



TRUCKEE MEADOWS WATER AUTHORITY
Board of Directors

AGENDA

Wednesday, April 18, 2018 at 10:00 a.m.
Sparks Council Chambers, 745 4th Street, Sparks, NV

Board Members

Chair Geno Martini
Member Neoma Jardon
Member Jenny Brekhus
Member Ron Smith

Vice Chair Vaughn Hartung
Member Bob Lucey
Member Naomi Duerr

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), at <http://www.tmwa.com>, and State of Nevada Public Notice Website, <https://notice.nv.gov/>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call (775) 834-8002 at least 24 hours before the meeting date.
3. Staff reports and supporting material for the meeting are available at TMWA and on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 834-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Board may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
5. Asterisks (*) denote non-action items.
6. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a "Request to Speak" card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.
7. In the event the Chairman and Vice-Chairman are absent, the remaining Board members may elect a temporary presiding officer to preside over the meeting until the Chairman or Vice-Chairman are present (**Standing Item of Possible Action**).
8. Notice of possible quorum of Western Regional Water Commission: Because several members of the Truckee Meadows Water Authority Board of Directors are also Trustees of the Western Regional Water Commission, it is possible that a quorum of the Western Regional Water Commission may be present, however, such members will not deliberate or take action at this meeting in their capacity as Trustees of the Western Regional Water Commission.

1. Roll call*
2. Pledge of allegiance*
3. Public comment — limited to no more than three minutes per speaker*
4. Approval of the agenda (**For Possible Action**)
5. Approval of the minutes of the March 21, 2018 meeting of the TMWA Board of Directors (**For Possible Action**)

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

6. Appointments of Trustee(s) to the Western Regional Water Commission(WRWC):
 - A) Pursuant to Sec.25(3)(c) of the WRWC Act from the following list of qualified persons: Bob Lucey.
 - B) Pursuant to Sec. 25(4) of the WRWC Act representing TMWA as successor to South Truckee Meadows General Improvement District from the following list of qualified persons: David Bobzien, Jenny Brekhus, Oscar Delgado, Paul McKenzie, Hillary Schieve, Marsha Berkbigler, Jeanne Herman, Kitty Jung, Charlene Bybee, Ed Lawson, and Geno Martini.

— Mark Foree **(For Possible Action)**
7. Discussion and action, and possible direction to staff regarding the results of the “Statement of Interest” for the Farad property — Pat Nielson **(For Possible Action)**
8. Informational update on the Bedell Flat activities — John Enloe, Christian Kropf, and Nick White*
9. Presentation and update on TMWA’s aquifer storage and recovery (ASR) program — Randy Van Hoozer and Lauren Roaldson*
10. Update regarding draft return flow management agreement between City of Reno, City of Sparks, Tahoe-Reno Industrial General Improvement District (TRIGID) and TMWA and possible direction to staff — John Enloe **(For Possible Action)**
11. Discussion and action on adoption of Resolution No. 261: A resolution designated by the short title “2018 Refunding Bond Resolution” authorizing the issuance by the Authority of its “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018,” in the approximate principal amount of \$44,200,000 for the purpose of defraying wholly or in part the cost of refunding certain outstanding commercial paper notes; providing the form, terms, and conditions of the bonds and the security therefor; providing for the collection and disposition of revenues derived from the operation of the Authority’s water system; pledging such revenues to the payment of the bonds; providing other covenants, agreements, details and other matters relating thereto.— Michele Sullivan **(For Possible Action)**
12. Request for Adoption of Resolution No. 262: A Resolution Approving a Reimbursement Agreement, Letter of Credit, Fee Letter, Bank Note, Amended And Restated Dealer Agreement, Amended And Restated Issuing and Paying Agent Agreement, and Offering Memorandum Relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B and other matters relating thereto — Michele Sullivan **(For Possible Action)**
13. Presentation on proposed Conservation, Communications and Outreach Plan for 2018, discussion and possible direction to staff — Andy Gebhardt and Marlene Olsen **(For Possible Action)**
14. General Manager’s Report*
15. Public comment — limited to no more than three minutes per speaker*
16. Board comments and requests for future agenda items*
17. Adjournment **(For Possible Action)**

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE MARCH 21, 2018
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, March 21, 2018, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Vice Chair Hartung called the meeting to order at 10:11 a.m.

1. ROLL CALL

Members Present: Jenny Brekhus, Alternate Kristopher Dahir, Naomi Duerr, Vaughn Hartung, Neoma Jardon, Bob Lucey, and Ron Smith.

Members Absent: Geno Martini

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Ms. Tammy Holt-Still.

3. PUBLIC COMMENT

Ms. Holt-Still, Lemmon Valley-Swan Lake Recovery Committee, informed the Board that there is still water in Lemmon Valley and Swan Lake. She stated TMWA has been recharging the aquifers without prior testing, which is why the water table levels are so high even though TMWA has denied they have been recharging in the area.

4. APPROVAL OF THE AGENDA

Upon motion by Member Smith, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.

5. APPROVAL OF THE MINUTES OF THE FEBRUARY 21, 2018 MEETING

Upon motion by Member Dahir, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, with Alternate Member Dahir abstaining, the Board approved the February 21, 2018 minutes.

6. DISCUSSION AND ACTION CONFIRMING GENERAL MANAGER'S APPOINTMENT OF JAMES WEINGART AS A TRUSTEE TO FILL THE REMAINING TERM OF MICHAEL NEVAREZ TO THE §501.C-9 POST-RETIREMENT MEDICAL PLAN & TRUST ENDING DECEMBER 31, 2018

Jessica Atkinson, TMWA Human Resources Manager, presented the report.

Upon motion by Member Lucey, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board confirmed the General Manager's appointment of James Weingart as a trustee to fill the remaining term of Michael Nevarez to the §501.C-9 Post-Retirement Medical Plan & Trust ending December 31, 2018.

7. DISCUSSION AND ACTION ON RESOLUTION NO. 260: A RESOLUTION TO APPROVE FUNDING FOR THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS

John Enloe, TMWA Natural Resources Director, presented the staff report.

Public Comment

Christi Cakiroglu, Keep Truckee Meadows Beautiful, on behalf of One Truckee River, explained how the project is progressing and gaining momentum in the community. Ms. Cakiroglu also provided a brief summary of next steps and thanked the Board for their support.

End of Public Comment

In reference to project #197: Doggie Ambassador project submitted by the Truckee Meadows Parks Foundation (TMPF), the Board discussed the efficacy of funding doggie bags in order to have volunteers distribute in various parks in the area. No one disagreed that dog waste going into the river was an issue, rather providing doggie bags to the public needed to be addressed in the respective jurisdictions and funding from TMWA should go towards educating the public about how dog waste affects water quality. The TMPF could resubmit a proposal focused on educating the public during the next round of proposals.

Upon motion by Member Smith, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 260: A Resolution to approve funding for the projects recommended by the Truckee River Fund Advisory Committee and an authorization for the Community Foundation to fund such projects from Fund proceed, with the exception of project #197: Doggie Ambassador Project.

8. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF FOR \$25,000 ANNUAL FUNDING FOR FY18, FY19 AND FY20 FOR THE START-UP OF THE NEVADA WATER INNOVATION CAMPUS (NWIC) AND \$97,707 FUNDING IN SUPPORT OF THE SOUTH TRUCKEE MEADOWS WATER RECLAMATION FACILITY (STMWRF) AND RENO STEAD WATER RECLAMATION FACILITY (RSWRF) ADVANCED TREATMENT PILOT TESTING OPERATIONS

Mr. Enloe presented the staff report and informed the Board that the Western Regional Water Commission (WRWC) also provided funding to NWIC for three years and all entities involved are funding different pieces of the process. He stated NWIC is a great resource and directly supports TMWA, the funding will assist Washoe County to complete their pilot study, and with this funding, NWIC can continue to pilot test and develop advanced treatment processes to address water needs and opportunities in the Truckee Meadows and State of Nevada.

Discussion followed regarding repurposing effluent water for new uses; recognizing that TMWA's funding is possible due to the 3% rate increase effective May 1 and it should not be considered in perpetuity; questions about the activity in Bedell Flat and potential land use implications for potential development (a recharge feasibility study has been conducted and there is a link from the United States Geological Survey (USGS) Mr. Enloe can provide, and it is a multi-jurisdictional issue looking at sustainable water for the future); and that it should be noted we are capitalizing on small investments that save money in the long run for innovative scientific breakthroughs (the state has funded NWIC as well as private investment).

Public Comment

Ms. Holt-Still stated there are issues with Bedell Flat and recharge is affecting other aquifers which are ruining the valleys and open spaces. She claimed TMWA is extending electrical power into the Bedell Flat area for new development.

End of Public Comment

Vice Chair Hartung requested a report on aquifer and recharge in the Bedell Flat area.

Upon motion by Member Lucey, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved \$25,000 in annual funding for FY18, FY19 and FY20 for the start-up of the Nevada Water Innovation Campus (NWIC), and \$97,707 in funding to support the South Truckee Meadows Water Reclamation Facility (STMWRF) and Reno/Stead Water Reclamation Facility (RSWRF) advanced treatment pilot testing operations.

9. UPDATE REGARDING DRAFT RETURN FLOW MANAGEMENT AGREEMENT BETWEEN CITY OF RENO, CITY OF SPARKS, TAHOE-RENO INDUSTRIAL GENERAL IMPROVEMENT DISTRICT (TRIGID) AND TMWA AND POSSIBLE DIRECTION TO STAFF

Mr. Enloe provided an overview of the return flow management agreement. He described how the groundwater and surface water components would be managed, including, but not limited to, modifying TMWA's operations by turning on a few wells, utilizing Whites Creek water rights and TMWA's privately owned stored water (POSW) to meet return flow requirements for all entities during normal water year and drought years.

The Board discussed how the groundwater component going to TMWRF does not have a return flow obligation (Reno and Sparks also have surface water rights that are permitted for return flow); return flow is measured on a daily basis by the Federal Water Master (TMWA's goal is to do the same, working with the cities of Reno and Sparks and TRIC to manage everyone's water resources to satisfy the return flow obligation); the industry standard is to treat the water to the level that is needed for each particular use, which is most cost effective; the management and permitting of the water rights will be paid for by TRIGID at no cost to TMWA; TMWA is working with NDOT on an agreement to manage NDOT's water rights for this purpose; TMWA will consider a rate for the community resources and managing the return flow management program (TMWA is also working on a draft modification of the ditch irrigation service which will be presented to the Board at a future meeting); and the need to engage TRIC and Storey County to address issues together.

Upon motion by Member Brekhus, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board approved continuing with drafting the return flow management agreement between City of Reno, City of Sparks, Tahoe-Reno Industrial General Improvement District (TRIGID) and TMWA, proposed tariff structure, and coordinate with City of Reno and City of Sparks to present next steps.

10. (CONTINUED) DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING STAFF RECOMMENDATION ON POTENTIAL ESTIMATE AND TIMELINE TO RETROFIT ALL UNMETERED SERVICES AND ALTERNATIVE OPTIONS FOR THE METER RETROFIT FUND PROGRAM

John Zimmerman, TMWA Water Resources Manager, presented the staff report and options for the Board to consider. Mr. Zimmerman informed the Board the Standing Advisory Committee recommended to move forward with Option 1: Reserve current fund balance for future retrofits and change fee purpose.

The Board inquired as to how much TMWA receives each year (approximately \$500,000 per year, but it depends on service fees); if the current amount, \$3.6 million, has an expiration (there is no timeline, it could take about 10 years to use it for the purpose intended); where does the interest from the retrofit fund

go (most likely into TMWA's general fund, but would need to confirm); and recommended using the money already collected for future retrofits and not repurposing those funds for other uses.

Upon motion by Member Brekhus, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the Standing Advisory Committee recommendation of Option 1: Reserve Current Fund Balance for Future Retrofits and Change Fee Purpose, and for staff to present options for repurposing and a potential rule change.

11. DISCUSSION AND ACTION ON THE TMWA TENTATIVE BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2019 AND DRAFT CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2019 THROUGH 2023

Michele Sullivan, TMWA Chief Financial Officer, informed the Board that operating expenses increased \$2.8 million over FY 2017; DRI cloud seeding was funded for \$75,000 to maintain equipment, and fully funded the Truckee River Fund at \$850,000. The biggest increase is in salary and wages due to the addition of 15 employees. With 21 people retiring over the next three years, we need apprentices now to start training up; also, treatment plant operators hired will reduce overtime, which will pay for itself; the equipment and mechanic specialists are running behind on preventative maintenance; investment income will increase approximately \$1.5 million due to higher rates of return; a possible fixed senior lien refunding of \$44.2 million of the tax exempt commercial paper (TECP) is included in the budget, with plans of keeping \$30 million in TECP to be paid down over the next five years; will-serve contributions are expected to decrease \$1.6 million; other developer capital contributions are expected to increase \$1.6 million; and changes in the meter retrofit fund program would be adjusted in the budget once the Board decides how to repurpose the fund program.

Vice Chair Hartung asked if TMWA pays property tax in California, and Mr. Foree replied yes because of reservoirs owned in California. Vice Chair Hartung also inquired if any savings would be realized if a generation plant was built at Chalk Bluff Water Treatment plant. Pat Nielson, TMWA Distribution, Maintenance & Generation Director, replied they are conducting a feasibility study to evaluate hydro generation at Chalk Bluff.

Member Brekhus inquired about the Farad settlement and the rate stabilization fund, and whether the bond refunding has implications on upcoming rate increases. Ms. Sullivan replied the \$21.5 million for the feasibility study is a different analysis than the rate stabilization fund, and added no, there would be no implications on the rate increase plan from the bond refunding.

Joe Petrelli, TMWA Principal Financial Analyst, presented the draft Capital Improvement Plan (CIP) for fiscal years 2019-2023.

Discussion arose concerning whether or not AMI would have an impact on labor (yes and a consultant is compiling a study to reduce some labor); potable water storage tank recoats (93 tanks that are on a 15-year maintenance schedule; approximately 2-3 tanks per year); whether the furniture spending could be

reduced (it is an amount that is carried year-over-year, but not necessarily spent. Ms. Sullivan will review expenditures and bring back the assessment in May); whether some funding could be used along with Federal government grants (historically TMWA has accessed the State Revolving Fund, not necessarily Federal grants since it requires a bigger match and greater local contributions); and what entails the hydroelectric improvements (these are smaller projects that arise).

Member Lucey inquired about the tank recoats and requested a maintenance schedule.

No action taken.

12. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING RIVER CASING TRANSFER AGREEMENT WITH BCH GAMING RENO, LLC AND AUTHORIZATION FOR GENERAL MANAGER TO NEGOTIATE AND FINALIZE AGREEMENT

Mr. Estes presented the agreement for Board consideration, explaining the river casing crosses the river and TMWA will be reimbursed as the expenses will go into the calculation of the Verdi Area Fee.

Upon motion by Member Smith, second by Member Lucey, which motion duly carried by unanimous consent of the members present, the Board approved the river casing transfer agreement with BCH Gaming Reno, LLC and authorization for General Manager to negotiate and finalize agreement.

13. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF ON THE AGREEMENT REGARDING WEST RENO WATER SYSTEM ACQUISITION AMONG RENO LAND DEVELOPMENT COMPANY, BT SOUTH LLC AND TMWA AND AUTHORIZATION FOR GENERAL MANAGER TO NEGOTIATE AND FINALIZE AGREEMENT

Mr. Enloe presented the agreement for Board consideration. He pointed out a slight change in the agreement in section 4.3 to change the term for will-serve commitments from 3 years to 42 months.

Vice Chair Hartung confirmed there would not be a fiscal impact to TMWA rate payers for any new development. Mr. Enloe replied that is correct, and staff will begin the process of assessing an area fee.

Member Brekhus inquired about the impact of the City of Reno rezoning Meridian 120 South. Michael Pagni, TMWA General Counsel, replied that Reno's potential zoning changes would not affect TMWA, who will set connection fees based on the specific demand identified within the agreement for the area.

Upon motion by Member Smith, second by Member Lucey, which motion duly carried by unanimous consent of the members present, the Board approved the agreement regarding West Reno Water System acquisition among Reno Land Development Company, BT SOUTH LLC and TMWA,

including the change to Section 4.3: will-serve commitments received by TMWA within 42 months, not three years, and authorization for General Manager to negotiate and finalize agreement.

**Member Lucey left at 12:42 p.m. before the conclusion of agenda item 13.*

14. GENERAL MANAGER'S REPORT

Mr. Foree informed the Board the year has seen a less than average snowpack, but run off will be average and acknowledged Commissioner Hartung has been chosen as the public official of the year along with Governor Brian Sandoval by the Nevada Water Environment Association.

Vice Chair Hartung acknowledged that everyone on the TMWA Board and Standing Advisory Committee has given direction and thanked staff for their hard work.

Mr. Foree added the Health Department issues are being addressed and five meetings have been held to modify the Nevada Administrative Code (NAC) making it more flexible to implement. Nevada Department of Environmental Protection (NDEP) recently conveyed changes to the Legislative Counsel Bureau (LCB) and they are scheduled for the State Environmental Commission meeting in May, which is ahead of schedule. Also, NDEP has begun work with TMWA and Southern Nevada Water Authority (SNWA) on an interlocal agreement (ILA) that would give both TMWA and SNWA more responsibility in terms of NAC 445A design and construction regulations for water systems; modeled around what happens in Las Vegas currently.

Member Brekhus asked for a list of positions from which employees have retired in future General Manager's reports.

15. PUBLIC COMMENT

There was no public comment.

16. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus requested a report on Bedell Flat regarding the geography, jurisdiction, and if it is subject to any public lands bills to ensure conformance to the City of Reno Regional Plan. Member Duerr requested an update on rapid infiltration basin and aquifer recharge testing in the area.

17. ADJOURNMENT

With no further discussion, Vice Chair Hartung adjourned the meeting at 12:57 p.m.

Approved by the TMWA Board of Directors in session on _____.

Sonia Folsom, Recording Secretary

**Member Lucey was present for agenda items 1 thru 13 only.*

DRAFT



STAFF REPORT

TO: Board of Directors
FROM: Mark Foree, General Manager
DATE: April 9, 2018
SUBJECT: **Appointments of Trustee(s) to the Western Regional Water Commission(WRWC):**
A) Pursuant to Sec.25(3)(c) of the WRWC Act from the following list of qualified persons: **Bob Lucey.**
B) Pursuant to Sec. 25(4) of the WRWC Act representing TMWA as successor to South Truckee Meadows General Improvement District from the following list of qualified persons: **David Bobzien, Jenny Brekhus, Oscar Delgado, Paul McKenzie, Hillary Schieve, Marsha Berkbigler, Jeanne Herman, Kitty Jung, Charlene Bybee, Ed Lawson, and Geno Martini.**

RECOMMENDATION

It is recommended that the TMWA Board appoint two members to the Western Regional Water Commission to serve a two-year term, commencing April 1, 2018 to include:

1. One TMWA Board member who is a member of the Washoe County Board of County Commissioners
2. One member designated by the TMWA Board as South Truckee Meadows General Improvement District (STMGID) successor

DISCUSSION

During the 2007 legislative session, SB487 was enacted to create the Western Regional Water Commission (effective date April 1, 2008), a governing board to oversee water resources planning and management in Washoe County. The Western Regional Water Commission Act, Chapter 531, Statutes of Nevada, Section 25, provides for appointments to the Board of Trustees as follows:

Sec. 25. 1. The Regional Water Commission must be directed and governed by a Board of Trustees composed of the following nine members appointed pursuant to this section:

- (a) Two members of the City Council of the City of Reno;
- (b) Two members of the City Council of the City of Sparks;
- (c) Two members of the Board of County Commissioners of Washoe County;
- (d) One member representing the Truckee Meadows Water Reclamation Facility or its successor;
- (e) One member designated by the Board of Trustees of the South Truckee Meadows General Improvement District or its successor; and

(f) One member of the Board of Trustees of the Sun Valley General Improvement District or its successor.

2. The City Council of the City of Reno, the City Council of the City of Sparks and the Board of County Commissioners of Washoe County shall each appoint one trustee from their membership for an initial term of 2 years.

3. The Board of Directors of the Truckee Meadows Water Authority or its successor shall appoint from its membership, for initial terms of 3 years:

(a) One trustee who is a member of the City Council of the City of Reno;

(b) One trustee who is a member of the City Council of the City of Sparks; and

(c) One trustee who is a member of the Board of County Commissioners of Washoe County.

➡ The trustees appointed pursuant to this subsection must be different persons than those appointed pursuant to subsection 2.

4. The Board of Trustees of the Sun Valley General Improvement District or its successor and the Board of Trustees of the South Truckee Meadows General Improvement District or its successor shall each appoint one trustee from its membership for an initial term of 3 years.

5. The owners of the Truckee Meadows Water Reclamation Facility or its successor shall jointly appoint one trustee for an initial term of 2 years.

6. After the initial terms, each trustee who is appointed to the Board serves for a term of 2 years. A trustee may be reappointed.

7. All trustees must be elected officials. No trustee may serve beyond his term of office.

8. The position of a trustee must be considered vacated upon his loss of any of the qualifications required for his appointment, and in such event, the appointing authority shall appoint a successor to fill the remainder of the unexpired term.

The current appointees to the Western Regional Water Commission Board are as follows:

Appointing Body	Trustee
City of Reno	Councilmember Naomi Duerr
City of Sparks	Councilmember Donald Abbott
Washoe County	Commissioner Vaughn Hartung
TMWA (Section 3 - from TMWA Board):	Councilmember Ron Smith (Sparks)
	Councilmember Neoma Jardon (Reno)
	Councilmember Jeanne Herman (Washoe County)
Truckee Meadows Water Reclamation Facility	Kristopher Dahir
Sun Valley General Improvement District	SVGID Trustee Sandra Ainsworth
TMWA (Section 4 – as successor to STMGID)	Commissioner Bob Lucey



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Pat Nielson, Distribution Maintenance & Generation Director
Sonia Folsom, Executive Assistant
DATE: April 5, 2018
SUBJECT: Discussion and action, and possible direction to staff regarding the results of the “Statements of Interest” for the Farad Property

Recommendation

Staff is seeking direction from the TMWA Board as to how the Board would like to proceed with the Farad property based on the attached Statements of Interest.

Summary

A total of eight Statements of Interest were submitted from both private and public entities. Many of them expressed great interest in keeping the Tahoe-Pyramid Bikeway access on the Farad property and creating a permanent easement as well as strong support for recreational and conservation use. Another proposal showed interest in building a bridge crossing the river for fire control equipment and making Farad facilities operational. Another proposal stated interest in removing the wood from flume and penstock for use in mountain area construction projects. Another proposal expressed interest in acquiring the Farad property for conservation and recreational purposes. Another proposal stated interest in selling the property and to keep it open to the public. Notably, none of the proposals showed an interest in the generation building except for the one listed above that mentioned making the generation facilities operational. All Statements of Interest received are attached for the Board’s review and consideration. Additionally, a map of the parcel/location information is attached.

Background

The Farad Hydro-electric Facility property was successfully transferred to TMWA on December 29, 2017. TMWA has determined that it is not economically feasible to rebuild and rehabilitate the necessary components to create an operational hydro generation facility. During the October 2017 Board meeting staff was directed to investigate the potential uses for the property and facility.

The property associated with this facility has many potential uses including;

- Recreational
- Educational
- Non-profit
- Private

- For-profit

Staff contacted potentially interested agencies and individuals, some of which we have worked with in the past, including some individuals that had previously stated an interest in the facility (see the attached mailing list). These agencies and individuals were encouraged to submit a Statement of Interest.

**REQUEST FOR STATEMENT OF INTEREST
REGARDING POTENTIAL SALE, LEASE OR OTHER DEVELOPMENT
OF FARAD, CA PROPERTY**

January 10, 2018

Truckee Meadows Water Authority (“TMWA”) seeks informal statements of interest regarding the potential sale, lease or other development of all or portions of certain land, equipment and hydroelectric facilities located generally in Farad, California. The real estate (“Land”) consists of approximately 70.53 acres located in the Truckee canyon in Nevada County, California, near the Farad exit from Interstate 80, described as Assessor’s Parcel Numbers 048-050-01 (3.97 acres), 048-030-14 (28.43 acres), 048-060-07 (0.50 acres) and 048-050-10 (37.63 acres). The Property includes a building constructed in approximately 1899 on APN 048-030-14 (“Building”), a wooden flume (damaged), diversion works (damaged), penstock and certain facilities related to a 2.8 MW hydroelectric plant previously operated on the Property (“Fixtures”), various permits related to the reconstruction of the diversion dam for the hydroelectric plant damaged in a 1997 flood and operation of the hydroelectric plant (“Permits”). As used herein, the term “Property” consists of the Land, Building, Fixtures, and Permits. With respect to potential hydroelectric development on the Land, TMWA may also be willing to lease all or a portion of Claim No. 5 in the Final Decree entered September 8, 1944, in *The United States of America, Plaintiff, vs. Orr Water Ditch Company* (“Farad Hydro Water Right”).

TMWA’s intent in seeking statements of interest is to gain a better understanding of the levels of interest in pursuing various uses of the Property to provide guidance to the TMWA Board of Directors as it evaluates issuing a possible request for proposal or other process for inviting bids and proposals for the use and development of the Property. TMWA’s goal is to maximize value of a once critical, but currently dormant, asset while facilitating the protection of the Truckee River watershed.

Responses may be limited to portions of the Property (e.g., development and lease of Building; development and lease of portions of the Land for public recreation trails), or may encompass the entire Property (e.g., lease and operation of hydroelectric plant). All proposed uses must comply with all applicable federal, state and local laws, ordinances, rules and regulations.

Responses must be in writing and received by TMWA no later than February 28, 2018 to be considered. Responses should be sent to Truckee Meadows Water Authority, 1355 Corporate Blvd., Reno, Nevada 89502, Attn: Farad SOI c/o Sonia Folsom. Responses should include the following information:

1. Background information about the respondent.
2. General summary of the type of use or development the respondent may be interested in pursuing.
3. Whether the respondent is interested in purchasing, leasing or acquiring some other interest (easement, license, etc.) in the Property. If the respondent is interested in a lease, a general description of whether a short term (less than 3 years) or long term (more than 3 years) lease is desired.
4. The portion(s) of the Property the respondent is interested in.
5. Any other information the respondent believes will be of assistance to the Board.

1 of 2

TMWA will not issue any award or take any final action on a statement of interest submitted, but rather intends to use the information for purposes of identifying and preparing a specific request for proposal or

other similar public bid/invitation process, and anticipates a formal review or selection process will be implemented when a direction on possible uses of the Property is identified. TMWA is providing a tour of the Property on Wednesday February 7, 2018 from 9:00 am to 2:00 pm. Interested parties who want to take the tour must contact Sonia Folsom by Tuesday January 30, 2018 by 5:00 pm to register. Additional tours can be scheduled as needed.

Please feel free to forward this to any interested party. For more information, please contact Sonia Folsom at 775-834-8002 or sfolsom@tmwa.com.

Truckee Meadows Water Authority
1355 Corporate Blvd
Reno, Nevada 89502
Attn: Farad SOI c/o Sonia Folsom
Via email: sfolsom@tmwa.com

Statement of Interest to purchase the
Farad, CA property in entirety inclusive of 70.53 acres of land with the
Farad hydroelectric building/ equipment, facilities, fixtures, permits,
flumes, and lease rights/conveyance for all of Claim No. 5.

Bill Black owns about 419 acres in Nevada Co, CA, situated east of Farad
and south of the Truckee River/ railroad tracks comprising the area
identified as Mystic.

Black has been involved in agricultural/natural resource and energy
operations for more than four decades and is a proponent for water
conservation and best management practices of natural resources.
Black is uniquely positioned to prevent pollution into the Truckee River by
virtue of the proposed successful land acquisition to enable construction
of a bridge crossing the river and railroad tracks for fire control
equipment to access Mystic. The Toiyabe National Forest bounds the
property to the south and east but does not have roads extending to
Mystic. The region is classified as a high fire danger area with a vast
amount of fuel annually increasing from forage and pine needles. With
the lack of snow and runoff this year, fire conditions are expected to be
critical. A July 2017 fire across the Interstate burned about 700 acres.
There is west bound I-80 access to that area. If a fire at the Mystic area
occurred, the resulting soil destabilization and erosion would
devastatingly pollute the Truckee River. Black is diligently pursuing

permitting with the appropriate agencies for construction of a bridge for access.

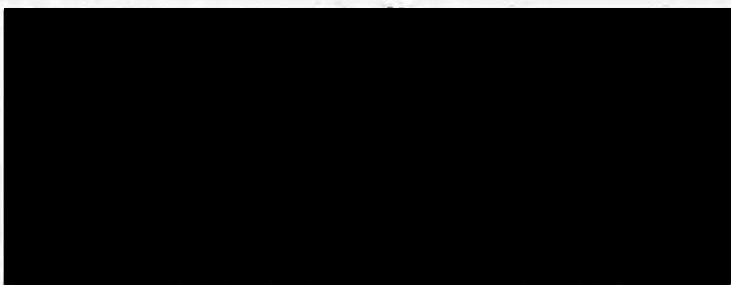
Fire trucks are in inventory and will be placed at the site along with other necessary equipment to begin mitigation of the increasing fire threat with forage control. CALFIRE at Truckee is supportive for construction of a bridge to enable their fire suppression equipment to access Mystic and the adjoining public lands.

Mystic is being evaluated as a potential eco resort with self sustaining capabilities. A rehabilitation facility with veteran emphasis is also being considered.

The Farad hydroelectric facilities can be put back into operation and sell electricity to Mystic and into the grid. An important part of history dating back to 1899 would be preserved in the process.

Black respectfully proposes the following purchase proposal:
\$1,750,000.00 payable from 20% of the net operating income (Royalty) from the hydroelectric generation revenue. The anticipated time to be operational is within two years. When the electric generation revenue begins, interest shall begin accrual at 6% APR on the outstanding balance and compounded annually. Any concerns may be amenably mitigated.

Respectfully submitted,
Bill Black
Bill Black



Bill von Phul
[REDACTED]
Reno, Nevada 89509

February 25, 2018

Truckee Meadows Water Authority
1355 Corporate Blvd.
Reno, Nevada 89502

Attention: Farad SOI % Sonia Folsom

Dear Ms. Folsom,

I'm a TMWA customer (Account No. [REDACTED]), a bicycle advocate and an active volunteer with the Tahoe-Pyramid Bikeway.

The Farad parcels stretch from Interstate 80 all the way to the Truckee River. That being the case, it is imperative that a permanent public access easement through the property be maintained on behalf of the Tahoe-Pyramid Bikeway. Without such an easement, recreational trail users would have no access through the Farad property and an important trail system would be blocked.

I believe that a permanent easement has been requested, but wanted to add my voice to the conversation and let the TMWA Board of Directors know how important this link is for recreation.

By the fall of 2018 it is hoped that a series of linked trails will connect Lake Tahoe to Sparks, NV through an ambitious trail building effort by the Truckee Donner Recreation and Park District, California State Parks, and the Tahoe-Pyramid Bikeway. Please grant a permanent easement through the Farad property so that hikers, bicyclist, fishermen, and other outdoor recreationalists can continue to access this beautiful part of the Truckee River canyon.

Thank you for seeking statements of interest before moving forward with plans for the sale, use and development of the Farad property.

Sincerely,



Bill von Phul



SIERRA CLUB
TOIYABE CHAPTER

February 27, 2018

Truckee Meadows Water Authority
1355 Corporate Blvd.
Reno, NV 89502

Attn: Farad SOI, c/o Sonia Folsom

Dear Sonia and whomever else it may concern;

On behalf of the more than 5,000 members and supporters within the Tahoe-Pyramid watershed (a majority of whom are TMWA rate payers), I am writing to lend our strong support for recreational use on the Farad property.

As you well know, our region offers world-class beauty and access to recreation. The Farad property is ideally located to provide a variety of access to the Truckee River. Allowing access through this property will secure excellent access to the Truckee River for boaters, anglers, and travelers along the Tahoe-Pyramid Bikeway, raising the quality of these offerings to an even higher level.

Thank you for your consideration and service to the health and enjoyment of residents and visitors in the Truckee Meadows.

Sincerely,

A handwritten signature in black ink, which appears to read "Brian Beffort".

Brian Beffort
Director, Toiyabe Chapter Sierra Club



a 501(c)(3) organization
www.tpbikeway.org

February 2, 2018

Truckee Meadows Water Authority
1355 Corporate Blvd.
Reno, NV 89502
Attn: Farad SOI, c/o Sonia Folsom

Dear Sonia, Mark, and Colleagues,

As you know, the Tahoe-Pyramid Bikeway is a 75% complete project to create a hike/bike trail along the entire length of the Truckee River—116 miles. The trail presently passes through your Farad property under a revocable permission to pass. You know from my public comment at the TMWA Board Meeting last August that we are very eager to convert this to a permanent easement. Our surveyor is currently developing an exhibit with the easement description, and it is my understanding that your staff is preparing the easement document.

In addition to the narrow corridor required by the trail, I hope the TMWA Board will consider other public recreational uses of the property. It is the ONLY place in the Truckee Canyon with freeway ramps, flat ground for parking, and river access for fishing. It could be a recreational jewel with modest improvements. Another benefit to low-intensity recreational use of the property would be to avoid potential water quality degradation that might come with some higher-impact proposals.

I have been in touch with several environmental and conservation groups in our watershed about keeping the property in a natural condition, and the Bikeway supports those visions.

Here are three pictures of the Tahoe-Pyramid Bikeway within the Farad property:



Trail passes under spillway



Footbridge over penstocks



Trail on utility road

Thank you for considering Farad's existing and potential recreational benefit to Reno-Sparks residents.

