sections 349.400 to 349.670, inclusive, for the purpose of assisting in the financing or a refinancing of a portion of the additional costs of (i) constructing and equipping a facility owned by Fulcrum Sierra BioFuels, LLC (the “Project Company”) and operated by the Operator to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the “Biorefinery”) and (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the “Feedstock Processing Facility” and, together with the Biorefinery, the “Project”); and

**WHEREAS**, pursuant to NRS Section 349.580, the Director, after reviewing the application and other materials submitted to the Director, has made certain findings with respect to the financing of the Project as are provided in the “Findings of the Director of the State of Nevada Department of Business and Industry Pursuant to Nevada Revised Statutes 349.580(2) Relating to the Financing of an Industrial Project to be Located in Storey County, Nevada” (the “Director’s Findings”), contained in a Memorandum of Findings, dated July 25, 2018, addressed to the Nevada State Board of Finance and the Storey County (the “County”) Board of County Commissioners (the “Board of County Commissioners”); and

**WHEREAS**, the Director requests in the Director’s Findings that the Board of County Commissioners approve the Director’s Findings pursuant to NRS Section 349.580(2); and

**WHEREAS**, the Board of County Commissioners has reviewed the Director’s documents and heard testimony before the Board of County Commissioners concerning the Director’s Findings;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of County Commissioners of Storey County, Nevada the following:

1. The Director's Findings be and the same hereby are approved pursuant to NRS Section 349.580(2), based upon the materials submitted by the Director and other material submitted to the Board of County Commissioners, the existence of all discretionary approvals necessary for the construction, improvement, rehabilitation or redevelopment of the project and testimony described above in the final preamble hereto. This approval is made for the purposes of NRS Section 349.580(2). It is not (i) an analysis of the Bonds or the appropriateness or risks of the Bonds as investments, (ii) a guarantee, or (iii) a finding that there is no risk in the Project, the Bonds or both.

2. The approval in Paragraph 1 is based upon the satisfaction of the requirements of the Director.

3. The Clerk-Treasurer of the Board of County Commissioners is hereby authorized and directed to mail a certified copy of this Resolution to the Director.

4. Nothing in this Resolution obligates the County in any way with respect to the Project or the Bonds.

5. If any action taken herein is found to be unenforceable, the remaining actions and provisions of this Resolution shall remain valid and enforceable unless and until the Board of County Commissioners determines otherwise.

6. The County Manager and County Attorney are authorized to take all steps necessary to carry out the actions taken herein and to carry out the purpose and intent of this Resolution.

7. This Resolution shall be effective upon its passage and approval.

PASSED AND ADOPTED THIS \_\_\_\_ day of \_\_\_\_\_, 2018.

AYES:

NAYS:

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Marshall McBride  
Chairman

ATTEST:

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Vanessa A. Stephens  
County Clerk-Treasurer

- X. **For discussion and possible action:** Discussion and possible action on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$27,000,000 of Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments), for the purpose of the construction of a 195-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership entity comprised of Ovation Affordable Housing, Inc. (an affiliate of Ovation Development Corporation) and Coordinated Living of Southern Nevada, Inc.. Bank of America, N.A. will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).



**State of Nevada**

**DEPARTMENT OF BUSINESS & INDUSTRY**

**Housing Division**

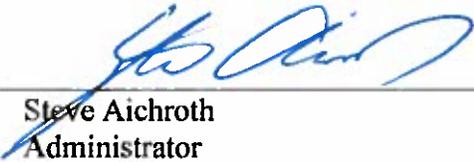
**FINDINGS OF FACT**

**Multi-Unit Housing Revenue Bonds  
Fort Apache Senior Apartments**

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible seniors can afford within the Las Vegas, Nevada rental housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which senior of low and moderate income can afford.
3. The proposed multifamily project will increase the supply and improve the quality of decent, safe and sanitary rental housing for eligible seniors.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Las Vegas, Nevada.
5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

BY:   
\_\_\_\_\_  
Steve Aichroth  
Administrator  
Nevada Housing Division

DATE: 7/24/18

State of Nevada  
DEPARTMENT OF BUSINESS & INDUSTRY  
Housing Division  
1830 E. College Parkway, Suite 200  
Carson City, NV 89706

DATE: July 25, 2018

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments) 

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

A. Time and Place of Meeting:

1:00 p.m., Tuesday, August 14, 2018, at the at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed: The Findings of Fact (“Findings”) of the Administrator of the Housing Division concerning the Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments).

C. The Findings relate to the issuance of up to \$27,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for construction of a 195-unit senior apartment complex in Las Vegas located near Russell Road and Fort Apache Road.

D. The Housing Division will issue up to \$27,000,000 of multi-unit housing revenue bonds which will be structured in two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount will be approximately \$22,350,000. Loan proceeds will be advanced to the Borrower on a “draw down” basis as needed to fund construction expenditures. At conversion to Permanent Phase the loan will be reduced to an approximate permanent amount of \$14,000,000 using tax credit equity installments, and will commence monthly principal amortization with a 35-year term. The bond issuance will also satisfy the Internal Revenue Code Section 42 Low-Income Housing requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date until a project is “placed in service.” The construction debt will be placed directly with Bank of America and the permanent debt with Barings LLC and neither will be publicly offered. The Project borrower/developer will be a limited partnership (Fort Apache Seniors, LLC) which will consist of Fort Apache Seniors Manager, LLC (owned by Ovation Affordable Housing, Inc. and Coordinated Living of Southern Nevada, Inc.) and Bank of America, N.A. Bank of America, N.A. will be the equity investor member and will provide

approximately \$13,123,000 of equity through the purchase of 4% low income housing tax credits. The proposed private placement financing structure is in compliance with NRS and NAC Chapter 319 (Nevada Housing Finance Law).

**E. Background of Agenda Item:**

The Project borrower/developer, in concert with the Housing Division's financial team and bond counsel, has prepared the necessary documents to implement this new construction housing project. Further, the project, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

**F. Staff Recommendation:**

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as its "Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments)."

**G. Attorney Opinion:**

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.



July 23, 2018

Stephen Aichroth  
Administrator  
Nevada Housing Division  
1830 College Parkway, Suite 200  
Carson City, NV 89706

Re: Multi-Unit Housing Revenue Bonds  
(Fort Apache Senior Apartments) Series 2018

**pfm**

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1200 Fifth Avenue  
Suite 1220  
Seattle, WA 98101  
206.264.8900

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pfm.com

Dear Mr. Aichroth:

This Memorandum is provided in support of a request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact for the Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments), Series 2018 and authorization for issuance of up to \$27,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund construction of an affordable senior housing development in Las Vegas (“Project”).

**Background:**

As financial advisor to the Nevada Housing Division (“Division”), PFM Financial Advisors LLC (“PFM”) has been tasked to review the application submitted to the Division for financing of the Project. The scope of our work included a review of the application to the Division, the lender financing commitment(s), the tax credit equity investor letter of intent, the funding sources and uses and operating pro-forma provided by the borrower. Additionally, we have had direct conversations with the borrower, representatives of the lenders, and representatives of the equity investor, Division counsel and Division staff. This Memorandum is a summary of our review and key factors supporting the Findings of Fact to be submitted to the State of Nevada Board of Finance.

**Summary of the Proposed Project:**

The Project will be 195 units in a newly constructed senior housing complex located on a 5.0-acre site immediately north of Russell Road and west of Fort Apache Road in unincorporated Clark County. This site is less than ½ mile west of the Bruce Woodbury Beltway. The Project consists of one and two-bedroom units in one building and will have a full complement of common space amenities for recreation, meetings and social gatherings.

The Project sponsor has provided a more extensive narrative description of the Project which is included as Exhibit C and detailed unit rent income and rent restrictions are summarized in the Project Operating Profile contained in Exhibit A.

**Project Developers:**

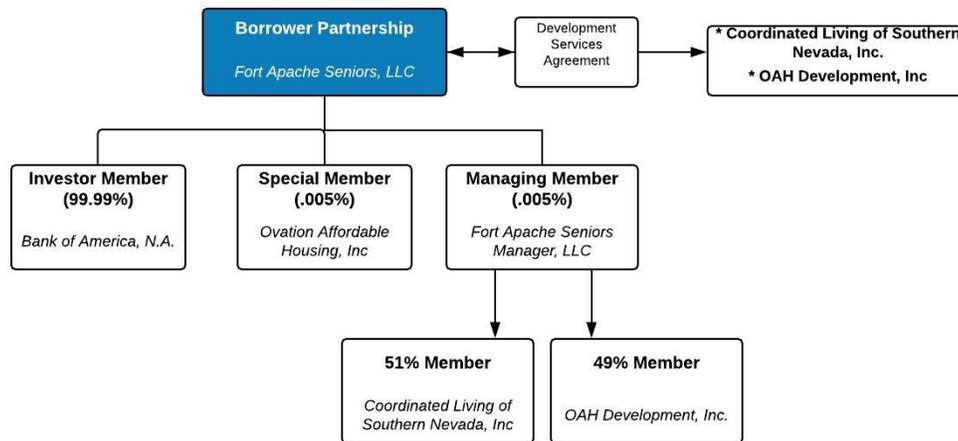
The Project is being co-developed by Ovation Development Corporation, an affiliate of The Molasky Group of Companies, and Coordinated Living of Southern Nevada, Inc., a Nevada non-profit corporation whose mission is to promote the development of affordable housing so that low-income Nevada seniors can age in place in a setting that promotes choice and dignity.



**Project Borrower Entity:**

The borrower/ownership entity will be Fort Apache Seniors, LLC. The LLC will be controlled by Fort Apache Seniors Manager, LLC as Managing Member, whose members will be Ovation Affordable Housing, Inc. (49.0% member and Manager) and Coordinated Living of Southern Nevada, Inc. (51.0% member). Bank of America, N.A. will act as investor member and will provide an equity investment of approximately \$13,123,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low income housing tax credit. Ovation Affordable Housing, Inc. will act as 0.005% Special Member, for tax allocation purposes.

A schematic overview of the Borrower entity is provided below.



**Project Construction:**

Ovation Development Corporation will serve as the general contractor.

**Project Manager:**

Upon completion the Project will be managed by Ovation Property Management. The Project will also contract with a Resident Services Coordinator who will assist residents with remaining financially and physically self-sufficient.

**Summary of the Financing:**

The financing will be in the form of a separate construction loan and permanent loan. The construction loan will be provided by Bank of America and the permanent loan will be provided by Barings LLC as an agent of Massachusetts Mutual Life.

The Construction Loan is estimated to be approximately \$22,350,000. Loan proceeds will be provided to the Division and used to originate a tax-exempt bond issue whose direct proceeds will be used to fund Project construction. Interest on the Construction Loan will be at a variable rate adjusted monthly. The rate will be determined by the LIBOR Daily Rate plus a credit spread of 1.80%. At July 19, 2018 the rate would have been approximately 3.712%.



The Permanent Loan is estimated to be approximately \$14,000,000. Loan proceeds will be applied to fully redeem the Construction Loan upon completion of the Project and achievement of occupancy and net operating income threshold requirements. Interest on the Permanent Loan will be a fixed rate locked concurrently with closure of the Construction Loan. The rate will be determined by the 10-Year U.S. Treasury yield plus a credit spread of 2.25% and a 36-month forward cost factor of 0.06%. At July 19, 2018 the rate would have been approximately 5.157%.

Maximum Permanent Loan-to-Value: 85%

Debt service coverage: 1.15x minimum per lender requirements.

**Reserves:**

The Borrower will fund deposits to a replacement reserve initially set at \$250/unit/year. The required replacement reserve deposits will be increased annually by 3.0%.

The Borrower will also fund an Operating Reserve of \$423,000.

**Sources and Uses**

<b>Sources of Funds</b>		
	<b>Construction Phase</b>	<b>Permanent Phase</b>
NHD Bond/Loan Proceeds	\$22,339,450	\$14,000,000
Clark County HOME/HTF	1,500,000	1,500,000
LIHTC Equity	2,624,645	13,123,222
NHD GAHP Loan	3,000,000	3,000,000
Deferred Developer Fee		2,993,338
<i>Total Sources</i>	\$29,464,095	\$34,616,560
<b>Uses of Funds</b>		
Land	\$2,500,000	\$2,500,000
Site Work	2,609,735	2,609,735
Construction Hard Costs	16,934,469	16,934,469
Hard Cost Contingency	1,368,094	1,368,094
Soft Costs	5,641,527	5,860,992
Soft Cost Contingency	410,270	410,270
Operating Reserve		423,000
Developer Fee		4,510,000
<i>Total Uses</i>	\$29,464,095	\$34,616,560

**Conclusion:**

Exhibit A provides detail on the derivation of projections for rental income and operating expenses and a cash flow projection demonstrating that rental revenue and related sources net of operation expenses are sufficient to provide for debt service on the permanent loan. In addition, the project funding demonstrates sufficient reserves to provide for construction period interest on the construction loan through completion and lease-up of the Project. Exhibit B provides detailed terms of the construction and permanent loans to be provided by Bank of America and Barings LLC.



In summary, PFM believes the proposed financing for the Project reflects prudent affordable housing underwriting criteria and terms which are consistent with Division regulatory provisions. The proposed Project is viewed positively in the local community as evidenced by the endorsement from Clark County. A tax-exempt financing issued through the Division is essential under Federal law to qualify the Project for 4% Low Income Housing Tax Credits without which construction of affordable seniors housing at the proposed restricted income levels would not be possible without significant additional subsidy.

In our opinion, the Project meets the requirements of NRS 319.260 and meets the requirements of NAC 319.712, and we recommend it for submittal to the Board of Finance for approval with debt issuance to be subject to receipt of final loan and equity approval and related third party documentation.

Sincerely,

**PFM Financial Advisors LLC**

Fred Eoff  
*Director*

Enclosures:

Exhibit A: Project Operating Pro Forma

Exhibit B: Bond/Loan Term Sheet

Exhibit C: Borrower Project Narrative

Unit Mix	% AMI Restriction	Number Units	% of Units	Res. SF	Allowable Monthly Rent	Less Utility Allowance	Adjusted Allowable Monthly Rent	Monthly Revenues	Yearly Revenues
<b>1 Bedroom</b>	<50%	2	1.0%	651	\$ 657	\$ -	\$ 657	\$ 1,314	\$ 15,768
	<60%	116	59.5%	651	\$ 789	\$ -	\$ 789	\$ 91,524	\$ 1,098,288
<b>2 Bedroom</b>	<50%	1	0.5%	863	\$ 788	\$ -	\$ 788	\$ 788	\$ 9,456
	<60%	76	39.0%	863	\$ 946	\$ -	\$ 946	\$ 71,896	\$ 862,752
<b>Total Units</b>		<b>195</b>						<b>\$165,522</b>	<b>\$1,986,264</b>

**Debt Factors**

Senior Loan Amount	\$14,000,000
Loan Term/Amortization	17/40
Initial Senior Loan Rate	5.427%
Annual Debt Service	\$858,165

**NHD GAHP Loan**

GAHP Loan Amount	\$3,000,000
GAHP Loan Rate	3.00%
Loan Term	30

**Partnership Fees**

Development Fee	\$4,510,000
Deferred Development Fee	\$2,993,338
Asset Management Fees	\$12,500