Most sincerely,

Janet Phillips, President

From: Bev [REDACTED]
To: [Folsom, Sonia](#)
Subject: TahoePyramid Bikeway
Date: Tuesday, March 06, 2018 7:17:38 PM

I am a TMWA subscriber living in Verdi...and a strong supporter of the Tahoe Pyramid Bikeway. I encourage you to keep the bikeway open access to whoever purchases that property. Having the Bikeway is an asset to the States of California & Nevada. Lets not lose it after all the hard volunteer work that went into making it happen. Sincerely, Bev Dummitt, Senior Citizen of Verdi

[REDACTED]



P.O. Box 8816, Truckee, CA 96162
10069 West River St. #C1, Truckee, CA 96161
Tel. 530.582.4711 ▲ Fax 530.582.5528
info@tdlandtrust.org ▲ www.tdlandtrust.org

President
Jeff Brown

February 27, 2018

Board of Directors
Gina Biondi
Anne Chadwick
Chrissy Earnhardt
Geoff Griffin
Jim Hoelter
Kevin Mitchell
Ted Owens
Michael Sabarese
Brita Tryggvi
J. Thomas Van Berkem

Truckee Meadows Water Authority
1355 Corporate Blvd.
Reno, NV 89502

RE: Farad SOI; c/o Sonia Folsom

Advisory Council
Martin Bern
John Cobourn
Lance Conn
Kathleen Eagan
Bob Fink
Penny Fink
Ralph Hunt
Judy Mayorga
William McGlashan
Stefanie Olivieri
Jim Porter
Craig Ritchey
Scott Ryan
William Thauvette

Ladies and Gentlemen:

The Truckee Donner Land Trust is a 501c3 not-for-profit conservation organization based in Truckee, California. Protection, restoration and public recreation within the Truckee River watershed has been a significant focus of the organization for over 25 years. To date, the Land Trust has protected over 35,000 acres, approximately 25,000 acres within the Truckee River watershed. There are numerous examples of the Land Trust's work in the watershed; but to name a few: Perazzo Meadows, Coldstream Meadow, Lacey Meadows and Webber Lake, Schallenberger Ridge above Donner Lake and Cold Stream Canyon. As you likely know, the Land Trust is the grantee of a conservation easement from Truckee Meadows Water Authority for river frontage upstream and downstream of the property in question.

Executive Director
Perry Norris

More information about the Truckee Donner Land Trust can be found on its website: www.tdlandtrust.org

**Chief Financial Officer/
Annual Fund Manager**
Ward W. Fansler, CPA

Director of Philanthropy
Kathy Englar

Stewardship Director
John Svahn

**Director of
Communications &
Administration**
K.V. Van Lom

Stewardship Coordinator
Kevin Starr

Membership Coordinator
Marcella Barbano

The Land Trust and its many partners including the Truckee River Watershed Council, The Nature Conservancy, American Rivers and American Whitewater, hope to acquire the Farad property for conservation and recreational purposes. The property currently provides popular access to the river for fishing, boating, and to the Tahoe-Pyramid Bikeway. Our foremost concern is to insure this access continues and is enhanced, both in terms of improving water quality and the public's enjoyment of the river.

Contributions to the
Truckee Donner Land
Trust are tax-deductible
under section 501(c)(3)
of the Internal Revenue
Service Code.



*Celebrating over 25 years preserving and protecting scenic, historic,
and recreational lands in the greater Truckee Donner region.* 7 of 10

With respect to the dormant hydro-electric facility, it is of no interest or value to the Land Trust. The Land Trust does, however, recognize the historic significance of the building, penstock and flume.

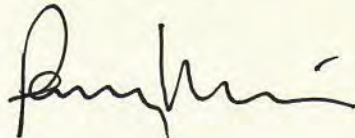
This letter serves as an initial expression of interest in acquiring the property and the Land Trust has not formulated in-depth plans for its future management. The Land Trust would like to note that it does have significant experience providing recreational access compatible with its conservation goals. The Land Trust welcomes the opportunity to show TMWA Board and staff first hand our work at Independence Lake, Webber Lake and other acquisitions.

It is worth noting that the most likely recreational users of the land are Reno-Sparks residents, and therefore TMWA ratepayers.

The acquisition of the property by a conservation group also serves TMWA's goals of "...facilitating protection of the watershed."

The Land Trust looks forward to future discussions.

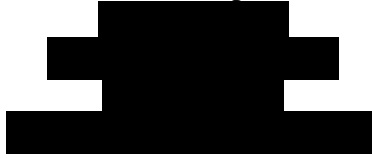
Most sincerely,

A handwritten signature in black ink, appearing to read 'Perry Norris', with a stylized, cursive script.

Perry Norris
Executive Director

Cc: Mr. Mickey Hazelwood, The Nature Conservancy
Ms. Janet Phillips, Tahoe-Pyramid Bikeway

Bill Hunkapillar



February 20, 2018

Sonia Folsom
Truckee Meadows Water Authority
1355 Corporate Blvd.
Reno, NV 89502

Re: Farad Property – Statement of Interest

Ms. Folsom:

My name is Bill Hunkapillar, and I am interested in removing the wood contained in the flume and penstock at the Farad property.

I have lived in the Truckee/Tahoe area since 1972. During much of this time I have worked as a carpenter doing finish work, landscaping, and other smaller projects. I have a great appreciation for re-claimed wood, and I know that it looks great in mountain area projects.

I am interested in the demolition and removal for the wood flume and penstock. My idea is to use some for my own projects, and sell some to local contractors for use in mainly residential and landscaping projects in the area. I will have a team of people that have the necessary licenses for the work, and want to do it in an efficient manner with the least environmental impact.

I hope we can work out arrangement that works for all of us. Please keep me informed of any actions you take for the property. I will be interested in submitting a formal proposal when you decide what you want to do.

Sincerely,

Bill Hunkapillar

Date: March 29, 2018

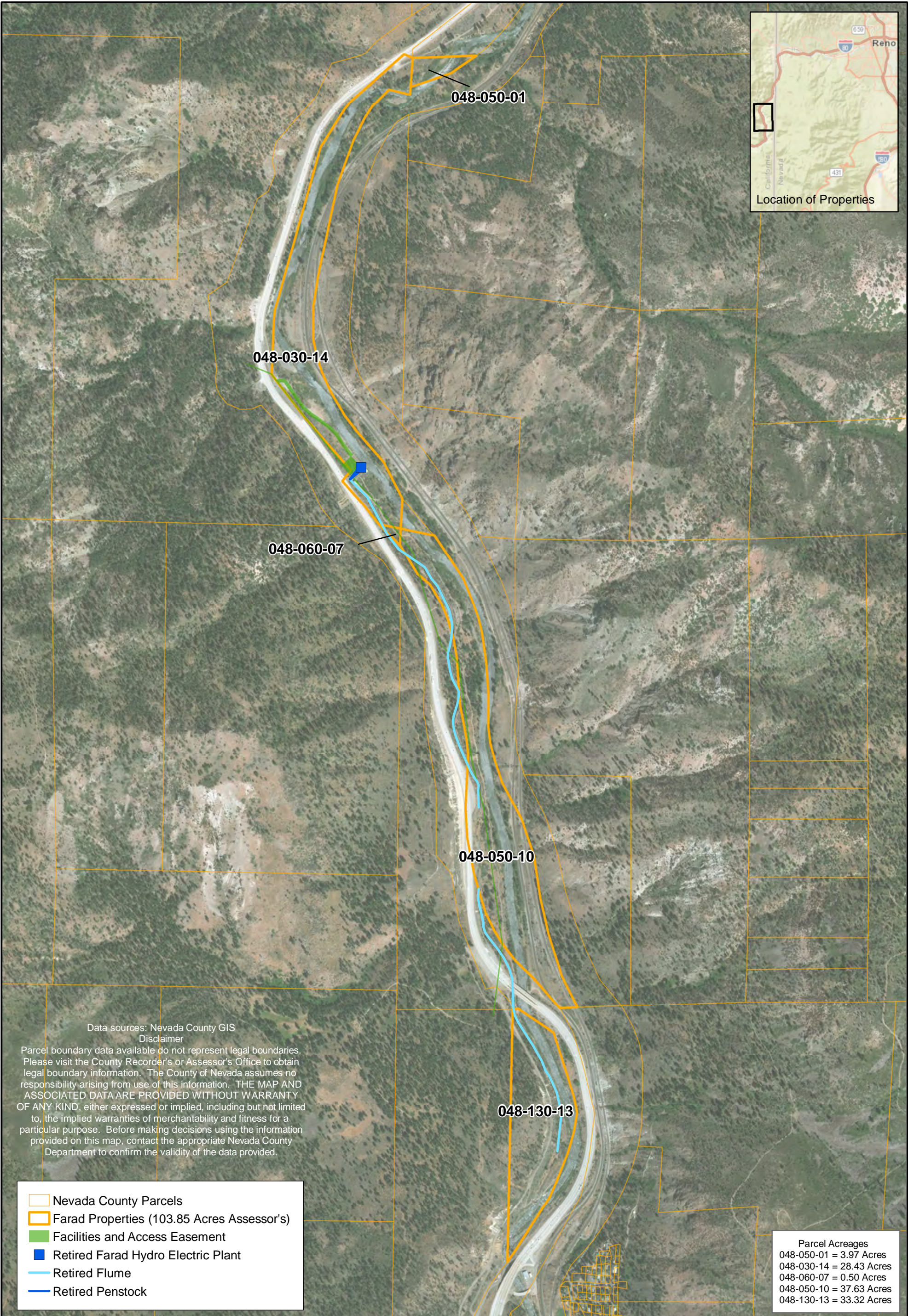
Hi,

My name is Clif [REDACTED] and I am a TMWA customer at [REDACTED] Reno, NV 89519.

I'm writing in support of the proposal to sell TMWA property from Floristan to Farad and to keep it open for the public. I have ridden the Tahoe Pyramid Bikeway on this property and loved it. The visual part of the trip is fabulous. This property is a vital portion of the Bikeway which when finished will connect Lake Tahoe all the way to Pyramid Lake. If this beautiful portion is lost, the whole trail will be in jeopardy.

Please keep the trail open for all of us bikers, hikers, photographers, fisherman, artists and outdoorsmen. Whoever buys it should be required to honor present users most of whom are TMWA customers, like me.

Thanks,
Clif [REDACTED]



W:\projects\Facilities\Hydro_GIS_CMM\hydro_mxd\Farad_2017_TMWA_format.mxd



**FARAD HYDRO
NEVADA COUNTY PROPERTIES**

DATE:	4/9/2018
MAP BY:	JAK
REQUESTED BY:	LK
SCALE:	0 125 250 500 Feet



Name:	Organization:
Board of Directors	TMWA
SAC Members	TMWA
Advisors	Truckee River Fund
Mickey Hazelton	The Nature Conservancy
Michael Cameron	The Nature Conservancy
Alicia Rehban	Nevada Land Trust
Chrsiti Cakiroglu	One Truckee River
Gregor Finke	Patagonia
Chris Askin	Community Foundation of Northern Nevada
Richard Anderson	Nevada County Supervisor-Dist. 5
Jeff Loux	Town of Truckee -- Manager
Brian Dahle	Calif. State Legislature, Dist. 1
Lisa Wallace	Truckee River Watershed Council
Chuck Bonham	California Fish and Wildlife
Secretary	California Department of Natural Resources
Lori Williams	Carson-Truckee Conservancy District
Ed James	Carson-Truckee Conservancy District
Chad Blanchard	Federal Water Master
Robert Quilici	Washoe County Water Conservation District
Dennis Ghiglieri	Sierra Club
Terri Edwards	Bureau of Reclamation
Ane Diester	California Council of Land Trusts
Perry Norris	Truckee Donner Land Trust
Ted Kowalski	Walton Family Foundation
Scott Goodwin	American Energy
Richard Anderson	Nevada County Supervisor
Bill Hunkapillar	Private
Robert Basile	Basile Mgmt. Practice
Tim Beals	Sierra County Manager



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Enloe, Natural Resources Director
Christian Kropf, Senior Hydrogeologist
Nick White Hydrogeologist
DATE: April 10, 2018
SUBJECT: **Informational update on the Bedell Flat Activities**

Summary

TMWA has a conjunctive use strategy, which includes aquifer storage and recovery (ASR), to both maintain the health of local aquifers and supplement limited water resources during drought when traditional river, reservoir, and aquifer systems are being stressed. TMWA is considering expanding its ASR program to suitable locations. The Bedell Flat Hydrographic Basin in southern Washoe County is one such location that appears to have favorable hydrogeologic characteristics for an ASR project. Therefore, an understanding of the feasibility of ASR in Bedell Flat warrants further investigation. TMWA, in partnership with local governments, agencies, and scientists, is assessing the feasibility of storing available surface water, imported groundwater, or highly-treated reclaimed water in Bedell Flat for future use during times of need.

Background

Bedell Flat is a relatively small basin (51 mi²) with depths to water ranging from less than 5 feet in the northwest, where surface drainage exits in the basin, to approximately 180 feet near the southeastern side of the basin. Geologic materials appear favorable for ASR and/or surface infiltration as the basin is well drained (nearly-impermeable playa sediments are notably absent throughout the entire basin). Although the hydrogeologic framework (thickness of basin fill, reconnaissance level groundwater recharge estimates, and estimated water budgets) has been coarsely characterized, Bedell Flat remains largely undeveloped and little is known about the groundwater system or aquifer properties.

TMWA is considering several ASR options within Bedell Flat to infiltrate and store recharge water, including infiltration of highly-treated wastewater effluent through rapid infiltration basins ("RIBs") or along a natural drainage referred to as Bird Springs Wash, and injection of potable water using ASR wells, or a combination of these. TMWA is researching past geologic and hydrogeologic investigations of the basin, conducting environmental clearance/permitting work, investigating the infiltration capacity of the Bird Springs Wash, carrying out additional

drilling work, and has begun computer modeling of the basin. TMWA plans to continue this work and additional characterization activities to gain an understanding of the feasibility, scope and cost of an integrated water resource ASR program in Bedell Flat.

Previous Work

Multiple scientific studies have been completed to date within and surrounding the Bedell Flat hydrographic basin. Such studies were completed to characterize the hydrologic and hydrogeologic setting of the basin. Results of these studies have been summarized in several published and unpublished reports. The following bullets briefly summarize key works that have been completed to date:

- USGS (1966 & 1967) – General hydrogeologic reconnaissance study/report completed as a groundwater resource assessment.
- SEA Engineers and Planners (1978) – Exploratory drilling and well testing program and summary report completed as a groundwater resource assessment.
- Washoe County Department of Water Resources Precipitation Can Program (Began in 1999) – Precipitation can data collection and maintenance program completed for record keeping.
- USGS/Washoe County Department of Water Resources (2001) – General hydrogeologic study/report completed to refine the understanding of groundwater occurrence and flow.
- InterFlow Hydrology, Inc. (2003/2004) - Groundwater model and hydrogeologic summary report completed as a groundwater resource assessment.
- Eco:Logic (2007) – Exploratory drilling program and summary memorandum completed to assess near surface geology and infiltration potential.

Reports associated with each of the above works are available upon request.

Current Work

TMWA has initiated work in collaboration with USGS and consulting firms as well as with in-house expertise to assess the feasibility of ASR in the basin. These efforts are also being carried out in coordination with state and federal agencies (Nevada Division of Water Resources, Bureau of Land Management, etc.) to maintain regulatory compliance. A list of current characterization and assessment efforts are described below.

USGS Bird Springs Drainage Assessment

Beginning in 2015, the USGS Nevada Water Science Center started providing technical assistance to TMWA by evaluating existing data and installing equipment for monitoring discharge and temperature of opportunistic natural flows that occur in the ephemeral Bird Springs drainage. By monitoring these natural flows, the USGS can evaluate the feasibility of infiltrating water through the Bird Springs drainage as part of a larger ASR program in the basin.

Preliminary Infiltration Tests at Hand-Augered Boreholes

TMWA completed preliminary infiltration tests in hand-augered boreholes at multiple locations in September of 2017. The purpose of completing these tests was to assist with site selection of future trench testing locations. Preliminary testing results were favorable and sites have been refined for future work.

Bedell Flat Test Well

Throughout January and February of 2018, TMWA hydrogeology staff drilled and constructed a test well on the south side of the basin near an existing BLM stockwater well. The purpose of drilling and constructing a new test well was to obtain aquifer properties for future modeling efforts and establish a long-term monitoring point. A water level data logging device has since been installed in the test well and downloads will occur on a semi-annual basis.

Cultural Resources Survey

A cultural resources survey was completed by a consulting firm on behalf of TMWA in March of 2018. The survey was completed as a requirement by the BLM prior to implementing activities associated with trench testing. Results of the survey were positive and no unanticipated cultural artifacts were identified near the selected sites.

Groundwater Model

The hydrologic/hydrogeologic data that TMWA collects and compiles is currently being incorporated into the development of a groundwater model. The model will be utilized to better understand the dynamic nature of the groundwater system and any response the system may have to future recharge/pumping scenarios (e.g., water budget fluctuations, water level fluctuations, etc.). As with other groundwater models that TMWA manages, the model will be updated with new data and modified as deemed necessary to better represent the true hydrogeology of the basin.

Future Work

TMWA is planning to continue work with partners like the City of Reno, Washoe County, USGS, expert consultants, and also with in-house expertise to assess the feasibility of ASR in the basin. A list of potential characterization and assessment efforts are described below.

RIB Feasibility

As discussed above, TMWA has performed limited small-scale infiltration tests in hand-auger boreholes at several locations in Bedell Flat. TMWA is also working to acquire final environmental compliance and permitting approvals to allow for infiltration trench tests within the basin this summer. These trench tests will help assess the feasibility for constructing RIBs.

Weather Station Installation

TMWA will install and maintain a weather station in Bedell Flat. Data from the weather station will be utilized to validate historical data collection events as well as create a new, more robust database moving forward. Data trends and values recorded by the weather station will also allow for additional refinement of the groundwater model.

Monitoring Well Installation and Aquifer Characterization

TMWA proposes to install three to five monitoring wells to fill data gaps and enhance the subsurface characterization of the northeast and southeast portions of the basin. Additional characterization of the unsaturated and saturated zones is necessary to further understand the geologic and hydrogeologic framework of the basin, enhance the groundwater model, site future potential infiltration wells, and assess the volume of water that could be stored and recovered from the basin.

USGS Coupled Groundwater/Surface Water/Vadose Zone Infiltration Modeling

As described above, TMWA will continue to develop a groundwater model to better understand the dynamic nature of the groundwater system and any response the system may have to future recharge/pumping scenarios (e.g., water budget fluctuations, water level fluctuations, etc.). This model will also be utilized by the USGS to develop a coupled surface/groundwater model to assess the feasibility of Bird Springs Wash and/or RIBs as suitable locations for recharge. The coupled model will better assist with unsaturated (vadose) zone characterization and provide insight as to what volumes of water the basin can take into storage.

Injection Test Well Installation and Assessment

TMWA will use information gained through the aquifer characterization effort to determine a suitable location for an injection test well. If conditions are favorable, the well could be sited close to the existing Fish Springs Ranch pipeline to allow for ease of delivery and injection of Fish Springs groundwater in the basin. This option may also assist in proving up the additional 5,000 AF groundwater resource in Honey Lake Valley.

Bedell Flat Recharge Informational Update

*Presentation by Truckee Meadows Water Authority
April 18, 2018*

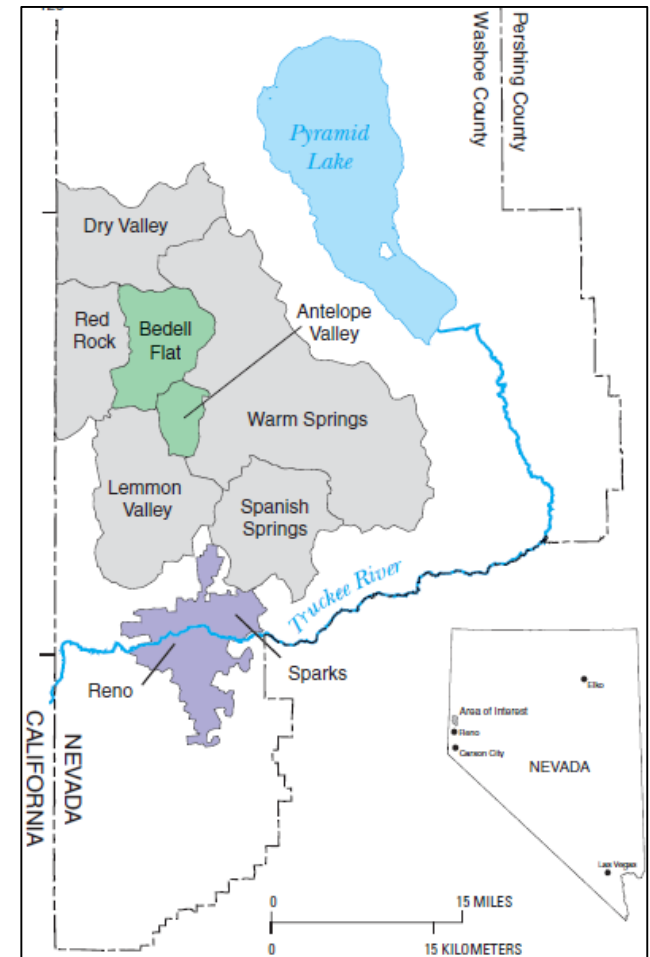


Truckee Meadows Water Authority (TMWA)

Bedell Flat Recharge - Background

TMWA has a robust conjunctive use strategy which includes aquifer storage and recovery. To enhance this drought-resiliency strategy, TMWA is investigating the possibility of storing water in Bedell Flat north of Reno. Bedell Flat is promising due to:

- Proximity to infrastructure
- Relatively undeveloped
- Favorable geologic materials
- Multiple options for recharge



Truckee Meadows Water Authority (TMWA)

Bedell Flat Recharge – Previous Work

Although there are multiple previous studies within the basin, the geology and hydrogeology has only been coarsely characterized. Previous studies included:

- **U.S. Geological Survey (1967):** Hydrogeologic Reconnaissance Report
- **SEA Engineers and Planners (1978):** Exploratory drilling and testing
- **Washoe County DWR (1999-present):** Precipitation monitoring network
- **USGS/WCDWR (2001):** General hydrogeologic study
- **InterFlow Hydrology (2003/2004):** Coarse groundwater model
- **Eco:Logic (2007):** Exploratory drilling program



Truckee Meadows Water Authority (TMWA)

Bedell Flat Recharge – Current Work

TMWA has initiated work in Bedell Flat to assess the feasibility of ASR in the basin. Working with the USGS, BLM, consultants, and regulatory agencies to characterize the basin with these projects:

- **USGS Bird Springs Drainage (2015-present):** Infiltration potential of ephemeral drainage
- **Preliminary Infiltration Tests (Sept. 2017):** Assess future trench-test infiltration locations
- **Test Well Installation (Feb. 2018):** TMWA-installed well to assess aquifer
- **Cultural Resources Survey (Mar. 2018):** BLM permit-required survey
- **Groundwater Model (2018-present):** Basin-scale modeling for flow & geology

Truckee Meadows Water Authority (TMWA)

Bedell Flat Recharge – Current Work



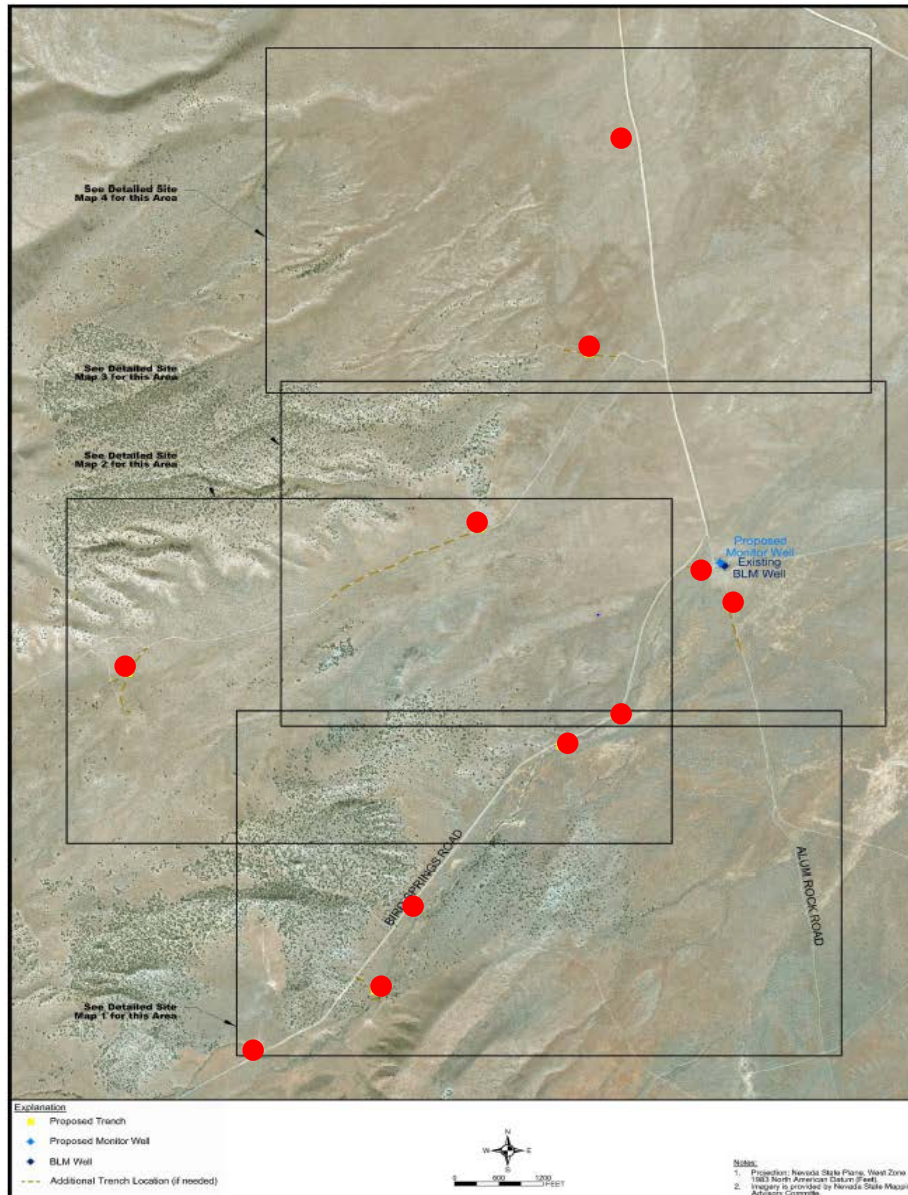
Truckee Meadows Water Authority (TMWA)

Bedell Flat Recharge – Future Work

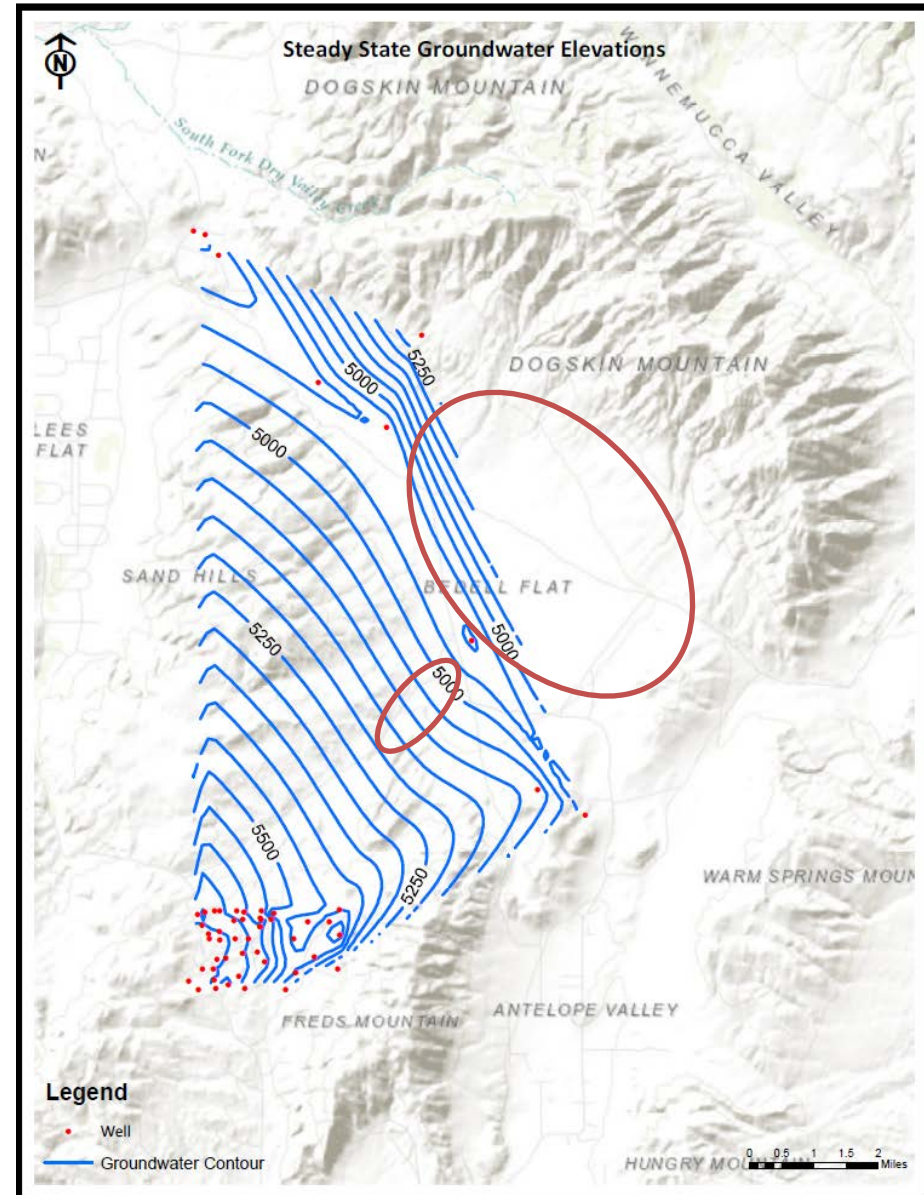
TMWA will continue to work with partners like the City of Reno, Washoe County, USGS, BLM, expert consultants, and other agencies to assess the feasibility of ASR in the basin. Future projects include:

- **RIB Feasibility:** Trench-testing to assess potential for RIBs
- **Weather Station Installation:** Onsite weather station
- **Monitoring Well Installation:** Additional monitoring wells to fill data gaps
- **USGS Vadose Zone Model:** Coupled surface water and groundwater model
- **Injection Test Well:** Locate, install, and test injection well

Future Trench-Testing Areas



Future Monitoring Well Locations



Thank you!

Questions?



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Enloe, Director of Natural Resources
Department of Natural Resources – Hydrogeology Staff
DATE: April 9, 2018
SUBJECT: **Informational report on the TMWA aquifer storage and recovery program**

SUMMARY

This staff report provides an update on the TMWA aquifer storage and recovery (ASR) program. ASR is expanding in areas formerly served by Washoe County and South Truckee Meadows General Improvement District (STMGID) because conjunctive use, using surface water in areas that previously relied solely on groundwater, promotes water supply sustainability and drought resiliency. This report includes charts and tables showing quantities of surface water recharged and water pumped over time. Several charts also include water level changes to illustrate the favorable results of ASR and passive recharge (supplying surface water directly to customers which reduces groundwater pumping). Additional information on ASR and water level fluctuations over time are included in the ASR annual reports and the 2016-2035 Water Resource Plan.

ASR typically occurs during winter months when surface water is available and water demands are lower. Factors evaluated to determine where to recharge include proximity to surface water supply lines, well equipment or mechanical constraints, depth to groundwater and water level declines, water quality considerations, and permitting requirements required by Nevada Division of Water Resources (NDWR) and Nevada Division of Environmental Protection (NDEP). Areas with fully permitted (NDWR and NDEP) ASR programs include the Central Truckee Meadows (Basin 87), Spanish Springs (Basin 85), and West Lemmon Valley (Basin 92A). South Truckee Meadows (the southern part of Basin 87), Pleasant Valley (Basin 88), and some areas in Spanish Springs are permitted through NDEP and, if recharged, will continue to operate as a pilot project until permitting through NDWR is complete. TMWA will continue to expand active recharge projects where practical.

TMWA implements passive recharge in areas where surface water supply is accessible but direct recharge is not feasible because of facility, permitting and/or mechanical constraints. Areas showing the most prominent groundwater recoveries from passive recharge are in the South Truckee Meadows / Mt. Rose Fan area, East Lemmon Valley, and West Lemmon Valley. The Arrowcreek booster pump system was constructed in 2016 to expand conjunctive use to the South

Truckee Meadows and parts of Basin 88. Since construction of the pump stations, approximately 2,415 acre-feet (AF) of surface water has been delivered to the Mt. Rose Fan area. This amount of water is equivalent to the annual average amount used by about 5,000 homes within the TMWA service area.

Looking forward, TMWA will continue to implement the following water resource management practices to expand conjunctive use and reduce groundwater pumping:

- TROA – regional aquifers benefit from TROA and expanded conjunctive use operations;
- Importing groundwater from Fish Spring Ranch – TMWA owns and operates production wells and a distribution system that transports water from Fish Springs Ranch to Lemmon Valley and Stead;
- Construction of a surface water treatment plant (WTP) on White’s Creek – The plant will provide treated creek water to the distribution system for use in Basins 87 and 88. The WTP is scheduled to be online by spring 2020.

DISCUSSION

The following graphs depict monthly pumping volumes (in AF) from municipal wells in blue. If the municipal well is used for ASR, monthly injection volumes (in AF) are depicted in purple. Also included are charts depicting total volume pumped (blue) and total volume recharged (orange) per area from 2014-2017 (since the TMWA/Washoe County merger). Several graphs include groundwater elevations (feet above mean sea level, amsl) in black (and other colors for additional monitoring wells). Figure 1 shows the TMWA service area, municipal well locations, and monitoring well locations referred to herein. Table 1 summarizes cumulative recharge volumes (in AF) for each permitted area since the beginning of recharge.

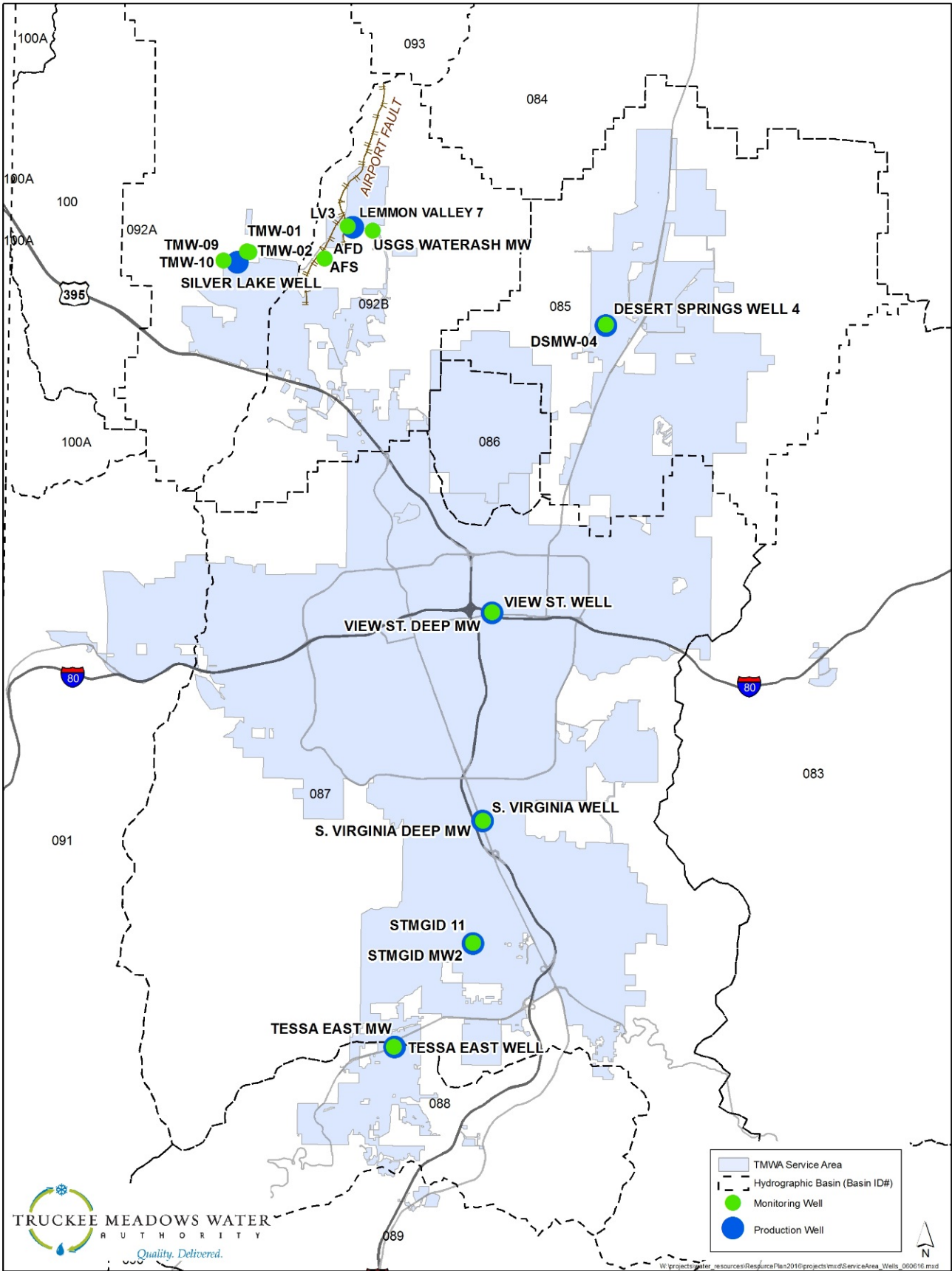


Figure 1: Service Area and Well Location Map

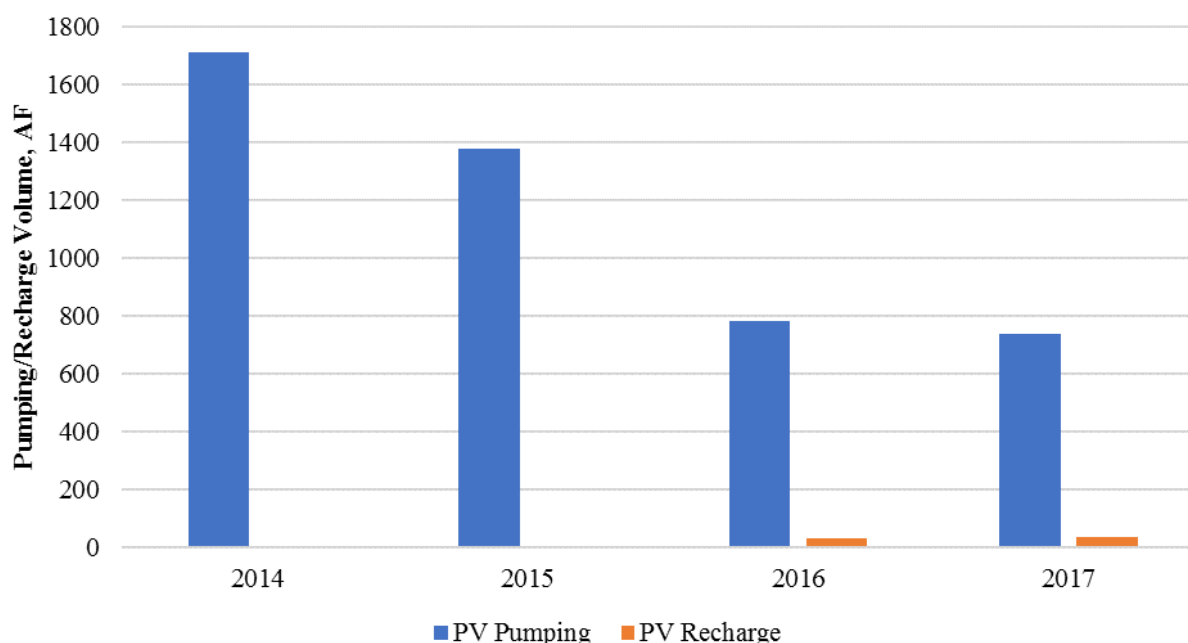
Table 1: Cumulative Recharge Volumes by Permitted Basin

Basin	Cumulative Recharge Volume, AF	Beginning of Recharge
Basin 88, Pleasant Valley	62	2016
Basin 87, South Truckee Meadows	442	2015
Basin 87, Central/North Truckee Meadows	26,421	1993
Basin 85, Spanish Springs Valley	5,309	2008
Basin 92A, West Lemmon Valley	5,043	2000

HYDROGRAPHIC BASIN 88 –NORTHWEST PLEASANT VALLEY

Until the merger, groundwater was the only water source in this area, resulting in declining groundwater elevations. The merger made it possible for TMWA to expand infrastructure and transfer surface water to the Mount Rose Fan. Delivering surface water to customers significantly reduced groundwater pumping and allowed groundwater levels to stabilize. TMWA has performed ASR for one season under a pilot project at Tessa West. Approximately 62 AF has been recharged during the pilot project. TMWA will convert additional production wells into dual-purpose wells capable of pumping and injecting water once necessary permitting is in place. Figure 2 shows pumping and recharge volumes for this basin since the merger.

Groundwater elevations fluctuate seasonally with recovery during non-pumping and natural recharge periods and declines during pumping periods. Figure 3 depicts groundwater elevations at Tessa East (located approximately 1,700 feet from the Tessa West recharge well) which represent the groundwater conditions in the northwest part of Basin 88.

**Figure 2:** Pumping and Recharge Volumes for Basin 88 – 2014 through 2017

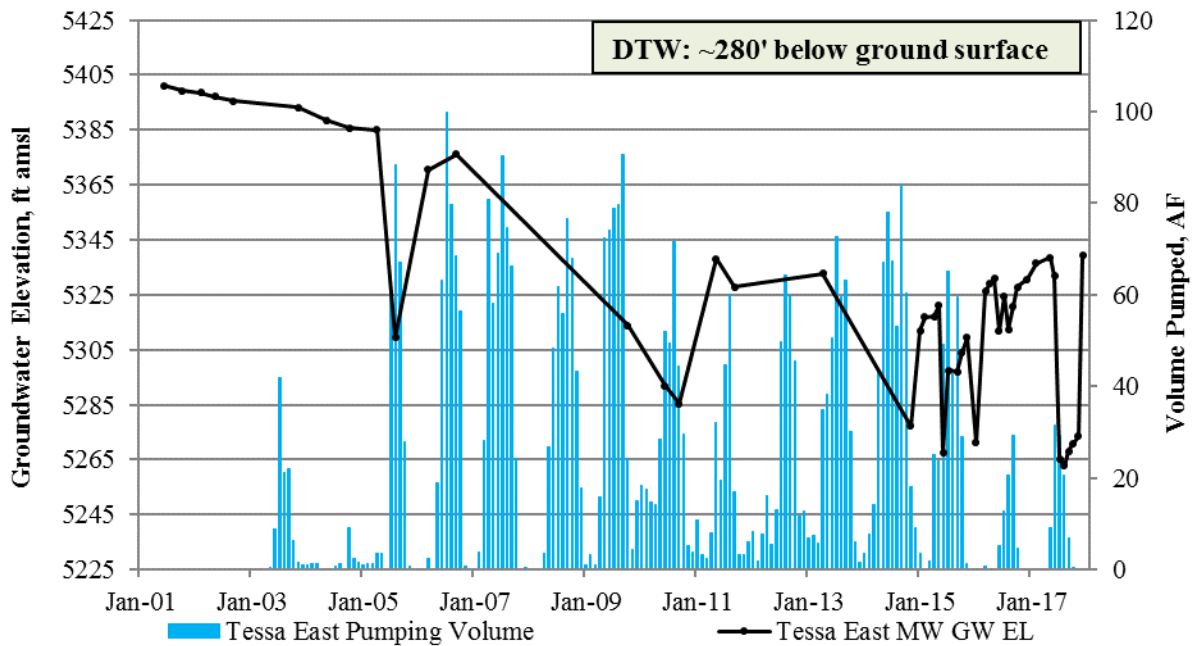


Figure 3: Groundwater Hydrograph for Basin 88

HYDROGRAPHIC BASIN 87 – SOUTH TRUCKEE MEADOWS

Like Basin 88, groundwater was the only water source in this area until the merger, resulting in declining groundwater elevations. TMWA has expanded infrastructure and significantly reduced pumping allowing groundwater levels to recover. Using three ASR wells, TMWA has recharged approximately 442 AF over three seasons under a pilot project. Figure 4 shows pumping and recharge volumes since the merger. Once all permitting is in place, TMWA will convert additional production wells into dual-purpose wells capable of pumping and injecting water.

Groundwater elevations fluctuate seasonally with recovery during non-pumping and natural recharge periods and declines during pumping periods. Figure 5 depicts groundwater elevations near STMGID 11 which represent the groundwater conditions in the south part of Basin 87.

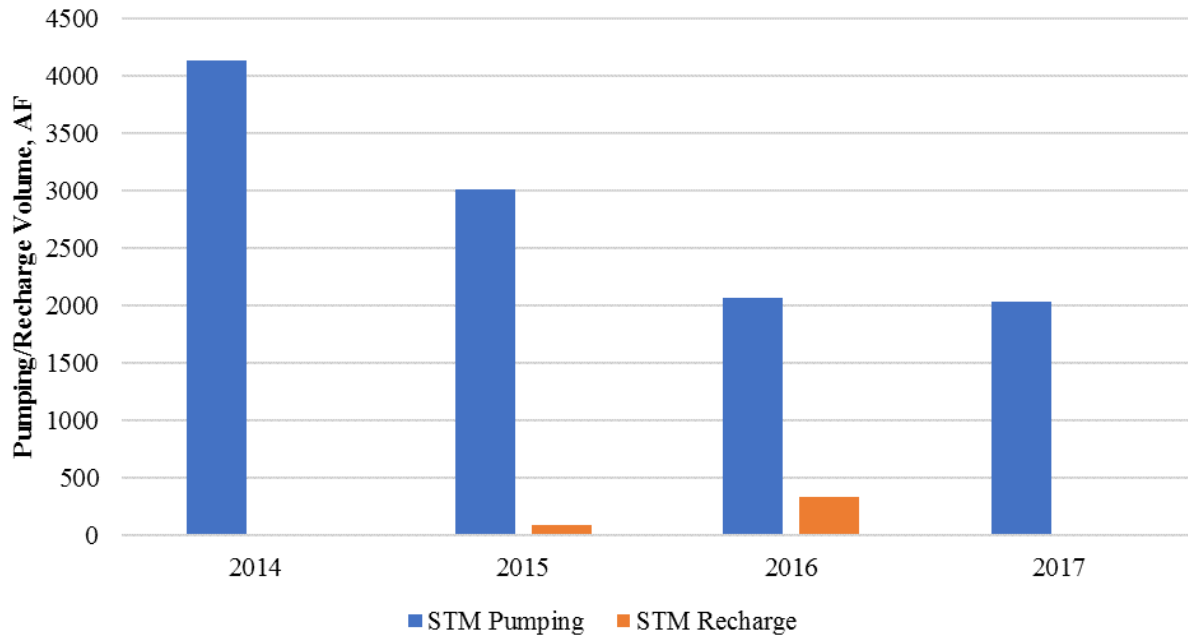


Figure 4: Pumping and Recharge Volumes for Basin 87 South – 2014 through 2017

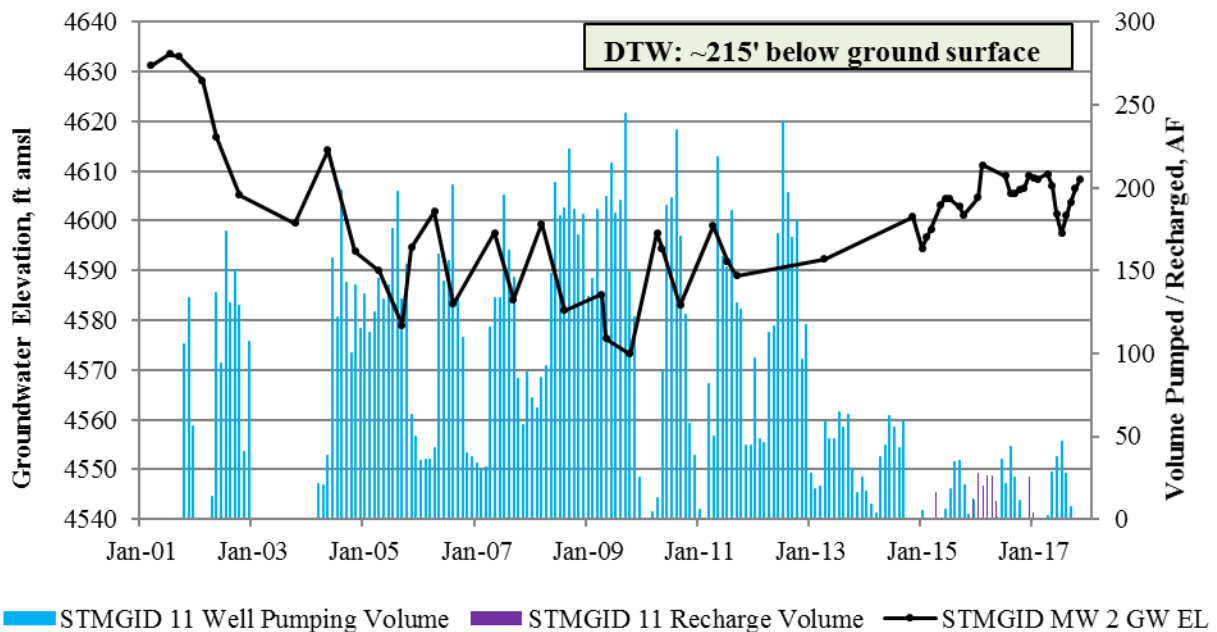


Figure 5: Groundwater Hydrograph for Basin 87 South

HYDROGRAPHIC BASIN 87 – CENTRAL AND NORTH TRUCKEE MEADOWS

Municipal wells in the central and northern portion of Basin 87 are primarily used to supplement summer peak demands. Surface water recharge has occurred at 23 wells in the Central and North Truckee Meadows. Approximately 26,420 AF have been recharged since 1993. Figure 6 shows pumping and recharge volumes since the merger in 2014.

Groundwater elevations decline during pumping and recover quickly during non-pumping periods. Annually, ASR and natural recharge keep groundwater elevations relatively stable in the Central and North Truckee Meadows. Figure 7 shows how natural recharge (minimal active recharge performed at this well) typically reaches this lower-lying area of the valley resulting in stable water levels. Figure 8 depicts groundwater elevations in the northern part of Basin 87. ASR contributes to water level stability.

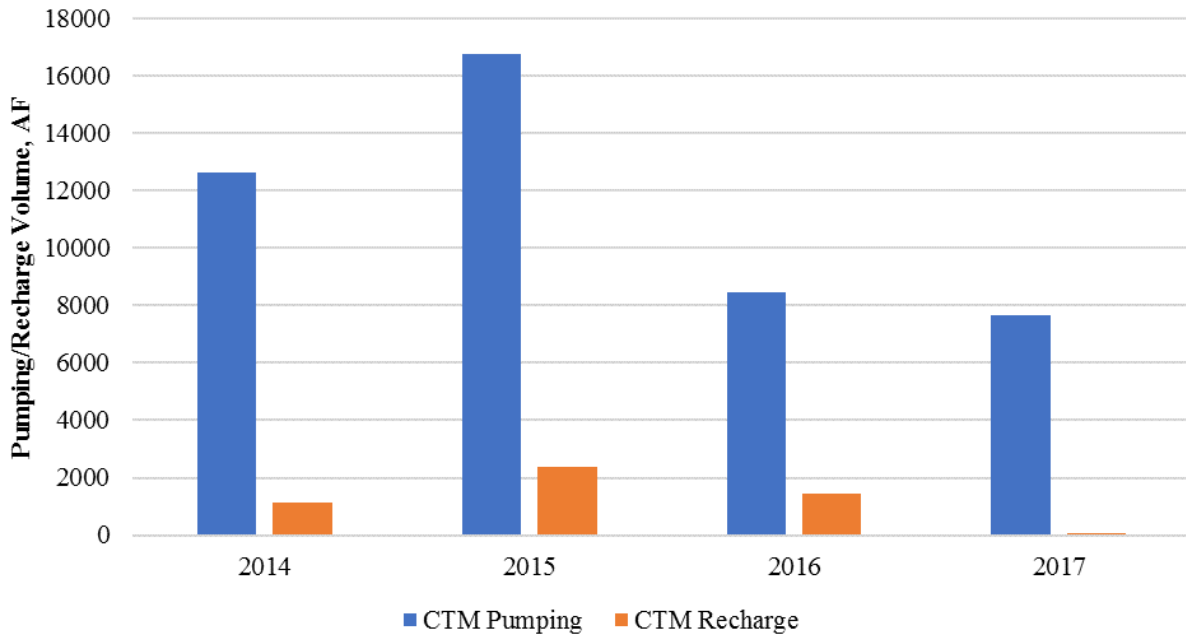


Figure 6: Pumping and Recharge Volumes for Central and North Basin 87 – 2014 through 2017

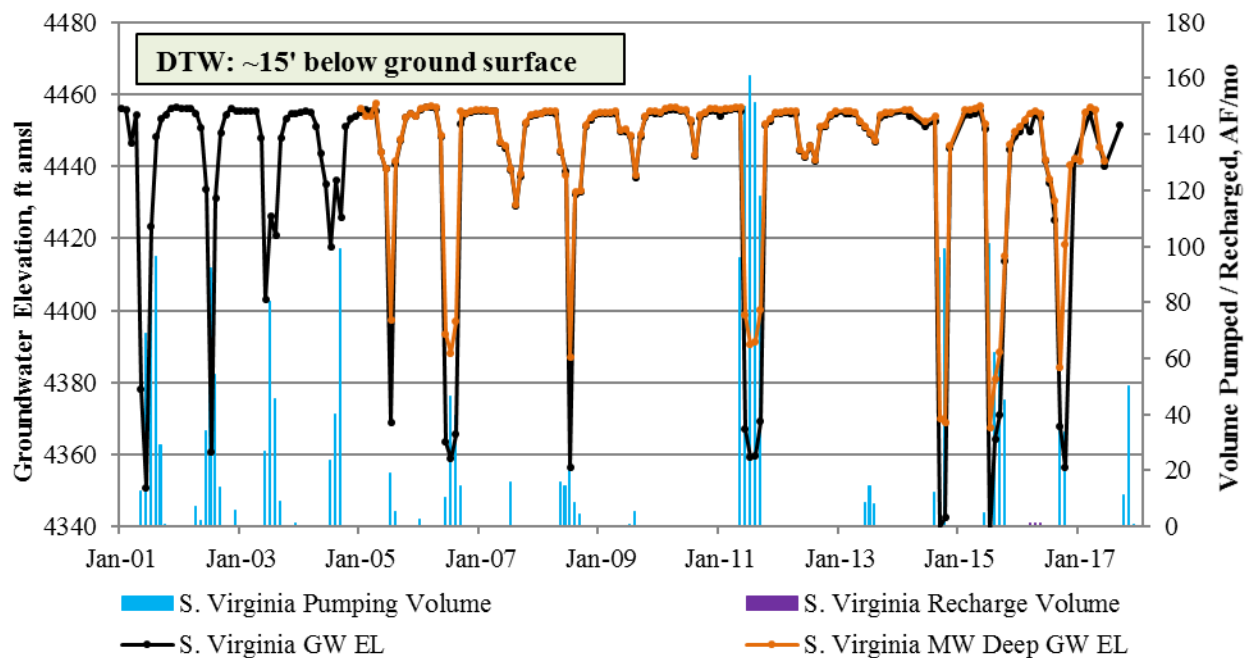


Figure 7: Groundwater Hydrograph for Central Basin 87

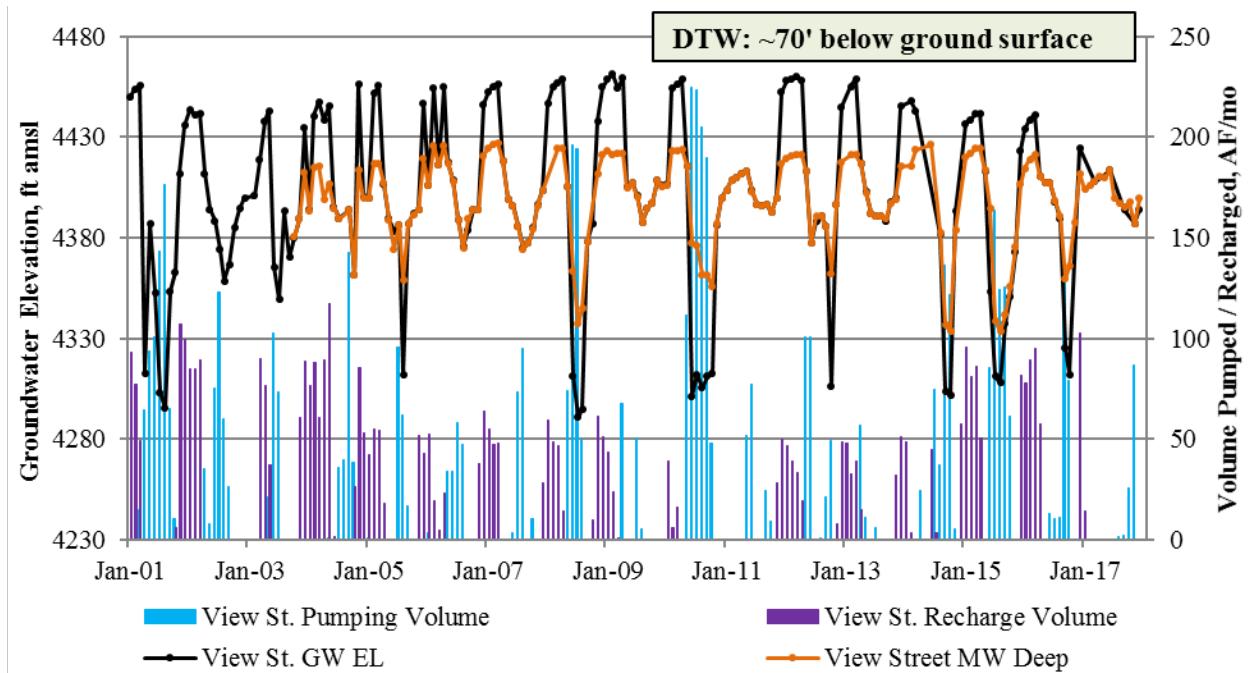


Figure 8: Groundwater Hydrograph for North Basin 87

HYDROGRAPHIC BASIN 85 – SPANISH SPRINGS VALLEY

In Spanish Springs, groundwater usage has transitioned by reduced pumping on the west side of the valley and increased pumping on the east side. The shift in usage has resulted in groundwater elevation increases on the west side and decreases on the east side. Active recharge takes place at one well (operating as a pilot project) on the west side since 2012 and at one well (fully permitted) on the east side since 2008. The cumulative volume recharged in Spanish Springs is approximately 5,300 AF. Figure 9 depicts pumping and recharge volumes since 2014. Well modifications are complete at three additional wells with ASR testing scheduled to begin soon. Implementation of conjunctive use operations will continue to expand in Basin 85 to effectively manage the water resources. Recharge on the west side has contributed to groundwater level recovery and stabilized groundwater elevations. Figure 10 depicts groundwater elevations on the west side of Spanish Springs Valley. Infrastructure will be extended to other areas on the east side of the valley to increase the ASR program.

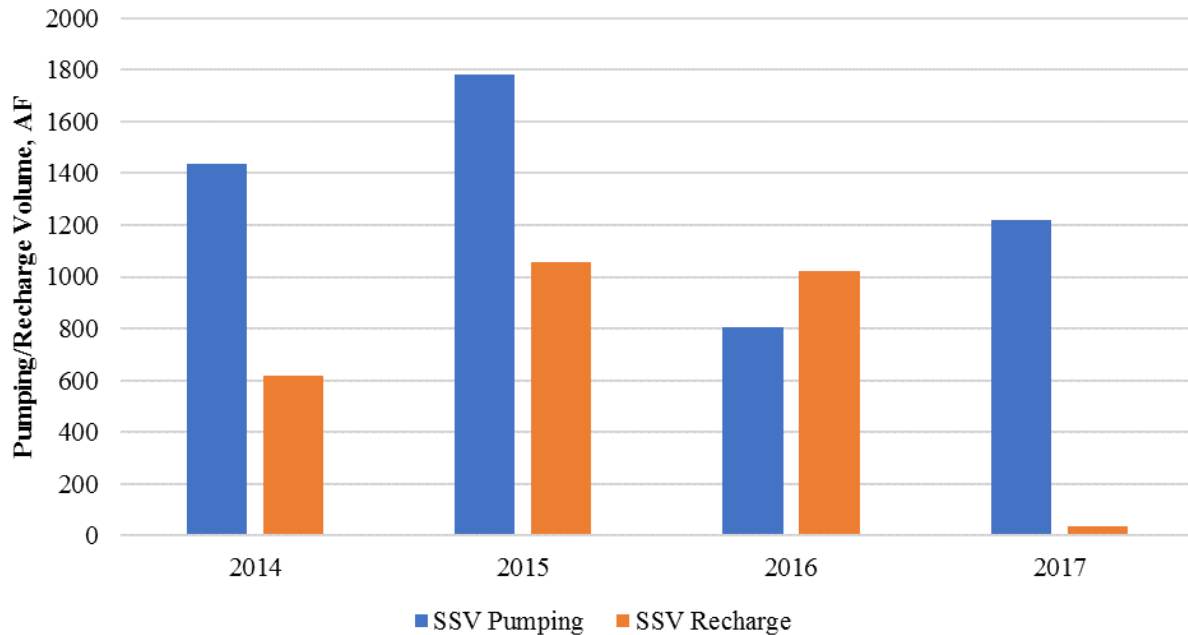


Figure 9: Pumping and Recharge Volumes for Basin 85 – 2014 through 2017

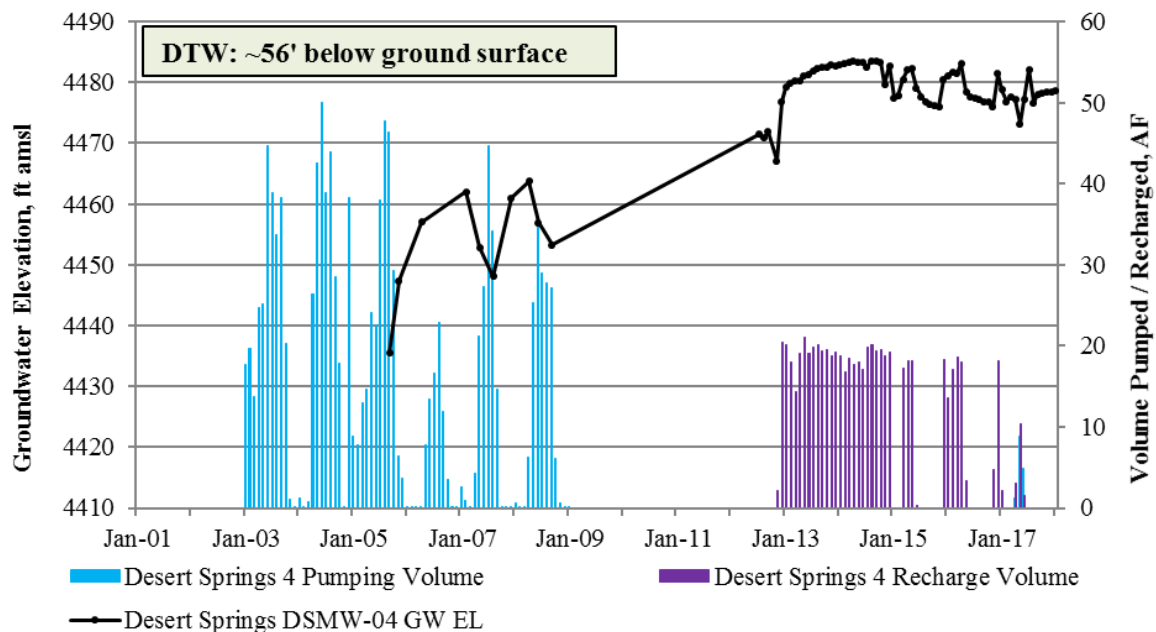


Figure 10: Groundwater Hydrograph for Basin 85

HYDROGRAPHIC BASIN 92A – WEST LEMMON VALLEY

The ASR program has been underway in West Lemmon Valley since 2000. Before ASR, groundwater levels were declining. Figure 11 depicts the pumping and recharge volumes for Basin 92A since the merger. Since 2000, the cumulative volume recharged is approximately 5,040 AF. Implementation of conjunctive use operations will continue to expand in Basin 92A to effectively manage the water resources.

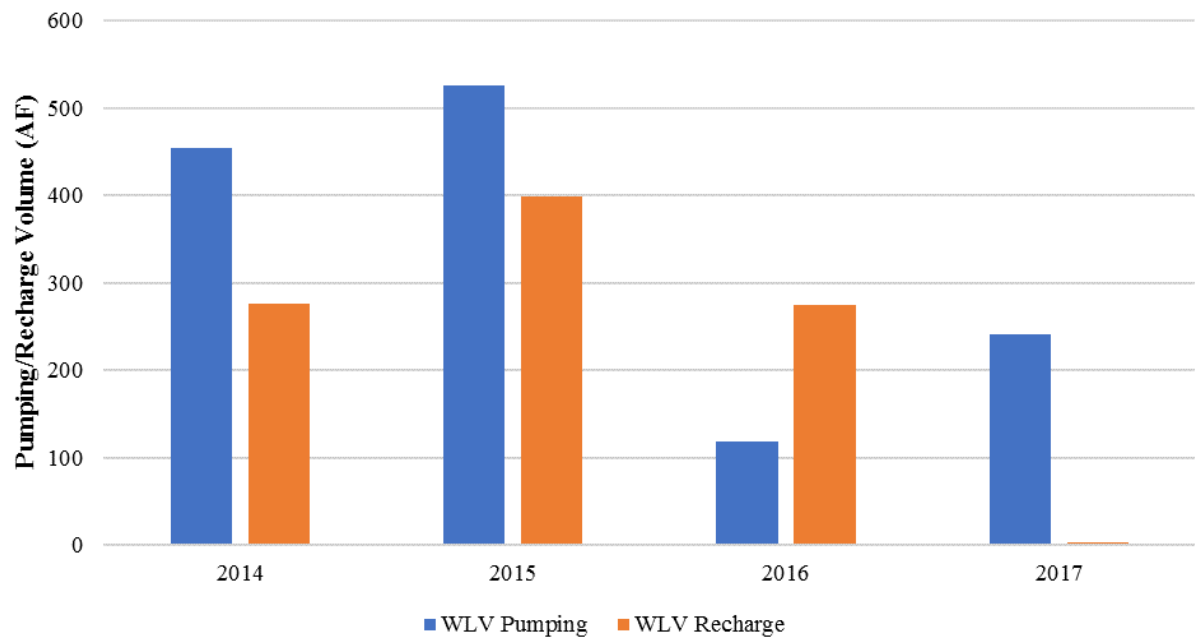


Figure 11: Pumping and Recharge Volumes for Basin 92A

Water elevations fluctuate seasonally with recovery during non-pumping and recharge periods and declines during pumping periods. Annually, groundwater elevations have been stable since active recharge began, as shown in Figure 12.