**Trend Assumptions**

Income	2.00%
Expenses	3.00%
Vacancy	5.00%

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Income</b>										<b>75%</b>
Annual Gross Rental Income	\$2,025,989	\$2,066,509	\$2,107,839	\$2,149,996	\$2,192,996	\$2,236,856	\$2,281,593	\$2,327,225	\$2,373,769	\$2,421,245
Other: Ancillary Revenue	33,296	33,962	47,373	48,320	49,287	50,273	51,278	52,304	53,350	54,417
Total Residential Income	\$2,059,285	\$2,100,471	\$2,155,212	\$2,198,316	\$2,242,283	\$2,287,128	\$2,332,871	\$2,379,528	\$2,427,119	\$2,475,661
Less: Residential Vacancy	(102,964)	(105,024)	(107,761)	(109,916)	(112,114)	(114,356)	(116,644)	(118,976)	(121,356)	(123,783)
<b>Effective Gross Income</b>	<b>\$1,956,321</b>	<b>\$1,995,447</b>	<b>\$2,047,452</b>	<b>\$2,088,401</b>	<b>\$2,130,169</b>	<b>\$2,172,772</b>	<b>\$2,216,227</b>	<b>\$2,260,552</b>	<b>\$2,305,763</b>	<b>\$2,351,878</b>
<b>Adjusted Effective Gross Income</b>	<b>\$733,620</b>	<b>\$1,975,493</b>								
<b>Expenses</b>										
Administrative	\$90,715	\$93,437	\$96,240	\$99,127	\$102,101	\$105,164	\$108,319	\$111,568	\$114,915	\$118,363
Utilities	259,962	267,761	275,793	284,067	292,589	301,367	310,408	319,720	329,312	339,191
Operating & Maintenance	127,949	131,787	135,741	139,813	144,007	148,328	152,777	157,361	162,082	166,944
Payroll	220,935	227,563	234,390	241,422	248,664	256,124	263,808	271,722	279,874	288,270
Taxes & Insurance	23,098	23,791	24,504	25,240	25,997	26,777	27,580	28,407	29,260	30,137
Property Management	18,266	96,188	92,135	93,978	95,858	97,775	99,730	101,725	103,759	105,835
Replacement Reserves		28,438	51,719	53,271	54,869	56,515	58,210	59,956	61,755	63,608
Issuer and Trustee Fees	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
<b>Total Operating Expenses</b>	<b>\$782,924</b>	<b>\$910,964</b>	<b>\$952,523</b>	<b>\$978,917</b>	<b>\$1,006,085</b>	<b>\$1,034,049</b>	<b>\$1,062,832</b>	<b>\$1,092,460</b>	<b>\$1,122,956</b>	<b>\$1,154,348</b>
<b>Adjusted Operating Expenses</b>	<b>\$293,597</b>	<b>\$901,854</b>								
<b>Net Operating Income</b>	<b>\$440,024</b>	<b>\$1,073,638</b>	<b>\$1,094,929</b>	<b>\$1,109,484</b>	<b>\$1,124,084</b>	<b>\$1,138,724</b>	<b>\$1,153,395</b>	<b>\$1,168,092</b>	<b>\$1,182,807</b>	<b>\$1,197,531</b>
Senior Debt Service	\$0	\$500,596	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165
Debt Service Coverage		<b>214%</b>	<b>128%</b>	<b>129%</b>	<b>131%</b>	<b>133%</b>	<b>134%</b>	<b>136%</b>	<b>138%</b>	<b>140%</b>
Cash Flow After Senior Debt/Expenses	<b>\$440,024</b>	<b>\$573,042</b>	<b>\$236,764</b>	<b>\$251,319</b>	<b>\$265,919</b>	<b>\$280,558</b>	<b>\$295,230</b>	<b>\$309,927</b>	<b>\$324,641</b>	<b>\$339,366</b>
LP Asset Management Fee	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
GP Asset Management Fee										
Allocation to Def Dev Fee (100%)	<b>\$435,024</b>	<b>\$567,892</b>	<b>\$231,459</b>	<b>\$245,855</b>	<b>\$260,291</b>	<b>\$274,762</b>	<b>\$289,260</b>	<b>\$303,778</b>	<b>\$318,308</b>	<b>\$332,842</b>
Deferred Dev Fee Pymt	\$435,024	\$567,892	\$231,459	\$245,855	\$260,291	\$274,762	\$289,260	\$303,778	\$318,308	\$68,372
DDF Balance	\$2,559,976	\$1,992,084	\$1,760,625	\$1,514,770	\$1,254,479	\$979,717	\$690,457	\$386,679	\$68,372	\$0
Allocation to GAHP Loan Payment (75%)	<b>\$0</b>	<b>\$198,352</b>								
GAHP Loan Balance	\$3,090,000	\$3,180,000	\$3,270,000	\$3,360,000	\$3,450,000	\$3,540,000	\$3,630,000	\$3,720,000	\$3,810,000	\$3,701,648
Surplus after DDF & GAHP Loan	<b>\$0</b>	<b>\$66,117</b>								

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
<b>Income</b>										
Annual Gross Rental Income	\$2,469,670	\$2,519,063	\$2,569,444	\$2,620,833	\$2,673,250	\$2,726,715	\$2,781,249	\$2,836,874	\$2,893,612	\$2,951,484
Other: Ancillary Revenue	55,505	56,615	57,747	58,902	60,080	\$61,282	\$62,508	63,758	65,033	66,334
Total Residential Income	\$2,525,175	\$2,575,678	\$2,627,192	\$2,679,736	\$2,733,330	\$2,787,997	\$2,843,757	\$2,900,632	\$2,958,645	\$3,017,817
Less: Residential Vacancy	(126,259)	(128,784)	(131,360)	(133,987)	(136,667)	(139,400)	(142,188)	(145,032)	(147,932)	(150,891)
<b>Effective Gross Income</b>	<b>\$2,398,916</b>	<b>\$2,446,894</b>	<b>\$2,495,832</b>	<b>\$2,545,749</b>	<b>\$2,596,664</b>	<b>\$2,648,597</b>	<b>\$2,701,569</b>	<b>\$2,755,600</b>	<b>\$2,810,712</b>	<b>\$2,866,927</b>
<b>Adjusted Effective Gross Income</b>										
<b>Expenses</b>										
Administrative	\$121,914	\$125,571	\$129,338	\$133,218	\$137,215	\$141,331	\$145,571	\$149,938	\$154,437	\$159,070
Utilities	349,367	359,848	370,643	381,763	393,215	405,012	417,162	429,677	442,567	455,844
Operating & Maintenance	171,952	177,111	182,424	187,897	193,534	199,340	205,320	211,480	217,824	224,359
Payroll	296,918	305,826	315,000	324,450	334,184	344,210	354,536	365,172	376,127	387,411
Taxes & Insurance	31,041	31,973	32,932	33,920	34,937	35,986	37,065	38,177	39,322	40,502
Property Management	107,951	110,110	112,312	114,559	116,850	119,187	121,571	124,002	126,482	129,012
Replacement Reserves	65,516	67,482	69,506	71,591	73,739	75,951	78,230	80,577	82,994	85,484
Issuer and Trustee Fees	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
<b>Total Operating Expenses</b>	<b>\$1,186,660</b>	<b>\$1,219,920</b>	<b>\$1,254,156</b>	<b>\$1,289,398</b>	<b>\$1,325,674</b>	<b>\$1,363,016</b>	<b>\$1,401,455</b>	<b>\$1,441,023</b>	<b>\$1,481,753</b>	<b>\$1,523,681</b>
<b>Adjusted Operating Expenses</b>										
<b>Net Operating Income</b>	<b>\$1,212,256</b>	<b>\$1,226,974</b>	<b>\$1,241,676</b>	<b>\$1,256,351</b>	<b>\$1,270,989</b>	<b>\$1,285,581</b>	<b>\$1,300,114</b>	<b>\$1,314,578</b>	<b>\$1,328,959</b>	<b>\$1,343,246</b>
Senior Debt Service	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165
Debt Service Coverage	<b>141%</b>	<b>143%</b>	<b>145%</b>	<b>146%</b>	<b>148%</b>	<b>150%</b>	<b>151%</b>	<b>153%</b>	<b>155%</b>	<b>157%</b>
Cash Flow After Senior Debt/Expenses	<b>\$354,091</b>	<b>\$368,809</b>	<b>\$383,510</b>	<b>\$398,186</b>	<b>\$412,824</b>	<b>\$427,416</b>	<b>\$441,949</b>	<b>\$456,413</b>	<b>\$470,794</b>	<b>\$485,080</b>
LP Asset Management Fee	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
GP Asset Management Fee	\$7,500	\$7,725	\$7,957	\$8,195	\$8,441	\$8,695	\$8,955	\$9,224	\$9,501	\$9,786
Allocation to Def Dev Fee (100%)	<b>\$0</b>									
Deferred Dev Fee Pymt										
DDF Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocation to GAHP Loan Payment (75%)	<b>\$254,904</b>	<b>\$265,622</b>	<b>\$276,319</b>	<b>\$286,986</b>	<b>\$297,615</b>	<b>\$308,199</b>	<b>\$318,728</b>	<b>\$329,193</b>	<b>\$339,586</b>	<b>\$349,895</b>
GAHP Loan Balance	\$3,536,744	\$3,361,122	\$3,174,803	\$2,977,818	\$2,769,537	\$2,544,425	\$2,302,030	\$2,041,898	\$1,763,569	\$1,466,581
Surplus after DDF & GAHP Loan	<b>\$84,968</b>	<b>\$88,541</b>	<b>\$92,106</b>	<b>\$95,662</b>	<b>\$99,205</b>	<b>\$102,733</b>	<b>\$106,243</b>	<b>\$109,731</b>	<b>\$113,195</b>	<b>\$116,632</b>

	2040	2041	2042	2043	2044
<b>Income</b>					
Annual Gross Rental Income	\$3,010,513	\$3,070,724	\$3,132,138	\$3,194,781	\$3,258,677
Other: Ancillary Revenue	\$67,660	\$69,014	\$70,394	\$71,802	\$73,238
<b>Total Residential Income</b>	<b>\$3,078,174</b>	<b>\$3,139,737</b>	<b>\$3,202,532</b>	<b>\$3,266,583</b>	<b>\$3,331,914</b>
Less: Residential Vacancy	(153,909)	(156,987)	(160,127)	(163,329)	(166,596)
<b>Effective Gross Income</b>	<b>\$2,924,265</b>	<b>\$2,982,750</b>	<b>\$3,042,405</b>	<b>\$3,103,254</b>	<b>\$3,165,319</b>
<b>Adjusted Effective Gross Income</b>					
<b>Expenses</b>					
Administrative	\$163,842	\$168,757	\$173,820	\$179,034	\$184,405
Utilities	469,520	483,605	498,113	513,057	528,449
Operating & Maintenance	231,090	238,022	245,163	252,518	260,093
Payroll	399,033	411,004	423,334	436,034	449,115
Taxes & Insurance	41,717	42,969	44,258	45,585	46,953
Property Management	131,592	134,224	136,908	139,646	142,439
Replacement Reserves	88,048	\$88,048	\$88,048	\$88,048	\$88,048
Issuer and Trustee Fees	42,000	42,000	42,000	42,000	42,000
<b>Total Operating Expenses</b>	<b>\$1,566,841</b>	<b>\$1,608,629</b>	<b>\$1,651,644</b>	<b>\$1,695,923</b>	<b>\$1,741,503</b>
<b>Adjusted Operating Expenses</b>					
<b>Net Operating Income</b>	<b>\$1,357,424</b>	<b>\$1,374,121</b>	<b>\$1,390,761</b>	<b>\$1,407,330</b>	<b>\$1,423,816</b>
Senior Debt Service	\$858,165	\$858,165	\$858,165	\$858,165	\$858,165
Debt Service Coverage	<b>158%</b>	<b>160%</b>	<b>162%</b>	<b>1.64</b>	<b>1.66</b>
Cash Flow After Senior Debt/Expenses	<b>\$499,259</b>	<b>\$515,956</b>	<b>\$532,596</b>	<b>\$549,165</b>	<b>\$565,650</b>
LP Asset Management Fee	\$9,031	\$9,301	\$9,581	\$9,868	\$10,164
GP Asset Management Fee	\$10,079	\$10,382	\$10,693	\$11,014	\$11,344
Allocation to Def Dev Fee (100%)	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Deferred Dev Fee Pymt					
DDF Balance	\$0	\$0	\$0	\$0	\$0
Allocation to GAHP Loan Payment (75%)	<b>\$360,111</b>	<b>\$372,205</b>	<b>\$384,242</b>	<b>\$396,212</b>	<b>\$72,402</b>
GAHP Loan Balance	\$1,150,467	\$812,776	\$452,918	\$70,293	\$0
Surplus after DDF & GAHP Loan	<b>\$120,037</b>	<b>\$124,068</b>	<b>\$128,081</b>	<b>\$132,071</b>	<b>\$471,740</b>

**\$22,750,000**  
**Nevada Housing Division**  
**Multi-Unit Housing Revenue Bonds, Series 2018**  
**(Fort Apache Senior Apartments)**

**Bond/Loan Term Sheet**

Lender: Construction Loan: Bank of America  
Permanent Loan: Barings LLC on behalf of Massachusetts Mutual Life

Principal Amount: Construction Loan:  
Not to exceed \$22,750,000  
Permanent Loan:  
-Not to exceed 85% loan to value based on final appraisal  
-Expected to be approximately \$14,000,000

Loan Summary: The Construction Loan will be provided to the Housing Division to provide funding of an interim tax-exempt construction bond issue.  
  
The Permanent Loan will be used to redeem the Construction Loan upon completion of construction and stabilization of threshold occupancy and net operating income requirements.

Interest Payments: Monthly.

Principal Payments: Monthly, commencing at conversion to Permanent Loan

Denominations: Bonds will amortize in equal monthly “loan” form with fractional dollar principal amortization.

Maturity: Construction Loan: Expected to be a maximum of 36 months.  
Permanent Loan: 17 years from conversion closing

Interest Rate: Construction Loan:  
Variable rate determined by the LIBOR Daily Floating Rate plus a spread of 1.80%. As of July 19, 2018, the variable rate would be approximately 3.712% and would be adjusted daily during the construction period. NHD and trustee fees would be paid separately.  
Permanent Loan:  
Fixed rate determined by the 10-Year U.S. Treasury plus a spread of 2.25% and a 36-month forward cost of 0.06%. Based on the 10-year UST yield as of July 19, 2018 the rate would be approximately 5.157%. The rate will be locked at closing of the Construction Loan. NHD and trustee fees would be paid separately.

Redemption: 1) Construction Loan: Prepayment in full at any time from proceeds of the Permanent Loan.  
2) Permanent Loan: Prepayment is permitted at any time on or after 10 years from initial closing at the outstanding principal amount of the loan plus a Prepayment Premium as defined in the loan commitment.

Supplemental Costs/Fees: 1) NHD Annual Fee @ 0.25% (25 bp) paid semiannually in advance  
2) Trustee Annual Fee @ 0.05% (5 bp) paid semiannually in advance

Bond Rating: Not rated

**Fort Apache Senior Apartments**  
 North of Russell Road and West of Fort Apache Road  
 Las Vegas, NV 89148  
 Portion of APN: 163-30-801-009 (5.0 acres)

**Project Description**

**Physical Description**

Fort Apache Senior Apartments is a planned 195-unit affordable senior rental development to be located north of Russell Road and west of Fort Apache Road near Highway 215 in unincorporated Clark County. The Apartments is being co-developed by OAH Development, Inc., which is an affiliate of Ovation Development Corporation, and Coordinated Living of Southern Nevada, Inc., a Nevada non-profit whose mission is to promote the development of affordable housing so that low-income Nevada seniors can age in place in a setting that promotes choice and dignity.

The three-story, new construction elevator residence will include 118 one-bedroom/one-bath units and 77 two-bedroom/one-bath units in one building, all with laundry hook-ups. The Apartments will include a full complement of common space amenities, such as a swimming pool and Jacuzzi, facilities for meetings and social gatherings, a game area, hair salon, wellness center, kitchen, and exercise room. Common area laundry facilities and a reading/media room are also anticipated. Outdoor spaces will include extensive landscaping, picnic tables, benches and barbeques, as well as carport parking for residents.

Fort Apache Senior Apartments will be a certified EnergyStar-rated development. The building will include high efficiency heating and cooling equipment, including high efficiency gas commercial hot water heaters, EnergyStar appliances, low-E vinyl thermal pane windows, high R-value wall and attic insulation. Fort Apache will promote sustainable building techniques through the use of low- or no-VOC paints, carpeting, padding, and adhesives, and formaldehyde-free particleboard and will promote water conservation with low-flow fixtures and extensive xeriscape landscaping.

The development will contract with a Resident Services Coordinator who will assist residents with remaining financially and physically self-sufficient.

**Location and Neighborhood**

Fort Apache Senior Apartments is located on a 5.0-acre parcel north of Russell Road and west of Fort Apache Road in unincorporated Clark County Commission Ward F.

The area is mixed commercial and residential and is located near medical facilities, stores, churches, community services and mass-transit. Directly across Russell Road is a business complex containing several doctor's offices, laboratories, a dentist's office, and a pharmacy. Also within walking distance is Stetson Ranch Plaza, which contains several restaurants, a Nevada State Bank, and an AutoZone. There is a large shopping center just over a half mile away containing a Walmart Supercenter, 99 cent store, Office Depot, Lowe's Home

Improvement, Chase Bank, Bank of America, Ross Dress for Less, Applebee's, and several other restaurants and retail shops. There are several hospitals and medical facilities within a mile of the site, including Southern Hills Hospital and Medical Center, Mountain's Edge Hospital, 21<sup>st</sup> Century Oncology and HealthSouth Desert Canyon Rehabilitation Center. There is a fire station within 1 mile of the site and a post office just over 1.5 miles away.

The Helen Meyer Community Center is just over four miles away. The center contains outdoor recreation areas including ballfields, a fitness course, picnic areas, a playground, tennis courts, and walking path. It also offers a variety of courses and lessons for the community. The West Flamingo Senior Center is about 6 miles from the site. It contains a multi-purpose room, dance studio, game room, computer lab, craft room, lending library, card room, meeting room, exercise room, horseshoe pits, hockey rink, picnic areas, playground, indoor pool, and walking course. The center hosts dance classes, exercise courses, music lessons, arts and crafts, table games, sports, and computer classes. They also organize field trips and holiday events.

There are several bus stops within walking distance of the property. RTC Southern NV Route 201 runs east to west along Russell Road and connects to Tropicana Road via Grand Canyon Drive and Rainbow Road. Bus Route 120 runs north to south along Fort Apache Road from W. Gowan Road to W. Warm Springs Road.

### **Resident Population and Market Demand**

Fort Apache Senior Apartments will be a senior-restricted development available to households with at least one member aged 55 or above. All of the units will be low-income tax credit eligible to households at or below 60% of HUD AMI. Three units will be available to households with incomes at or below 50% of AMI.