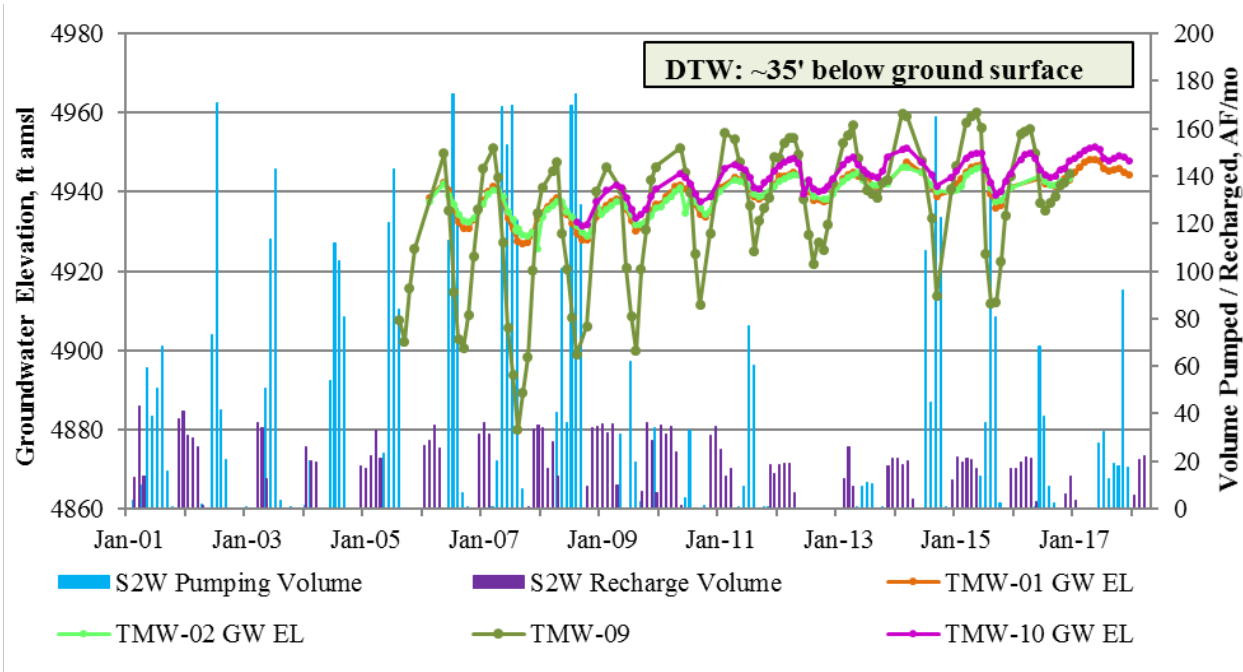


Figure 12: Groundwater Hydrograph for Basin 92A

HYDROGRAPHIC BASIN 92B – EAST LEMMON VALLEY

Groundwater elevations in East Lemmon Valley were declining historically but are now recovering due to passive recharge made possible by the Fish Springs Ranch Importation Project and completion of the North Valley's Integration Project. For reference, 2016 groundwater production from Basin's 92A/B totaled 237 AF (119 AF from 92A and 118 AF from 92B) and 2017 groundwater production totaled approximately 76 AF. Figure 13 shows pumping volumes since the merger in 2014.

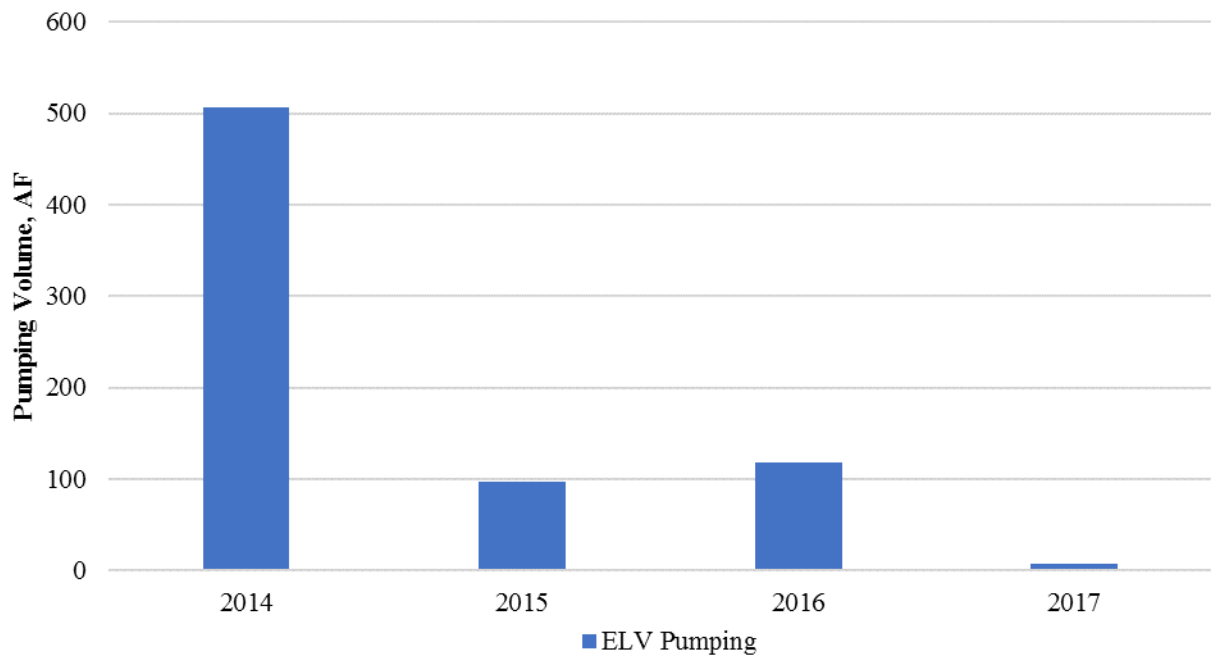


Figure 13: Pumping and Recharge Volumes for Basin 92B

Groundwater elevations started and continued to decline from the early 1970s until 2014. In 2014, passive recharge began when Fish Springs Ranch water and surface water became available. The positive effect of this water management practice is evident in the groundwater elevation data shown in Figure 14.

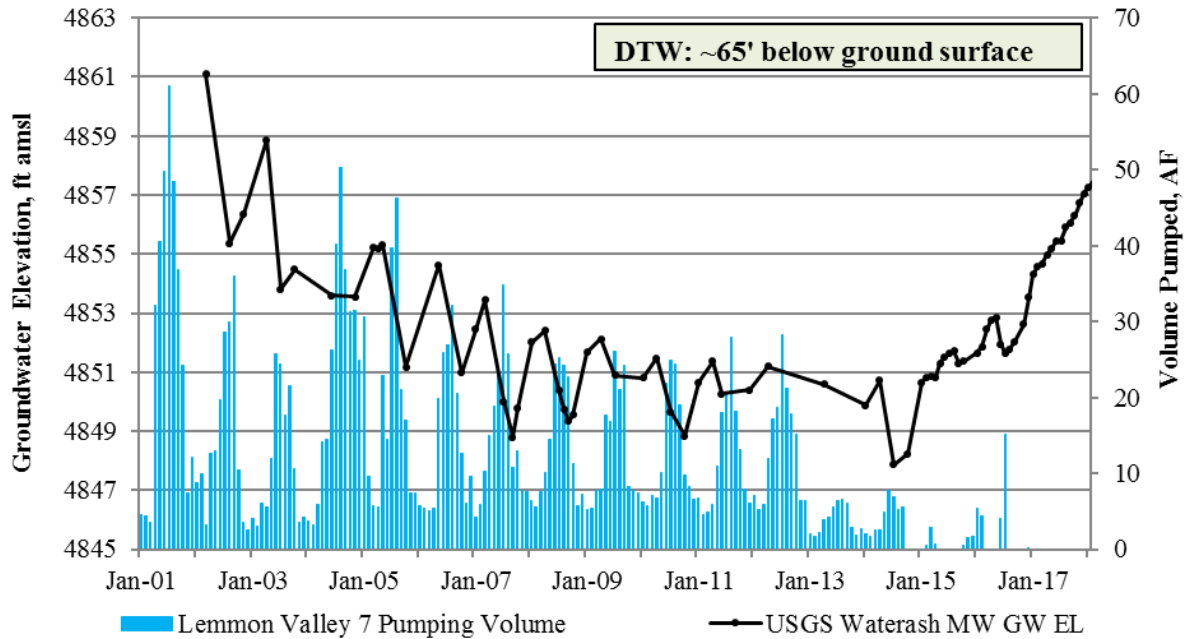


Figure 14: Groundwater Hydrograph for Basin 92B

GROUNDWATER COMMUNICATION BETWEEN WEST AND EAST LEMMON VALLEY

The following information and supporting data are provided to explain why the ASR program in West Lemmon Valley does not influence groundwater levels and has not contributed to Swan Lake.

- The Airport Fault (Figure 15), sometimes called Freds Mountain Fault, is a geologic feature recognized by the Nevada Bureau of Mines and the U.S. Geological Survey. Field data collected by the U.S. Geological Survey and others (water elevations, aquifer testing) demonstrate that the fault is considered a barrier that prevents groundwater flow from West Lemmon Valley to East Lemmon Valley. The existence of the fault is also why the State of Nevada divides Lemmon Valley into two separate and distinct hydrographic sub-basins 92A (West Lemmon Valley) and 92B (East Lemmon Valley) and not one large hydrographic basin.
- Figure 16 shows groundwater elevations for two monitoring wells in East Lemmon Valley, both of which are on the east side of the Airport Fault, on the west side of the playa, and east of the ASR program in West Lemmon Valley. These two wells, and the Swan Lake playa, are approximately 2 miles from TMWA's ASR wells in West Lemmon Valley. Water levels have been collected at the two wells since their construction in 2001. The groundwater elevations have been stable since construction. ASR would influence water elevations at these two wells if it was affecting areas farther east.

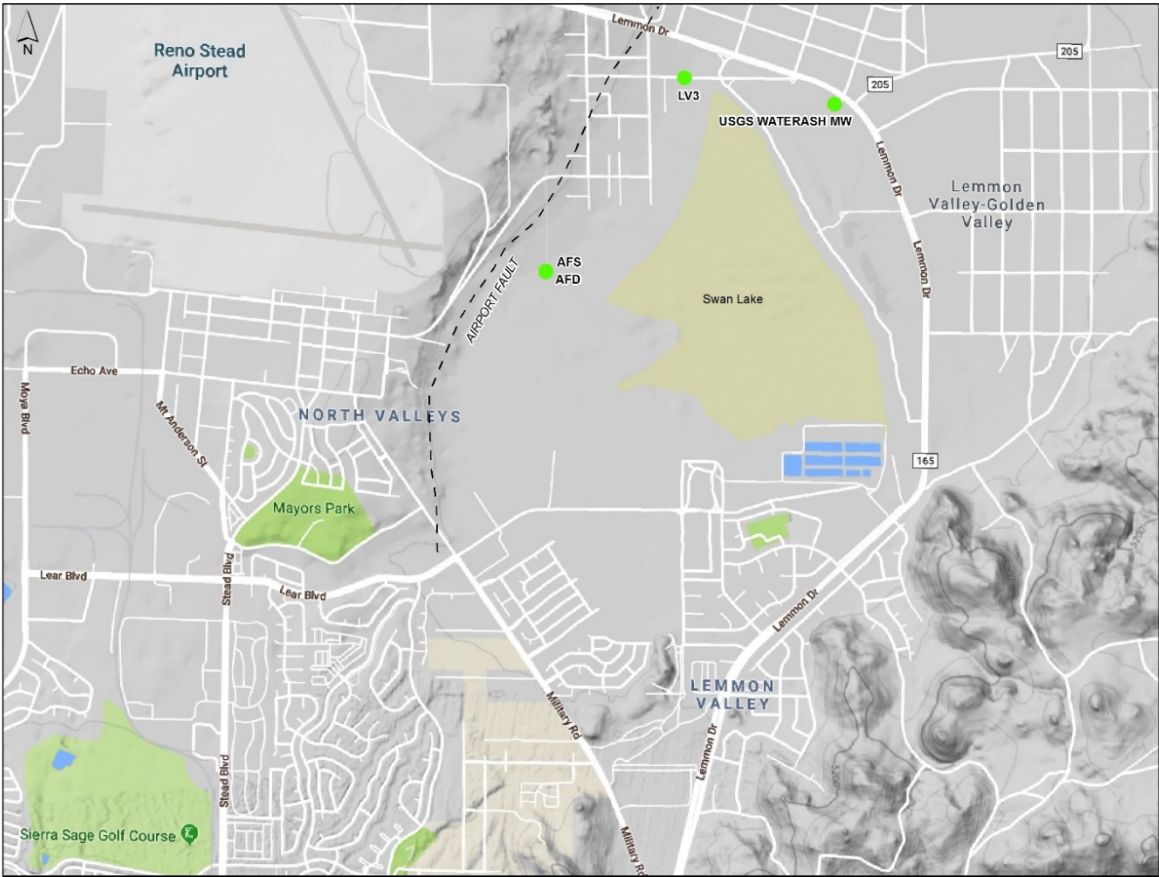


Figure 15: Location of Airport Fault between West and East Lemmon Valley

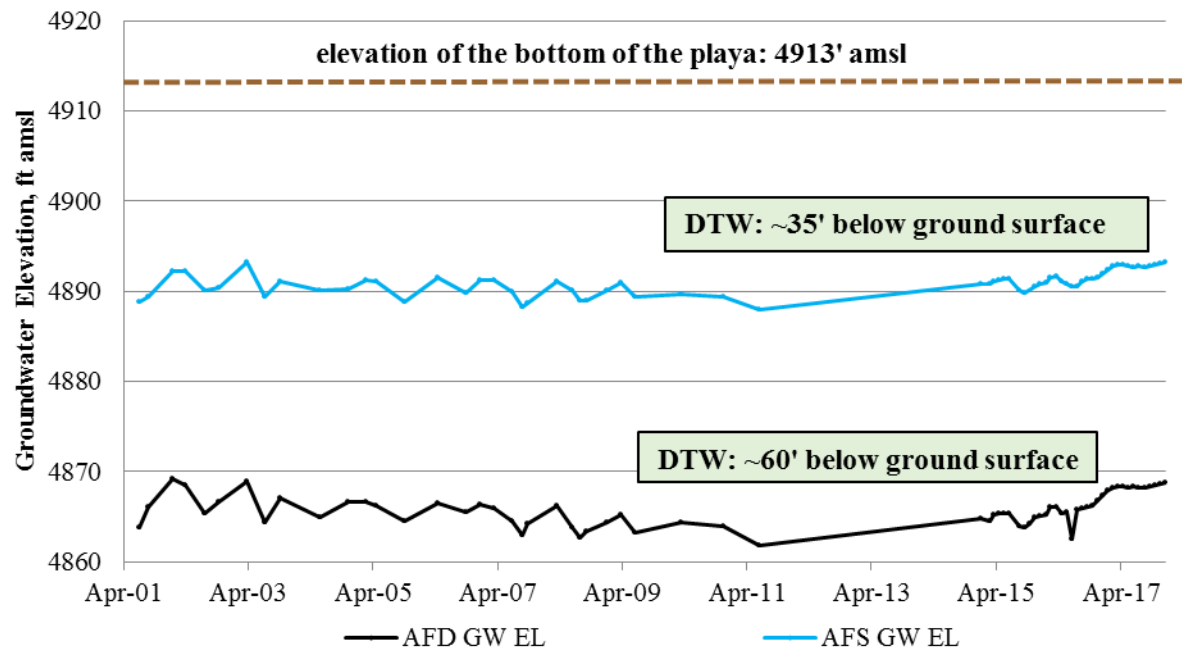


Figure 16: Groundwater Hydrograph for Airport Fault Deep and Shallow Monitoring Wells

- Figure 16 also shows the elevation of the playa floor/bottom compared to the groundwater elevations. The playa bottom elevation is higher or above the groundwater elevations at the two monitoring wells. Groundwater cannot contribute to the standing water in the playa since groundwater is at a lower elevation and there is spatial separation between groundwater and the playa bottom.
- Figure 17 shows the water elevations for another monitoring well located near the northwest part of the playa. The groundwater elevations at this well have the same relationship with the playa bottom as the other two wells: the groundwater elevations are lower than the bottom of the playa and cannot contribute to the water in the playa.
- Figure 18 shows the water elevations for another monitoring well located northeast of the playa. The groundwater elevations at this well have the same relationship with the playa bottom as the other three wells discussed previously: the groundwater elevations are below or lower than the bottom of the playa.
- A layer of predominantly clay and silt, that is tens-of-feet thick, is below the playa floor. Water moves very slowly through clay and silt. The clay/silt layer will essentially hold surface runoff in the playa until it evaporates or is removed by some other method.
- The 2016/2017 recharge season was only operational in December 2016 through several days into January 2017 (only one well was recharged and all recharge activities stopped January 5, 2017). TMWA recharged a total volume of 23.2 AF of water into the Silver Lake Well during this time. During an average year, TMWA recharges approximately 300 AF of water using up to three wells. All recharge activities ceased due to high river flows, high surface water turbidities, and the possibility of having to pump production wells during the flood events. Recharge began again on January 24, 2018 and is still active.

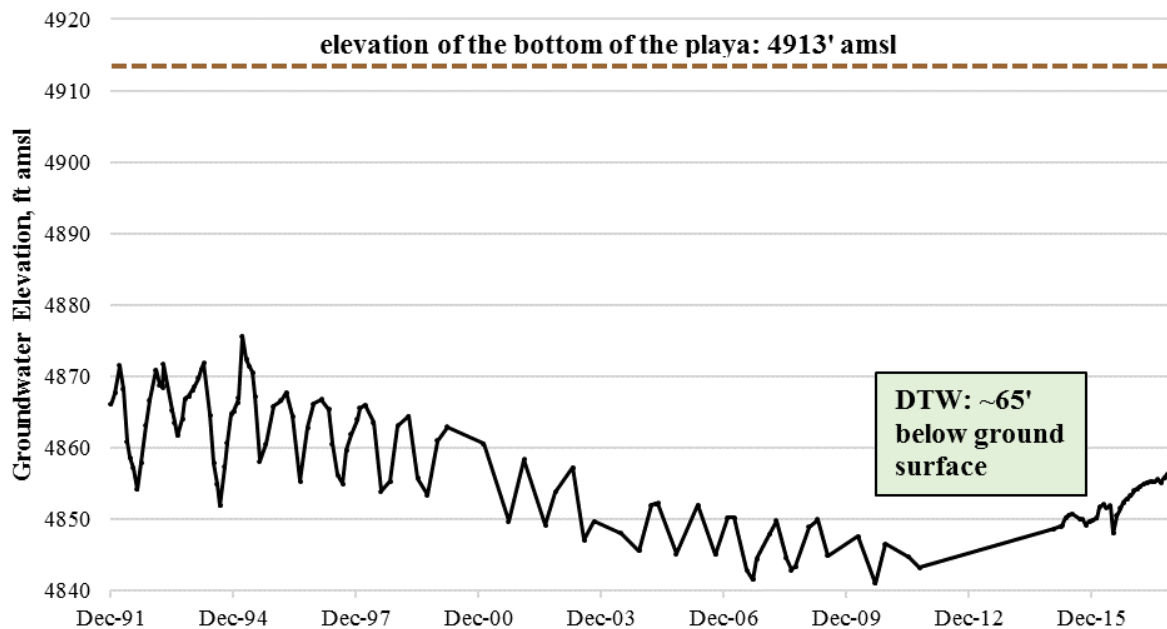


Figure 17: Groundwater Hydrograph for Lemmon Valley MW3

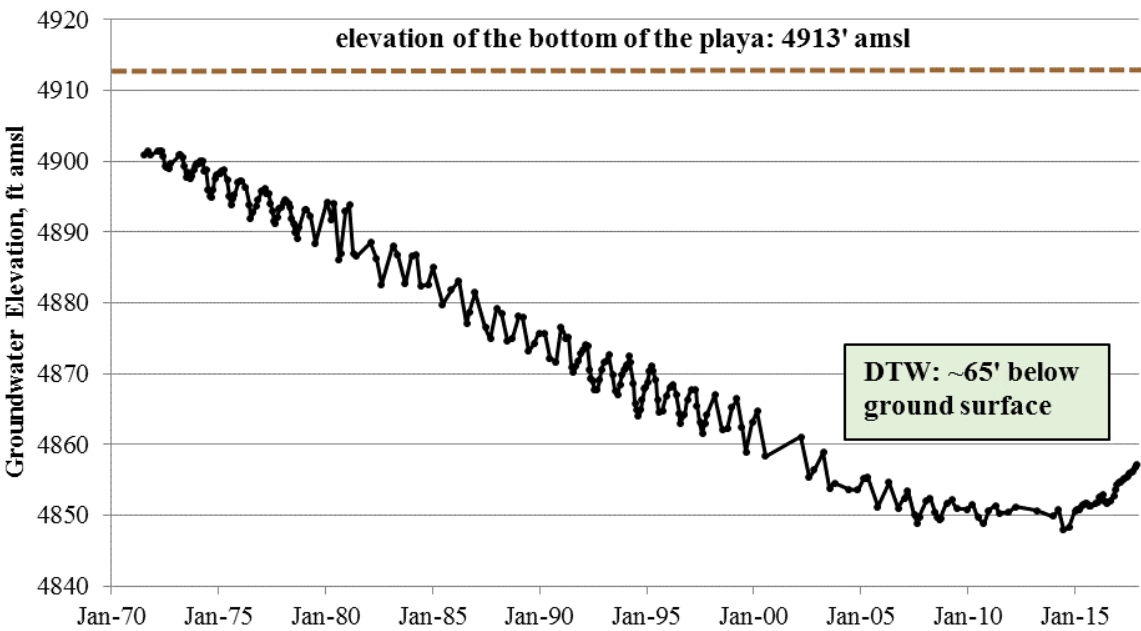


Figure 18: Groundwater Hydrograph for USGS Waterash

Groundwater Level and ASR Update

Presentation by

Randy Van Hoozer, Senior Hydrogeologist

Lauren Roaldson, Associate Hydrogeologist

April 18, 2018



Figure 1: Service Area and Well Location Map

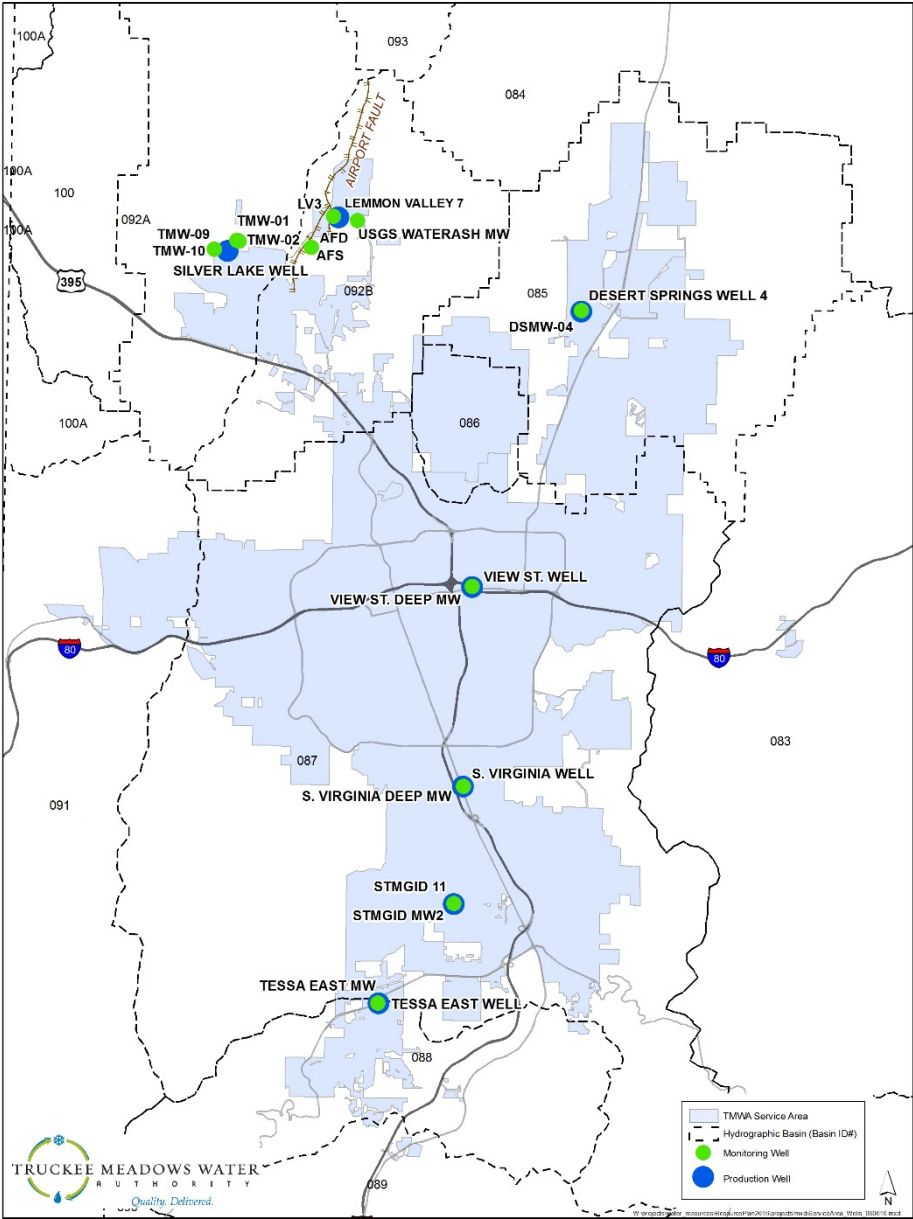


Table 1: Cumulative Recharge Volume by Permitted Basin

Basin	Cumulative Recharge Volume, AF	Beginning of Recharge
Basin 88, Pleasant Valley	62	2016
Basin 87, South Truckee Meadows	442	2015
Basin 87, Central/North Truckee Meadows	26,421	1993
Basin 85, Spanish Springs Valley	5,309	2008
Basin 92A, West Lemmon Valley	5,043	2000

Figure 2: Pumping and Recharge Volumes for North Pleasant Valley (Basin 88)

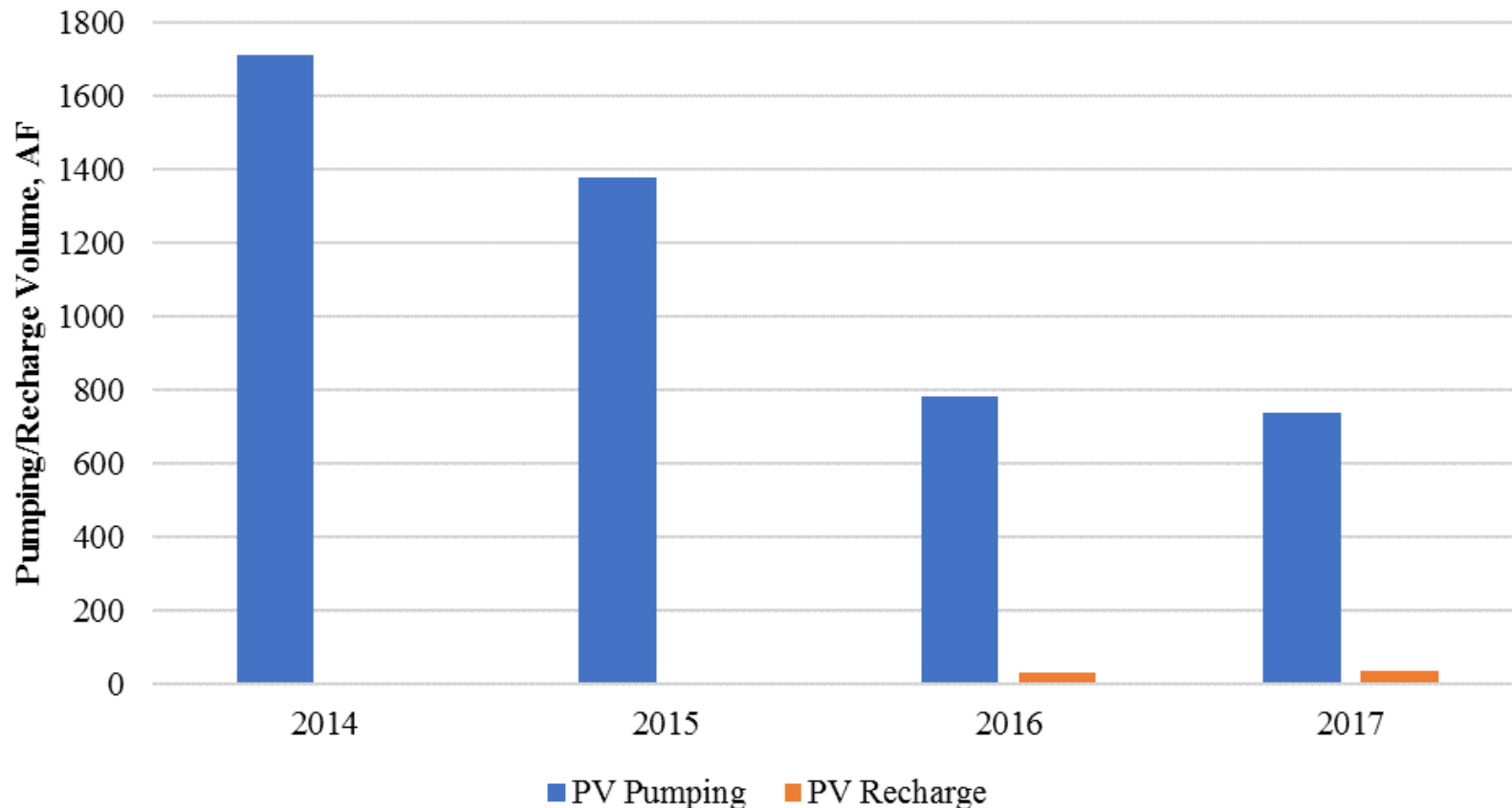


Figure 3: Groundwater Hydrograph for North Pleasant Valley (Basin 88)

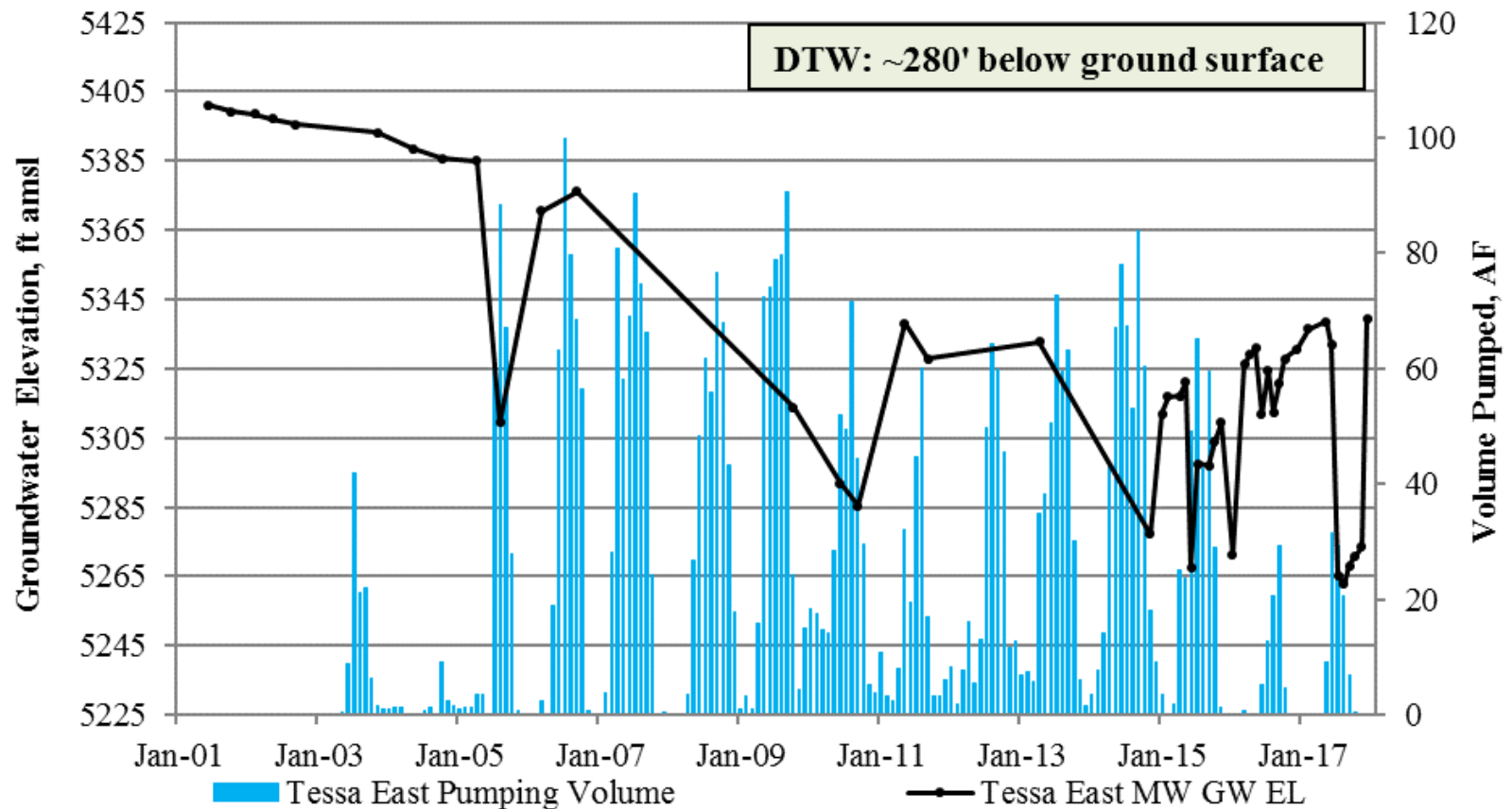


Figure 4: Pumping and Recharge Volumes for South Truckee Meadows (Basin 87)