The need for affordable senior housing, and especially supportive elderly housing, in the Las Vegas Valley is well documented. The Clark County, North Las Vegas, Boulder City, and Mesquite HUD Consolidated Plan (HCP) 2015-2019 identifies both rental housing serving very low-income and extremely low-income households and housing for persons with special needs, including elderly, as priorities. The plan states: "people over 65 will make up 20% of the population in 2035 (up from 12% in 2012). The aging of the population will decrease demand for single-family detached units and increase demand for housing types specific to seniors... (p. 59)." Additionally, the Consolidated Plan stated a need for over 42,000 additional affordable housing units (p. 117).

In addition, according to the Nevada Housing Division's "Taking Stock 2016" Annual Affordable Apartment Survey, the average vacancy rate for senior LIHTC properties in Nevada is 3.0% lower than family properties (p. 9). In Clark County, vacancy rates for senior units were 2.5% for one bedroom and 1.9% for two bedroom units, up 0.1 and down 1.2% from 2015 respectively (p. 15). These low vacancy rates and long waiting lists indicate a severe need for affordable senior housing in Clark County and the surrounding areas.

The Fort Apache Senior Apartments project will meet a growing need for barrier-free and affordable housing for seniors in the Las Vegas Valley.

**Development Team Experience**

Fort Apache Senior Apartments is being co-developed by OAH Development, Inc., an affiliate of Ovation Development Corporation, and Coordinated Living of Southern Nevada, Inc., a Nevada non-profit corporation whose mission is to promote the development of affordable housing so that Nevada seniors can age in place in a setting that promotes control, choice and dignity. Ovation Development Corporation will act as general contractor and will serve as the 49% member of the .005% Managing Member LLC. Ovation Business Services, dba Ovation Property Management, an affiliate of Ovation Development Corporation, will act as the property manager.

The project will be owned by a new, to-be-create sole purpose entity, Fort Apache Seniors, LLC. The .005% Managing Member will be a new, to-be-create sole purpose entity, Fort Apache Seniors Manager, LLC, and the .005% Special Member will be Ovation Affordable Housing, Inc. CLSN will be the 51% member and Ovation the 49% member of the Manager LLC.

**Ovation Development Corporation**

Since 1984, Ovation and its Founder, Alan Molasky, have built 38 apartment communities in the Las Vegas area comprising 9,217 units valued in excess of one billion dollars. Ovation completed its first tax credit senior apartment community, the 142-unit mixed-income Acapella Apartments, in June 2012. Since then, Ovation has completed seven other affordable senior communities that are all nearly 100% leased:

- Acapella Senior Apartments (142-unit senior mixed-income community) opened in 2012
- Minuet Senior Apartments (75-unit senior mixed-income community) opened in June 2013;
- Tempo Apartments (101 senior tax credit community) opened in April 2014;
- Acapella Duet Apartments (80-unit senior mixed-income community) opened in March 2015; and.
- Ensemble Apartments (182-unit senior tax credit community) opened in June 2015;
- Tempo Duet (a 75-unit senior tax credit community) opened in February 2016
- Ensemble Duet (a 188-unit senior tax credit community) opened in June 2016
- Minuet Senior Apartments Phase II (60-unit senior mixed-income community) opened in June 2017
- Russell III (105-unit senior mixed-mixed income community) completing construction in June 2018
- Tenaya Senior Apartments (a 272-unit senior tax credit community) began construction in May 2018

Ovation is currently developing one other affordable senior housing development in Las Vegas in addition to Fort Apache Senior Apartments. Russell Senior Apartments Phase III (105-unit senior mixed-income community) was awarded low-income housing tax credits in 2016 and began construction in June 2017.

Ovation Development's focus is the design, construction, and operation of Class A apartment communities in metropolitan Las Vegas. Ovation Property Management manages 20 properties (5,396 units) of which an affiliated company owns 17 properties (4,288 units). The apartment

communities constructed, and currently under development by Ovation are considered to be the premiere apartment communities in Las Vegas.

Alan Molasky, Ovation's CEO and Founder, has been involved in the design and development of retail, commercial, office, country club and industrial projects for over three decades. He had a lead role in the design and development of Best in the West and Best on the Boulevard retail power centers as well as Bank of America West office building and Pacific Industrial Park. Alan was also heavily involved in the design and development of Las Vegas' premier, luxury high-rise condominium project, Park Towers. Under Alan's supervision, Pacific Homes grew into one of the largest homebuilders in Las Vegas and closed in excess of 4,750 homes. Through various companies under Alan Molasky's control and ownership he has developed and managed in excess of \$2 billion of real estate in Nevada and California. Alan takes extreme pride in his architectural design and cost control abilities.

Alan Molasky is also a partner and co-owner of The Molasky Group of Companies. The Molasky Group is a diversified group of real estate companies responsible for much of the Las Vegas' current skyline. In a relatively short time, The Molasky Group has also positioned itself to compete for build-to-suit deals and is now on the fast track for low-bid government contracts. New buildings for the Internal Revenue Service, the Social Security Administration, Nevada Department of Corrections and the Southern Nevada Water Authority are prime examples of how the company uses state-of-the-art strategies to build cost effectively while offering a diversity of tenant driven services. The Molasky Group has earned a reputation for skillfully managing design build projects for county, state and federal government agencies. The management team prides itself on "thinking outside the box" and providing unique and often demanding requirements and solutions to government needs. A proven low cost provider, the development team's primary focus is communication with the tenant. The company is large enough to be efficient and cost effective but small enough to be adaptable and highly responsive to tenant's needs.

#### OAH Development, Inc.

After the addition of tax credit entities to Ovation's business line, the management team created a new entity for the purpose of developing these projects. OAH Development, Inc. (OAH) has the same ownership and officers as Ovation Development Corporation (ODC), and therefore the same level of experience and expertise. ODC will remain as the contractor and manager of the managing member, so there will be no noticeable difference in our dealings with the Housing Division.

#### Coordinated Living of Southern Nevada, Inc. ("CLSN")

CLSN is a new Nevada non-profit organization whose mission is to promote the development of affordable housing so that low-income Nevada seniors can age in place in a setting that promotes individual control, autonomy, choice, and dignity. In 2012, Ovation Development Corporation ("Ovation") initiated the formation of CLSN after recognizing the need for a local non-profit that could act as an umbrella organization for the provision of resident services and transportation to affordable senior housing developments.

CLSN was formed in December 2012 as a Nevada non-profit organization, pursuant to NRS Chapter 82. It received its non-profit designation under 501(c)(3) of the IRS Code on January 23, 2014. Its Board of Directors is independent of Ovation, with only one related member, and will be self-appointing.

CLSN will act in a number of capacities on the Fort Apache Senior Apartments project. First, CLSN will be a 51% member of the managing member entity to Fort Apache Seniors, LLC, which will own the Apartments. Second, CLSN will co-develop the Apartments with Ovation and will in turn receive a portion of the developer fee, which will allow it to further its resident services mission. Third, as the recipient of the requested HOME funds, CLSN will lend the funds to the ownership LLC, and will in turn ensure project compliance to the Clark County under the HUD HOME rules. Finally, we anticipate that CLSN will contract with the Resident Services Coordinator at the Apartments and will coordinate the transportation program there and at other affordable senior housing developments in Las Vegas.

With its non-profit affordable housing mission, CLSN will act as an asset manager and long-term steward for the Fort Apache Senior Apartments property, perhaps exercising the non-profit Right of First Refusal at the end of the 15-year tax credit compliance period to ensure long-term affordability.

#### Praxis Consulting Group, LLC

Ovation and CLSN receive consulting assistance from Praxis Consulting Group, LLC. Formed in 2004, Praxis is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations develop and finance affordable housing. Praxis also carries out research and technical assistance in the areas of community development, non-profit capacity building, fund-raising and public policy development. Since 2005, Praxis has secured the financing for over 45 affordable housing developments in Nevada, totaling over 4,200 units and \$600 million in financing. Financing sources have included project-based housing choice vouchers, public housing operating subsidy, private grants, tax-exempt bonds, 4 percent and 9 percent tax credits, ARRA TCAP and Section 1602 funds, HUD HOME and state housing trust funds, state transitional housing monies, FHLB AHP funds, as well as conventional construction and permanent debt.

#### **Supportive Services**

Fort Apache Senior Apartments will contract with a Resident Services Coordinator who will assist residents with remaining financially and physically self-sufficient. Services will include programs such as nutrition education through the University of Nevada Cooperative Extension, meal delivery to those who are eligible, homemaker assistance through the County Homemaker Health Aide Program, credit counseling and legal aid from Consumer Credit Counseling Services, transportation assistance, and visits by the County mobile book van. The Service Coordinator will also assist residents in accessing resources available to low-income elderly in the community, such as home health care and homemaker assistance, taxi vouchers, rental rebates, and emergency food.

Fort Apache Senior Apartments plans to provide transportation services for the residents via Las Vegas Senior Lifeline or a similar service provider.

Ovation Property Management maintains a monthly newsletter/calendar featuring health and wellness workshops, exercise courses and dance classes, community game nights, hobby groups and clubs, movie viewings, and weekly social outings and events. On-site services are offered in various community spaces, including a multi-purpose room with kitchen, a hair salon, an exercise room, a game room, and a small library with donated books and puzzles. In addition, an outdoor swimming pool/spa is available for individual use and aquatics classes. Ovation and CLSN plan to offer a comparable active social calendar to residents at Fort Apache.

### **Financing**

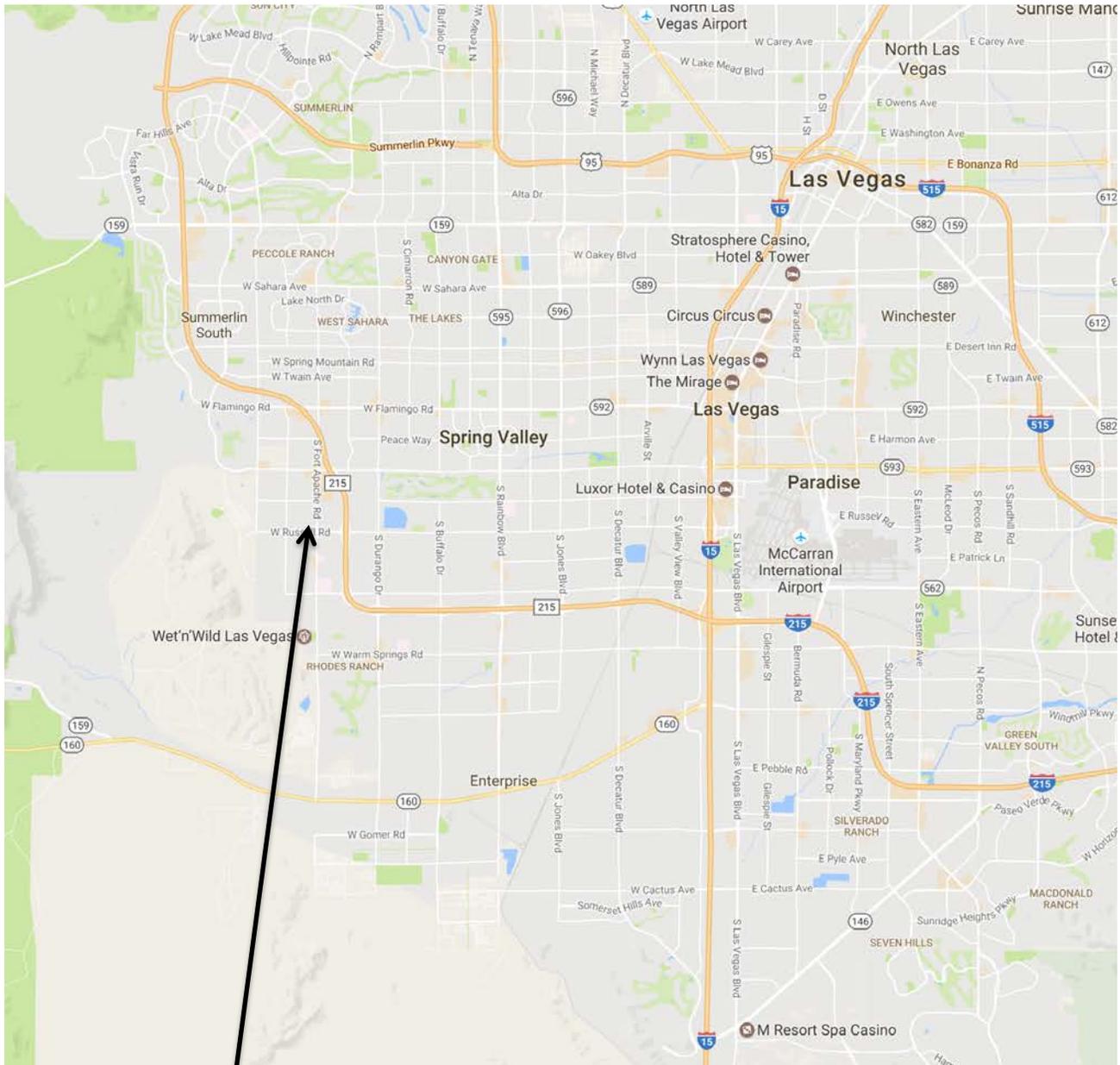
The financing for Fort Apache Senior Apartments will include tax-exempt bonds issued by the Nevada Housing Division (NHD), equity from the sale of non-competitive 4% Low Income Housing Tax Credits, and HOME/LIHTF funds from Clark County. The developers also plan to apply for gap financing through the new NHD Growing Affordable Housing Program (GAHP). The GAHP funding is designed to help innovative quality affordable housing projects meet the necessary underwriting criteria to utilize the NHD tax-exempt bond and 4% Low-Income Housing Tax Credit programs.

The site is located within zip code 89148, which is a HUD Small Area Difficult Development Area (SADDA) in 2018, qualifying Fort Apache Senior Apartments for a 130% boost in tax credit eligible basis. The SADDA is a new initiative by HUD, begun in 2016, which provides additional incentives for the creation of affordable housing in middle to upper income zip codes. (The household income in the immediate vicinity of the proposed Fort Apache Senior Apartments is about 93.65% of AMI.) Combined with the proposed NHD GAHP financing, these two important financing innovations will allow for a new generation of bond-financed, new construction multi-family development in Southern Nevada. The estimated total development cost is \$34.2 million, or about \$175,662 per unit.

Fort Apache Senior Apartments will close by September 2018 and start construction in approximately October 2018, with construction completion by June 2020 and conversion in June 2021.

**Fort Apache Senior Apartments**  
North of Russell Road and West of Fort Apache Road  
Las Vegas, NV 89148  
Portion of APN: 163-30-801-009 (5.0 acres)

**Location Map**



**SITE**

**Fort Apache Senior Apartments**  
North of Russell Road and West of Fort Apache Road  
Las Vegas, NV 89148  
Portion of APN: 163-30-801-009 (2.5 acres)

**Aerial Photo**



**SITE**

**Fort Apache Senior Apartments**  
North of Russell Road and West of Fort Apache Road  
Las Vegas, NV 89148  
Portion of APN: 163-30-801-009 (5.0 acres)

**Preliminary Site Plan**



**Fort Apache Senior Apartments**  
North of Russell Road and West of Fort Apache Road  
Las Vegas, NV 89148  
Portion of APN: 163-30-801-009 (2.5 acres)

**Rendered Elevation Detail**



RESOLUTION NO. 7-18-17-1

RESOLUTION TO TRANSFER CLARK COUNTY 2017 PRIVATE  
ACTIVITY BOND VOLUME CAP TO THE NEVADA HOUSING DIVISION AND  
THE NEVADA RURAL HOUSING AUTHORITY

1. **WHEREAS**, pursuant to the provisions of ch. 348A of Nevada Revised Statutes ("NRS") and ch. 348A of the Nevada Administrative Code ("NAC"), Clark County, Nevada (the "County"), has been allocated tax-exempt private activity bond volume cap for calendar year 2017 ("volume cap") in the amount of \$49,889,145.54; and

2. **WHEREAS**, the County has received requests for an allocation of volume cap ("Applications"), for the Housing Division (the "Housing Division") of the Department of Business and Industry (the "Department") for the Coordinated Living of Southern Nevada ("CLSN") for the construction of Fort Apache Senior Apartments; for the Housing Division for its owner-occupied mortgage programs (bonds and MCCs); and for the Nevada Rural Housing Authority ("NRHA") for its single family owner-occupied mortgage credit certificate ("MCC") program; and

3. **WHEREAS**, the County desires to prevent the County's volume cap from reverting to the State.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF CLARK COUNTY, NEVADA:**

Section 1. The County hereby transfers its 2017 volume cap to the Director (the "Director") of the Department with a request that the Director allocate that volume cap as follows for the Projects described below:

Sponsor & Project Description	Amount of Volume Cap Allocation
(a) Housing Division for CLSN for the Fort Apache Senior Apartments in Clark County	\$9,400,000.00
(b) Housing Division for Single Family Homeownership Programs in Clark County	\$37,489,145.54
(c) NRHA for Single Family MCC Program in rural Clark County	\$3,000,000.00

CERTIFIED COPY  
DOCUMENT ATTACHED IS A  
TRUE AND CORRECT COPY OF  
THE DOCUMENT OR DATA ON FILE  
MINUS ANY REDACTED PORTIONS

JUL 24 2017

*Lynn Marie Boyer*  
CLERK

**Section 2.** To the extent necessary to effectuate Section 1 hereof, the Director of the Department is requested to transfer the volume cap described in Section 1(a) and 1(b) to the Housing Division and in Section 1(c) to NRHA.

**Section 3.** Pursuant to Section 348A.220 of NAC, the County hereby certifies that it has used \$0 of its allocation for calendar year 2017, and that it intends to use and hereby reserves the entire unused portion of its volume cap. The County also hereby reserves all amounts transferred to the County by the Director, by any cities in the County or by any other local governments during the calendar year for the projects for which those transfers are made.

**Section 4.** Pursuant to Section 348A.180 of NAC, the County provides the following information: a representative of the County with whom the Director may communicate regarding this resolution is Donna Daniels, Principal Planner, Community Resources Management, Clark County Department of Social Service. Ms. Daniels may be contacted by telephone at (702) 455-5025 or by e-mail at [Donna.Daniels@ClarkCountyNV.gov](mailto:Donna.Daniels@ClarkCountyNV.gov) or by mail to: Donna Daniels, Principal Planner, Community Resources Management, Clark County Department of Social Service, 1600 Pinto Lane, Las Vegas, Nevada 89106.

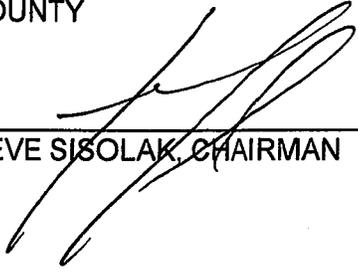
**Section 5.** The County Clerk is hereby authorized and directed to mail a certified copy of this Resolution to the Director, the Secretary of the State Board of Finance, the Housing Division and NRHA.

**Section 6.** Nothing in this Resolution obligates the County to issue bonds for any particular project or to grant approvals for a project or constitutes a representation that such bonds will be issued, that such projects will be approved, or that any county volume cap will be made available for any particular project. This Resolution may be amended or repealed at any time by the County in its sole discretion before the bonds are issued which use the volume cap allocated herein. After bonds are issued, no such amendment or repeal is permissible if it would change the allocation of volume cap to the bonds which were issued.

Section 7. This Resolution shall be effective upon its passage and approval.

PASSED, ADOPTED, and APPROVED this 18th day of July, 2017.

BOARD OF COUNTY COMMISSIONERS  
CLARK COUNTY

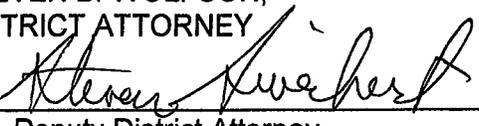
By   
STEVE SISOLAK, CHAIRMAN

ATTEST:

  
LYNN GOYA, COUNTY CLERK  
(Seal)

APPROVED AS TO FORM:

STEVEN B. WOLFSON,  
DISTRICT ATTORNEY

By:   
Deputy District Attorney

**CLARK COUNTY BOARD OF COMMISSIONERS  
AGENDA ITEM**

**Petitioner:** Michael J. Pawlak, Director, Social Service

**Recommendation:**

**That the Board of County Commissioners approve, adopt and authorize the Chair to sign a Resolution for the reservation of Clark County's allocation of Private Activity Bond Volume Cap for calendar year 2017 in the amount of \$49,889,145.54; and authorize the Chair to sign related documents. (For possible action)**

**FISCAL IMPACT:**

Fund #: N/A	Fund Name: N/A
Fund Center: N/A	Funded Program/Grant: N/A
Description: Private Activity Bonds	Amount: \$49,889,145.54

Added Comments: Bond issuance costs are paid by end users.

**BACKGROUND:**

Under the provisions of Chapter 348A of the Nevada Revised Statutes and 348A of the Nevada Administrative Code, Clark County is allocated Private Activity Bond Volume Cap based on the population of the County. For calendar year 2017, the County's allocation is \$49,889,145.54. Through adoption of this resolution, Clark County will meet the State requirement to indicate the intended use or reservation of the Private Activity Bond Volume Cap for specific projects on or before September 1.

Clark County received an application for volume cap from Coordinated Living of Southern Nevada (CLSN) for a 193-unit multifamily senior housing development. CLSN is recommended to receive \$9,400,000. Clark County also received a request from the State of Nevada Housing Division to set-aside bond cap for single family homeownership programs. The Nevada Housing Division is recommended to receive \$37,489,145.54 for its single-family homeownership programs. The Nevada Rural Housing Authority requested bond cap for single family Mortgage Credit Certificate program, and this resolution will set aside \$3,000,000 for those purposes. The following is the breakdown of the recommended allocation of the volume cap:

Coordinated Living of Southern Nevada , Fort Apache Senior Apartments	\$ 9,400,000.00
Nevada Housing Division, Single Family Homeownership Programs	\$37,489,145.54
Nevada Rural Housing Authority, Mortgage Credit Certificate Program	\$ 3,000,000.00

**ACTION: APPROVED (RESOLUTION NO. 7-18-17-1) AS  
RECOMMENDED**

Respectfully submitted,

*Bobby J. Gordon for Michael J. Pawlak*

Michael J. Pawlak, Director, Social Service

Cleared for Agenda

7/18/17 40

Agenda Item #

24



**Dan Schwartz**  
*State Treasurer*

STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kimberly Shafer, Deputy Treasurer - Investments

SUBJECT: 8/14/2018 BoF Agenda Item #7 – Consideration and Approval of form of master repurchase agreements pursuant to NRS 355.140(2)(a)(3)

DATE: August 6, 2018

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***Agenda Item #7***

For possible action - Consideration and Approval of form of master repurchase agreements pursuant to NRS 355.140(2)(a)(3)

***Background:***

NRS 355.140 (2)(a)(3) requires the State Treasurer to have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the State Treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act, 11 U.S.C.

In 2016, the State Board of Finance approved the master repurchase agreement for use with three counterparties. The approved master repurchase agreement was created by the Bond Market Association and has not changed since 1996. However, the State Treasurer's office does have modifications to the supplemental terms and conditions (Annex I) for each of the two new agreements. Our office, in conjunction with the Attorney General's Office modified these supplemental agreements to ensure terms most appropriate to the State. Please find attached the two new master repurchase agreements for utilization in the State General Portfolio investments.

***Recommendation:***

I respectfully request consideration and approval of the form of these master repurchase agreements, including the supplemental agreements.

**CARSON CITY OFFICE**

101 N. Carson Street, Suite 4  
Carson City, Nevada 89701-4786  
(775) 684-5600 Telephone  
(775) 684-5623 Fax

**STATE TREASURER PROGRAMS**

Millennium Scholarship Program  
Nevada Prepaid Tuition Program  
Unclaimed Property  
Upromise College Fund 529 Plan

**LAS VEGAS OFFICE**

555 E. Washington Avenue, Suite 4600  
Las Vegas, Nevada 89101-1074  
(702) 486-2025 Telephone  
(702) 486-3246 Fax



# Master Repurchase Agreement

September 1996 Version

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Dated as of: **July 20, 2018**

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Between: **RBC CAPITAL MARKETS, LLC**

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and **STATE OF NEVADA**

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## 1. Applicability

From time to time the parties hereto may enter into transactions in which one party (“Seller”) agrees to transfer to the other (“Buyer”) securities or other assets (“Securities”) against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a “Transaction” and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in Annex I hereto and in any other annexes identified herein or therein as applicable hereunder.

## 2. Definitions

- (a) “Act of Insolvency”, with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment or election, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by such party of a general assignment for the benefit of creditors, or (iv) the admission in writing by such party of such party’s inability to pay such party’s debts as they become due;
- (b) “Additional Purchased Securities”, Securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;

- (c) “Buyer’s Margin Amount”, with respect to any Transaction as of any date, the amount obtained by application of the Buyer’s Margin Percentage to the Repurchase Price for such Transaction as of such date;
- (d) “Buyer’s Margin Percentage”, with respect to any Transaction as of any date, a percentage (which may be equal to the Seller’s Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction;
- (e) “Confirmation”, the meaning specified in Paragraph 3(b) hereof;
- (f) “Income”, with respect to any Security at any time, any principal thereof and all interest, dividends or other distributions thereon;
- (g) “Margin Deficit”, the meaning specified in Paragraph 4(a) hereof;
- (h) “Margin Excess”, the meaning specified in Paragraph 4(b) hereof;
- (i) “Margin Notice Deadline”, the time agreed to by the parties in the relevant Confirmation, Annex I hereto or otherwise as the deadline for giving notice requiring same-day satisfaction of margin maintenance obligations as provided in Paragraph 4 hereof (or, in the absence of any such agreement, the deadline for such purposes established in accordance with market practice);
- (j) “Market Value”, with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) as of such date (unless contrary to market practice for such Securities);
- (k) “Price Differential”, with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);
- (l) “Pricing Rate”, the per annum percentage rate for determination of the Price Differential;
- (m) “Prime Rate”, the prime rate of U.S. commercial banks as published in The Wall Street Journal (or, if more than one such rate is published, the average of such rates);
- (n) “Purchase Date”, the date on which Purchased Securities are to be transferred by Seller to Buyer;

- (o) "Purchase Price", (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, except where Buyer and Seller agree otherwise, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 5 hereof;
- (p) "Purchased Securities", the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) hereof and shall exclude Securities returned pursuant to Paragraph 4(b) hereof;
- (q) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;
- (r) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination;
- (s) "Seller's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Seller's Margin Percentage to the Repurchase Price for such Transaction as of such date;
- (t) "Seller's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Buyer's Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction.

### **3. Initiation; Confirmation; Termination**

- (a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.
- (b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with

respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.

- (c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) against the transfer of the Repurchase Price to an account of Buyer.

#### **4. Margin Maintenance**

- (a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).
- (b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Seller's Margin Amount (increased by the amount of any Margin Excess as of such date arising from any Transactions in which such Seller is acting as Buyer).
- (c) If any notice is given by Buyer or Seller under subparagraph (a) or (b) of this Paragraph at or before the Margin Notice Deadline on any business day, the party receiving such notice shall transfer cash or Additional Purchased Securities as provided in such subparagraph no later than the close of business in the relevant market on such day. If any such notice is given after the Margin Notice Deadline, the party receiving such notice shall transfer such cash or Securities no later than the close of business in the relevant market on the next business day following such notice.
- (d) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.

- (e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess, as the case may be, exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).
- (f) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

## **5. Income Payments**

Seller shall be entitled to receive an amount equal to all Income paid or distributed on or in respect of the Securities that is not otherwise received by Seller, to the full extent it would be so entitled if the Securities had not been sold to Buyer. Buyer shall, as the parties may agree with respect to any Transaction (or, in the absence of any such agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is paid or distributed either (i) transfer to or credit to the account of Seller such Income with respect to any Purchased Securities subject to such Transaction or (ii) with respect to Income paid in cash, apply the Income payment or payments to reduce the amount, if any, to be transferred to Buyer by Seller upon termination of such Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence (A) to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities sufficient to eliminate such Margin Deficit, or (B) if an Event of Default with respect to Seller has occurred and is then continuing at the time such Income is paid or distributed.

## **6. Security Interest**

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Securities with respect to all Transactions hereunder and all Income thereon and other proceeds thereof.

## **7. Payment and Transfer**

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer.

## 8. Segregation of Purchased Securities

To the extent required by applicable law, all Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Securities shall pass to Buyer on the Purchase Date and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise selling, transferring, pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraph 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

### **Required Disclosure for Transactions in Which the Seller Retains Custody of the Purchased Securities**

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they [will]\* [may]\*\* be subject to liens granted by Seller to [its clearing bank]\* [third parties]\*\* and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy [the clearing]\* [any]\*\* lien or to obtain substitute securities.

\* Language to be used under 17 C.F.R. §403.4(e) if Seller is a government securities broker or dealer other than a financial institution.

\*\* Language to be used under 17 C.F.R. §403.5(d) if Seller is a financial institution.

## 9. Substitution

- (a) Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.
- (b) In Transactions in which Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; provided, however, that such other Securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

## 10. Representations

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it will engage in such Transactions as principal (or, if agreed in writing, in the form of an annex hereto or otherwise, in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

## 11. Events of Default

In the event that (i) Seller fails to transfer or Buyer fails to purchase Purchased Securities upon the applicable Purchase Date, (ii) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (iii) Seller or Buyer fails to comply with Paragraph 4 hereof, (iv) Buyer fails, after one business day's notice, to comply with Paragraph 5 hereof, (v) an Act of Insolvency occurs with respect to Seller or Buyer, (vi) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vii) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

- (a) The nondefaulting party may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default to have occurred hereunder and, upon the exercise or deemed exercise of such option, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). The nondefaulting party shall (except upon the occurrence of an Act of Insolvency) give notice to the defaulting party of the exercise of such option as promptly as practicable.
- (b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations in such Transactions to repurchase all Purchased Securities, at the Repurchase Price therefor on the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph, shall thereupon become immediately due and payable, (ii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and (iii) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession or control.

- (c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the nondefaulting party of payment of the aggregate Repurchase Prices for all such Transactions, all right, title and interest in and entitlement to all Purchased Securities subject to such Transactions shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.
- (d) If the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, the nondefaulting party, without prior notice to the defaulting party, may:
  - (i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and
  - (ii) as to Transactions in which the defaulting party is acting as Buyer, (A) immediately purchase, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing offer quotation from such a source.

Unless otherwise provided in Annex I, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).

- (e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party for any excess of the price paid (or deemed paid) by the nondefaulting party for Replacement Securities over the Repurchase Price for the Purchased Securities replaced thereby and for any amounts payable by the defaulting party under Paragraph 5 hereof or otherwise hereunder.
- (f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the

amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of the option referred to in subparagraph (a) of this Paragraph.

- (g) The defaulting party shall be liable to the nondefaulting party for (i) the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction.
- (h) To the extent permitted by applicable law, the defaulting party shall be liable to the nondefaulting party for interest on any amounts owing by the defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full by the defaulting party or (ii) satisfied in full by the exercise of the nondefaulting party's rights hereunder. Interest on any sum payable by the defaulting party to the nondefaulting party under this Paragraph 11(h) shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.
- (i) The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

## **12. Single Agreement**

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

## **13. Notices and Other Communications**

Any and all notices, statements, demands or other communications hereunder may be given by a party to the other by mail, facsimile, telegraph, messenger or otherwise to the address specified in Annex II hereto, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices, demands and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.

#### **14. Entire Agreement; Severability**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

#### **15. Non-assignability; Termination**

- (a) The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party, and any such assignment without the prior written consent of the other party shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.
- (b) Subparagraph (a) of this Paragraph 15 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Paragraph 11 hereof.

#### **16. Governing Law**

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

#### **17. No Waivers, Etc.**

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to Paragraph 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

#### **18. Use of Employee Plan Assets**

- (a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

- (b) Subject to the last sentence of subparagraph (a) of this Paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.
- (c) By entering into a Transaction pursuant to this Paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

## **19. Intent**

- (a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (b) It is understood that either party's right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.
- (c) The parties agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual payment obligation", respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a "financial institution" as that term is defined in FDICIA).

## **20. Disclosure Relating to Certain Federal Protections**

The parties acknowledge that they have been advised that:

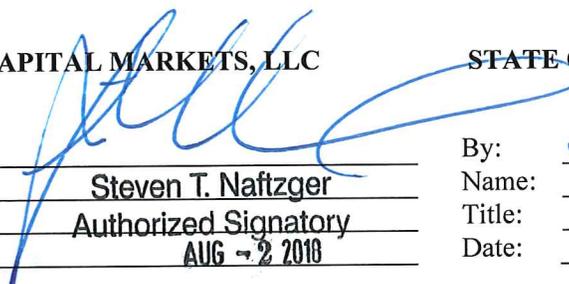
- (a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has

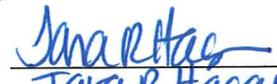
taken the position that the provisions of the Securities Investor Protection Act of 1970 (“SIPA”) do not protect the other party with respect to any Transaction hereunder;

- (b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and
- (c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

**RBC CAPITAL MARKETS, LLC**

**STATE OF NEVADA**

By:   
Name: Steven T. Naftzger  
Title: Authorized Signatory  
Date: AUG 2 2018

By:   
Name: Tara R. Hagan  
Title: Chief Deputy  
Date: 7/31/18

## ANNEX I

### Supplemental Terms and Conditions

This Annex I supplements and forms a part of the Master Repurchase Agreement dated as of July 20, 2018 (the "Agreement") between **RBC Capital Markets, LLC** ("**Party A**") and **State of Nevada** ("**Party B**"). Capitalized terms used but not defined in this Annex I shall have the meanings ascribed to them in the Agreement. In the event of a conflict between the provisions of this Annex I and the Agreement, the provisions of this Annex I shall prevail.