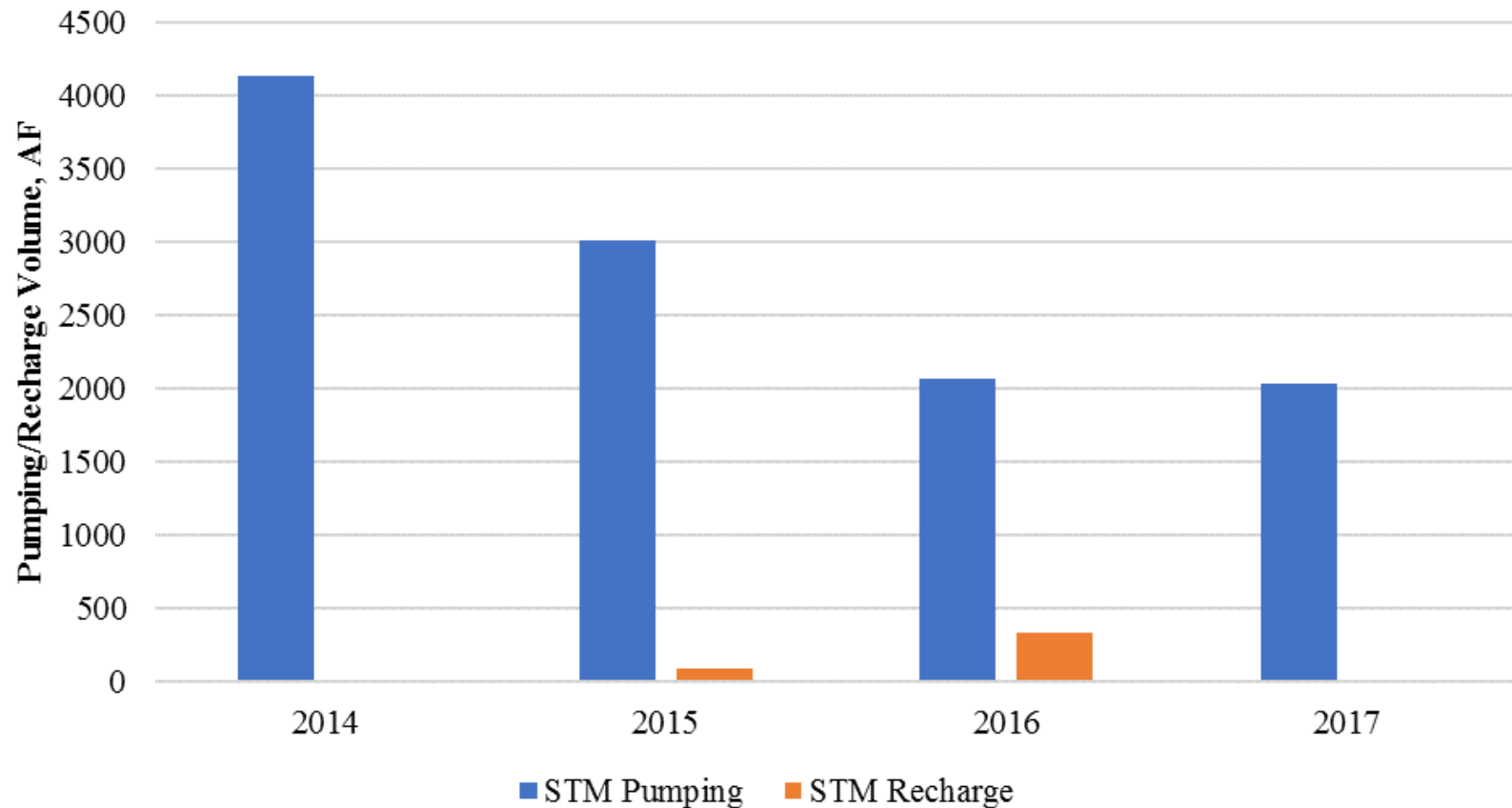


Figure 5: Groundwater Hydrograph for South Truckee Meadows (Basin 87)

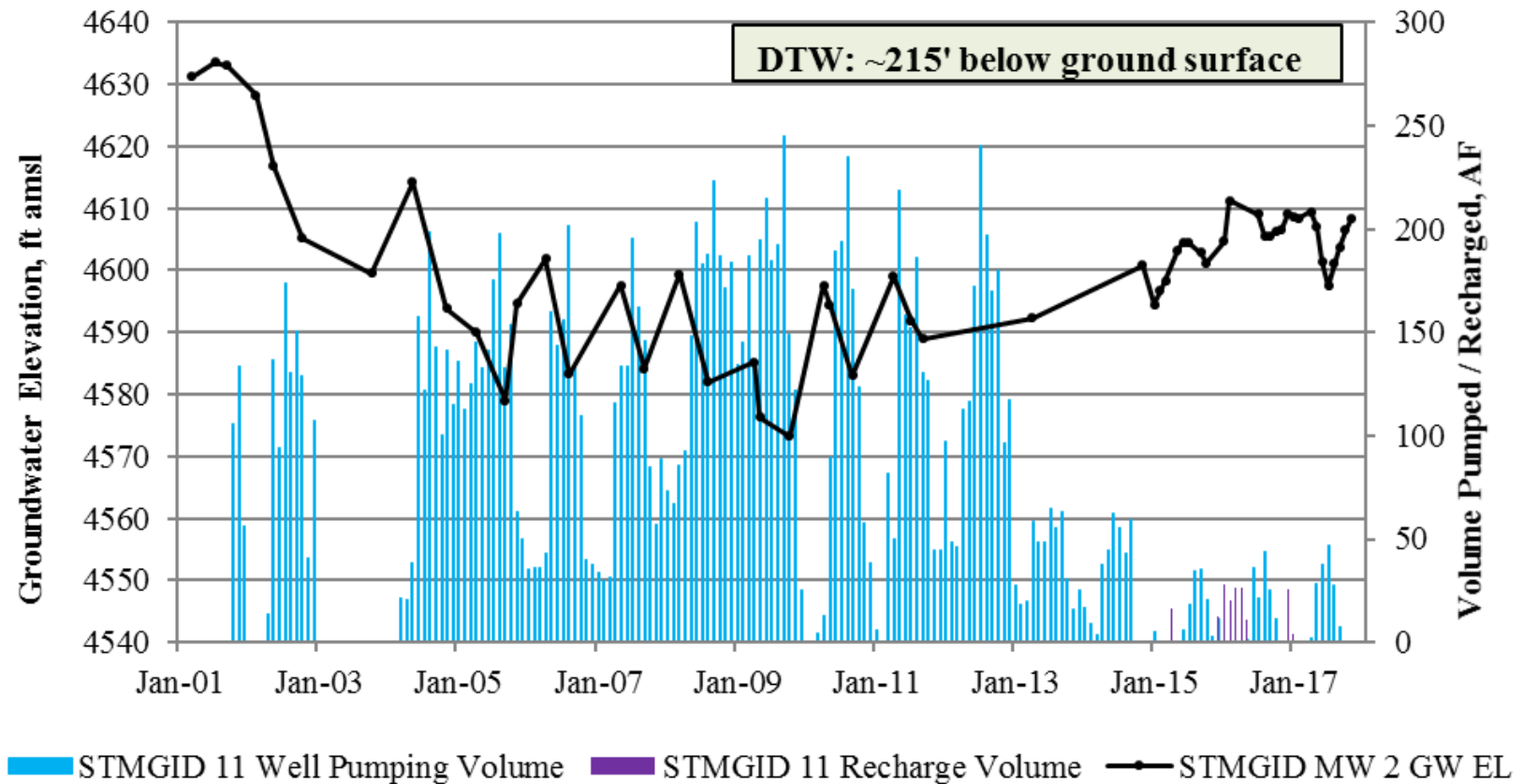


Figure 6: Pumping and Recharge Volumes for Central/North Truckee Meadows (Basin 87)

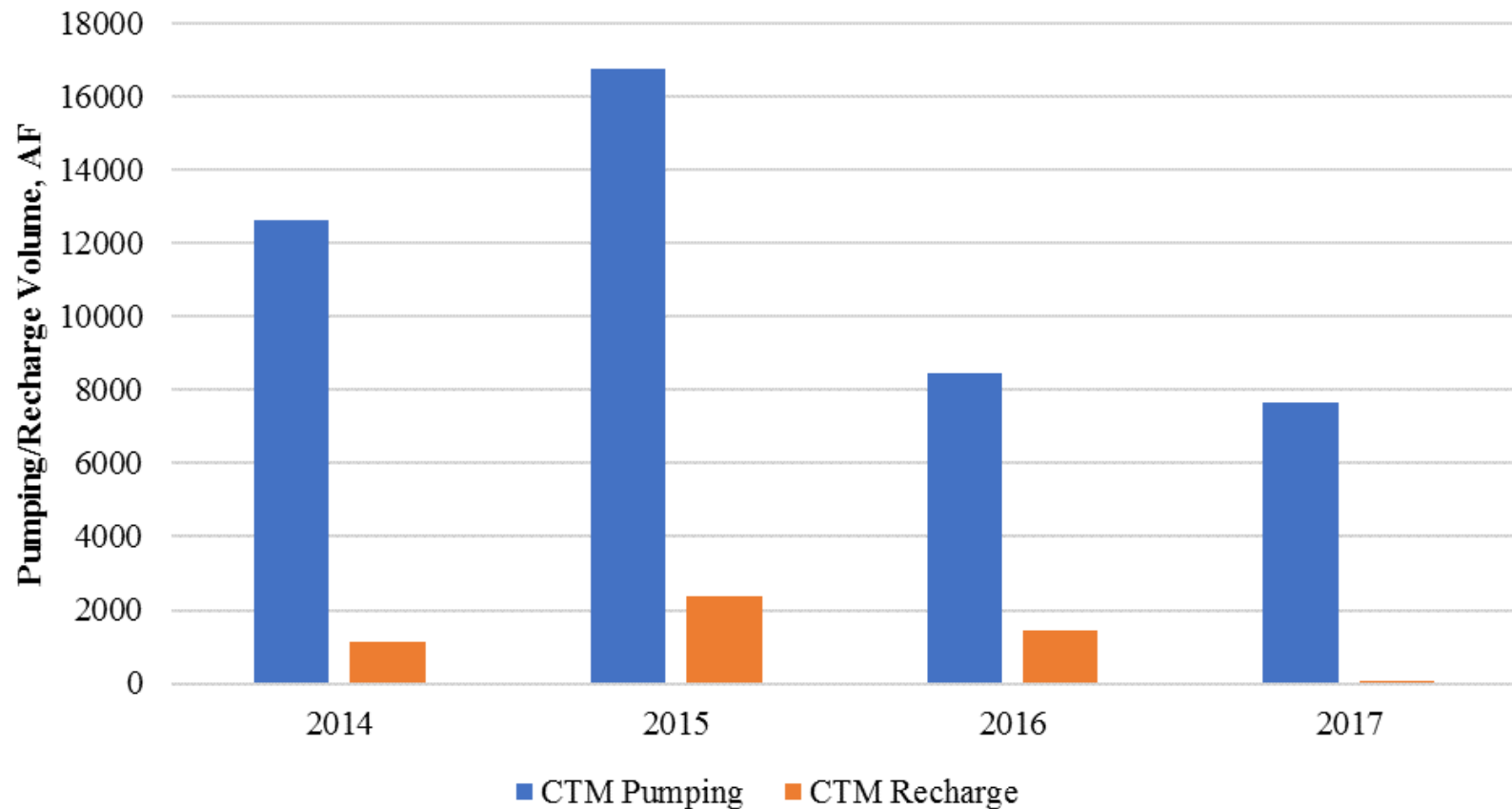


Figure 7: Groundwater Hydrograph for Central Truckee Meadows (Basin 87)

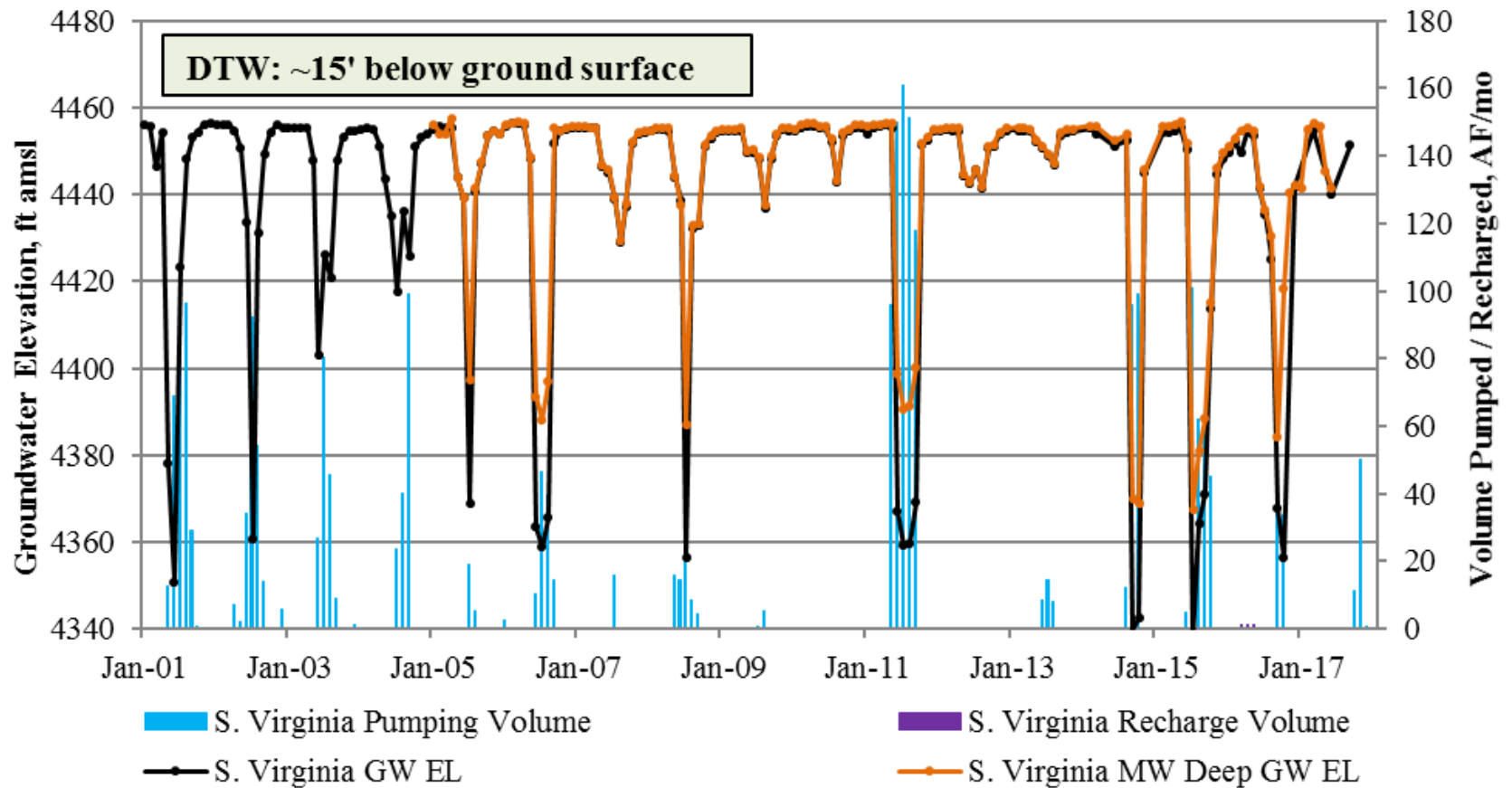


Figure 8: Groundwater Hydrograph for North Truckee Meadows (Basin 87)

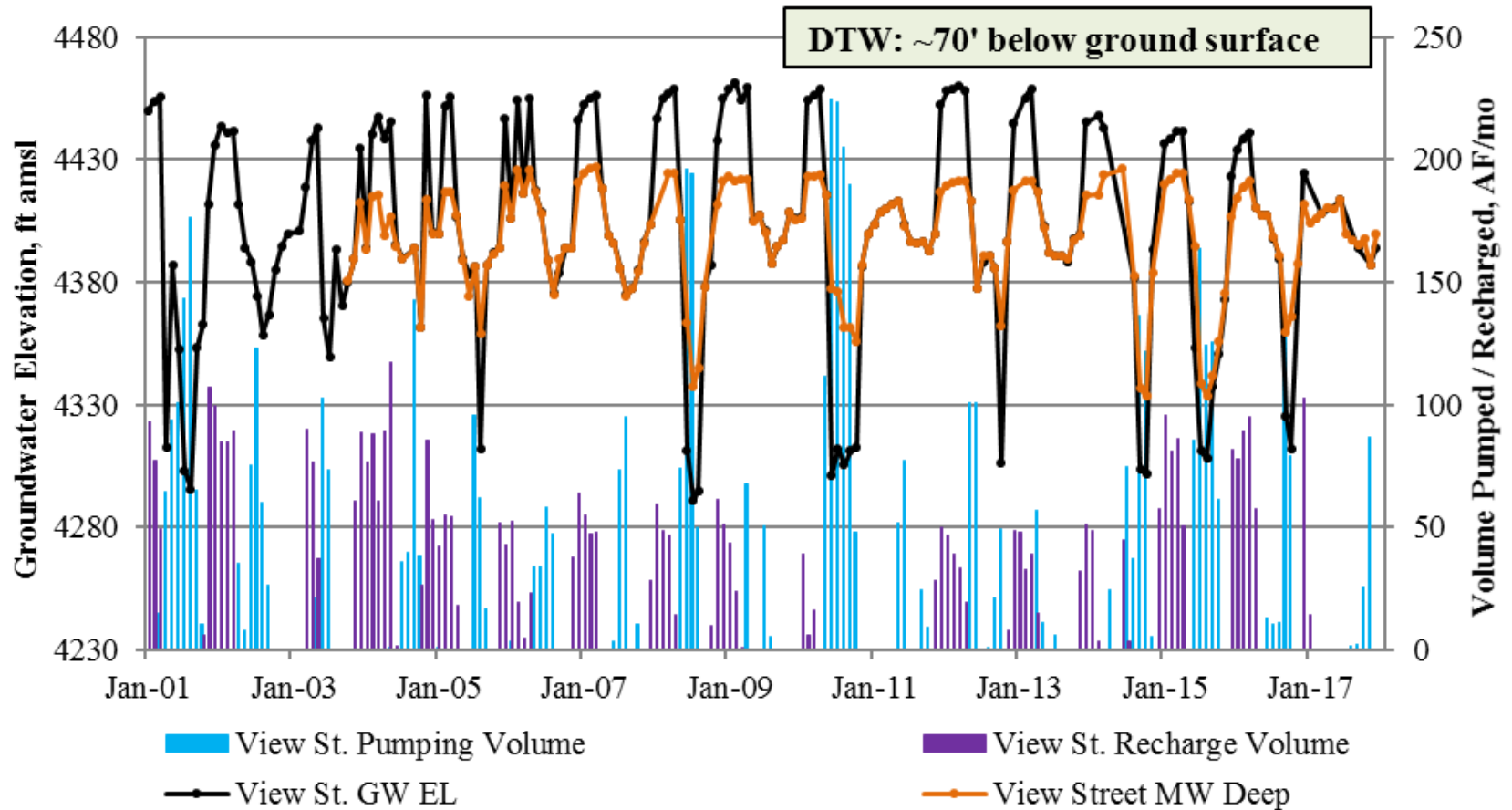


Figure 9: Pumping and Recharge Volumes for Spanish Springs Valley (Basin 85)

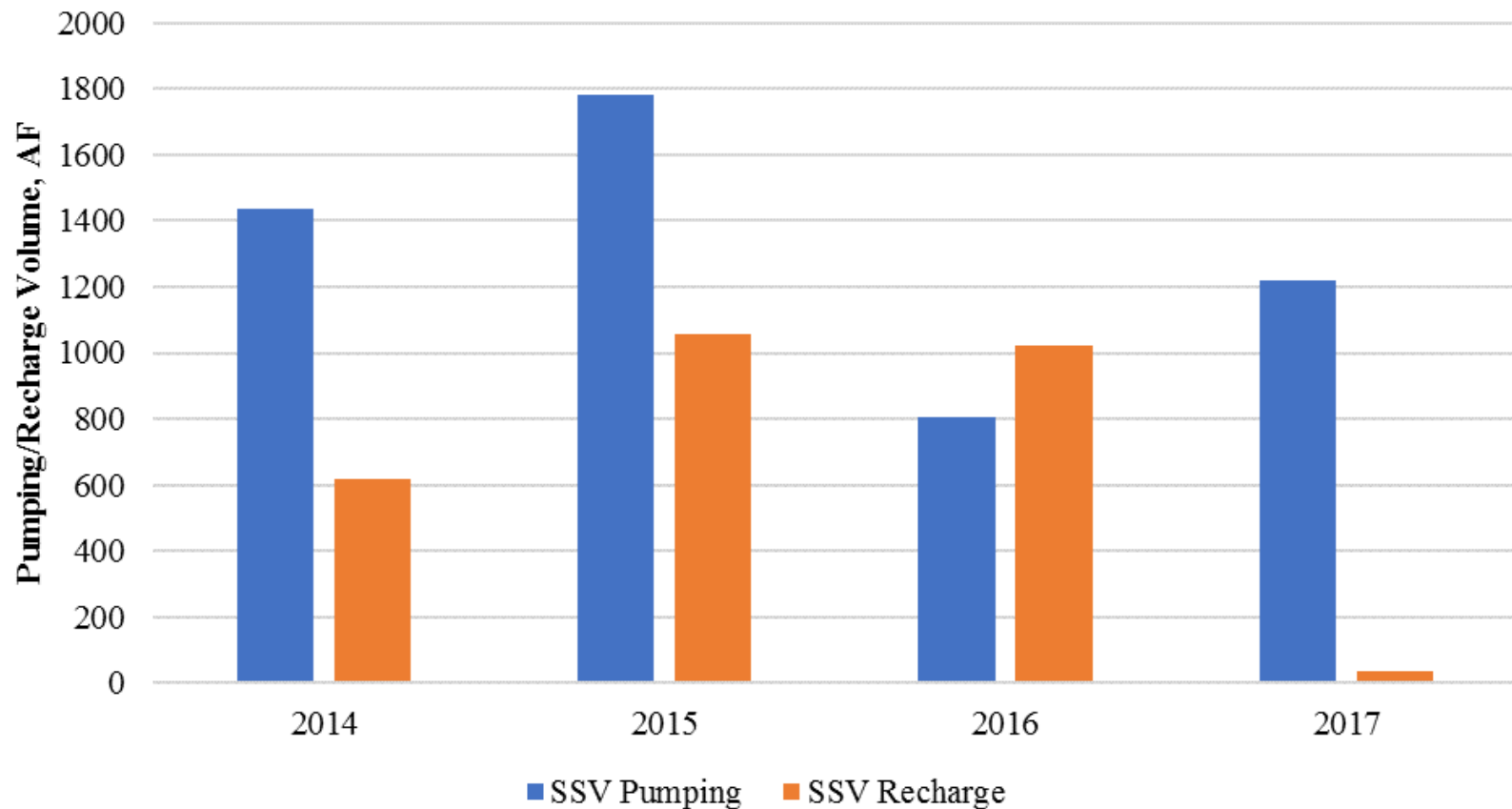


Figure 10: Groundwater Hydrograph for Spanish Springs Valley (Basin 85)

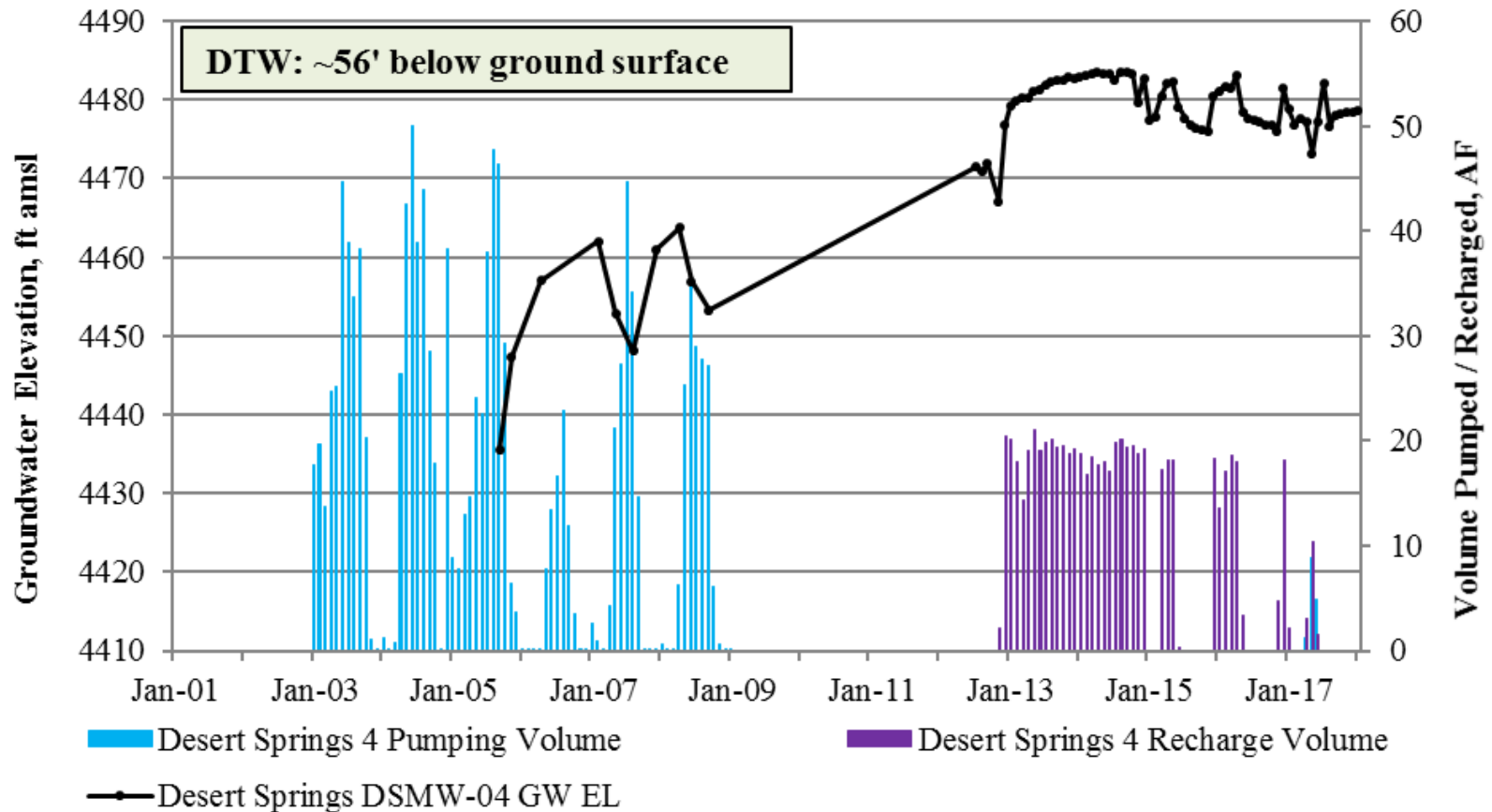


Figure 11: Pumping and Recharge Volumes for West Lemmon Valley (Basin 92A)

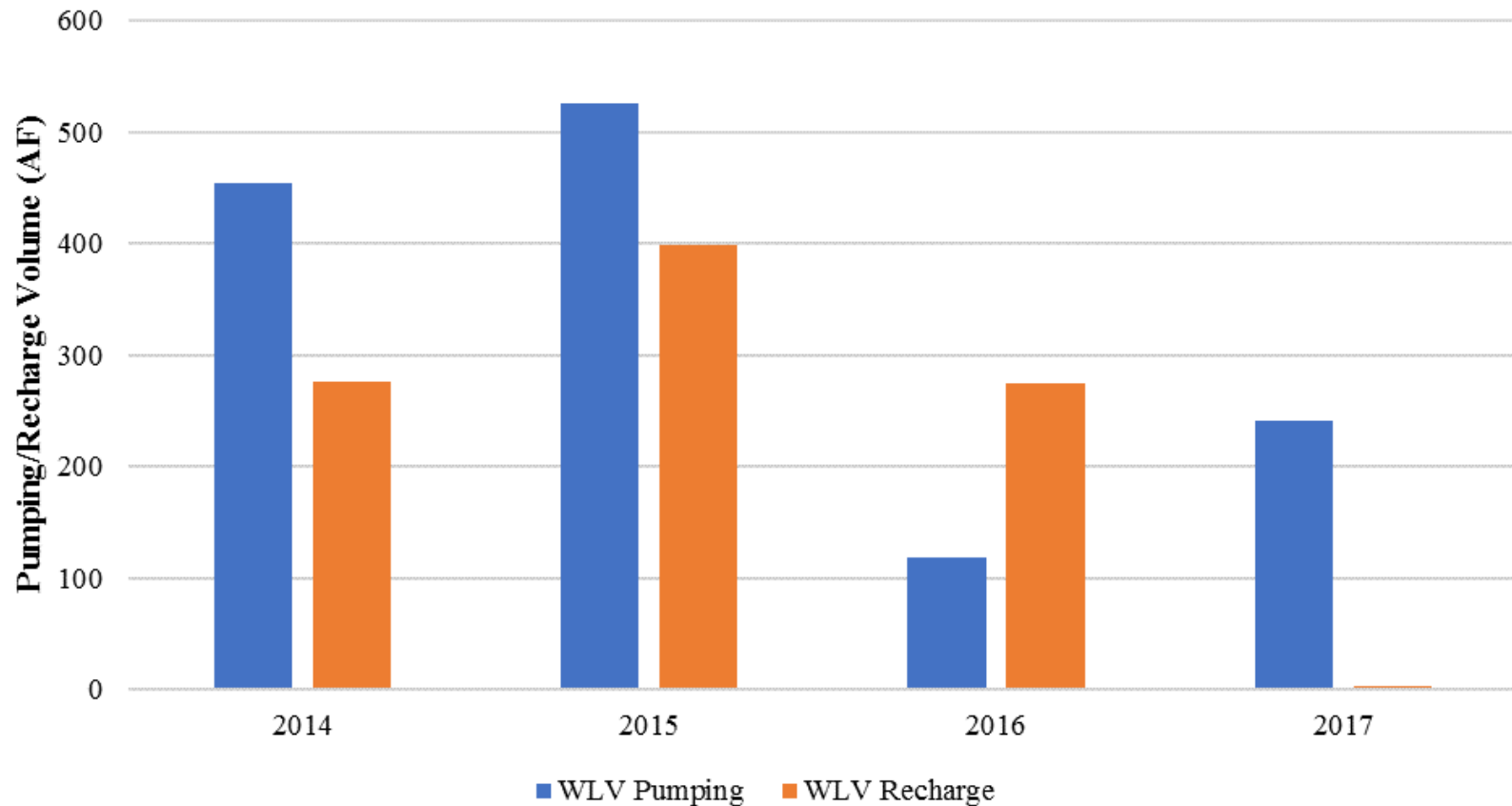


Figure 12: Groundwater Hydrograph for West Lemmon Valley (Basin 92A)

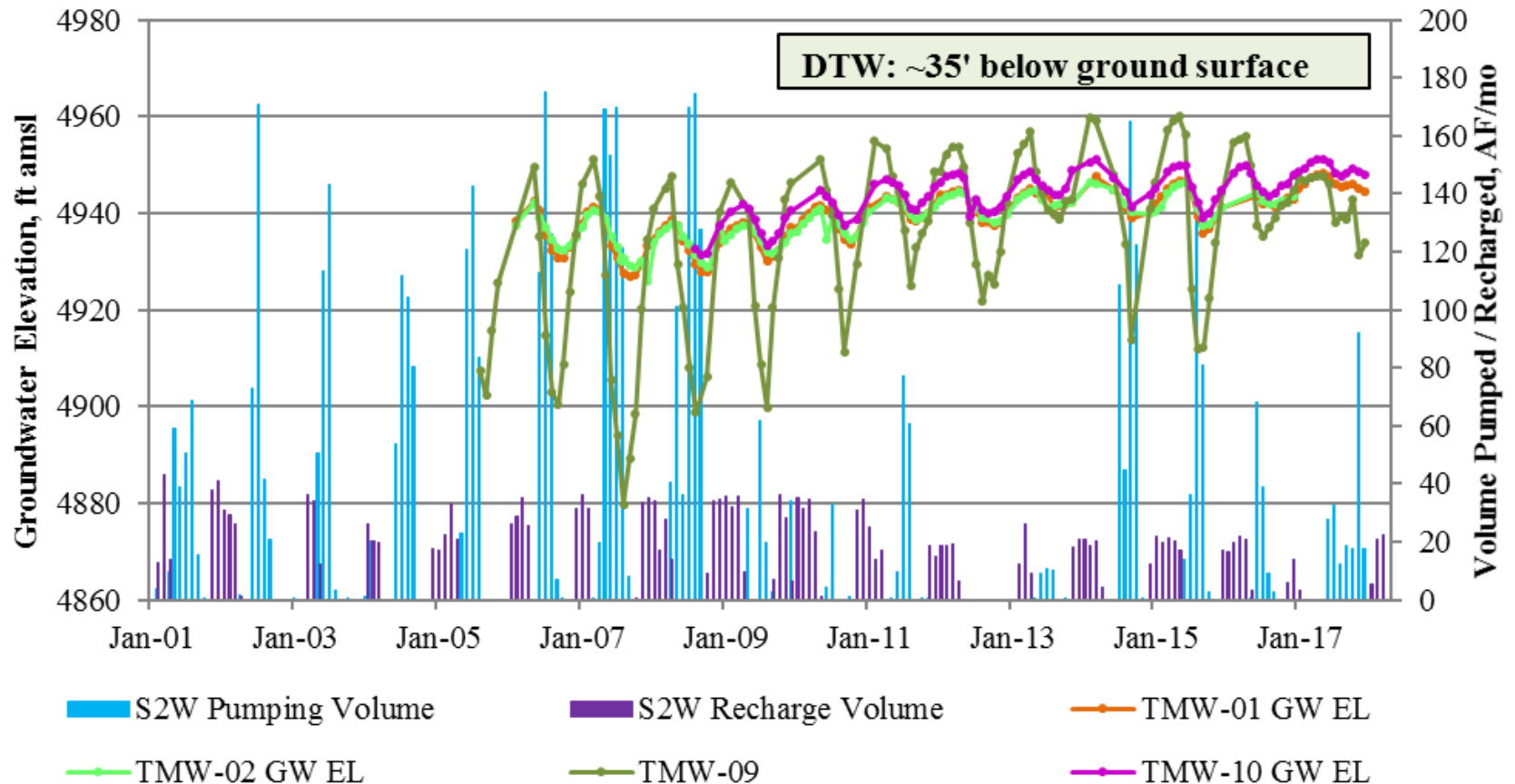


Figure 13: Groundwater Pumping Volumes for East Lemmon Valley (Basin 92B)

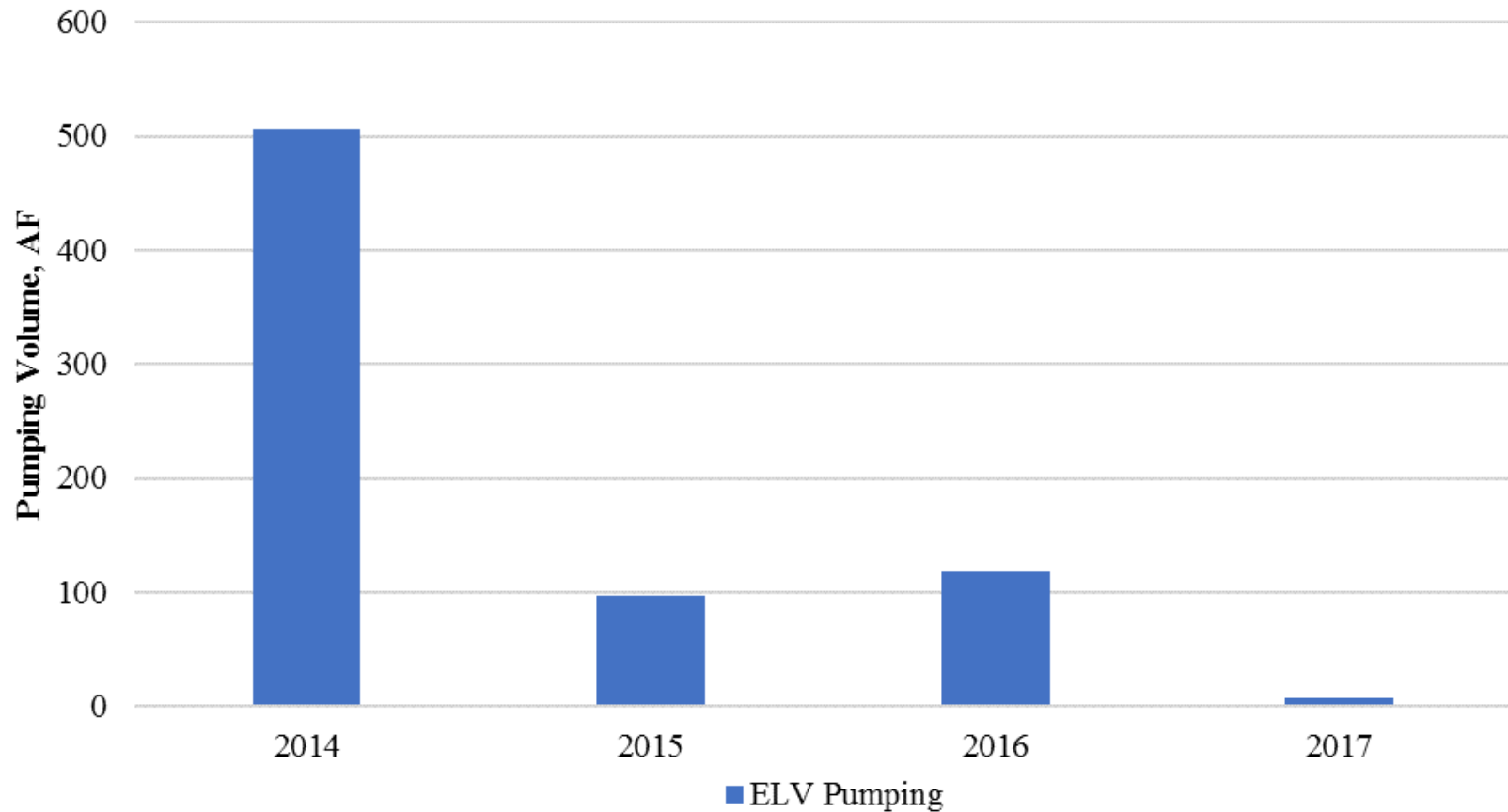
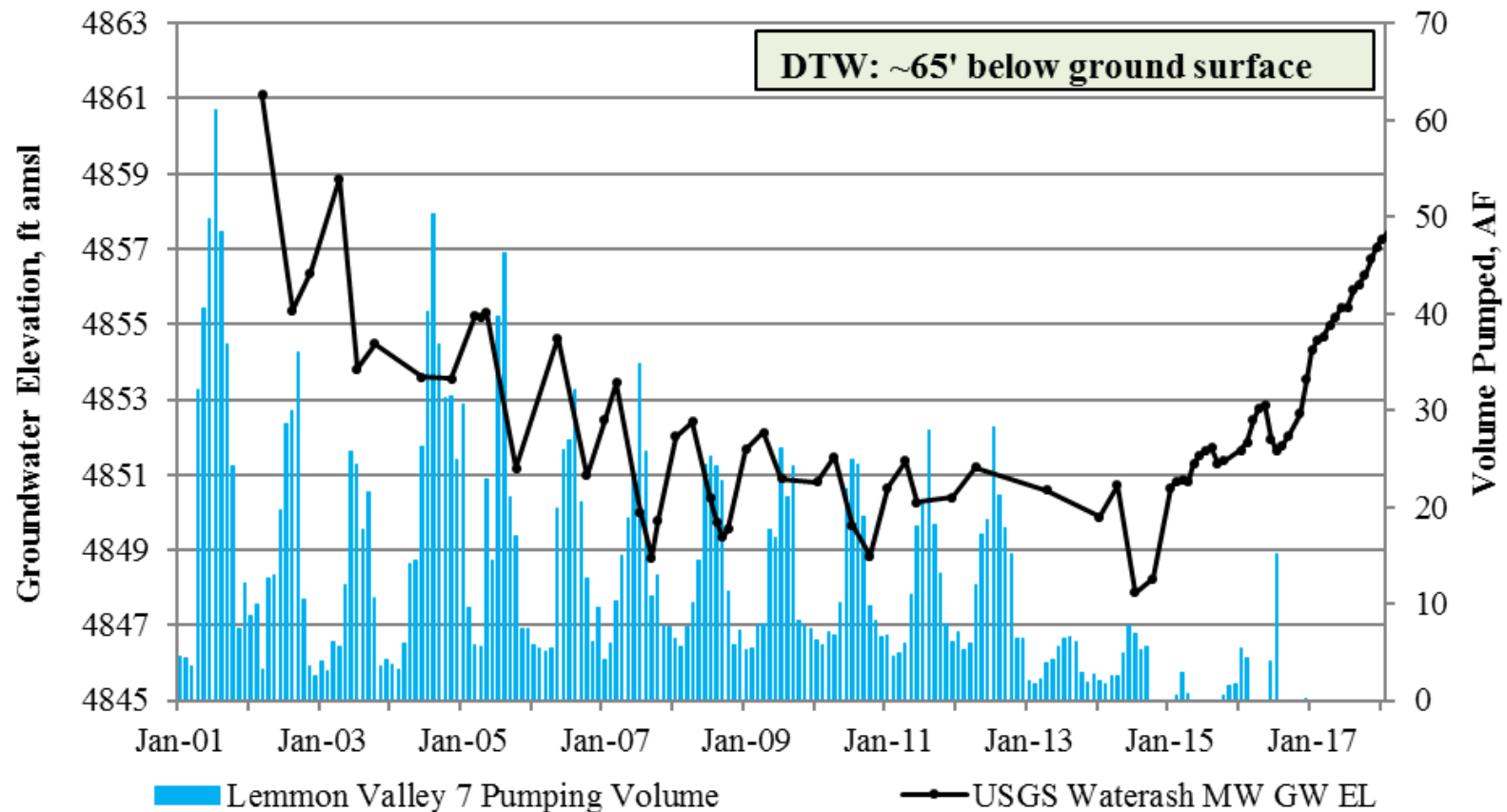


Figure 14: Groundwater Hydrograph for East Lemmon Valley (Basin 92B)



Groundwater Communication Between West and East Lemmon Valley

Why the ASR program in West Lemmon Valley does not influence groundwater elevations in East Lemmon Valley:

Figure 15: Depiction of the Airport Fault Topography

Airport Fault is considered to be a barrier to groundwater flow

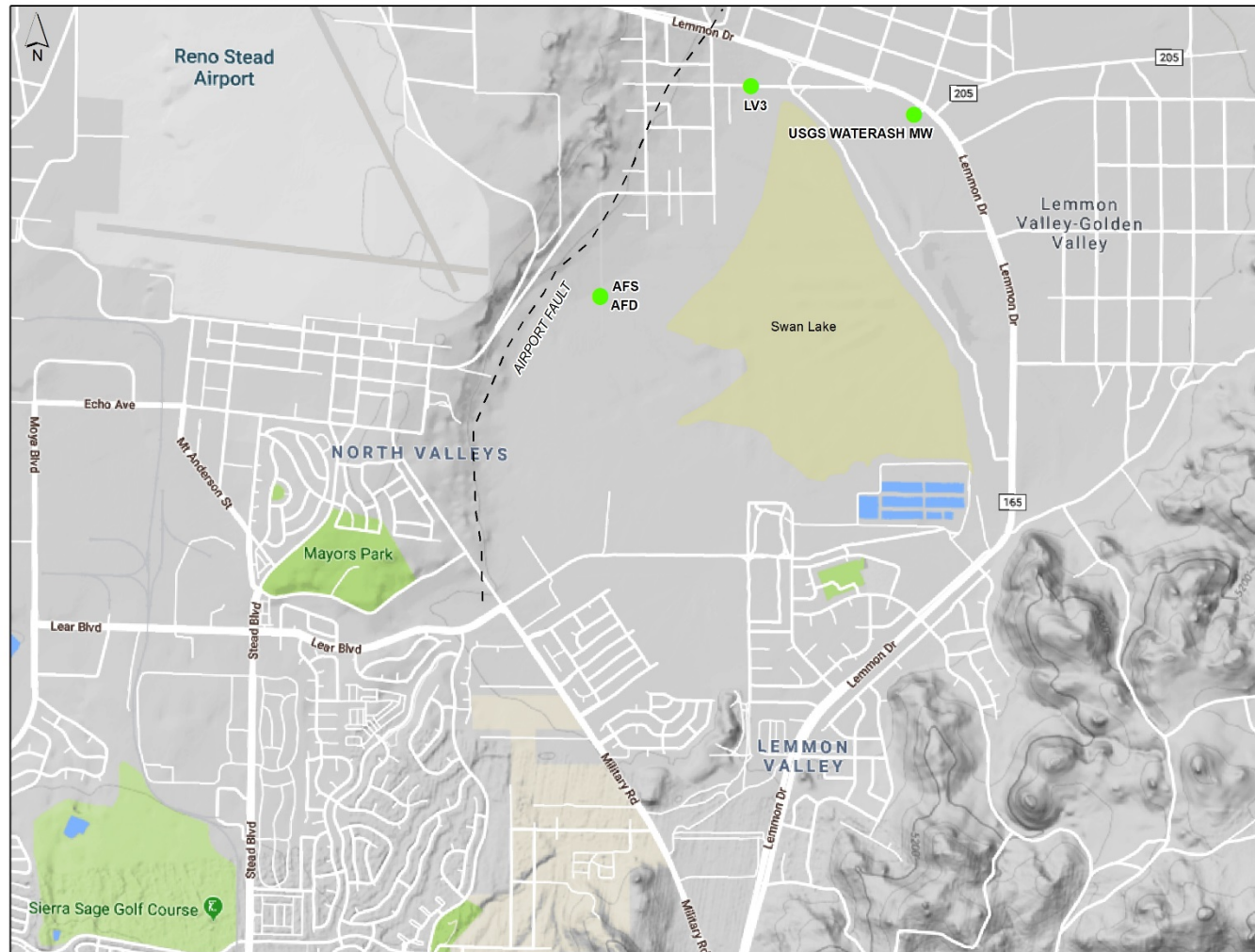


Figure 16: Groundwater Hydrographs for Airport Fault Deep and Shallow Monitoring Wells – East Lemmon Valley (Basin 92B)
 Groundwater elevations have not fluctuated east of the fault during ASR west of the fault

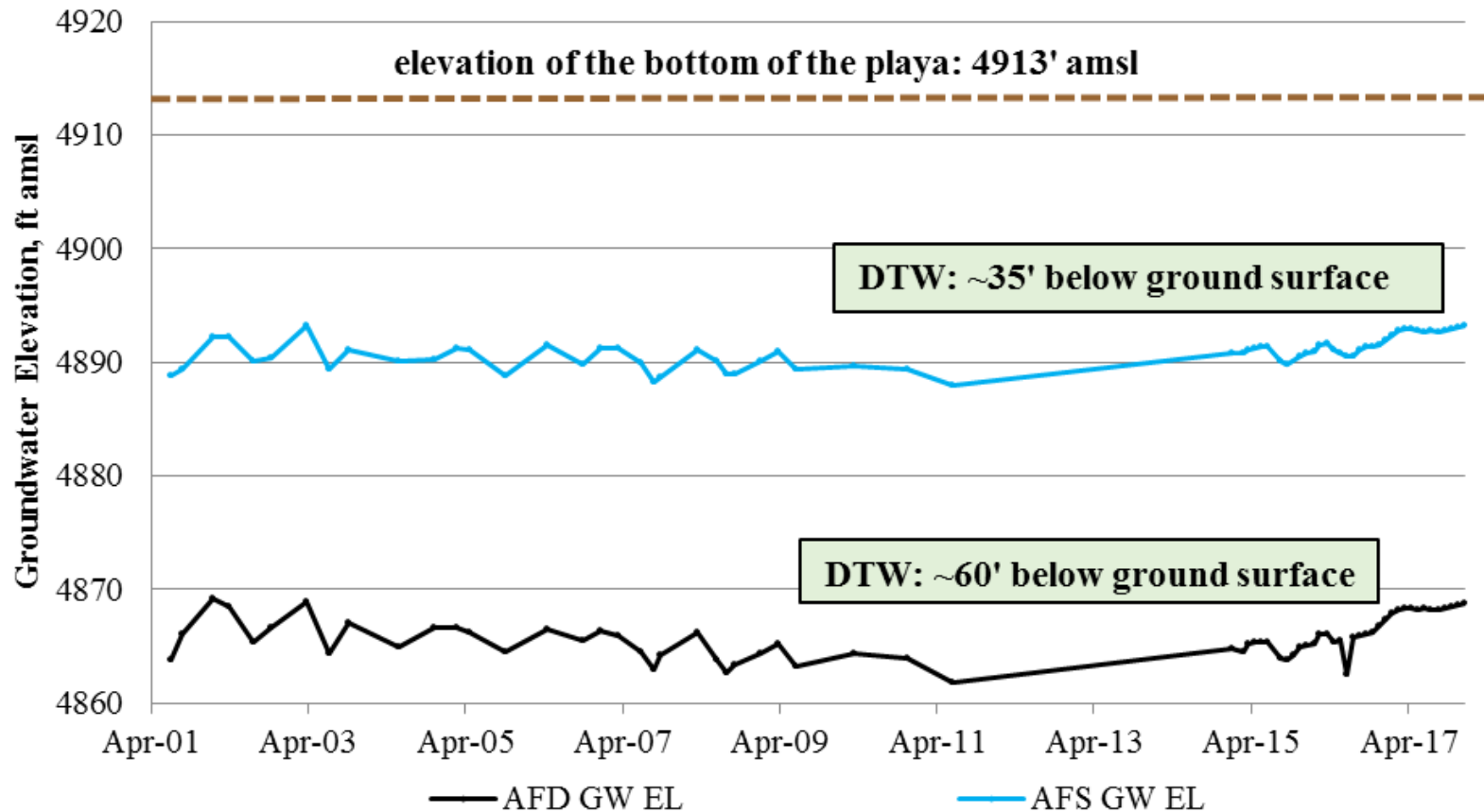


Figure 17: Groundwater Hydrograph for LV3 – East Lemmon Valley (Basin 92B)

Groundwater elevations are below the playa floor/bottom elevation

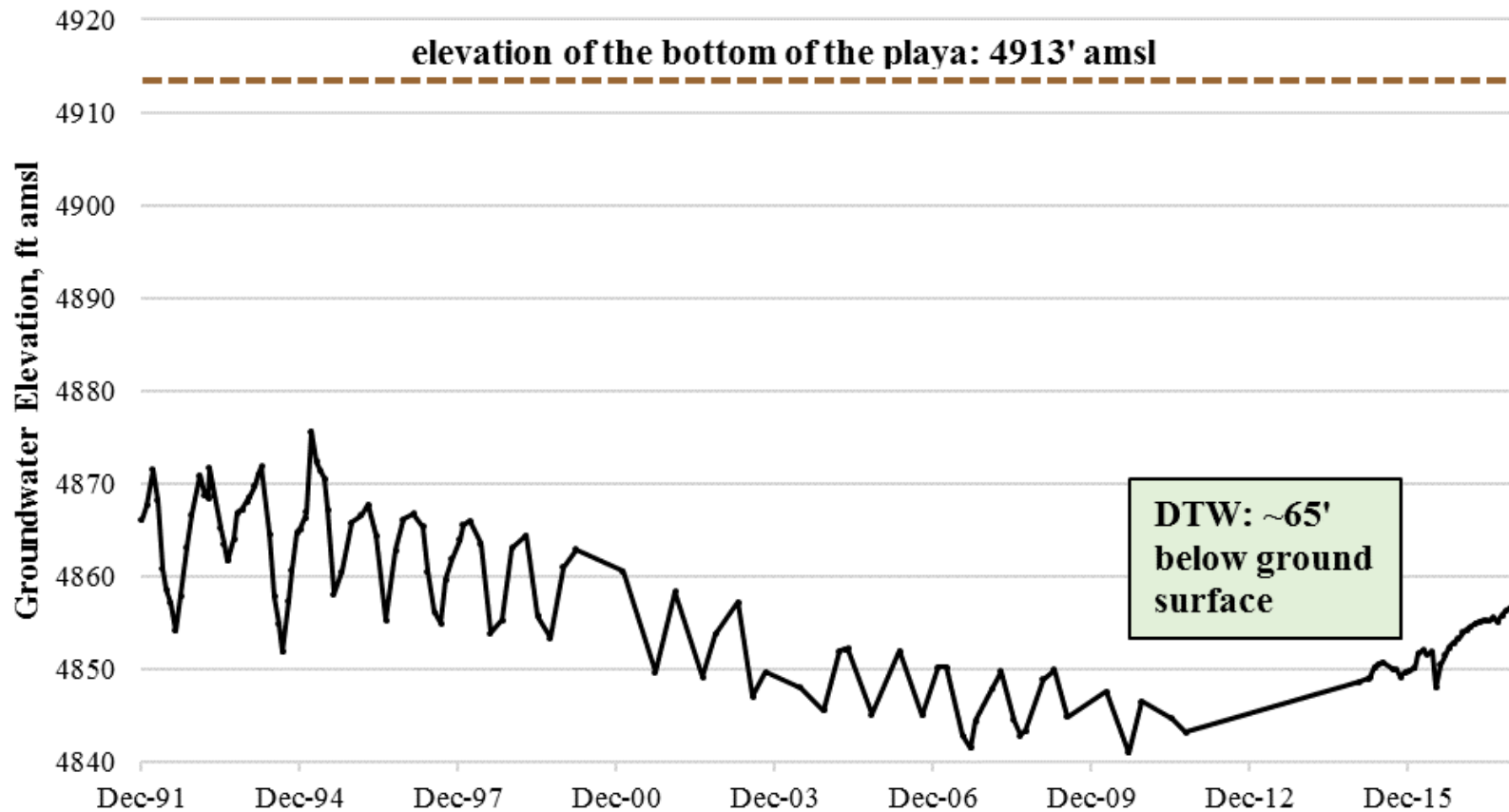
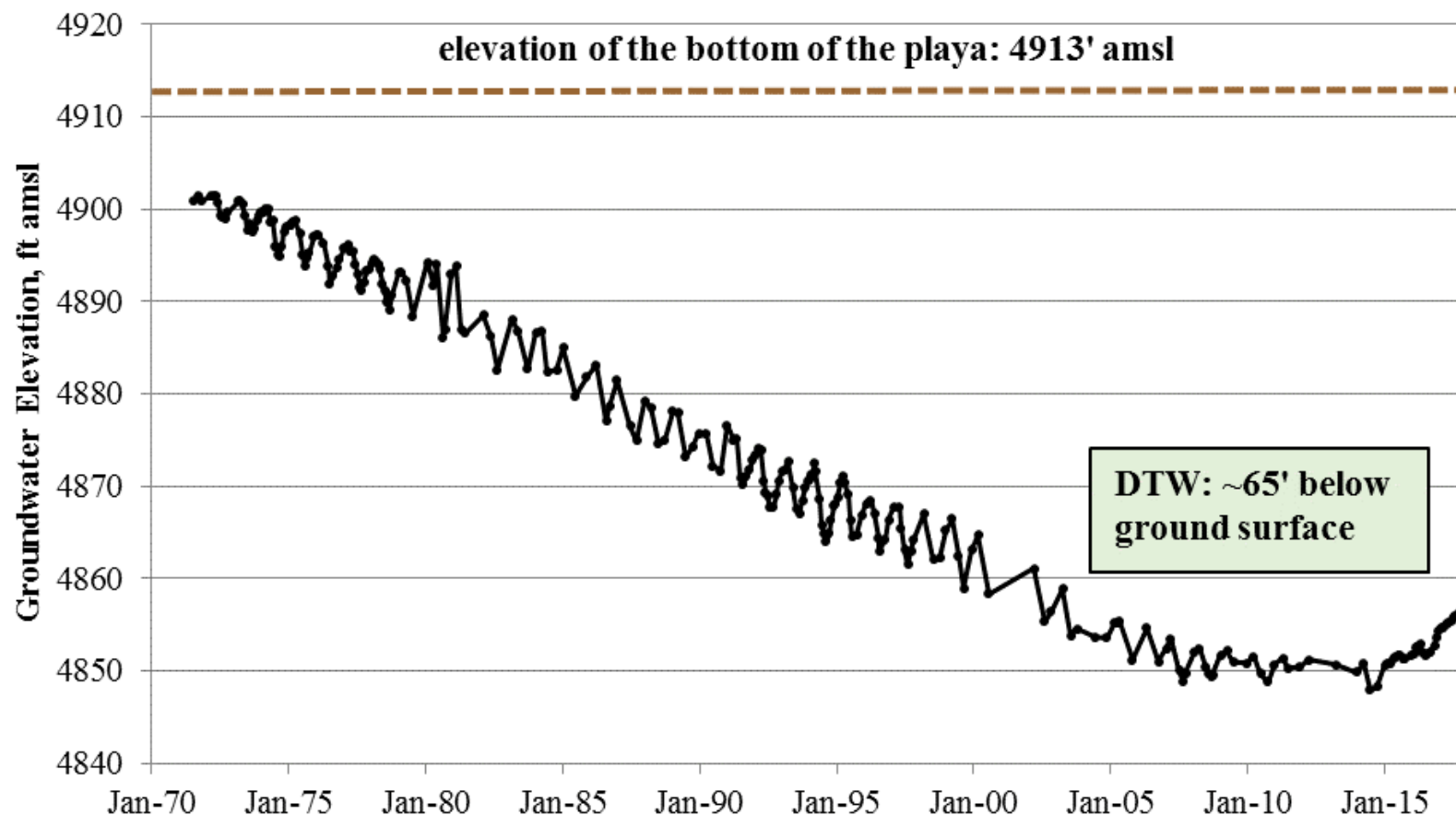


Figure 18: Groundwater Hydrograph for USGS Waterash – East Lemmon Valley (Basin 92B)



Groundwater Communication Between West and East Lemmon Valley

Why the ASR program in West Lemmon Valley does not influence groundwater elevations in East Lemmon Valley:

- Clay/silt layer is between the groundwater and the playa floor/bottom
- Recharge ended during the first few day of January 2017 when the playa flooded. Only 23.2 AF were recharged compared to the annual average of 300 AF. Recharge did not resume until January 24, 2018.

Thank you!
Questions?



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Enloe, Director of Natural Resources
DATE: April 10, 2018
SUBJECT: Update regarding draft Return Flow Management Agreement between City of Reno, City of Sparks, Tahoe-Reno Industrial General Improvement District (TRIGID) and TMWA

Recommendation

Provide direction to staff related to the draft Return Flow Management Agreement between City of Reno, City of Sparks, Tahoe-Reno Industrial General Improvement District (TRIGID) and TMWA. Staff may bring the final agreement to the TMWA Board for approval in May.

Background

Reno, Sparks and TRIGID have entered into an Agreement for Treated Effluent dated September 13, 2017 (“TRIGID Agreement”) whereby Reno and Sparks have agreed to reserve and deliver up to 4,000 acre-feet annually of reclaimed water to the TRIGID for resale as process water to TRIGID Customers in the TRI Center, and TRIGID has agreed to design, construct and operate the pipeline project on the terms and conditions set forth in the TRIGID Agreement.

In some circumstances, where effluent generated at TMWRF is used as reclaimed water and is not returned to the Truckee River, secondary permits require that the return flow component to the Truckee River must be made up from other water sources, typically approved for in-stream flow purposes.

TMWA, as allowed by TROA, holds certain water resources which can support reclaimed water service and which are either not subject to the return flow requirement or which otherwise can satisfy the return flow requirement to the Truckee River. Reno, Sparks, and TRIGID desire TMWA to manage water resources available for return flow purposes to facilitate the implementation of the TRIGID Agreement, which may also provide indirect benefits to TMWA.

Discussion:

The terms of the draft Return Flow Management Agreement (RFMA) have not been finalized; however, many of the key provisions are sufficiently developed to present the concepts to the Board for review and consideration. Key provisions of the RFMA include the following:

1. TRIGID owns Truckee River water rights that can be permitted for in-stream flows, and TRIGID will provide 1,500 acre-feet of its Truckee River water resources that TMWA may manage as return flow resources. TRIGID will prove title and permit the Truckee River water rights for in-stream flows to the satisfaction of the Nevada Division of Water Resources, all at no cost to the cities or TMWA.
2. The State of Nevada Department of Transportation (“State”) owns Truckee River water rights in the Truckee Meadows, estimated to be between 1,500 and 2,200 acre-feet. TMWA will enter an agreement with the State that allows TMWA to manage the water rights for in-stream flows to help satisfy the return flow requirement. TRIGID will prove title to any State Return Flow Resources to the satisfaction of the Nevada Division of Water Resources, all at no cost to the cities, TMWA or the State.
3. Reno and Sparks desire to allocate a portion of the un-utilized groundwater component of TMWRF effluent to satisfy a portion of TRIGID Reclaimed Water Supply return flow requirements. TMWA will determine the amount of un-utilized groundwater component available to TRIGID on an ongoing basis.
4. Additional water resources are required to satisfy potential return flow requirements associated with the full 4,000 acre-feet TRIGID reclaimed water supply. TMWA, as allowed by TROA, holds certain water resources which can support Reclaimed Water service and which are either not subject to the Return Flow Requirement (i.e. the groundwater component or Privately Owned Stored Water) or resources which otherwise can satisfy the Return Flow Requirement to the Truckee River.
5. Reno, Sparks, and TRIGID desire TMWA to control and utilize the water resources to make water resources available for Return Flow Purposes in connection with and to facilitate implementation of the TRIGID Agreement. Reno, Sparks, and TRIGID further recognize that water resource operational efficiencies may result from TMWA managing the utilization and scheduling of water resources used to meet return flow obligations associated with TMWRF reclaimed water deliveries and the TRIGID Agreement.
6. TMWA shall provide the following services for the Parties during the term of the Agreement:
 - (a) Manage, direct, and schedule the allocation and use of the Managed Resources to support delivery of reclaimed water supply, and to facilitate compliance with the Return Flow Requirement, including developing and submitting to Reno, Sparks and TRIGID operation schedules and scheduling procedures for managing and operating the Managed Resources.
 - (b) Monitor return flow obligations of TMWRF and provide direction on return flow issues to enable Reno and Sparks to provide the Reclaimed Water in compliance with the Return

Flow Requirement while seeking to achieve water quality benefits and efficient regional use of water resources.

(c) Coordinate operational activities of Reno and Sparks with respect to TMWRF Effluent Production and Reclaimed Water supply and TRIGID with respect to storage and use of TRIGID Reclaimed Water Supply, including timing and scheduling of deliveries, facility capacity, and demands.

(d) Collect, review, analyze and develop information necessary to prepare a water accounting and to schedule the operations of the Managed Resources used for Return Flow Purposes under this Agreement.

(e) Collect, verify, organize and analyze data determined necessary by TMWA for management of the Managed Resources for Return Flow Purposes, including, but not limited to, climatologic data, hydrologic data, Truckee River operating data, operational status of facilities, and data associated with unscheduled events that may require changes to the operation of, or desirability of operating, the Managed Resources as scheduled.

(f) Prepare reports on at least a weekly basis documenting the scheduling, accounting and operation of the Managed Resources and administer, oversee and coordinate the implementation of such operational schedules.

(g) Communicate with the Nevada Division of Water Resources and TROA Administrator regarding the scheduling and operations of Managed Resources for Return Flow Purposes, including administering and coordinating any submittals required to maintain the Managed Resources in good standing with the Nevada Division of Water Resources.

(h) Establish and implement priorities between Managed Resources and the scheduling of Managed Resources used to support TMWRF Effluent Production and Reclaimed Water supply and satisfy the Return Flow Requirement for Reclaimed Water and TRIGID Reclaimed Water Supply.

(i) To the extent practicable and consistent with exercise of water rights, assurance of water supplies, and operational considerations, recommend and encourage changes to operations to reduce or avoid conflicts in schedules and improve efficiency of use of Managed Resources. In providing the Resource Management Services, TMWA shall seek to promote the efficient use of resources in compliance with the operational requirements of TROA and the Federal Water Master/TROA Administrator and in a manner which minimizes the use of TMWA Return Flow Resources, where feasible. TMWA shall have the right, where such does not diminish the quality, quantity or availability of resources and will enhance efficient use of Truckee River resources, to exchange all or any portion of the TRIGID Replacement Water with other TMWA water resources.

7. The following table illustrates potential calculations of the amount of TMWA Return Flow Resources:

<u>TRIGID and State Replacement Water</u>	<u>TMWA Return Flow Resources</u>
1,500 AFA or less	0 AFA
1,800 AFA	200 AFA
2,400 AFA	600 AFA
3,000 AFA	1,000 AFA

8. TRIGID shall reimburse TMWA for all costs incurred in connection with the performance of TMWA's obligations under this Agreement, including without limitation, internal and third party costs to perform the Resource Management Services, administrative and staffing costs,

permitting fees, and operating expenses incurred by TMWA to facilitate TRIGID Reclaimed Water Supply or Reclaimed Water supply (e.g., electric power, operation and maintenance costs, costs to operate TMWA water system facilities outside of normal potable water service operations in connection with this Agreement, costs associated with pumping additional groundwater to enhance the Available Groundwater Component, etc.).

9. TRIGID shall, at no cost to TMWA: i) apply for and secure all necessary approvals and permits from the Nevada Division of Water Resources authorizing the use of as much of the TRIGID Return Flow Resources as possible for Return Flow Purposes in connection with the TRIGID Reclaimed Water Supply; and ii) enter into an appropriate conveyance or lease to TMWA, authorizing and facilitating the ability of TMWA to manage the TRIGID Return Flow Resources for Return Flow Purposes, all of which on terms and conditions reasonably acceptable to TMWA to enable management as intended in this Agreement.

10. Any water rights acquired after the Effective Date for use as TRIGID Return Flow Resources shall be deeded to TMWA for use by TMWA as TRIGID Return Flow Resources or, when not otherwise required for Return Flow Purposes, such other temporary purposes determined by TMWA from time to time. Upon termination of this Agreement, the after acquired rights shall be permitted for municipal use within TMWA's retail service area and banked by TMWA for the benefit of TRIC, TRIGID or their assignees as mutually agreed by TRIC and TRIGID.

10. Reno and Sparks shall demonstrate, to the satisfaction of TMWA in its discretion, that they have secured appropriate approvals, if any are required, to use Other Return Flow Resources and the Groundwater Component to satisfy Effluent supply and the Return Flow Requirement, where applicable, for all existing Reclaimed Water commitments by Reno and Sparks from TMWRF.

11. Reno and Sparks each acknowledge and agree that optimal management of the Managed Resources may require the daily amount of TRIGID Reclaimed Water Supply to fluctuate in accordance with the season, drought conditions, TRIGID demands, and efficient use of Managed Resources, and in some circumstances may require TRIGID to accept delivery of TRIGID Reclaimed Water Supply in excess of daily demands for storage in the Reservoir for later use, or to accept deliveries below daily demands and supplement such deliveries with TRIGID Reclaimed Water Supply previously stored in the Reservoir. Reno and Sparks shall cooperate with TMWA in good faith to facilitate implementation of the Resource Management Services, including coordinating the operations of TMWRF facilities, TMWRF Effluent Production and deliveries of Reclaimed Water with TMWA and maximizing the use of the Available Groundwater Component to minimize the Return Flow Requirement when feasible, and assisting TMWA in any efforts to exchange water resources with third parties to facilitate TMWA's ability to make the TMWA Return Flow Resources available.

In support of the RFMA, an operational modeling effort is underway to demonstrate to the satisfaction of the Federal Water Master, the State Engineer and TROA parties, that the planned operational strategies to be employed to satisfy the return flow requirement are consistent with TROA and related agreements and rulings.



STAFF REPORT

TO: TMWA Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: April 10, 2018
SUBJECT: **Discussion and action on adoption of Resolution No. 261: A resolution designated by the short title “2018 Refunding Bond Resolution” authorizing the issuance by the Authority of its “Truckee Meadows Water Authority, series 2018,” for the purpose of defraying wholly or in part the cost of refunding certain outstanding commercial paper notes; providing the form, terms, and conditions of the bonds and the security therefor; providing for the collection and disposition of revenues derived from the operation of the Authority’s water system; pledging such revenues to the payment of the bonds; providing other covenants, agreements, details and other matters relating thereto.**

RECOMMENDATION

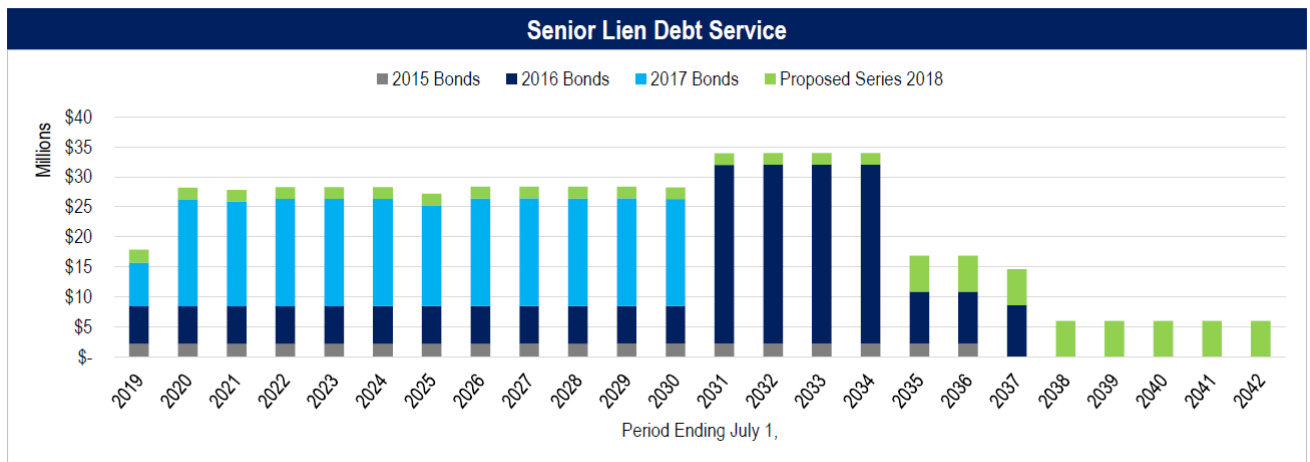
Staff recommends that the Board of Directors of the Truckee Meadows Water Authority approve the resolution providing for the issuance of approximately \$44,200,000 in senior lien bonds (2018 refunding bonds) to pay down TMWA’s tax exempt commercial paper (TECP) in the amount of \$44,200,000. This debt would be backloaded in TMWA’s current senior lien debt structure to mature in years 2035 – 2042. This would reduce the outstanding TECP balance to \$30,000,000, a balance that is projected to be paid off mainly with water will-serve revenues in the next five years, and fix out the remainder of the debt at historically low rates.