1. **Other Applicable Annexes.** In addition to this Annex I and Annex II, the following Annexes, and any schedules or annexes which supplement and form a part of such Annexes, shall form a part of the Agreement and shall be applicable thereunder: None.
2. **Margin Notice Deadline.** For purposes of the Agreement and this Annex I, "Margin Notice Deadline" means 10:00 a.m. (New York time).
3. **Market Value.** The following language is added at the end of Subparagraph 2(j) of the Agreement: "The pricing source for calculation of Market Value shall be as agreed between the parties, orally or in writing, in relation to any Transaction, or, if no such agreement is reached, shall be determined by Party A acting in good faith."
4. **Purchase Price Maintenance.**
  - (a) Unless otherwise agreed, in any Transaction hereunder whose term extends over an Income payment date for the Securities subject to such Transaction, Buyer shall on the date such Income is paid transfer to or credit to the account of Seller an amount equal to such Income payment or payments pursuant to Paragraph 5(i) of the Agreement and shall not apply the Income payment or payments to reduce the amount to be transferred to Buyer or Seller upon termination of the Transaction pursuant to Paragraph 5(ii) of the Agreement.
  - (b) Notwithstanding the definition of Purchase Price in Paragraph 2 of the Agreement and the provisions of Paragraph 4 of the Agreement, unless otherwise agreed, the parties agree (i) that the Purchase Price will not be increased or decreased by the amount of any cash transferred by one party to the other pursuant to Paragraph 4 of the Agreement and (ii) that transfer of such cash shall be treated as if it constituted a transfer of Securities (with a Market Value equal to the U.S. dollar amount of such cash) pursuant to Paragraph 4(a) or (b), as the case may be (including for purposes of the definition of "Additional Purchased Securities").
5. **Additional Event of Default.** In addition to the Events of Default set forth in Paragraph 11 of the Agreement, the following shall be additional "Events of Default" under the Agreement:
  - (a) Party A determines that the execution, delivery or performance of the Agreement or any Transaction hereunder constitutes a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which no exemption is available;

- (b) Party B becomes an entity whose underlying assets include “plan assets” subject to ERISA by reason of United States Department of Labor Regulation 29 CFR 2510.3-101, as modified by Section 3(42) of ERISA or otherwise; or
- (c) as a result of sovereign action or inaction (directly or indirectly), a party becomes unable to perform any absolute or contingent obligation to make a payment or transfer or to receive a payment or transfer in respect of any Transaction under the Agreement or to comply with any other material provision of the Agreement relating to such Transaction.

6. **Events of Default.**

- (a) Subparagraph 11(a) is deleted and replaced by the following: “The nondefaulting party may, at its option, declare an Event of Default to have occurred hereunder and, upon the giving of a default notice by the nondefaulting party to the defaulting party, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date the default notice is given, such Transaction shall be deemed immediately canceled).”
- (b) Subparagraph 11(d). The first paragraph is deleted and replaced with the following: “If the nondefaulting party exercises the option referred to in subparagraph (a) of this Paragraph and gives a default notice to the defaulting party, the nondefaulting party, on or after the accelerated Repurchase Date, shall be entitled to:”
- (c) Subparagraph 11(d)(i). The word “immediately” is deleted from clause (A) and the words “on such date” are deleted from clause (B).
- (d) Subparagraph 11(d)(ii). The word “immediately” is deleted from clause (A) and the words “on such date” are deleted from clause (B).
- (e) Subparagraph 11 (d). Clause (2) of the last paragraph is deleted and replaced by the following: “(2) if, acting in good faith the nondefaulting party either (a) has endeavored but been unable to sell or purchase Securities or obtain quotations in accordance with subparagraphs (i) and (ii) above; or (b) has determined that it would not be commercially reasonable to sell or purchase Securities at the prices bid or offered, or to obtain such quotations, or that it would not be commercially reasonable to use any quotations it has obtained under subparagraphs (i) and (ii) above, the nondefaulting party may determine the value of the relevant Securities in its sole discretion and”.
- (f) Subparagraph 11(d). The following language is added as clause (4) of the last paragraph: “(4) the generally recognized source referred to in subparagraphs (i) and (ii) above must be an independent, unrelated third party.”
- (g) Subparagraph 11(f). The words “or deemed exercise” are deleted.

7. **Set Off.** Upon the occurrence of an Event of Default, in addition to and not in limitation of any other right or remedy (including any right to set off, counterclaim, or otherwise withhold payment) under applicable law, rule or regulation, the non-defaulting party (“X”)

shall at its option have the right at any time and from time to time, without prior notice to the defaulting party (“Y”) to set off any sum or obligation (whether or not arising under this Agreement and whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed or due by Y to X against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed or due by X to Y (the “Original Obligation”) and, for this purpose, may convert one currency into another at a market rate determined by X. Any such set off shall automatically satisfy and discharge the Original Obligation to Y and, if the Original Obligation exceeds the sum or obligation to be set off against, the Original Obligation shall be novated and replaced by an obligation to pay to Y only the excess of the Original Obligation over such sum or obligation. Y authorizes X, on behalf of and in the name of Y, to do all such acts and to execute all such documents as may be required to effect such application. If any sum or obligation is unascertained, X may in good faith estimate that sum or obligation and set off in respect of that estimate, subject to X or Y, as the case may be, accounting to the other party when such sum or obligation is ascertained.

8. **Additional Representations.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for the Transaction):
- (a) **Non Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.
  - (b) **Assessment and Understanding.** It is capable of assessing the merits of (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks associated with that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
  - (c) **Status of Parties.** The other party is not acting as a fiduciary for or as an advisor to it in respect of that Transaction.
9. **Jurisdiction and Waivers.** With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with the Agreement or any Transaction under the Agreement (“Proceedings”), each party irrevocably:—
- (a) submits to the non-exclusive jurisdiction of the courts of the State of New York;
  - (b) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object,

with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

(c) waives any and all right to trial by jury in any Proceeding.

10. **Waiver of Immunity.** To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under the Agreement or relating in any way to the Agreements or any Transaction under the Agreement.
11. **Ancillary Documents.** Upon execution of the Agreement, each party shall deliver to the other party (i) appropriate evidence of its power and authority to enter into the Agreement and of the true signature of each person signing the Agreement on its behalf and (ii) such other documents as the other party may reasonably request. In addition, each party agrees to deliver, upon execution of the Agreement and thereafter, promptly upon the request of the other party, any form or document, accurately completed and in a manner reasonably satisfactory to the other party, that may be required or reasonably requested in order to allow the other party to make payments under the Agreement without any deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate.
12. **Counterparts; Form of Agreement.** The Agreement may be executed in separate counterparts, each of which will be deemed an original and all such counterparts shall together constitute one and the same instrument. The parties agree that this Agreement, any documents to be delivered pursuant to this Agreement and any notices hereunder may be transmitted between them by email and/or facsimile. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties. The parties agree that the text of the body of the Agreement is intended to be, and to conform with, the Master Repurchase Agreement (September 1996 Version) promulgated by the Securities Industry and Financial Markets Association and shall be construed accordingly.
13. **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential transaction hereunder, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any proceedings arising under or in connection with this Agreement or any transaction hereunder.
14. **FATCA.** Notwithstanding any provision in the Agreement to the contrary:
  - (a) Any Payment under or in respect of the Agreement shall be made subject to any withholding or deduction imposed on such Payment pursuant to or on account of FATCA, and no additional Payment shall be required, nor any Payment increased on account of any such withholding or deduction. Except as provided in subsection (b) of this Section 14, no Party shall be required to indemnify any other Party on

account of any loss, liability or cost imposed as a result of or otherwise arising from such withholding or deduction.

- (b) If the payor is required to make any deduction or withholding pursuant to or on account of FATCA and the payor does not so deduct or withhold and a liability resulting from such failure to withhold or deduct is assessed directly against the payor, then the payee will indemnify the payor therefor and promptly pay to the payor the amount of such liability. The payee's indemnification obligation hereunder shall include any related liability for interest and, if the payee has failed to comply with its obligations under subsection (d) or (e) of this Section 14, shall include any related liability for penalties.
- (c) Any representation or warranty made by a Party with respect to any withholding or deduction being or not being applicable to Payments made under the Agreement shall be deemed not to be made in respect of any withholding or deduction imposed pursuant to or on account of FATCA.
- (d) Each Party agrees to deliver any forms or documentation or information reasonably requested in writing by the other Party in order for the other Party to comply with its obligations under FATCA with respect to the Agreement including, for the avoidance of doubt, any document establishing the non-requesting Party's status under FATCA and any waiver that may be required to permit reporting of any "financial account" as defined under FATCA.
- (e) Each Party agrees to notify the other Party of any circumstances known or reasonably known to it that causes a form, document or other information provided by it pursuant to subsection (d) of this Section 14 to fail to be true.
- (f) For the purpose of this Section 14, the following definitions apply:

"FATCA" means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreement entered into thereunder, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation thereof.

"Payment" means any payment, repayment, transfer, retransfer, delivery or redelivery of any money, asset, property or other right, tangible or intangible, including, without limitation, any set-off against any money, asset, property or other right, tangible or intangible, held under or pursuant to the Agreement.

15. **Outstanding Transactions.** All Transactions entered into between Party A and Party B prior to the date of this Agreement which are outstanding as of the date of this Agreement shall be subject to this Agreement except where specifically stated otherwise in relation to a Transaction.

16. **ERISA.** The parties agree that Paragraph 18 of the Agreement, "Use of Employee Plan Assets", shall be deleted and amended in its entirety to read as follows:

“18. ERISA. Party B represents and warrants to Party A, at any time a Transaction is outstanding under the Agreement, that it is not, and is not acting on behalf of, (A) an “employee benefit plan” within the meaning of Section 3(3) of ERISA (as defined below), subject to the fiduciary responsibility provisions of ERISA, (B) a “plan” within the meaning of Section 4975(e)(1) of the Code (as defined below), to which Section 4975 of the Code applies, (C) a governmental plan or other entity that is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (D) an entity whose underlying assets include “plan assets” subject to ERISA by reason of United States Department of Labor Regulation 29 CFR 2510.3-101, as modified by Section 3(42) of ERISA or otherwise.

Party B hereby agrees to provide notice to Party A in the event that it is aware that it is in breach of any aspect of this representation or is aware that with the passing of time, giving of notice or expiry of any applicable grace period it will breach this representation; and, for the avoidance of doubt, the parties agree that any breach of the representations in this Paragraph 18 shall be material for the purposes of Paragraph 11(vi) of the Agreement.

‘Code’ means the United States Internal Revenue Code of 1986, as amended, and any successor statute.

‘ERISA’ means the United States Employee Retirement Income Security Act of 1974, as amended, and any successor statute.”

RBC Capital Markets, LLC

State of Nevada

By:

By:

Title:

Title:

  
Steven T. Nafziger  
Authorized Signatory  
AUG 2 2010

  
Dana K. Has  
Chief Deputy

## Annex II

### Names and Addresses for Communications between Parties

#### **Party A:**

Address for notices or communications with respect to this Agreement generally shall be given to it at the following address:

RBC Capital Markets, LLC  
200 Vesey Street  
New York, NY 10281

Attention: Thomas Fredericks  
Telephone: (212) 858-7278

Address for notices or communications with respect to Paragraph 11 of this Agreement shall be given to it at the following address:-

Royal Bank of Canada  
2<sup>nd</sup> Floor  
Royal Bank Plaza  
200 Bay Street  
Toronto, Ontario  
CANADA M5J 2W7

Attention: Managing Director – GRM Trading Credit Risk

#### **Party B:**

State of Nevada  
Attn: State Treasurer's Office Investments  
101 N. Carson Street, Ste. 4  
Carson City, NV 89701  
Tel: 775-684-5610  
Fax: 775-684-5776  
E-mail: OSTInvest@nevadatreasurer.gov



# Master Repurchase Agreement

September 1996 Version

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Dated as of: **July 20, 2018**

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Between: **ROYAL BANK OF CANADA**

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and **STATE OF NEVADA**

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## 1. Applicability

From time to time the parties hereto may enter into transactions in which one party (“Seller”) agrees to transfer to the other (“Buyer”) securities or other assets (“Securities”) against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a “Transaction” and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in Annex I hereto and in any other annexes identified herein or therein as applicable hereunder.

## 2. Definitions

- (a) “Act of Insolvency”, with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment or election, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by such party of a general assignment for the benefit of creditors, or (iv) the admission in writing by such party of such party’s inability to pay such party’s debts as they become due;
- (b) “Additional Purchased Securities”, Securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;

- (c) “Buyer’s Margin Amount”, with respect to any Transaction as of any date, the amount obtained by application of the Buyer’s Margin Percentage to the Repurchase Price for such Transaction as of such date;
- (d) “Buyer’s Margin Percentage”, with respect to any Transaction as of any date, a percentage (which may be equal to the Seller’s Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction;
- (e) “Confirmation”, the meaning specified in Paragraph 3(b) hereof;
- (f) “Income”, with respect to any Security at any time, any principal thereof and all interest, dividends or other distributions thereon;
- (g) “Margin Deficit”, the meaning specified in Paragraph 4(a) hereof;
- (h) “Margin Excess”, the meaning specified in Paragraph 4(b) hereof;
- (i) “Margin Notice Deadline”, the time agreed to by the parties in the relevant Confirmation, Annex I hereto or otherwise as the deadline for giving notice requiring same-day satisfaction of margin maintenance obligations as provided in Paragraph 4 hereof (or, in the absence of any such agreement, the deadline for such purposes established in accordance with market practice);
- (j) “Market Value”, with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) as of such date (unless contrary to market practice for such Securities);
- (k) “Price Differential”, with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);
- (l) “Pricing Rate”, the per annum percentage rate for determination of the Price Differential;
- (m) “Prime Rate”, the prime rate of U.S. commercial banks as published in The Wall Street Journal (or, if more than one such rate is published, the average of such rates);
- (n) “Purchase Date”, the date on which Purchased Securities are to be transferred by Seller to Buyer;

- (o) "Purchase Price", (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, except where Buyer and Seller agree otherwise, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 5 hereof;
- (p) "Purchased Securities", the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) hereof and shall exclude Securities returned pursuant to Paragraph 4(b) hereof;
- (q) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;
- (r) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination;
- (s) "Seller's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Seller's Margin Percentage to the Repurchase Price for such Transaction as of such date;
- (t) "Seller's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Buyer's Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction.

### **3. Initiation; Confirmation; Termination**

- (a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.
- (b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with

respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.

- (c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) against the transfer of the Repurchase Price to an account of Buyer.

#### **4. Margin Maintenance**

- (a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).
- (b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Seller's Margin Amount (increased by the amount of any Margin Excess as of such date arising from any Transactions in which such Seller is acting as Buyer).
- (c) If any notice is given by Buyer or Seller under subparagraph (a) or (b) of this Paragraph at or before the Margin Notice Deadline on any business day, the party receiving such notice shall transfer cash or Additional Purchased Securities as provided in such subparagraph no later than the close of business in the relevant market on such day. If any such notice is given after the Margin Notice Deadline, the party receiving such notice shall transfer such cash or Securities no later than the close of business in the relevant market on the next business day following such notice.
- (d) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.

- (e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess, as the case may be, exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).
- (f) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

## **5. Income Payments**

Seller shall be entitled to receive an amount equal to all Income paid or distributed on or in respect of the Securities that is not otherwise received by Seller, to the full extent it would be so entitled if the Securities had not been sold to Buyer. Buyer shall, as the parties may agree with respect to any Transaction (or, in the absence of any such agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is paid or distributed either (i) transfer to or credit to the account of Seller such Income with respect to any Purchased Securities subject to such Transaction or (ii) with respect to Income paid in cash, apply the Income payment or payments to reduce the amount, if any, to be transferred to Buyer by Seller upon termination of such Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence (A) to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities sufficient to eliminate such Margin Deficit, or (B) if an Event of Default with respect to Seller has occurred and is then continuing at the time such Income is paid or distributed.

## **6. Security Interest**

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Securities with respect to all Transactions hereunder and all Income thereon and other proceeds thereof.

## **7. Payment and Transfer**

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer.

## 8. Segregation of Purchased Securities

To the extent required by applicable law, all Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Securities shall pass to Buyer on the Purchase Date and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise selling, transferring, pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraph 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

### **Required Disclosure for Transactions in Which the Seller Retains Custody of the Purchased Securities**

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they [will]\* [may]\*\* be subject to liens granted by Seller to [its clearing bank]\* [third parties]\*\* and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy [the clearing]\* [any]\*\* lien or to obtain substitute securities.

\* Language to be used under 17 C.F.R. §403.4(e) if Seller is a government securities broker or dealer other than a financial institution.

\*\* Language to be used under 17 C.F.R. §403.5(d) if Seller is a financial institution.

## 9. Substitution

- (a) Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.
- (b) In Transactions in which Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; provided, however, that such other Securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

## 10. Representations

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it will engage in such Transactions as principal (or, if agreed in writing, in the form of an annex hereto or otherwise, in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

## 11. Events of Default

In the event that (i) Seller fails to transfer or Buyer fails to purchase Purchased Securities upon the applicable Purchase Date, (ii) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (iii) Seller or Buyer fails to comply with Paragraph 4 hereof, (iv) Buyer fails, after one business day's notice, to comply with Paragraph 5 hereof, (v) an Act of Insolvency occurs with respect to Seller or Buyer, (vi) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vii) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

- (a) The nondefaulting party may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default to have occurred hereunder and, upon the exercise or deemed exercise of such option, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). The nondefaulting party shall (except upon the occurrence of an Act of Insolvency) give notice to the defaulting party of the exercise of such option as promptly as practicable.
- (b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations in such Transactions to repurchase all Purchased Securities, at the Repurchase Price therefor on the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph, shall thereupon become immediately due and payable, (ii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and (iii) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession or control.

- (c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the nondefaulting party of payment of the aggregate Repurchase Prices for all such Transactions, all right, title and interest in and entitlement to all Purchased Securities subject to such Transactions shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.
- (d) If the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, the nondefaulting party, without prior notice to the defaulting party, may:
  - (i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and
  - (ii) as to Transactions in which the defaulting party is acting as Buyer, (A) immediately purchase, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing offer quotation from such a source.

Unless otherwise provided in Annex I, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).

- (e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party for any excess of the price paid (or deemed paid) by the nondefaulting party for Replacement Securities over the Repurchase Price for the Purchased Securities replaced thereby and for any amounts payable by the defaulting party under Paragraph 5 hereof or otherwise hereunder.
- (f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the

amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of the option referred to in subparagraph (a) of this Paragraph.

- (g) The defaulting party shall be liable to the nondefaulting party for (i) the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction.
- (h) To the extent permitted by applicable law, the defaulting party shall be liable to the nondefaulting party for interest on any amounts owing by the defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full by the defaulting party or (ii) satisfied in full by the exercise of the nondefaulting party's rights hereunder. Interest on any sum payable by the defaulting party to the nondefaulting party under this Paragraph 11(h) shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.
- (i) The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

## **12. Single Agreement**

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

## **13. Notices and Other Communications**

Any and all notices, statements, demands or other communications hereunder may be given by a party to the other by mail, facsimile, telegraph, messenger or otherwise to the address specified in Annex II hereto, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices, demands and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.

#### **14. Entire Agreement; Severability**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

#### **15. Non-assignability; Termination**

- (a) The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party, and any such assignment without the prior written consent of the other party shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.
- (b) Subparagraph (a) of this Paragraph 15 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Paragraph 11 hereof.

#### **16. Governing Law**

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

#### **17. No Waivers, Etc.**

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to Paragraph 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

#### **18. Use of Employee Plan Assets**

- (a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

- (b) Subject to the last sentence of subparagraph (a) of this Paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.
- (c) By entering into a Transaction pursuant to this Paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

## **19. Intent**

- (a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (b) It is understood that either party's right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.
- (c) The parties agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual payment obligation", respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a "financial institution" as that term is defined in FDICIA).

## **20. Disclosure Relating to Certain Federal Protections**

The parties acknowledge that they have been advised that:

- (a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has

taken the position that the provisions of the Securities Investor Protection Act of 1970 (“SIPA”) do not protect the other party with respect to any Transaction hereunder;

- (b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and
- (c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

**ROYAL BANK OF CANADA**

**STATE OF NEVADA**

By:   
Name: Steven T. Naftzger  
Title: Authorized Signatory  
Date: AUG 7 2018

By:   
Name: Tava R Hagan  
Title: Chief Deputy  
Date: 7/31/18

## ANNEX I

### Supplemental Terms and Conditions

This Annex I supplements and forms a part of the Master Repurchase Agreement dated as of July 20, 2018 (the "Agreement") between **Royal Bank of Canada ("Party A")** and **State of Nevada ("Party B")**. Capitalized terms used but not defined in this Annex I shall have the meanings ascribed to them in the Agreement. In the event of a conflict between the provisions of this Annex I and the Agreement, the provisions of this Annex I shall prevail.

1. **Other Applicable Annexes.** In addition to this Annex I and Annex II, the following Annexes, and any schedules or annexes which supplement and form a part of such Annexes, shall form a part of the Agreement and shall be applicable thereunder: None.
2. **Margin Notice Deadline.** For purposes of the Agreement and this Annex I, "Margin Notice Deadline" means 10:00 a.m. (New York time).
3. **Market Value.** The following language is added at the end of Subparagraph 2(j) of the Agreement: "The pricing source for calculation of Market Value shall be as agreed between the parties, orally or in writing, in relation to any Transaction, or, if no such agreement is reached, shall be determined by Party A acting in good faith."
4. **Purchase Price Maintenance.**
  - (a) Unless otherwise agreed, in any Transaction hereunder whose term extends over an Income payment date for the Securities subject to such Transaction, Buyer shall on the date such Income is paid transfer to or credit to the account of Seller an amount equal to such Income payment or payments pursuant to Paragraph 5(i) of the Agreement and shall not apply the Income payment or payments to reduce the amount to be transferred to Buyer or Seller upon termination of the Transaction pursuant to Paragraph 5(ii) of the Agreement.
  - (b) Notwithstanding the definition of Purchase Price in Paragraph 2 of the Agreement and the provisions of Paragraph 4 of the Agreement, unless otherwise agreed, the parties agree (i) that the Purchase Price will not be increased or decreased by the amount of any cash transferred by one party to the other pursuant to Paragraph 4 of the Agreement and (ii) that transfer of such cash shall be treated as if it constituted a transfer of Securities (with a Market Value equal to the U.S. dollar amount of such cash) pursuant to Paragraph 4(a) or (b), as the case may be (including for purposes of the definition of "Additional Purchased Securities").
5. **Additional Event of Default.** In addition to the Events of Default set forth in Paragraph 11 of the Agreement, the following shall be additional "Events of Default" under the Agreement:
  - (a) Party A determines that the execution, delivery or performance of the Agreement or any Transaction hereunder constitutes a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which no exemption is available;

- (b) Party B becomes an entity whose underlying assets include “plan assets” subject to ERISA by reason of United States Department of Labor Regulation 29 CFR 2510.3-101, as modified by Section 3(42) of ERISA or otherwise; or
- (c) as a result of sovereign action or inaction (directly or indirectly), a party becomes unable to perform any absolute or contingent obligation to make a payment or transfer or to receive a payment or transfer in respect of any Transaction under the Agreement or to comply with any other material provision of the Agreement relating to such Transaction.

6. **Events of Default.**

- (a) Subparagraph 11(a) is deleted and replaced by the following: “The nondefaulting party may, at its option, declare an Event of Default to have occurred hereunder and, upon the giving of a default notice by the nondefaulting party to the defaulting party, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date the default notice is given, such Transaction shall be deemed immediately canceled).”
- (b) Subparagraph 11(d). The first paragraph is deleted and replaced with the following: “If the nondefaulting party exercises the option referred to in subparagraph (a) of this Paragraph and gives a default notice to the defaulting party, the nondefaulting party, on or after the accelerated Repurchase Date, shall be entitled to:”
- (c) Subparagraph 11(d)(i). The word “immediately” is deleted from clause (A) and the words “on such date” are deleted from clause (B).
- (d) Subparagraph 11(d)(ii). The word “immediately” is deleted from clause (A) and the words “on such date” are deleted from clause (B).
- (e) Subparagraph 11 (d). Clause (2) of the last paragraph is deleted and replaced by the following: “(2) if, acting in good faith the nondefaulting party either (a) has endeavored but been unable to sell or purchase Securities or obtain quotations in accordance with subparagraphs (i) and (ii) above; or (b) has determined that it would not be commercially reasonable to sell or purchase Securities at the prices bid or offered, or to obtain such quotations, or that it would not be commercially reasonable to use any quotations it has obtained under subparagraphs (i) and (ii) above, the nondefaulting party may determine the value of the relevant Securities in its sole discretion and”.
- (f) Subparagraph 11(d). The following language is added as clause (4) of the last paragraph: “(4) the generally recognized source referred to in subparagraphs (i) and (ii) above must be an independent, unrelated third party.”
- (g) Subparagraph 11(f). The words “or deemed exercise” are deleted.

7. **Set Off.** Upon the occurrence of an Event of Default, in addition to and not in limitation of any other right or remedy (including any right to set off, counterclaim, or otherwise withhold payment) under applicable law, rule or regulation, the non-defaulting party (“X”)

shall at its option have the right at any time and from time to time, without prior notice to the defaulting party (“Y”) to set off any sum or obligation (whether or not arising under this Agreement and whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed or due by Y to X against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed or due by X to Y (the “Original Obligation”) and, for this purpose, may convert one currency into another at a market rate determined by X. Any such set off shall automatically satisfy and discharge the Original Obligation to Y and, if the Original Obligation exceeds the sum or obligation to be set off against, the Original Obligation shall be novated and replaced by an obligation to pay to Y only the excess of the Original Obligation over such sum or obligation. Y authorizes X, on behalf of and in the name of Y, to do all such acts and to execute all such documents as may be required to effect such application. If any sum or obligation is unascertained, X may in good faith estimate that sum or obligation and set off in respect of that estimate, subject to X or Y, as the case may be, accounting to the other party when such sum or obligation is ascertained.

8. **Additional Representations.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for the Transaction):
- (a) **Non Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.
  - (b) **Assessment and Understanding.** It is capable of assessing the merits of (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks associated with that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
  - (c) **Status of Parties.** The other party is not acting as a fiduciary for or as an advisor to it in respect of that Transaction.
9. **Jurisdiction and Waivers.** With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with the Agreement or any Transaction under the Agreement (“Proceedings”), each party irrevocably:—
- (a) submits to the non-exclusive jurisdiction of the courts of the State of New York;
  - (b) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object,

with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

(c) waives any and all right to trial by jury in any Proceeding.

10. **Waiver of Immunity.** To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under the Agreement or relating in any way to the Agreements or any Transaction under the Agreement.
11. **Ancillary Documents.** Upon execution of the Agreement, each party shall deliver to the other party (i) appropriate evidence of its power and authority to enter into the Agreement and of the true signature of each person signing the Agreement on its behalf and (ii) such other documents as the other party may reasonably request. In addition, each party agrees to deliver, upon execution of the Agreement and thereafter, promptly upon the request of the other party, any form or document, accurately completed and in a manner reasonably satisfactory to the other party, that may be required or reasonably requested in order to allow the other party to make payments under the Agreement without any deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate.
12. **Counterparts; Form of Agreement.** The Agreement may be executed in separate counterparts, each of which will be deemed an original and all such counterparts shall together constitute one and the same instrument. The parties agree that this Agreement, any documents to be delivered pursuant to this Agreement and any notices hereunder may be transmitted between them by email and/or facsimile. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties. The parties agree that the text of the body of the Agreement is intended to be, and to conform with, the Master Repurchase Agreement (September 1996 Version) promulgated by the Securities Industry and Financial Markets Association and shall be construed accordingly.
13. **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential transaction hereunder, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any proceedings arising under or in connection with this Agreement or any transaction hereunder.
14. **FATCA.** Notwithstanding any provision in the Agreement to the contrary:
  - (a) Any Payment under or in respect of the Agreement shall be made subject to any withholding or deduction imposed on such Payment pursuant to or on account of FATCA, and no additional Payment shall be required, nor any Payment increased on account of any such withholding or deduction. Except as provided in subsection (b) of this Section 14, no Party shall be required to indemnify any other Party on

account of any loss, liability or cost imposed as a result of or otherwise arising from such withholding or deduction.

- (b) If the payor is required to make any deduction or withholding pursuant to or on account of FATCA and the payor does not so deduct or withhold and a liability resulting from such failure to withhold or deduct is assessed directly against the payor, then the payee will indemnify the payor therefor and promptly pay to the payor the amount of such liability. The payee's indemnification obligation hereunder shall include any related liability for interest and, if the payee has failed to comply with its obligations under subsection (d) or (e) of this Section 14, shall include any related liability for penalties.
- (c) Any representation or warranty made by a Party with respect to any withholding or deduction being or not being applicable to Payments made under the Agreement shall be deemed not to be made in respect of any withholding or deduction imposed pursuant to or on account of FATCA.
- (d) Each Party agrees to deliver any forms or documentation or information reasonably requested in writing by the other Party in order for the other Party to comply with its obligations under FATCA with respect to the Agreement including, for the avoidance of doubt, any document establishing the non-requesting Party's status under FATCA and any waiver that may be required to permit reporting of any "financial account" as defined under FATCA.
- (e) Each Party agrees to notify the other Party of any circumstances known or reasonably known to it that causes a form, document or other information provided by it pursuant to subsection (d) of this Section 14 to fail to be true.
- (f) For the purpose of this Section 14, the following definitions apply:

"FATCA" means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreement entered into thereunder, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation thereof.

"Payment" means any payment, repayment, transfer, retransfer, delivery or redelivery of any money, asset, property or other right, tangible or intangible, including, without limitation, any set-off against any money, asset, property or other right, tangible or intangible, held under or pursuant to the Agreement.

**15. Outstanding Transactions.** All Transactions entered into between Party A and Party B prior to the date of this Agreement which are outstanding as of the date of this Agreement shall be subject to this Agreement except where specifically stated otherwise in relation to a Transaction.

**16. ERISA.** The parties agree that Paragraph 18 of the Agreement, "Use of Employee Plan Assets", shall be deleted and amended in its entirety to read as follows:

“18. ERISA. Party B represents and warrants to Party A, at any time a Transaction is outstanding under the Agreement, that it is not, and is not acting on behalf of, (A) an “employee benefit plan” within the meaning of Section 3(3) of ERISA (as defined below), subject to the fiduciary responsibility provisions of ERISA, (B) a “plan” within the meaning of Section 4975(e)(1) of the Code (as defined below), to which Section 4975 of the Code applies, (C) a governmental plan or other entity that is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (D) an entity whose underlying assets include “plan assets” subject to ERISA by reason of United States Department of Labor Regulation 29 CFR 2510.3-101, as modified by Section 3(42) of ERISA or otherwise.

Party B hereby agrees to provide notice to Party A in the event that it is aware that it is in breach of any aspect of this representation or is aware that with the passing of time, giving of notice or expiry of any applicable grace period it will breach this representation; and, for the avoidance of doubt, the parties agree that any breach of the representations in this Paragraph 18 shall be material for the purposes of Paragraph 11(vi) of the Agreement.

‘Code’ means the United States Internal Revenue Code of 1986, as amended, and any successor statute.

‘ERISA’ means the United States Employee Retirement Income Security Act of 1974, as amended, and any successor statute.”

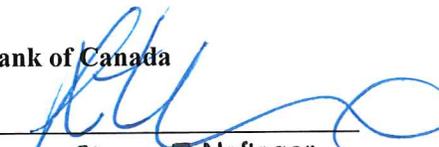
17. **Purchased Securities.** With respect to any Transactions entered into by Party A’s New York Branch, Purchased Securities shall be limited to the following securities:

- (a) securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States;
- (b) securities which are issued or guaranteed by the Tennessee Valley Authority or by corporations in which the United States has a direct or indirect interest and which are designated by the Secretary of the Treasury for exemption; and
- (c) securities issued or guaranteed as to principal or interest by any corporation the securities of which are designated, by statute specifically naming such corporation, to constitute exempt securities within the meaning of the laws administered by the U.S. Securities Exchange Commission.