BACKGROUND

TMWA currently has a balance of \$74,200,000 in TECP. The direct pay letter of credit providing credit and liquidity for the TECP is with MUFG and expires May 29, 2018. In January 2018, TMWA, with the help of its financial advisors PFM, sent out a Request for Proposals to provide replacement of this direct pay letter of credit, other financing options, and/or underwriting services to consider the best course of action for the TECP debt. The TECP program has been an excellent financing tool for TMWA since its inception in 2006, with flexibility and low variable interest rates that have benefited TMWA’s customers. Interest rates in the current financial market are expected to increase, with the latest projections from the federal reserve estimating two more rate increases in 2018, three in 2019, and two in 2020. TMWA’s recent TECP trades have been at a rate of 1.72% for a 35 day trade. The cost to maintain the TECP program adds approximately .42%, making the current interest rate about 2.14%. While this is still a favorable rate, it is not expected to continue to remain low.

Reducing the outstanding TECP balances to an amount that can be paid off in the next five years (\$30M) would reduce TMWA's risk in a rising interest rate environment. Fixing out \$44,200,000 in longer term debt has several advantages at this time. Long term rates have not increased like short term rates. While the Municipal Market rates on a 1-5 year bond have increased 25-75 basis points in the last year since the 2017 bond refunding, the 20-25 year bond rates are actually 0-20 basis points lower. Also, as short-term rates increase, and we refund the commercial paper, interest expense rises faster than our investment interest income since our investments are held for longer periods. The natural hedge we have experienced in interest earned on TMWA cash balances and interest paid on commercial paper debt becomes less direct.

Fixing out the debt to mature in 2035-2042 at the end of TMWA's senior lien obligations keeps the annual increase in senior lien debt service to a minimum to protect TMWA's debt service coverage ratios, and effectually TMWA's credit ratings. It also takes advantage of historically low interest rates for long term debt. This is modeled in the following graphs:



	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Water Sales	\$96,257,822	\$100,491,309	\$103,514,259	\$106,447,040	\$109,424,371
Other operating revenues	6,121,891	5,896,254	5,061,714	5,036,794	5,087,162
Investment income and realized gains & (losses)	1,342,692	1,536,900	1,706,360	1,883,277	2,063,774
Total Gross Revenues	103,722,405	107,924,463	110,282,333	113,367,111	116,575,307
Operation & Maintenance Expenses	54,576,379	57,611,474	59,926,899	61,920,554	63,688,345
Net Revenues	49,146,026	50,312,989	50,355,434	51,446,557	52,886,962
Existing Senior Lien Annual Debt Service	15,696,200	15,700,800	26,243,800	25,888,000	26,333,500
Series 2018 Bond Debt Service*	-	2,178,844	1,936,750	1,936,750	1,936,750
Senior Lien DSC Excluding SDC's	3.13x	2.81x	1.79x	1.85x	1.87x

TMWA will be pricing the refunding bonds on April 25th, and RBC Capital will be the underwriters on the refunding. PFM is consulting on the project.

RESOLUTION NO. 261

A RESOLUTION DESIGNATED BY THE SHORT TITLE “2018 REFUNDING BOND RESOLUTION” AUTHORIZING THE ISSUANCE BY THE AUTHORITY OF ITS “TRUCKEE MEADOWS WATER AUTHORITY, WATER REVENUE REFUNDING BONDS, SERIES 2018,” FOR THE PURPOSE OF DEFRAYING WHOLLY OR IN PART THE COST OF REFUNDING CERTAIN OUTSTANDING COMMERCIAL PAPER NOTES; PROVIDING THE FORM, TERMS, AND CONDITIONS OF THE BONDS AND THE SECURITY THEREFOR; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES DERIVED FROM THE OPERATION OF THE AUTHORITY’S WATER SYSTEM; PLEDGING SUCH REVENUES TO THE PAYMENT OF THE BONDS; PROVIDING OTHER COVENANTS, AGREEMENTS, DETAILS AND OTHER MATTERS RELATING THERETO.

WHEREAS, the Truckee Meadows Water Authority (the “Authority” or “TMWA”) was duly organized and is operating in accordance with the provisions of the “Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks, County of Washoe” dated December 4, 2000, as amended (the “TMWA Cooperative Agreement”) entered into pursuant to the provisions of Nevada Revised Statutes (“NRS”) 277.080 to 277.180, inclusive, as amended (the “Authority Act”); and

WHEREAS, the Board of Directors (the “Board”) of the Authority, in Washoe County, Nevada (the “County” and the “State,” respectively), has the authority to issue revenue and other bonds, notes and other obligations and incur liabilities for the purposes of refunding, paying and discharging certain of the outstanding: (i) “Truckee Meadows Water Authority, Water Revenue Commercial Paper Notes, Series 2006A” (the “2006A Notes”); and (ii) “Truckee Meadows Water Authority, Water Revenue Commercial Paper Notes, Series 2006B” (the “2006B Notes,” and together with the 2006A Notes, the “2006 Notes”); and

WHEREAS, pursuant to the TMWA Cooperative Agreement, the Board is authorized to issue revenue bonds secured by revenues of the TMWA Water System (hereinafter defined); and

WHEREAS, the Authority is a body corporate and politic, a quasi-municipal corporation, and a political subdivision of the State, and the Authority and its Board are organized and operating under the Authority Act and all laws supplemental thereto; and

WHEREAS, pursuant to the Local Government Securities Law and all laws amendatory thereof (herein the “Bond Act”), cited as NRS 350.500 through 350.720, and all laws supplemental thereto, the Authority has the power to issue its “Truckee Meadows Water Authority,

Water Revenue Refunding Bonds, Series 2018” (herein the “2018 Bonds” or the “Bonds”), which constitute special obligations of the Authority without the necessity of such revenue bonds being authorized at any election or of any other preliminaries being taken; and

WHEREAS, pursuant to NRS 350.155, a certificate of the TMWA Manager (as defined below), as chief administrative officer of the Authority, and a report of the Authority’s financial advisor, have been submitted to the Board and are hereby approved; and

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

WHEREAS, after negotiating the purchase of the 2018 Bonds, if it is determined by the chief administrative officer of the Authority (the “TMWA Manager”) that the Authority’s issuance of the 2018 Bonds will “effect other economies” in accordance with NRS 350.684(2), the TMWA Manager, or, in his absence, the Chief Financial Officer of the Authority, is hereby authorized to sell the Bonds to the Underwriter (as defined in the Bond Purchase Agreement); to accept the bond purchase agreement for the Bonds submitted by the Underwriter (the “Bond Purchase Agreement”); and to specify in the Bond Purchase Agreement what principal amount of the maturing 2006A Notes and/or 2006B Notes, if any (not to exceed an aggregate principal amount of refunded 2006 Notes of \$44,200,000, which may be selected from either or both of the 2006A Notes or the 2006B Notes), shall be refunded with a portion of the proceeds of the 2018 Bonds (collectively, the “Refunded Notes”); and

WHEREAS, the Bonds are to bear interest at the rates per annum provided in the Bond Purchase Agreement, which rates must not exceed by more than 3% the “25 Bond Revenue Index” most recently published in The Bond Buyer before the Bond Purchase Agreement is accepted and are to be sold at a price equal to the principal amount thereof (not to exceed the principal amount sufficient to pay the Cost of the Refunding Project (as defined below)), plus a premium, or less a discount not exceeding 9% of the principal amount thereof, all as specified by the TMWA Manager or, in his absence, the Chief Financial Officer of the Authority, in the Bond Purchase Agreement; and

WHEREAS, the Board has considered, found, and determined, and does hereby declare that this resolution pertains to the sale, issuance, and payment of the 2018 Bonds and such declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of subsection 2 of NRS 350.579.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY DO RESOLVE:

ARTICLE I

SHORT TITLE, DEFINITIONS, INTERPRETATION, RATIFICATION, AUTHENTICATION, AND EFFECTIVE DATE

Section 101. Short Title. This resolution shall be known as the, and may be cited by the short title, “2018 Refunding Bond Resolution” (herein, the “Instrument” or the “Resolution”).

Section 102. Meanings and Construction.

A. Definitions. The terms in this Section defined for all purposes of this Instrument and of any instrument amendatory hereof or supplemental hereto, and of any other instrument or any other document pertaining hereto, except where the context by clear implication otherwise requires, shall have the meanings herein specified:

(1) “Authority” or “TMWA” means the Truckee Meadows Water Authority, the Authority being situate in the County and the State, and constituting a body corporate and politic, a quasi-municipal corporation, and a political subdivision of the State, and means any successor corporation thereof.

(2) “Authority Act” means NRS 277.080 to 277.180, inclusive, the act creating the Authority, under which act the Authority and its Board are operating, and all laws amendatory thereof.

(3) “Banking Institution” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation, which is located within the United States.

(4) “Board” means the board of directors of the Authority, or the Board’s successor in functions, if any.

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

(6) “Bond Fund” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Bond Fund,” heretofore created and continued herein. The Bond Fund consists of two separate subaccounts, the Interest Account and the Principal Account.

(7) “Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on the 2018 Bonds and any additional bonds or other additional securities payable from Pledged Revenues and heretofore or hereafter issued, if any, or such part of such securities or such other securities pertaining to the TMWA Water System as may be designated, as such principal, any such premiums, and such interest become due. “Bond

Requirements” does not include any capitalized interest on bonds payable from the proceeds of those bonds as designated by the Chief Financial Officer.

For purposes of computing the Bond Requirements of variable interest rate parity securities with respect to which a Qualified Swap is in effect, the interest payable on such variable interest rate securities (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable on such variable interest rate securities in accordance with the terms thereof plus any amount required to be paid by the Authority to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the Authority pursuant to the Qualified Swap, or (b) for purposes of computing the maximum annual principal and interest requirements and for purposes of any other computation for the issuance of additional parity securities (including refunding securities), shall be deemed to be the amount accruing at the fixed rate as provided in the Qualified Swap. No computation of Bond Requirements under this Instrument shall take into account payments due to the Qualified Swap Provider on the termination of the Qualified Swap unless such payments on termination are then unconditionally due and payable in accordance with the terms of the related Qualified Swap.

For purposes of computing the Bond Requirements of a Qualified Swap with respect to which no parity securities remain Outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of Outstanding parity securities to which such Qualified Swap relates, (a) for purposes of Article V hereof, the interest payable thereon shall be deemed to be the net amount positive or negative, if any, required to be paid by the Authority to the Qualified Swap Provider pursuant to the Qualified Swap, and (b) for purposes of any computation of Bond Requirements for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the Authority to the Qualified Swap Provider thereunder or (expressed as a negative number) by the Qualified Swap Provider to the Authority thereunder.

In addition, if any Parity Credit Facility Loan is incurred, the principal and interest due on the Parity Credit Facility Loan shall be taken into account in calculating the Bond Requirements as provided in this paragraph. “Parity Credit Facility Loan” means a loan made to the Authority pursuant to a letter of credit, line of credit or similar credit support arrangement (a “Credit Facility”) that secures parity bonds (the “Credit Secured Bonds”) for the purposes of acquiring the Credit Secured Bonds or to pay the purchase price of or principal of or interest on the Credit Secured Bonds. The amounts payable as principal and interest on a Parity Credit Facility Loan shall be taken into account in determining whether additional parity bonds or other parity securities (including the Credit Secured Bonds and the Parity Credit Facility Loan) may be issued (but not for purposes of Article X hereof):

- (i) the Parity Credit Facility Loan shall be treated as issued on the date of issue of the Credit Secured Bonds and all calculations shall be made as of that date;
- (ii) the principal amount of the Parity Credit Facility Loan taken into account shall be deemed to be the maximum amount of the Parity Credit Facility Loan under the terms of the Credit Facility;

(iii) the Parity Credit Facility Loan shall be deemed to be repayable in 20 level installments of principal and interest commencing in the first Bond Year in which there is no capitalized interest with respect to the Credit Secured Bonds and ending 20 years after that Bond Year;

(iv) interest shall be deemed to accrue on the Parity Credit Facility Loan at a rate equal to the lesser of the maximum rate permitted under the terms of the Parity Credit Facility Loan or a rate equal to the “25 Bond Revenue Index” most recently published in The Bond Buyer prior to the date a firm offer to purchase the Credit Secured Bonds is accepted by the Authority, or, if the “25 Bond Revenue Index” is no longer published, such other index as the Authority reasonably selects; and

(v) the sum of the (i) principal of and interest on the Credit Secured Bonds plus (ii) the principal of and interest on the Parity Credit Facility Loan shall not be taken into account; rather, whichever of such obligations results in the highest combined maximum annual principal and interest requirements shall be taken into account.

The actual amount payable on a Parity Credit Facility Loan in any Bond Year shall be taken into account in calculating the “Bond Requirements” for the purposes of Article X hereof.

(8) “Bond Year” for the purposes of this Instrument means the 12 months commencing on July 2nd of any calendar year and ending on July 1st of the next succeeding calendar year.

(9) “Budget Act” means NRS 354.470 through 354.626, and all laws amendatory thereof, and is designated in NRS 354.470 thereof as the “Local Government Budget Act.”

(10) “Budget Year” means the Fiscal Year for which a budget is being prepared.

(11) “Chairman” means the de jure or de facto chairman of the Board and the Authority and chosen as such officer by the Board, and means the de jure or de facto vice chairman of the Board and the Authority whenever the chairman of the Board and the Authority is unable to act in such capacity, and the defined term means his successor in functions, if any.

(12) “Chief Financial Officer” means the de jure or de facto Chief Financial Officer of the Authority, designated as such by the Authority (but if there is no Chief Financial Officer of the Authority, Chief Financial Officer means the TMWA Manager), and means the de jure or de facto assistant Chief Financial Officer or acting Chief Financial Officer, if any, of the Authority whenever the Chief Financial Officer is unable to act in such capacity, or the successor of the Chief Financial Officer in functions, if any. The Chief Financial Officer is the “chief financial officer” of the Authority for purposes of Chapter 350 of NRS.

(13) “Cities” means the City of Reno and the City of Sparks, in the County and the State, and constituting political subdivisions thereof and bodies politic and corporate, or any successor municipal corporations.

(14) “combined maximum annual principal and interest requirements” means the maximum sum of the principal of and the interest (including any payments to be made (positive or negative) on any Qualified Swap as provided in the definition of “Bond Requirements”) on the 2018 Bonds and any other parity securities, falling due during any one succeeding Bond Year for the period beginning with the Bond Year in which such computation is made and ending with the Bond Year in which any 2018 Bonds last become due and payable but not including any securities which are no longer Outstanding under the defeasance provisions of Section 1201 hereof. If any parity security bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those parity securities or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed parity securities is accepted by the Authority or if such index is no longer published, such long-term bond securities index as the Authority reasonably selects.

Parity Credit Facility Loans shall be taken into account in such calculations as described under the definition of “Bond Requirements” above.

(15) “Comparable Bond Year” means, in connection with any Fiscal Year, the Bond Year which commences in the Fiscal Year. For example, for the Fiscal Year commencing on July 1, 2018, and ending on June 30, 2019, the Comparable Bond Year commences on July 2, 2018, and ends on July 1, 2019.

(16) “Cost of the Refunding Project,” or any phrase of similar import, means, in connection with the 2018 Bonds, all or any part designated by the Board of the cost of refunding the Refunded Notes, which cost may include all or any part of the incidental costs pertaining to the Refunding Project.

(17) “Costs of Issuance Account” means the special account designated as the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018, Costs of Issuance Account” created herein.

(18) “County” means the County of Washoe, in the State, and constituting a political subdivision thereof, or any successor municipal corporation; and where the context so indicates, such term means the geographical area comprising the County of Washoe.

(19) “Directors” means members of the Authority’s governing body, i.e., the Board.

(20) “disposal” or “dispose” means the sale, destruction, razing, loan, lease, grant, transfer, assignment, option to sell, other contract, other disposition, or any combination thereof, of the TMWA Water System, other property, or any interest therein.

(21) “Emergency Capital Amount” means the amount designated by the Professional Engineer as a continuing reserve to be deposited, accumulated, reaccumulated, and maintained in the Renewal and Replacement Account in accordance with Section 514 hereof.

(22) “equip” or “equipment” means the furnishing of all related or appurtenant machinery, furnishings, apparatus, paraphernalia, or other gear, or any combination thereof, pertaining to the Project, the TMWA Water System, or other property, or any interest therein.

(23) “events of default” means the events stated in Section 1303 hereof.

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

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

(26) “Fiscal Year” for the purposes of this Instrument means the 12 months commencing on July 1st of any calendar year and ending on June 30th of the next succeeding calendar year.

(27) “General Purpose Account” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System General Purpose Account,” heretofore created and continued herein.

(28) “Gross Revenues” means all income and revenues received or accrued under generally accepted accounting principles derived directly or indirectly by the Authority from the water and other goods and services provided by, or from the operation and use of and otherwise pertaining to, the TMWA Water System, including, without limitation, all rates, fees, and other charges for the use of the TMWA Water System, or for any service rendered by the Authority in the operation thereof, or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the TMWA Water System, or otherwise, and includes all revenues received by the Authority from the TMWA Water System, including, without limitation, all fees, rates, and other charges for the use of the TMWA Water System, or for any service rendered by the Authority in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the TMWA Water System, except to the extent any such moneys shall be received as payments for the use of the TMWA Water System,

services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include:

(i) all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues; and

(ii) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in Section 514 hereof.

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

(30) "holder," or any similar term, when used in conjunction with any Bonds, or any other designated securities, means the registered owner of any Bond or other security which is registered for payment.

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

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

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

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

(32) "Insurer" means the insurer of the payment of the Bond Requirements of the 2018 Bonds, if any, and its successors.

(33) "Instrument" means this resolution, cited in Section 101 hereof by the short title "2018 Refunding Bond Resolution"; and the term "instrument of the Authority," "instrument of the Board," "amendatory instrument," "supplemental instrument," or any phrase of similar import, means any resolution adopted by the Board on behalf of the Authority.

(34) "Interest Account" means the special and separate subaccount designated as the "Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Interest Account," heretofore created within the Bond Fund and continued herein.

(35) “I.R.C.” or “Tax Code” means the Internal Revenue Code of 1986, as of the date of delivery of the Bonds and the regulations promulgated thereunder.

(36) “Member” means the Cities and the County and any other entity that may hereafter become a member of the Authority.

(37) “Minimum Operation and Maintenance Reserve” means at any time in each Fiscal Year an amount at least equal to one-sixth of the aggregate amount of the Operation and Maintenance Expenses of the TMWA Water System for the Fiscal Year as fixed by the then current budget for that year, which minimum amount is required to be deposited, accumulated or reaccumulated, and maintained in the Operation and Maintenance Reserve Account pursuant to Section 513 hereof.

(38) “Net Revenues” means the Gross Revenues remaining after the deduction of the “Operation and Maintenance Expenses,” of the TMWA Water System, or any other facilities in connection with which the defined term is used.

(39) “NRS” means Nevada Revised Statutes, the State’s code of general laws.

(40) “Operation and Maintenance Expenses,” or any phrase of similar import, means all reasonable and necessary current expenses of the Authority, paid or accrued under generally accepted accounting principles, of operating, maintaining, and repairing the TMWA Water System or any other designated facilities in connection with which such term is used; and the term includes, without limitation:

(a) Engineering, auditing, reporting, legal, planning and other overhead expenses relating to the administration, operation, and maintenance of the TMWA Water System;

(b) Fidelity bond and property and liability insurance premiums pertaining to the TMWA Water System, or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the TMWA Water System;

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

(d) Any general taxes, assessments, excise taxes, or other charges which may be lawfully imposed on the Authority, the TMWA Water System, revenues therefrom, or the Authority’s income from or operations of any properties under its control and pertaining to the TMWA Water System, or any privilege in connection with the TMWA Water System or its operation;

(e) The reasonable charges of the Trustee, Paying Agent, Registrar and any other depository bank pertaining to the bonds and any other securities payable from Pledged Revenues or otherwise pertaining to the TMWA Water System;

(f) Contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs, and labor, pertaining to the TMWA Water System or to the issuance of the 2018 Bonds or any other securities relating to the TMWA Water System, including, without limitation, the expenses and compensation of the Trustee, any receiver, or other fiduciary under the Bond Act;

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

(h) Any costs of utility services furnished to the TMWA Water System;

(i) Any lawful refunds of any Pledged Revenues;

(j) The cost of calculating and verifying any amount due the United States as rebate payments under Section 148(f), I.R.C.; and

(k) All other administrative, general, and commercial expenses pertaining to the TMWA Water System; but

(i) Excluding any allowance for depreciation, amortization, or noncash allocation of pension liabilities;

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

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

(iv) Excluding any reserves for operation, maintenance, or repair of the TMWA Water System;

(v) Excluding any allowance for the redemption of any bond or other security evidencing a loan or other obligation, or the payment of any interest thereon, or any prior redemption premium due in connection therewith;

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

(vii) Excluding any liabilities imposed on the Authority for any ground of legal liability not used on contract, including, without limitation, negligence in the operation of the TMWA Water System.

(41) “Operation and Maintenance Account” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System Operation and Maintenance Account,” heretofore created and continued herein, and required to be applied in accordance with Section 506 hereof.

(42) “Operation and Maintenance Reserve Account” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System Operation and Maintenance Reserve Account,” heretofore created and continued herein.

(43) “Outstanding” when used with reference to the Bonds or any other designated securities and as of any particular date means all the Bonds or any such other securities payable from Pledged Revenues or otherwise pertaining to the TMWA Water System, as the case may be, in any manner theretofore and thereupon being executed and delivered:

(a) Except any bond or other security canceled by the Authority, by the Registrar, Paying Agent or otherwise on the Authority’s behalf, at or before such date;

(b) Except any bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if any, shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in Sections 519 or 1201 hereof; and

(c) Except any bond or other security in lieu of or in substitution for which another bond or other security shall have been executed and delivered pursuant to Sections 306 or 1509 hereof.

(44) “parity bonds” or “parity securities” means bonds or securities pertaining to the TMWA Water System and secured by Pledged Revenues and with a lien on Pledged Revenues on a parity with the Outstanding 2018 Bonds.

(45) “Paying Agent” means The Bank of New York Mellon Trust Company, N.A., a “Banking Institution” and a “trust bank,” as herein defined, and designated by the Authority as the paying agent for the 2018 Bonds, which Banking Institution is also the “Registrar” hereunder and is an agent of the Authority for the payment of the Bond Requirements of the 2018 Bonds and for other administration of moneys pertaining to the Authority; and the term “Paying Agent” includes any successor Banking Institution as such a paying agent.

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

(47) “Pledged Revenues” means all or a portion of the Net Revenues. The designated term indicates a source of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification. With respect to the Bonds and any other outstanding parity bonds, Pledged Revenues means all of the Net Revenues.

(48) “Principal Account” means the special and separate subaccount designated as the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Principal Account,” heretofore created within the Bond Fund and continued herein.

(49) “Professional Engineer” means any registered or licensed professional engineer, any firm of such engineers, any licensed professional architect, or any firm of such architects, as from time to time determined by the Authority, which Person or Persons shall:

(a) Have a wide and favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, water systems and water facilities;

(b) Be entitled to practice and are practicing as such under the laws of the State; and

(c) Be selected, retained, and compensated by the Board, in the name and on behalf of the Authority, and who may be in the regular employ or control of the Authority.

(50) “Qualified Swap” means, to the extent from time to time permitted by law, any financial arrangement entered into by the Authority with respect to the 2018 Bonds, parity securities or subordinate securities for the purpose of moderating interest rate fluctuations or any other purpose, (i) which is entered into with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which is any of the following, or any combination thereof, or any option with respect thereto: a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such 2018 Bonds, parity securities or subordinate securities, as the case may be, as may be designated or a notional principal amount relating to all or a portion of the principal amount of such 2018 Bonds, parity securities or subordinate securities, or such other exchange or rate protection transaction agreement; or other similar transaction (however designated); and (iii) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such bonds.

(51) “Qualified Swap Provider” means, except as otherwise provided in Section 1135 hereof, a counterparty whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated by whichever of Standard and Poor’s Ratings Services, Moody’s Investors Service or Fitch Investors Services as then has a rating in effect for the bonds or all such agencies if all then have a rating in effect for the bonds, at the time the subject Qualified Swap is entered into of

at least “A” in the case of Moody’s, “A” in the case of Standard & Poor’s, or “A” by Fitch Investors Services.

(52) “Rate Stabilization Account” means the “Truckee Meadows Water Authority, TMWA Water System Rate Stabilization Account” heretofore created and continued herein.

(53) “Rebate Account” means the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities Rebate Account” heretofore created and continued herein.

(54) “Redemption Date” means the date fixed for the redemption prior to their respective fixed maturity dates of any bonds or other designated securities payable from Pledged Revenues or other moneys pertaining to the TMWA Water System in any notice of prior redemption, or otherwise fixed and designated by the Authority.

(55) “Redemption Price” means, when used with respect to a bond or other designated security payable from Pledged Revenues or other moneys pertaining to the TMWA Water System, the principal amount thereof plus accrued interest thereon to the Redemption Date plus the applicable premium, if any, payable upon the redemption thereof prior to the stated fixed maturity date of such bond or other security on a Redemption Date in the manner contemplated in accordance with the security’s terms.

(56) “Refunding Project” means the refunding of the Refunded Notes, if any, financed wholly or in part with a portion of the proceeds of the 2018 Bonds.

(57) “Registrar” means The Bank of New York Mellon Trust Company, N.A., which Banking Institution is required to keep records for the registration, transfer, and exchange of the 2018 Bonds or any successor thereof.

(58) “Renewal and Replacement Account” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System Renewal and Replacement Account,” heretofore established and authorized and continued herein.

(59) “Revenue Fund” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System Gross Revenues Fund,” heretofore established and authorized and continued herein.

(60) “Secretary” means the de jure or de facto secretary of the Board and the Authority and chosen as such officer by the Board, and means the de jure or de facto assistant secretary or acting secretary, if any, of the Board and the Authority whenever the secretary is unable to act in such capacity, the individual designated as secretary may be (but is not necessarily) a member of the Board and may be (but is not necessarily) the same individual as the Treasurer, and the defined term means his successor in functions, if any.

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

(62) “Subordinate bonds” or “subordinate securities” means bonds or securities pertaining to the TMWA Water System and secured by Pledged Revenues with a lien on Pledged Revenues subordinate and junior to the lien thereon of the Outstanding 2018 Bonds.

(63) “Superior bonds” or “superior securities” means bonds or securities pertaining to the TMWA Water System and secured by Pledged Revenues with a lien on Pledged Revenues superior to the lien thereon of the Outstanding 2018 Bonds.

(64) “Tax Code” means the I.R.C., as herein defined.

(65) “TMWA Manager” means the de jure or de facto General Manager of the Authority and any deputy director designated by the TMWA Manager for purposes of this Instrument, and means any de jure or de facto deputy director or acting TMWA Manager, if any, of the Authority whenever the TMWA Manager is absent or is unable to act in such capacity, or the TMWA Manager’s successor in functions, if any. The TMWA Manager is the “chief administrative officer” of the Authority for the purposes of Chapter 350 of NRS.

(66) “TMWA Asset Purchase Agreement” means the asset purchase agreement between Sierra Pacific Power Company and the Authority dated as of January 15, 2001.

(67) “TMWA Water System” means the water facilities described in the TMWA Asset Purchase Agreement, and consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Authority through purchase, construction or otherwise, and used in connection with such system of the Authority, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the County, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

(68) “Treasurer” means the de jure or de facto treasurer of the Board and the Authority and chosen as such officer by the Board, and means the de jure or de facto assistant treasurer or acting treasurer, if any, of the Board and the Authority whenever the treasurer is unable to act in such capacity, the individual designated as treasurer may be (but is not necessarily) a member of the Board and may be (but is not necessarily) the same individual as the Secretary, and the defined term means his successor in functions, if any.

(69) “Trust bank” means the Trustee and any “Banking Institution,” as defined herein, which is also authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

(70) “Trustee” means The Bank of New York Mellon Trust Company, N.A., which Banking Institution is the fiduciary appointed by Section 1401 hereof, and the term

“Trustee” includes any successor “trust bank,” as herein defined, which may at any time be substituted in its place as such a trustee.

(71) “2018 Bonds or Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018,” authorized to be issued by this Instrument.

(72) “2017 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2017,” authorized to be issued by the 2017 Bond Resolution.

(73) “2016 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2016,” authorized to be issued by the 2016 Bond Resolution.

(74) “2015 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A,” authorized by the 2015 Bond Resolution.

(75) “2017 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2017 Bonds,” as herein defined.

(76) “2016 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2016 Bonds,” as herein defined.

(77) “2015 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2015 Bonds,” as herein defined.

(78) “United States” means the United States of America; and where the context so indicates, such term means the geographical area comprising the United States of America.

(79) “Vice Chairman” means the de jure or de facto vice chairman or the Board and the Authority and chosen as such officer by the Board, and the defined term means his successor in functions, if any.

(80) “Water Fund” means the separate fund designated as the “Truckee Meadows Water Authority, Water Fund,” heretofore authorized and continued herein, which fund consists of a self-balancing group of accounts pertaining to the TMWA Water System, and to which the various accounts herein created or otherwise designated relate.

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

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

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

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

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

(5) Any 2018 Bonds held by the Authority shall not be deemed to be Outstanding for the purpose of redemption or Outstanding for the purpose of consents hereunder or for any other purpose provided herein.

Section 103. Successors. All of the covenants, stipulations, obligations, and agreements by or on behalf of and other provisions for the benefit of the Authority or the Board contained herein shall bind and inure to the benefit of any successors thereof and shall bind and inure to the benefit of any officer, board, district, commission, authority, agent, or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power, or duty of the Authority or the Board or of their respective successors, if any, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements, or other provisions hereof.

Section 104. Parties Interested Herein. Except as herein otherwise expressly provided, nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the Authority, the Board, the Directors, the Paying Agent, the Trustee, the Insurer, if any, and the holders from time to time of the 2018 Bonds, including, without limitation, the Paying Agent in its capacity as a paying agent and as the Registrar, any right, remedy, or claim under or by reason hereof or any covenant, condition, or stipulation hereof. All the covenants, stipulations, promises, and agreements herein contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Board, the Directors, the Paying Agent, the Trustee, and any holder of any 2018 Bonds, except as herein otherwise provided.

Section 105. Ratification. All action taken (not inconsistent with the provisions of this Instrument) by the Board, the officers of the Authority, and otherwise by the Authority, including without limitation, directed:

A. Refunding Project. Toward the Refunding Project.

B. Bonds. Toward the sale and delivery of the Authority's 2018 Bonds for purpose of paying the Cost of the Refunding Project.

C. Bond Purchase Agreement. Toward the completion and execution of the Bond Purchase Agreement by the officers designated therein, and

and otherwise towards any and all of the purposes and objectives of the Authority be, and the same hereby is, ratified, approved, and confirmed.

Section 106. Authorization of Official Statement. The TMWA Manager or, in his absence, the Chief Financial Officer is each authorized to proceed with the sale of the 2018 Bonds on the terms and conditions provided herein. Distribution and use of the preliminary official statement relating to the 2018 Bonds (the “Preliminary Official Statement”) in substantially the form on file with the Secretary is hereby authorized, ratified and confirmed. The TMWA Manager, or in his absence, the Chief Financial Officer, is authorized to deem the Preliminary Official Statement to be a “final” official statement as of its date for the purposes of Rule 15c2-12 of the Securities and Exchange Commission, with such changes and additions as the TMWA Manager or the Chief Financial Officer determines necessary or appropriate. Distribution, use of, and the execution of the final official statement for the 2018 Bonds (the “Official Statement”) in substantially the form of the Preliminary Official Statement, with such amendments, additions and deletions as are consistent with the facts and not inconsistent herewith, as may be approved by the TMWA Manager or, in his absence, the Chief Financial Officer by the execution of the Official Statement, and any supplements or amendments thereto, is hereby authorized.

Section 107. Instrument Irrepealable. In consideration of the purchase and acceptance of the 2018 Bonds by those who shall hold the same from time to time, after any of the 2018 Bonds are issued, this Instrument shall constitute an irrevocable contract between the Authority and the holder or holders of the 2018 Bonds; and this Instrument (subject to the provisions of Section 1201 and of Article XV hereof), if any 2018 Bonds are in fact issued, shall be and shall remain irrepealable until the 2018 Bonds, as to all Bond Requirements, shall be fully paid, canceled, and discharged, except as herein otherwise expressly provided.

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

Section 109. Severability. If any section, subsection, paragraph, clause, or other provision of this Instrument 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 Instrument.

Section 110. Execution of Instrument. This Instrument, immediately on its final passage and adoption, shall be recorded in the official records of the Authority kept for that purpose, shall be executed by the signature of the Chairman, shall be attested by the Secretary, and the seal of the Authority shall be affixed thereto.

Section 111. Effective Date. This Instrument shall be in effect upon its adoption.

ARTICLE II

BOARD'S DETERMINATIONS, AUTHORITY FOR AND
AUTHORIZATION OF REFUNDING PROJECT, NECESSITY OF
REFUNDING PROJECT AND BONDS, COST OF REFUNDING PROJECT, OBLIGATION
OF AUTHORITY, AND TERMS OF BOND SALE

Section 201. Authority for this Instrument. This Instrument is adopted by virtue of the Authority Act, the Bond Act, the Supplemental Bond Act and pursuant to their provisions; and the Authority has ascertained and hereby determines that each and every matter and thing as to which provision is made herein is necessary in order to carry out and to effectuate the purposes of the Authority in accordance with the Authority Act and the Bond Act.