18. **Royal Bank of Canada is not registered with the SEC as a broker-dealer and is not a member of the Securities Investor Protection Corporation or the Financial Industry Regulatory Authority.**

*[signature page follows]*

Royal Bank of Canada

By: 

Title: Steven T. Naftzger  
Authorized Signatory

State of Nevada

By: 

Title: Chief Deputy

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## Annex II

### Names and Addresses for Communications between Parties

#### **Party A:**

Address for notices or communications with respect to this Agreement generally shall be given to it at the following address:

Royal Bank of Canada, New York Branch  
200 Vesey Street, 14<sup>th</sup> Floor  
New York, NY 10281

Attention: Thomas Fredericks  
Phone: 212-858-7278  
Fax: 212-8587467

Address for notices or communications with respect to Paragraph 11 of this Agreement shall be given to it at the following address:-

Royal Bank of Canada  
2<sup>nd</sup> Floor  
Royal Bank Plaza  
200 Bay Street  
Toronto, Ontario  
CANADA M5J 2W7

Attention: Managing Director – GRM Trading Credit Risk

#### **Party B:**

State of Nevada  
Attn: State Treasurer's Office Investments  
101 N. Carson Street, Ste. 4  
Carson City, NV 89701  
Tel: 775-684-5610  
Fax: 775-684-5776  
E-mail: OSTInvest@nevadatreasurer.gov

**Dan Schwartz**  
State Treasurer



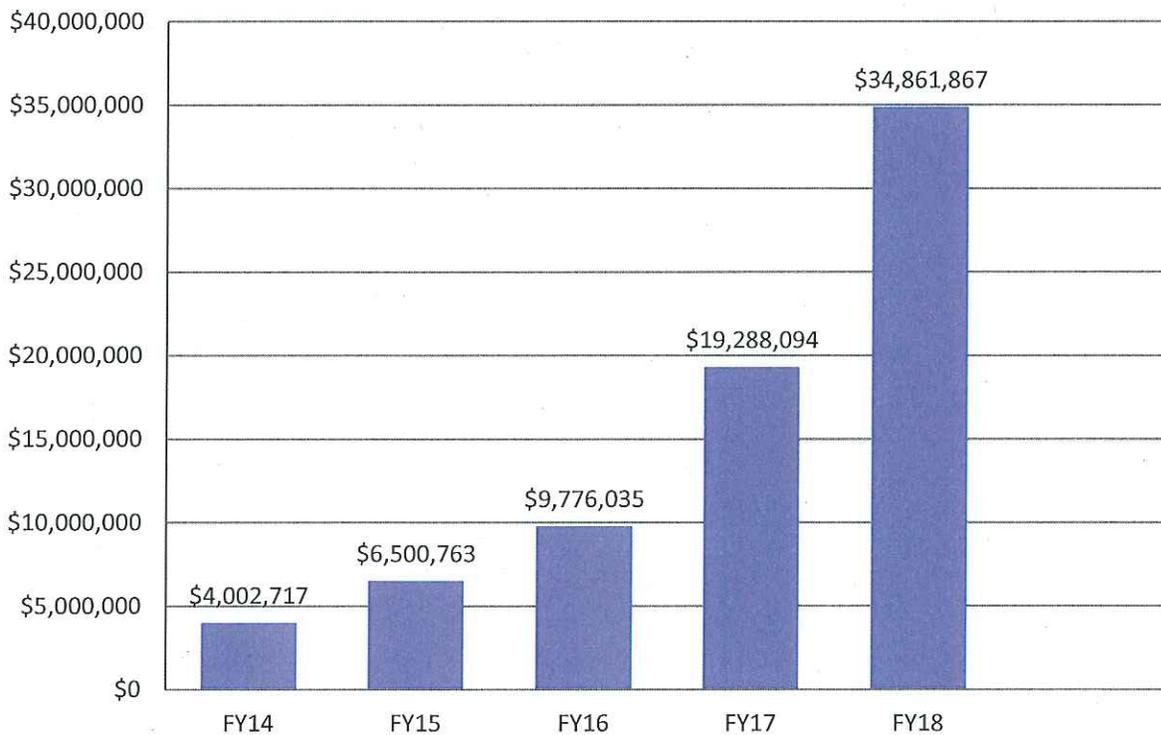
STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members  
FROM: Tara Hagan, Chief Deputy Treasurer  
SUBJECT: 8\_14\_18 BoF Agenda Item #8 – State Treasurer Investment Report  
DATE: August 7, 2018

**Agenda Item #8**

Discussion and possible action (a) regarding the State Treasurer’s quarterly investment report for the quarter ending June 30, 2018 and (b) to approve or disapprove the Treasurer’s investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

**General Portfolio Interest Distributed**



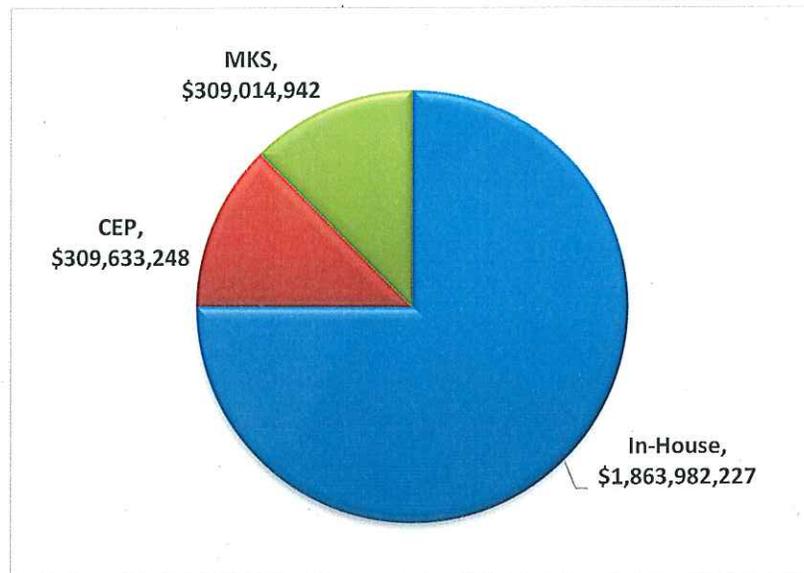
## Investment Performance as of June 30, 2018

### **LGIP**

As of June 30, 2018, the total assets under management (AUM) were \$1,120,543,264. Currently, FTN Financial manages the portfolio and the yield to maturity as of June 30, 2018 for LGIP assets was 2.03% which is 9 basis points in excess of the benchmark yield of 1.94%.

### **General Portfolio**

As of June 30, 2018, the AUM for the General Portfolio was \$2.46 billion (market value) with 75% managed internally and 25% managed by outside managers.

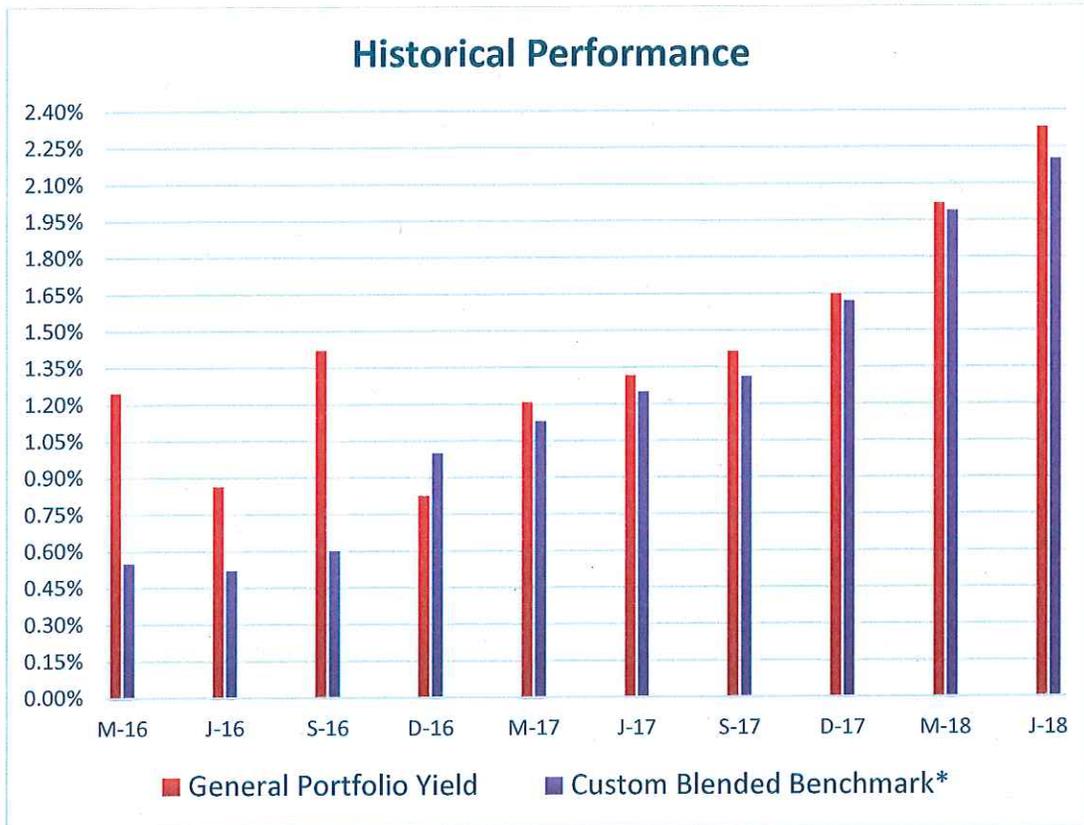
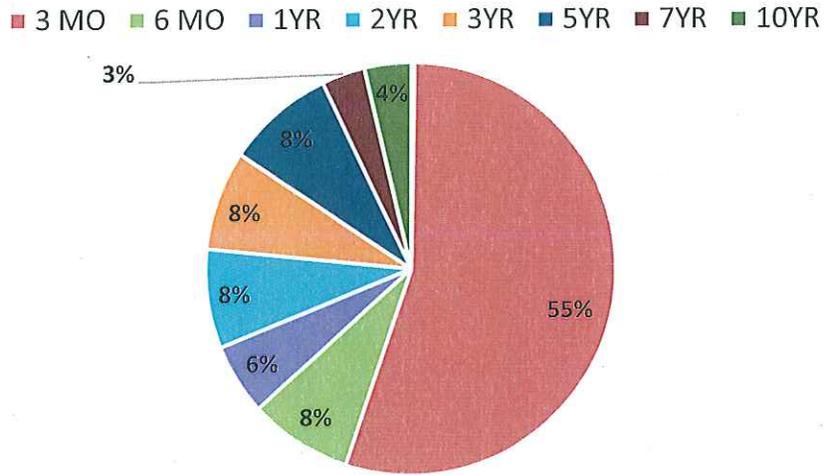


**The overall yield to maturity (YTM) as of June 30, 2018 for the General Portfolio was 2.33%. Below is the YTM breakdown by portfolio:**

- Internally managed portfolio was 2.21%.
- Chicago Equity Partners (CEP) portfolio was 2.63%.
- MacKay Shields (MKS) portfolio was 2.76%.

Although the outside managers' charts on page 4 indicate declines in the overall market values for the year-to-date and one-year numbers, these portfolios have not incurred any material realized losses to date, as securities have not been sold. The valuations are the result of the current rising interest rate environment which negatively affects the market value of the longer-maturity securities previously purchased by the outside managers. As noted above, if the outside managers held their respective investments to maturity, the yield would be 2.63% for CEP and 2.76% for MKS.

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of June 30, 2018.

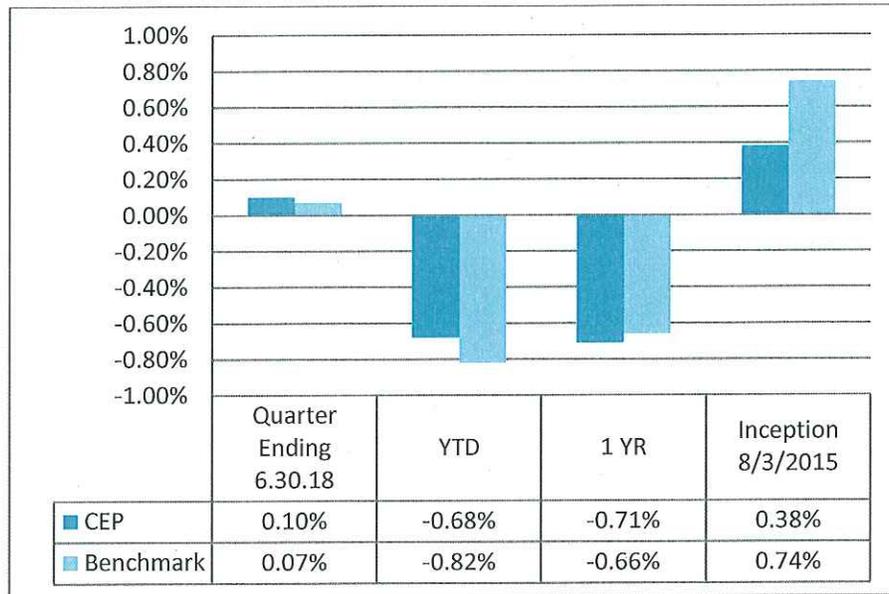


\*Custom benchmark yield matches the asset-weighted maturities of the General Portfolio for each quarter to the appropriate Treasury yield.

### General Portfolio Outside Managers' Performance

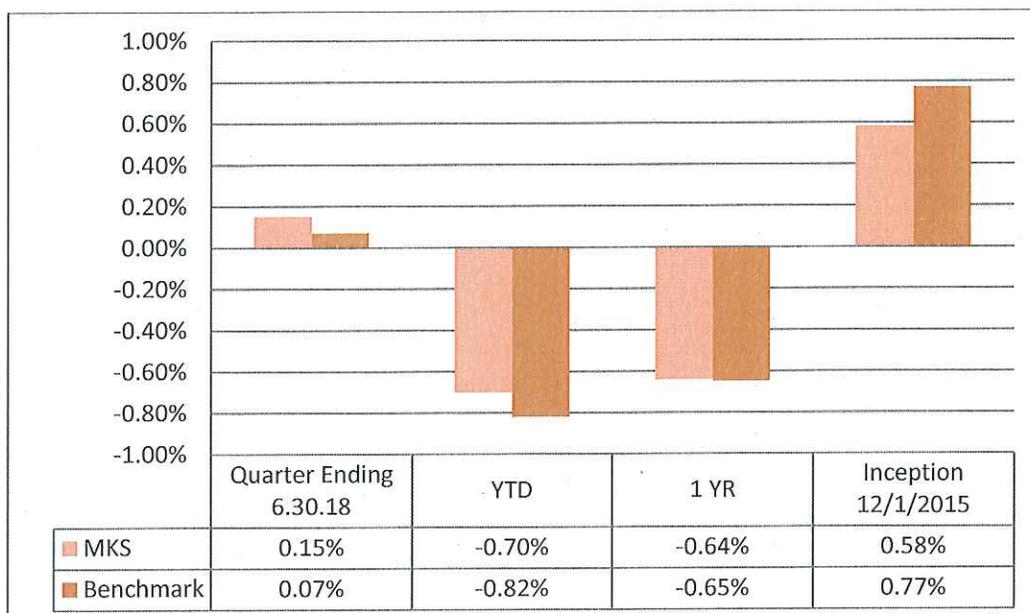
Chicago Equity Partners (CEP) began managing \$200 million in General Portfolio assets on August 3, 2015 with an additional \$100 million in 2016 for a total of \$300 million.

The calendar year to date time weighted performance net of fees is -0.68%. As of June 30, 2018, CEP has distributed \$9.51 million in net interest since inception. The hard dollar fees paid since inception to CEP as of June 30, 2018 were \$893,283 (29 basis points).



MacKay Shields (MKS) began managing \$200 million in General Portfolio assets on December 1, 2015 with an additional \$100 million for a total of \$300 million.

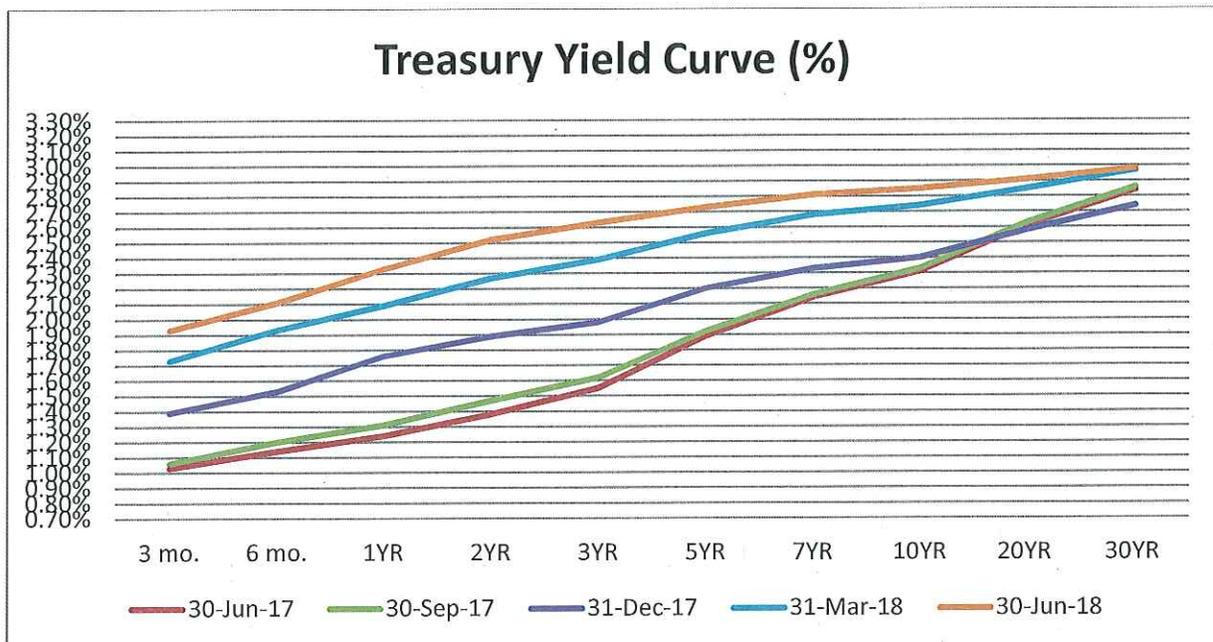
The calendar year to date time weighted performance net of fees is -0.70%. As of June 30, 2018, MKS has distributed \$8.87 million in net interest since inception. The hard dollar fees paid since inception to MKS as of June 30, 2018 were \$916,906 (30 basis points).



Please note the applicable Nevada statutory restrictions regarding corporate notes, local authorities, foreign sovereigns, supranational and foreign agency can negatively impact each manager's portfolio performance versus the index. Staff provides additional attribution information at each meeting in regards to these differences and their impact on the portfolios.

**Fixed Income Market Highlights as of June 30, 2018**

- As expected, the Federal Reserve (Fed) raised the fed funds rate target rate by 25 basis points or a quarter of a percent in June to 1.75- 2.00%. The Fed maintained its hawkish stance by signaling for two more rate hikes during the back half of the year and potentially three more in 2019.
- Second calendar quarter Gross Domestic Product (GDP) rose to 4.1% making it the strongest quarter since 2014.
- The US Treasury yield curve flattened further during the second calendar quarter as the difference between the 2-year and 10-year rates narrowed to 33 basis points.



NRS 355.170 prohibits the General Portfolio from investing in Treasuries beyond 10 years. Chart is for illustrative purposes only.

**Recommendation:**

I respectfully request consideration and approval of the quarterly investment reports and the Treasurer's investment policies for the General Portfolio and the LGIP.



State Treasurer  
[www.NevadaTreasurer.gov](http://www.NevadaTreasurer.gov)

## INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2018  
 Period Ending  
 June 30, 2018

### Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

### Investment Guidelines

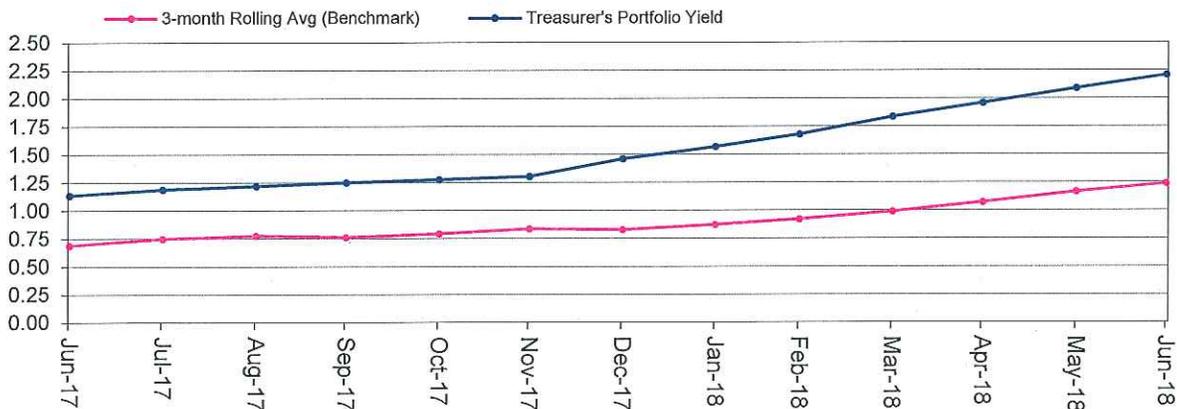
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently with cash needs in the short and medium term. Monies deemed to have a longer investment horizon, are invested to take advantage of longer term market opportunities.

### In-House Performance

As of June 30, 2018, the yield on the portion of the General Portfolio managed in-house was 2.207%. A three month rolling average of this benchmark for this period was 1.24% with the average days to maturity at 218 days. The average days to maturity for the in-house managed portfolio was .53 years or 192 days.

### In-House Performance vs. Benchmark

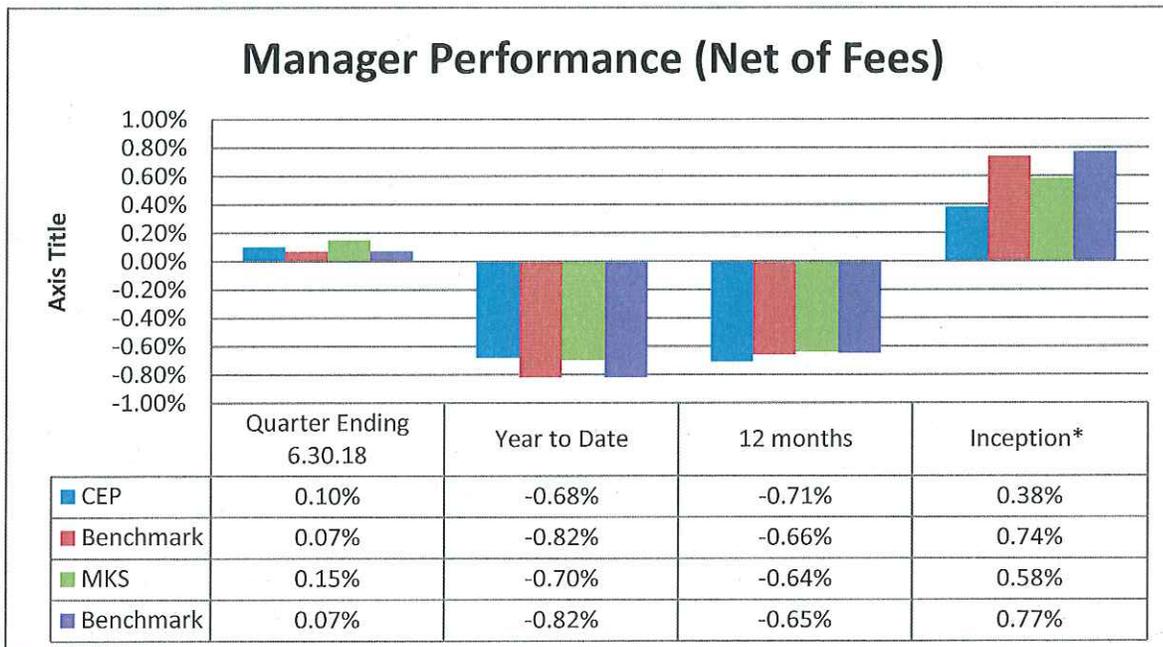


\* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

## Outside Manager Performance

The annualized performance since inception for period ending June 30, 2018 for manager Chicago Equity Partners (CEP) is 0.38% and for Mackay Shields (MKS) is 0.58%\*. Both of these returns are based on time-weighted rate of return which is defined as the compounded growth rate of \$1 over the period being measured. These funds have been assigned the Bloomberg Barclays Intermediate A or better Government Credit benchmark. The Nevada statutory requirements prevent managers from investing in certain securities (supranationals and foreign sovereigns), fewer corporate notes and governmental securities longer than 10 years which is the cause of the difference in manager performance versus the benchmark. \*CEP inception date is August 2015 and MKS is December 2015.

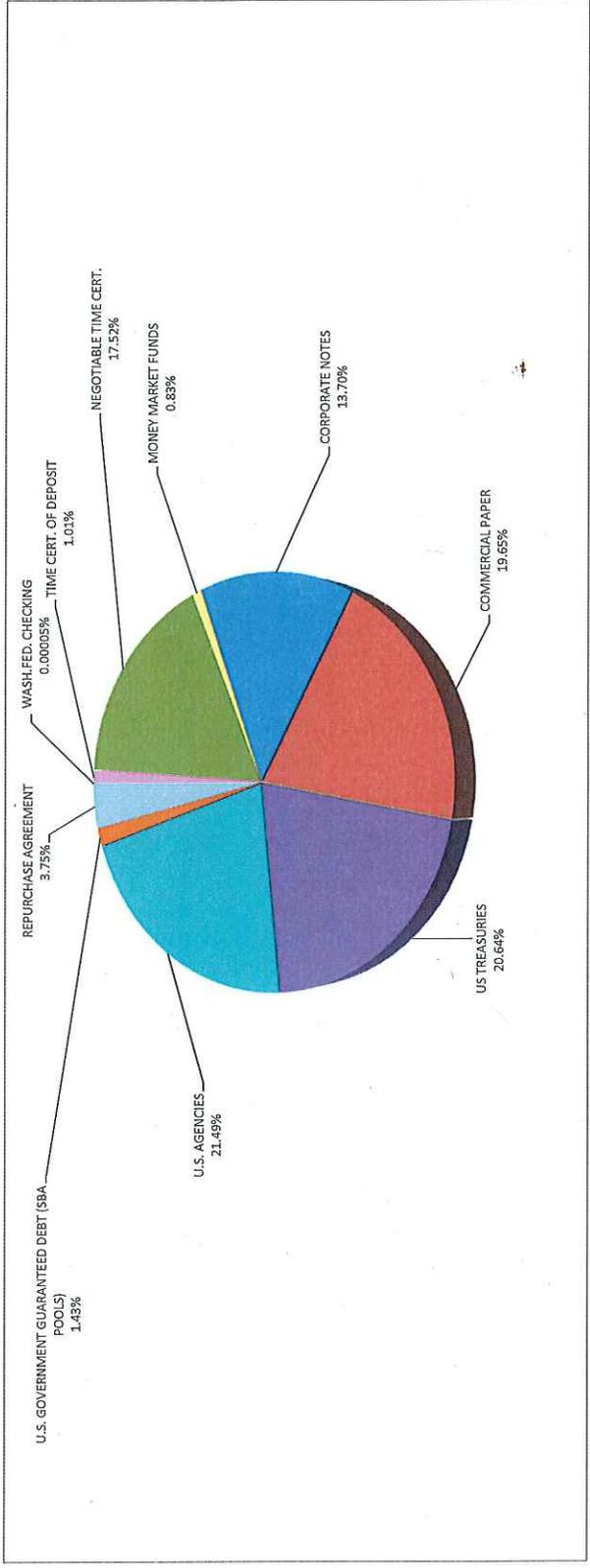
### Outside Managers' Performance vs. Benchmark



\*Inception date for CEP is 8.3.15 and 12.1.15 for MKS

**GENERAL PORTFOLIO**  
**Amortized Book Value and Purchased Interest**

	June 30, 2018		March 31, 2018	
	Amortized Book Value		Amortized Book Value	
	Treasurer In-House	Chicago Equity Partners	Treasurer In-House	Chicago Equity Partners
WASHINGTON FEDERAL CHECKING ACCT.	\$ 1,144	\$ -	\$ 51,577,783	\$ -
TIME CERTIFICATES OF DEPOSIT	25,000,000	-	50,000,000	-
NEGOTIABLE CERTIFICATES OF DEPOSIT	435,001,394	-	400,002,734	-
MONEY MARKET FUNDS	3,242,379	17,186,389	3,378,537	1,735,489
ASSET-BACKED SECURITIES	-	-	-	-
MORTGAGE-BACKED SECURITIES	212,250,464	35,110,766	117,222,769	33,453,794
CORPORATE NOTES	487,825,269	-	386,646,943	-
COMMERCIAL PAPER	-	-	-	-
MUNICIPAL BONDS	-	-	-	-
U.S. TREASURIES	49,789,360	251,251,228	153,535,912	266,877,465
U.S. AGENCIES	522,415,727	6,084,865	450,469,749	6,587,104
U.S. GOVERNMENT GUARANTEED DEBT	35,456,489	-	40,887,295	-
REPURCHASE AGREEMENTS	93,000,000	-	16,000,000	-
TOTAL	\$ 1,863,982,227	\$ 309,633,248	\$ 1,669,721,723	\$ 308,653,852
GRAND TOTAL	\$	\$ 2,482,630,417	\$	\$ 2,285,929,142



**YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON**

<b>TOTAL PORTFOLIO</b>	June 30, 2018	June 30, 2017
	\$2,482,630,417	\$2,324,275,365

**State of Nevada**  
**Office of the State Treasurer**  
**Schedule of General Fund Interest Revenue**

	Quarter Ended 09/30/2017	Quarter Ended 12/31/2017	Quarter Ended 03/31/2018	Quarter Ended 06/30/2018	FY 2018 Totals
<b><u>Average Daily Balances of Funds</u></b>					
General Fund	600,557,399	685,632,066	649,322,637	662,947,482	649,614,896
All Funds	2,422,777,800	2,405,866,498	2,446,503,482	2,539,054,568	2,453,550,587
<b><u>Annualized Interest Rate</u></b>					
Cash Basis (see Note 1)	1.1599%	1.3385%	1.4529%	1.7253%	1.4191%
Accrual Basis	1.1272%	1.2717%	1.5327%	1.7253%	1.4142%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>					
General Fund Interest Collected	1,709,131	2,287,330	2,362,876	2,881,358	9,240,694
General Fund Interest Revenue - Distributed	1,709,131	2,287,330	2,362,876	2,881,358	9,240,694
Undistributed General Fund Interest Revenue	-	-	-	-	-
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>					
All Funds Interest Collected	6,895,679	8,026,585	8,902,661	11,036,942	34,861,867
All Funds Interest Revenue - Distributed	6,895,679	8,026,585	8,902,661	11,036,942	34,861,867

**Note 1** Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.



## Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of June 30, 2018, there were 88 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

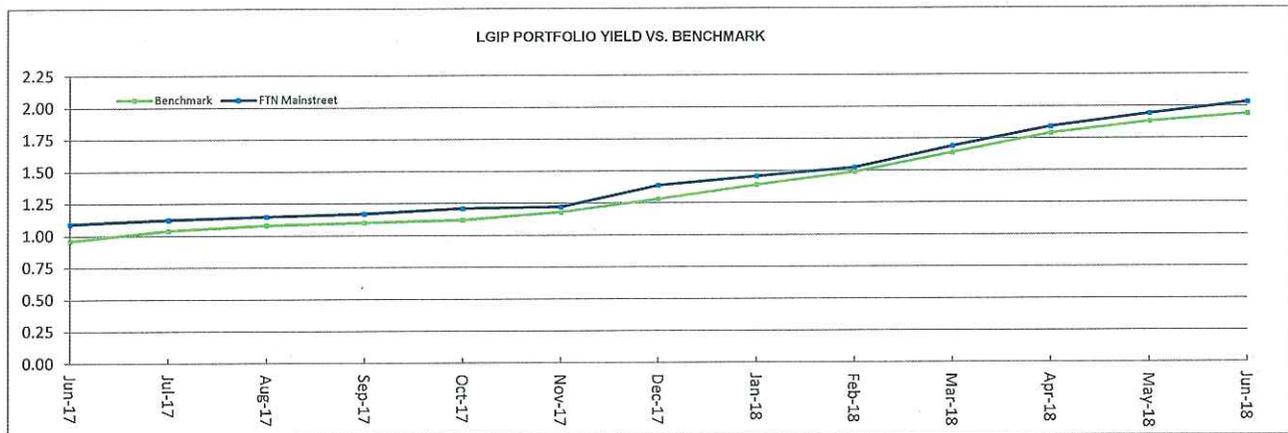
## Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, at approximately 60% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

## Performance

FTN Financial began managing the LGIP portfolio in July 2015. As of June 30, 2018, the LGIP's portfolio yield was 2.032%, and the blended benchmark was 1.94%. The average days to maturity of the LGIP portfolio was 140 days.

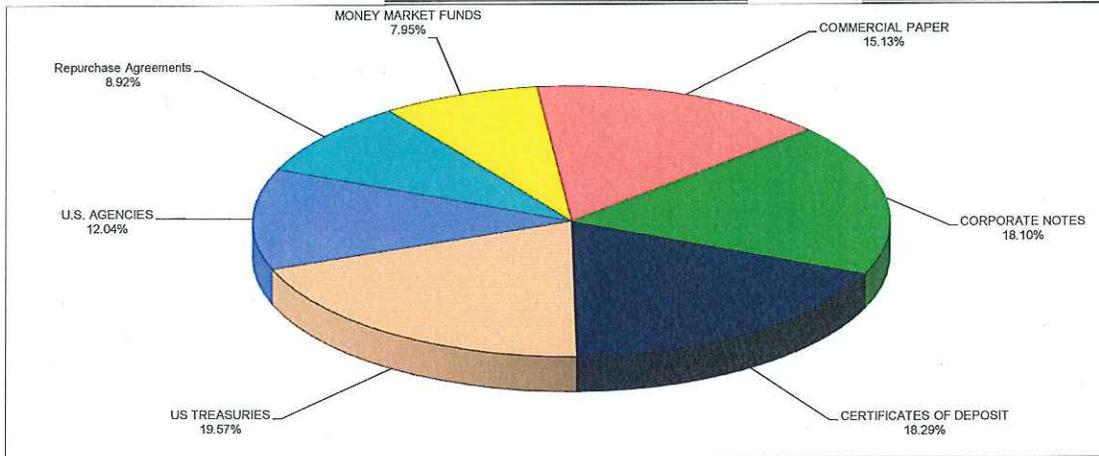


\* Benchmark is 3-month rolling weighted average of 20% Dealer Commercial Paper 90-Day Index, 60% Agency Discount Note 6-Month Index, and 20% Morgan Stanley Institutional Liquidity Government Portfolio Fund.

**Administration**

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting.

	<u>June 30, 2018</u>		<u>March 31, 2018</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 88,943,309	\$ -	\$ 36,944,799	\$ -
COMMERCIAL PAPER	169,552,624	-	214,380,338	-
CORPORATE NOTES	202,465,305	351,680	196,404,837	554,938
CERTIFICATES OF DEPOSIT	204,967,254	-	190,210,203	-
MUNICIPAL BONDS	-	-	-	-
U.S. TREASURIES				
NOTES	139,786,865	-	184,594,834	-
BILLS	79,534,178	-	29,732,110	-
U.S. AGENCIES	134,940,278	1,771	224,813,829	17,118
ASSET-BACKED SECURITIES	-	-	-	-
REPURCHASE AGREEMENTS	100,000,000	-	80,000,000	-
TOTAL	\$ 1,120,189,813	\$ 353,450	\$ 1,157,080,951	\$ 572,056
GRAND TOTAL	\$ 1,120,543,264	\$ 1,120,543,264	\$ 1,157,653,007	\$ 1,157,653,007



**YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>TOTAL PORTFOLIO</b>	\$1,120,543,264	\$830,127,460