Section 202. Necessity of Refunding Project and Bonds. It is necessary and for the best interests of the Authority and the inhabitants thereof, that the Authority effect the Refunding Project and defray the cost thereof wholly or in part by issuing the 2018 Bonds therefor; and the Board hereby so determines and declares.

Section 203. Authorization of Refunding Project. The Board, on behalf of the Authority, does hereby determine, and, if determined by the TMWA Manager, or in his absence, the Chief Financial Officer, to be in the best interests of the Authority, to refund the Refunded Notes with the proceeds of the 2018 Bonds; and the Refunding Project is hereby so authorized.

Section 204. Cost of the Refunding Project. The Cost of the Refunding Project is estimated not to exceed an amount received from the sale of the 2018 Bonds, excluding any such cost defrayed or to be defrayed by other than with the proceeds of the 2018 Bonds.

Section 205. Bonds Equally Secured. The covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection, and security of the holders of any and all of the Outstanding 2018 Bonds and any Outstanding parity securities payable from Pledged Revenues and heretofore or hereafter authorized, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any of the 2018 Bonds or other such securities over any other thereof, except as otherwise expressly provided in or pursuant to this Instrument.

Section 206. Special Obligations. All of the 2018 Bonds, as to all Bond Requirements, shall be payable and collectible solely out of the Net Revenues pertaining to the TMWA Water System, which Net Revenues are so pledged; the holder or holders thereof may not look to any general or other fund for the payment of the Bond Requirements, except the herein-designated special funds pledged therefor; the 2018 Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the 2018 Bonds shall not be considered or held to be general obligations of the Authority but shall constitute its special obligations. The Authority has no taxing power and, therefore, does not pledge its full faith and credit for the payment of the 2018 Bonds.

Section 207. Character of Agreement. None of the covenants, agreements, representations, and warranties contained herein or in the 2018 Bonds issued hereunder, in the absence of any breach thereof, shall ever impose or shall be construed as imposing any liability, obligation, or charge against the Authority (except for the special funds pledged therefor) or its general credit, payable out of its general fund or out of any funds derived from taxation.

Section 208. No Pledge of Property. The payment of the 2018 Bonds is not secured by an encumbrance, mortgage, or other pledge of property of the Authority, except the Net Revenues and any other moneys pledged for the payment of the 2018 Bonds. No property of the Authority, subject to such exception, shall be liable to be forfeited or taken in payment of the 2018 Bonds.

Section 209. No Recourse against Officers and Agents. Pursuant to NRS 350.606, no recourse shall be had for the payment of the Bond Requirements of the 2018 Bonds or for any claim based thereon, or otherwise, upon this Instrument authorizing their issuance or any other instrument pertaining thereto, against any individual member of the Board or the Authority, or any officer or other agent of the Authority, past, present, or future, either directly or indirectly through the Board of the Authority, 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 2018 Bonds and as a part of the consideration of their issuance specially waived and released.

Section 210. Limitations upon State. Pursuant to NRS 350.610, the faith of the State is hereby pledged that the Authority Act, the Bond Act, any law supplemental or otherwise pertaining thereto, and any other act concerning the 2018 Bonds or other securities, Pledged Revenues, or any combination of such securities and such revenues, shall be neither repealed nor amended nor otherwise directly or indirectly modified in such a manner as to impair adversely any Outstanding securities of the Authority until all such securities have been discharged in full or provision for their payment and redemption has been fully made.

Section 211. No Election or Other Preliminaries. The 2018 Bonds shall be issued without their being authorized at an election by any electors of the Authority or without any other preliminaries being taken other than as herein otherwise provided.

Section 212. Sale of Bonds. The TMWA Manager, or in his absence, the Chief Financial Officer, is authorized to proceed with the sale of the Bonds to the Underwriter on the terms and conditions provided herein, and to execute the Bond Purchase Agreement in substantially the form on file with the Secretary with such changes as are approved by the officer executing the Bond Purchase Agreement whose execution thereof shall be conclusive evidence of consent to any such changes; the 2018 Bonds are to bear interest at the rates per annum provided in the Bond Purchase Agreement, which rates must not exceed by more than 3% the “25 Bond Revenue Index” most recently published in The Bond Buyer before the Bond Purchase Agreement is accepted and are to be sold at a price equal to the principal amount thereof (not to exceed the principal amount sufficient to pay the Cost of the Refunding Project), plus a premium, or less a discount not exceeding 9% of the principal amount thereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND FORM OF BONDS

Section 301. Authorization of Bonds. For the purpose of protecting the public health, conserving the property, and advancing the general welfare of the citizens of the Authority, the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018,” in the aggregate principal amount set forth in the Bond Purchase Agreement, payable as to all Bond Requirements solely out of the Net Revenues pertaining to the TMWA Water System, are hereby authorized to be issued, pursuant to the Authority Act and the Bond Act; the Authority pledges irrevocably, but not necessarily exclusively, the Net Revenues to the payment of the Bond Requirements of the 2018 Bonds; and the proceeds of the 2018 Bonds are to be used solely to defray wholly or in part the Cost of the Refunding Project, except as herein otherwise provided.

Section 302. 2018 Bond Details. The 2018 Bonds shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with Section 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The 2018 Bonds shall be dated as of the date of delivery of the Bonds. Except as otherwise provided in Section 307 hereof, the Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. The 2018 Bonds shall bear interest calculated based on a 360-day year of twelve 30-day months, from their date until their respective maturity dates (or, if redeemed prior to maturity as provided below, their redemption dates) at the respective dates set forth in the Bond Purchase Agreement, payable semiannually on January 1 and July 1 of each year commencing on January 1, 2019; provided that those 2018 Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates shown in the Bond Purchase Agreement 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 2018 Bond. The 2018 Bonds shall mature on July 1 in each of the designated amounts of principal and designated years and interest rates, as set forth in the Bond Purchase Agreement (not to exceed 25 years from the date of delivery of the Bonds).

The principal of and redemption premium, if any, on any 2018 Bond shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption thereof and upon presentation and surrender at the office of the Paying Agent or such other office as designated by the Paying Agent. If any 2018 Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said 2018 Bond until the principal thereof is paid in full. Except as otherwise provided in Section 307 hereof, payment of interest on any 2018 Bond shall be made to the registered 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 registered owner thereof, at his or her address as shown on the registration records kept by the Registrar as of the close of business on the 15th day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the “Regular Record Date”); but any such interest not so timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable

to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the owners of the 2018 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 2018 Bond by such alternative means as may be mutually agreed to between the owner of such 2018 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 303. Prior Redemption and Partial Redemption

A. Optional Redemption. The 2018 Bonds, or portions thereof (\$5,000 or any integral multiple), shall be subject to optional redemption prior to their respective maturities, at the option of the Authority, on and after the date set forth in the Bond Purchase Agreement, in whole or in part at any time from any maturities selected by the Authority and by lot within a maturity (giving proportionate weight to 2018 Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2018 Bond, or portion thereof, so redeemed, accrued interest thereon to the redemption date, and a premium, if any, as set forth in the Bond Purchase Agreement.

B. Mandatory Sinking Fund Redemption. The 2018 Bonds maturing on July 1 of the years set forth in the Bond Purchase Agreement, if any (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 Bond Fund on or before July 1 of the years set forth in the Bond Purchase Agreement, a sum which, together with other moneys available in the Bond Fund, is sufficient to redeem the Term Bonds plus accrued interest to the redemption date, on July 1 of the years and in the principal amounts as set forth in the Bond Purchase Agreement.

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 (by lot in such manner as the Registrar may determine) from all Outstanding Term Bonds of a series, a principal amount of the Term Bonds equal to the aggregate principal amount of the Term Bonds redeemable with the required sinking fund payments, and shall call such Term Bonds or portions thereof for redemption from the sinking fund on the next July 1, and give notice of such call as provided in Section 304 of this Instrument.

At the option of the Authority to be exercised by delivery of a written certificate to the Registrar not less than sixty days next preceding any sinking fund redemption date, it may (i) deliver to the Registrar for cancellation Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) in an aggregate principal amount desired by the Authority or, (ii) specify a principal amount of Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the

Registrar and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond or portions thereof so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Authority on the sinking fund redemption dates and any excess shall be so credited against future sinking fund redemption obligations in such manner as the Authority determines. In the event the Authority shall avail itself of the provisions of clause (i) of the first sentence of this paragraph, the certificate required by the first sentence of this paragraph shall be accompanied by the respective Term Bonds or portions thereof to be canceled or in the event the Bonds are registered in the name of Cede & Co. as provided in Section 307 of this Instrument, the certificate required by the first sentence of this paragraph shall be accompanied by such direction and evidence of ownership as is satisfactory to The Depository Trust Company.

C. Partial Redemption. In the case of 2018 Bonds in a denomination larger than \$5,000, a portion of such 2018 Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Registrar shall, except as otherwise provided in Section 307 hereof, without charge to the owner of such 2018 Bond, authenticate and issue a replacement 2018 Bond or 2018 Bonds for the unredeemed portion thereof. In the case of a partial redemption of 2018 Bonds of a single maturity pursuant to Subsection A of this Section, the Paying Agent shall select the 2018 Bonds to be redeemed by lot at such time as directed by the Authority (but at least 30 days prior to the redemption date), and if such selection is more than 60 days before a redemption date, except as otherwise provided in Section 307 hereof, shall direct the Registrar to appropriately identify the 2018 Bonds so called for redemption by stamping them at the time any 2018 Bond so selected for redemption is presented to the Registrar for stamping or for transfer or exchange, or by such other method of identification as deemed adequate by the Registrar, and any 2018 Bond or 2018 Bonds issued in exchange for, or to replace, any 2018 Bond or 2018 Bonds so called for prior redemption shall likewise be stamped or otherwise identified.

Section 304. Notice of Redemption. Unless waived by any registered owner of a 2018 Bond to be redeemed, notice of prior redemption shall be given electronically by the Registrar, as long as Cede & Co. is registered owner of the 2018 Bonds, and otherwise by first-class mail, at least 30 days but not more than 60 days prior to the Redemption Date to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access (“MSRB”), the Insurer, if any, and to the registered owner of any 2018 Bond (initially Cede & Co.) all or a part of which is called for prior redemption at his or her address as it last appears on the registration records kept by the Registrar. Actual receipt of notice by the MSRB, the Insurer, if any, or any registered owner of 2018 Bonds shall not be a condition precedent to redemption of such 2018 Bonds. Failure to give such notice to the MSRB, the Insurer, if any, or the registered owner of any 2018 Bond designated for redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other 2018 Bond. A certificate by the Registrar that notice of call and redemption has been given as provided in this Section shall be conclusive as against all parties; and no owner whose 2018 Bond is called for redemption or any other owner of any 2018 Bond may object thereto or may object to the cessation of interest on the Redemption Date on the ground that he failed actually to receive such notice of redemption.

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

- (1) the redemption date,
- (2) the purchase prices,
- (3) the identification by CUSIP number and maturity (and, in the case of partial redemption of a maturity, other appropriate identification) of the 2018 Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such 2018 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such 2018 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent or such other office as designated by the Paying Agent (accrued interest to the redemption date being payable by mail or as otherwise provided in this Instrument).

Unless waived by the Registrar, written direction to give a notice of optional redemption shall be given by the Authority to the Registrar in writing not less than 60 days prior to the redemption date. No such written direction need be provided for mandatory redemption under Section 303B, and the Registrar shall call Bonds in accordance with Section 303B without further direction.

Each notice may further state that such redemption shall be conditional upon the Paying Agent receiving for deposit in the Bond Fund on or prior to the date fixed for redemption, monies authorized by the Authority to be deposited into the Bond Fund that are sufficient to pay the principal of and interest and prior redemption premium, if any, on the 2018 Bonds to be redeemed and that if such monies have not been so received, the notice shall be of no force and effect and the Authority shall not be required to redeem such 2018 Bonds. Unless waived by the Registrar, the Authority, not less than 60 days prior to the redemption date, shall advise the Registrar, in writing, of its election to conditionally redeem any 2018 Bonds as provided in this paragraph.

Official notice of redemption having been given as aforesaid, the 2018 Bonds or portions of 2018 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority shall not have deposited payment of the redemption price into the Bond Fund) such 2018 Bonds or portions of 2018 Bonds shall cease to bear interest. Upon surrender of such 2018 Bonds for redemption in accordance with said notice, such 2018 Bonds shall be paid by the Paying Agent at the redemption price, if the Authority has deposited with the Paying Agent an amount of money sufficient to pay the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon partial redemption of any 2018 Bond, the applicable amount being redeemed shall be reflected on the prepayment panel appended to the 2018 Bonds. All 2018 Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Section 305. Negotiability. The 2018 Bonds shall be fully negotiable within the meaning of and for the purpose of the Uniform Commercial Code - Investment Securities and each owner shall possess all rights enjoyed by holders of negotiable instruments under the Uniform Commercial Code - Investment Securities.

Section 306. Registration, Transfer and Exchange of Bonds. Except as otherwise provided in Sections 303 and 307 hereof:

A. Records for the registration and transfer of the 2018 Bonds shall be kept by the Registrar. Upon the surrender of any 2018 Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the owner or his or her attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new 2018 Bond or 2018 Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. 2018 Bonds may be exchanged at the Registrar for an equal aggregate principal amount of 2018 Bonds of the same maturity of other authorized denominations, as provided in Section 302 hereof. The Registrar shall authenticate and deliver a 2018 Bond or 2018 Bonds which the owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. For every exchange or transfer of 2018 Bonds requested by the owner thereof, the Registrar may make a sufficient charge to the bondholder to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and may charge a sum sufficient to pay the cost of preparing and authenticating a new 2018 Bond. No such charge shall be levied in the case of an exchange resulting from an optional redemption of a 2018 Bond.

B. The Registrar shall not be required to transfer or exchange (i) any 2018 Bond, or portion thereof, subject to redemption during a period beginning at the opening of business fifteen (15) days before the date of mailing by the Registrar of a notice of prior redemption of 2018 Bonds and ending at the close of business on the date of such mailing; (ii) any 2018 Bond, or any portion thereof, subject to redemption after the mailing of such notice as herein provided; or (iii) any 2018 Bond, or portion thereof, during a period beginning fifteen (15) days before the maturity date of such 2018 Bond presented for transfer.

C. The person in whose name any 2018 Bond shall be registered, on the registration records kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes (except to the extent otherwise provided in Section 302 hereof with respect to interest payments); and payment of or on account of either principal or interest on any 2018 Bond shall be made only to or upon the written order of the owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon such 2018 Bond to the extent of the sum or sums so paid.

D. If any 2018 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 Authority may reasonably require, and upon payment by the holder of all expenses in connection therewith, authenticate and deliver a replacement 2018 Bond or 2018 Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. If such lost,

stolen, destroyed or mutilated 2018 Bond shall have matured or shall have been called for redemption, the Registrar may direct that such 2018 Bond be paid by the Paying Agent in lieu of replacement.

E. Whenever any 2018 Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided herein, such 2018 Bond shall be promptly canceled or destroyed by the Paying Agent or Registrar, and counterparts of a certificate of such cancellation or proof of destruction shall be furnished by the Paying Agent or Registrar to the Board upon request.

Section 307. Custodial Deposit.

A. Notwithstanding the foregoing provisions of Sections 302 to 306 hereof, the 2018 Bonds shall initially be registered in the name of “Cede & Co.” as nominee for The Depository Trust Company, the securities depository for the 2018 Bonds. The 2018 Bonds may not thereafter be transferred or exchanged except:

(1) to any successor of The Depository Trust Company or its nominee, 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; or

(2) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or this clause (2) of this Subsection A, or a determination by the Authority that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the designation by the Authority of another depository institution acceptable to the depository then holding the 2018 Bonds, which new depository institution 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, to carry out the functions of The Depository Trust Company or such successor or new depository;

(3) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or clause (2) of this Subsection A, or a determination by the Authority that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the failure by the Authority, after reasonable investigation, to locate another qualified depository institution under clause (2) to carry out such depository functions; or

(4) upon the determination of the Authority to discontinue the book-entry system for the 2018 Bonds.

B. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) of Subsection A hereof or designation of a new depository pursuant to clause (2) of Subsection A hereof, upon receipt of the outstanding 2018 Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, a new 2018 Bond for each maturity then outstanding shall be issued to such successor or new depository, as the

case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) of Subsection A hereof and the failure after reasonable investigation to locate another qualified depository institution for the 2018 Bonds as provided in clause (3) of Subsection A hereof, or upon a determination pursuant to clause (4) of Subsection A hereof, and upon receipt of the outstanding 2018 Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, new 2018 Bonds shall be issued in the denominations of \$5,000 or any integral multiple thereof, as provided in and subject to the limitations of Section 302 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 2018 Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

C. The Authority, the Registrar and the Paying Agent shall be entitled to treat the registered owner of any 2018 Bond as the absolute owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by any or all of them and the Authority, the Registrar and the Paying Agent shall have no responsibility for transmitting payments or notices to the beneficial owners of the 2018 Bonds held by The Depository Trust Company or any successor or new depository named pursuant to Subsection A hereof.

D. The Authority, the Registrar and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of Subsection A hereof in effectuating payment of the 2018 Bond Requirements of the 2018 Bonds by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

E. Upon any partial redemption of any maturity of the Bonds, Cede & Co (or its successor) in its discretion may request the Authority 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 308. Execution of Bonds. The 2018 Bonds shall be executed as follows:

A. Filings with Secretary of State. Pursuant to NRS 350.638 and to the act cited as the Uniform Facsimile Signatures of Public Officials Act, cited as chapter 351 of NRS, and prior to the execution of any 2018 Bonds by facsimile signature, the Chairman, the Treasurer, and the Secretary shall each file with the Secretary of State of the State of Nevada such officer's manual signature certified by such officer under oath.

B. Manner of Execution. Pursuant to NRS 350.636, each Bond shall be signed and executed in the name and on behalf of the Authority with the manual or reproduced facsimile of the signature of the Chairman, and shall be countersigned and executed with a manual or facsimile signature of the Treasurer; each Bond shall be authenticated with the manual or facsimile impression of the official seal of the Authority; and each Bond shall be signed, subscribed, executed, and attested by the manual or facsimile signature of the Secretary.

Section 309. Use of Predecessor's Signature. The 2018 Bonds bearing the signatures of the officers in office at the time of the signing thereof shall be the valid and binding obligations of the Authority, notwithstanding that before the delivery thereof and the payment thereof any or all of the individuals whose signatures appear thereon shall have ceased to fill their respective offices. At the time of the execution of the 2018 Bonds and of a signature certificate pertaining thereto the Chairman, the Treasurer, and the Secretary, respectively, may adopt as and for his own signature the signature of his predecessor in office if such signature appears upon any of the 2018 Bonds pertaining thereto.

Section 310. Authentication of the Bonds. No 2018 Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. By authenticating any of the 2018 Bonds initially delivered pursuant to this Instrument, the Registrar shall be deemed to have assented to all of the provisions of this Instrument.

Section 311. Incontestable Recital in Bonds. Pursuant to NRS 350.628, each 2018 Bond shall recite that it is issued pursuant to the Authority Act, the Supplemental Bond Act and to the Bond Act, which recital shall be conclusive evidence of the validity of the 2018 Bonds and the regularity of their issuance.

Section 312. State Tax Exemption. The 2018 Bonds and the income therefrom are exempt from all State, County, and municipal taxation, 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 313. Bond Execution. The Chairman, the Treasurer, and the Secretary are hereby authorized and directed to prepare and to execute the 2018 Bonds as herein provided.

Section 314. Bond Delivery. After registration, execution and authentication, the TMWA Manager or the Chief Financial Officer shall cause the 2018 Bonds to be delivered to the Underwriter, upon payment being made therefor on the terms of the sale of the 2018 Bonds.

Section 315. Bond Form. Subject to the provisions of this Instrument, each 2018 Bond shall be, respectively, in substantially the following form, with such omissions, insertions, endorsements, and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this Instrument, including, without limitation, if applicable, a statement of insurance to guarantee the payment of the principal of and the interest on each 2018 Bond of a designated portion or all of the issue by any insurer or insurers thereof, or be consistent with this Instrument and necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

**TRUCKEE MEADOWS WATER AUTHORITY
WATER REVENUE REFUNDING BOND
SERIES 2018**

No. _____ \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated As of</u>	<u>CUSIP</u>
_____ % per annum	July 1, ____	_____, 2018	

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The Truckee Meadows Water Authority, in Washoe County, in the State of Nevada (the "Authority", "County", and the "State", respectively) for value received, hereby acknowledges itself to be indebted and for value received promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless called for earlier redemption), and to pay interest thereon on January 1 and July 1 of each year, commencing on January 1, 2019, at the interest rate per annum specified above, until the principal sum is paid or payment has been provided for or, if such payment date is not a business day, on or before the next succeeding business day. This bond shall bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of the initial delivery of the series of bonds of which this bond is one (the "Bond"). The principal of and redemption premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office or such other office of the Authority's paying agent for the Bonds or any successor (the "Paying Agent") as designated by the Paying Agent, presently The Bank of New York Mellon Trust Company, N.A., who is also now acting as the Authority's Registrar for the Bonds (the "Registrar"). Interest on this Bond will be paid on each interest payment date (or, if such 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 or any predecessor bond is registered (the "registered owner") in the registration records of the Authority maintained by the Registrar, at the address appearing thereon, as of the close of business on the 15th day of the calendar month next 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 registered owner as of the close of business on the Regular Record Date and shall be payable to the person who is the registered owner as of the close of business on a special record date for the payment of any defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owner not less than ten (10) days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the registered owner and the

Paying Agent, as provided in the Resolution of the Board of Directors of the Authority (the “Board”) authorizing the issuance of the Bonds and designated in Section 101 thereof as the “2018 Refunding Bond Resolution” (the “Resolution”), duly adopted by the Board on April 18, 2018. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar. If this Bond is not paid upon presentation at its maturity, interest at the rate specified above shall continue to be borne hereby until the principal hereof is discharged as provided in the Resolution.

This Bond is one of a series of Bonds issued by the Authority upon its behalf and upon the credit thereof, for the purpose of defraying wholly or in part of the cost of refunding certain outstanding commercial paper notes of the Authority under the authority of and in full compliance with the Constitution and laws of the State, and pursuant to the Resolution.

The Bonds are issued pursuant to NRS 277.080 to 277.180, inclusive (the “Authority Act”); pursuant to NRS 350.500 through 350.720, and all laws amendatory thereof designated in NRS 350.500 thereof as the Local Government Securities Law (the “Bond Act”); pursuant to NRS chapter 348 (the “Supplemental Bond Act”); and pursuant to NRS 350.628, Bond Act, this recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance; and the Bonds and the income therefrom are exempt from all State, County, and municipal taxation, except for the tax on estates imposed pursuant to chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to chapter 375B of NRS.

The Bonds, or portions thereof, are subject to redemption prior to their respective maturities, at the option of the Authority as provided in the Resolution.

[Certain of the Bonds are also subject to mandatory sinking fund redemption as provided in the Resolution and the Bond Purchase Agreement.]

Redemption shall be made upon not less than 30 days prior notice in the manner and upon the conditions provided in the Resolution. If this Bond is called for redemption and payment is duly provided for as specified in the Resolution, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds do not constitute a debt or an indebtedness of the Authority within the meaning of any constitutional or statutory provision or limitation, and shall not be considered or held to be general obligations of the Authority. The Authority has not pledged its full faith and credit for the payment of the Bonds. The Bonds are special obligations and are payable and collectible solely out of and are secured by an irrevocable pledge of the gross revenues (the “Gross Revenues”) derived from the operation and use of, and otherwise pertaining to, certain water facilities of the Authority (herein the “TMWA Water System”), after provision is made for the payment of all necessary and reasonable Operation and Maintenance Expenses of the TMWA Water System (the “Net Revenues”), which Net Revenues are so pledged, as more specifically provided in the Resolution; and the holder hereof may not look to any general or other fund for the payment of the principal of, interest on, and any prior redemption premiums due on this Bond (the “Bond Requirements”) of this obligation except the special funds pledged therefor.

Payment of the Bond Requirements due in connection with the Bonds shall be made solely from and as security for such payment there are irrevocably (but not exclusively) pledged, pursuant to the Resolution two special and separate subaccounts identified as the “Truckee Meadows Water Authority, TMWA Water System Parity Revenues Securities, Interest Account” and the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Principal Account,” which two subaccounts are within the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Bond Fund” (the “Bond Fund”), into which two subaccounts within the Bond Fund the Authority covenants to pay from the Net Revenues sums sufficient to pay when due the Bond Requirements of the Bonds and any additional parity securities heretofore or hereafter issued and payable from such Net Revenues.

The Bonds are equally and ratably secured by a lien on the Net Revenues, and the Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues, on a parity with the lien thereon of the outstanding 2015 Bonds, 2016 Bonds, 2017 Bonds and any outstanding parity securities hereafter issued. Bonds and other securities, subject to expressed conditions, may be issued and made payable from the Net Revenues of the TMWA Water System having a lien thereon subordinate and junior to the lien or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of the Bonds, in accordance with the provisions of the Resolution. No bonds or other securities, may be issued with a lien on the Net Revenues that is superior to the lien thereon of the Bonds.

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

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

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

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

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

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

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

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

Upon any partial prior redemption of the Bond, 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.

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

It is further certified, recited, and warranted that all the requirements of law have been fully complied with by the proper officers of the Authority in the issuance of this bond; that it is issued pursuant to and in strict conformity with the Constitution and laws of the State, and particularly under the terms and provisions of the Authority Act, the Bond Act, and all laws supplemental thereto, and with the Resolution; and that this Bond does not contravene any constitutional or statutory limitation.

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

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

IN WITNESS WHEREOF, the Board of Directors of the Truckee Meadows Water Authority, in the County of Washoe and State of Nevada has caused this Bond to be executed in the name and on behalf of the Authority with the manual or facsimile signature of the Chairman, to be attested, signed and executed with a manual or facsimile signature of the Authority Secretary, has caused a manual or facsimile impression of the seal of the Authority to be affixed hereon, and has caused this Bond to be countersigned with the manual or facsimile signature of the Authority Treasurer, all as of _____, 2018.

TRUCKEE MEADOWS WATER AUTHORITY

By: (Manual or Facsimile Signature) Chairman
Countersigned:

 (Manual or Facsimile Signature)
Treasurer

(MANUAL OR FACSIMILE SEAL)

Attest:

 (Manual or Facsimile Signature)
Secretary

* Insert only if Bonds are delivered pursuant to Section 307(A)(3) or (4) of this Instrument.

** Insert only if the Bonds are initially delivered to the Depository Trust Company pursuant to Section 307(A) of this Instrument.

(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.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Registrar

By Manual Signature
Authorized Officer

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

(Form of Prepayment Panel)

The following installments of principal (or portions thereof) of this Bond have been prepaid by the Truckee Meadows Water Authority, in accordance with the terms of the Resolution authorizing the issuance of this Bond:

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

(End of Form of Prepayment Panel)

(Form of Assignment for Bonds)

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

Dated: _____

Signature Guaranteed:

Name of Transferee:

Address of Transferee:

Social Security or other tax
identification number of
Transferee:

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

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

(End of Form of Assignment for Bonds)

ARTICLE IV

USE OF BOND PROCEEDS AND OTHER REVENUES

Section 401. Disposition of Bond Proceeds. The proceeds of the 2018 Bonds, upon the receipt thereof at any time, or from time to time, shall be applied in the following manner:

(1) Payment of Refunded Notes. First, 2018 Bond proceeds, together with other legally available monies of the Authority, in an amount sufficient to effect the Refunding Project shall be delivered directly to the issuing and paying agent for the Refunded Notes and be used to pay the principal of any Refunded Notes. The accrued interest due on the Refunded Notes shall be paid from other legally available funds of the Authority.

(2) Costs of Issuance Account. Second, an amount sufficient to pay the costs of issuing the 2018 Bonds shall be deposited into the Costs of Issuance Account, a special account to be held under the control of the Authority hereby created, and shall be applied to the costs of issuing the 2018 Bonds. After payment of the costs of issuance, if there is a balance remaining in the Costs of Issuance Account, the remaining balance shall be deposited in the Bond Fund.

Section 402. Underwriter Not Responsible. The validity of the 2018 Bonds shall neither be dependent upon nor be affected by the validity or regularity of any proceedings relating to the Refunding Project. The Underwriter of the 2018 Bonds, any associate thereof, and any subsequent holder of the 2018 Bonds shall in no manner be responsible for the application or disposal by the Authority or by any of the officers, agents, and employees of the Authority of the moneys derived from the sale of the 2018 Bonds or of any other moneys herein designated.

Section 403. Payment of Refunded Notes. If the 2018 Bonds are issued, the Authority hereby elects to pay and cancel the Refunded Notes on any maturity date of the Refunded Notes occurring prior to July 1, 2018 (the "Refunded Notes Payment Date") at a price equal to the principal amount thereof plus accrued interest thereon to the Refunded Notes Payment Date.

ARTICLE V

ADMINISTRATION OF AND ACCOUNTING FOR PLEDGED REVENUES

Section 501. Pledge Securing Bonds. The Net Revenues and all moneys and securities paid or to be paid to or held or to be held in any account or subaccount under this article or under Section 401 hereof, are hereby pledged to secure the payment of the Bond Requirements of the 2018 Bonds. This pledge shall be valid and binding from and after the date of the first delivery of any 2018 Bonds; and the moneys, as received by the Authority and hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Authority, except for the 2015 Bonds, the 2016 Bonds, the 2017 Bonds and any Outstanding securities hereafter authorized, the lien of which on the Net Revenues is on a parity with the lien thereon of the 2018 Bonds; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Authority (except as herein otherwise provided) irrespective of whether such parties have notice thereof.

Section 502. Establishment of Trustee Accounts and Subaccounts. The Authority hereby authorizes the following special and separate subaccounts within the Bond Fund, hereby continued, previously created and designated the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Bond Fund,” which shall be held by the Trustee, within which are designated:

A. Interest Account. The “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Interest Account” (herein the “Interest Account”);

B. Principal Account. The “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Principal Account” (herein the “Principal Account”); and

Section 503. Continuation of Authority Accounts. The Authority hereby continues the previously established and authorized following special and separate accounts, which shall be under the control of the Authority, which shall not be held by the Trustee (except in a capacity other than as Trustee, e.g., as custodian), and which are designated:

A. Revenue Fund. The “Truckee Meadows Water Authority, TMWA Water System Gross Revenues Fund” (herein the “Revenue Fund”).

B. Rebate Account. The “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities Rebate Account” (herein the “Rebate Account”).

C. Operation and Maintenance Account. The “Truckee Meadows Water Authority, TMWA Water System Operation and Maintenance Account” (herein the “Operation and Maintenance Account”);

D. Operation and Maintenance Reserve Account. The “Truckee Meadows Water Authority, TMWA Water System Operation and Maintenance Reserve Account” (herein the “O & M Reserve Account”).

E. Renewal and Replacement Account. The “Truckee Meadows Water Authority, TMWA Water System Renewal and Replacement Account” (herein the “Renewal and Replacement Account”).

F. Rate Stabilization Account. The “Truckee Meadows Water Authority, TMWA Water System Rate Stabilization Account” (herein the “Rate Stabilization Account”).

G. General Purpose Account. The “Truckee Meadows Water Authority, TMWA Water System General Purpose Account” (herein the “General Purpose Account”).

Section 504. Revenue Fund Deposits. So long as any of the 2018 Bonds shall be Outstanding, all Gross Revenues, upon their receipt from time to time by the Authority, shall be deposited at least weekly, as far as practicable, and shall be set aside and credited immediately to the Revenue Fund.

Section 505. Administration of Revenue Fund. So long as any of the 2018 Bonds hereby authorized shall be Outstanding, in each Fiscal Year the Revenue Fund shall continue to be administered, and the moneys on deposit therein shall continue to be applied in the order of priority, all as provided in Sections 506 through 515 hereof.

Section 506. Operation and Maintenance Expenses. First, as a first charge on the Revenue Fund, from time to time there shall be set aside in and credited to the Operation and Maintenance Account, moneys sufficient to pay Operation and Maintenance Expenses by the last day of the month that is at least one month before such expenses are to be paid, and thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses shall be transferred for credit to the Revenue Fund and shall be used for the purposes thereof, as herein provided.

Section 507. Bond Fund Payments. Second, and subject to the aforesaid provisions, from any moneys remaining in the Revenue Fund, and concurrently with the transfers into the Interest Account and Principal Account required by the 2015 Bond Resolution for the 2015 Bonds, the 2016 Bond Resolution for the 2016 Bonds, the 2017 Bond Resolution for the 2017 Bonds, and any parity securities hereafter issued, there shall be transferred to the Trustee and credited to the Bond Fund, the following:

A. Interest Payments. Monthly, into the Interest Account, within the Bond Fund, commencing on the first day of the month that is one full month after the delivery date of the Bonds, and on the first day of the month succeeding the delivery of any other parity securities hereafter issued and payable from the Bond Fund, an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor or from whatever source, to pay the next accruing installment of interest on the 2018 Bonds and any additional parity

securities then Outstanding (including payments due on any Qualified Swap) and monthly thereafter, commencing on each interest payment date, the amount necessary to accumulate the next accruing installment of interest on the 2018 Bonds and any additional parity securities then Outstanding (including payments due on any Qualified Swap) in equal monthly installments prior to the due date thereof, except to the extent any other moneys are available therefor on the due date of such installment.

B. Principal Payments. Monthly, into the Principal Account, within the Bond Fund, commencing on the first day of the month of the year immediately preceding the first principal payment date of the 2018 Bonds or any parity securities hereafter issued and payable from the Bond Fund (i.e., 12 months prior to the first date on which the principal of such bonds is due), an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal (including any mandatory sinking fund or prior redemption payments then due) of the 2018 Bonds and any additional parity securities then Outstanding, and monthly thereafter, commencing on each principal payment date, the amount necessary to accumulate the next maturing installment of principal (including any mandatory sinking fund or prior redemption payments then due) of the 2018 Bonds, and any such additional parity securities then Outstanding, in equal monthly installments prior to the due date thereof, except to the extent any other moneys are available therefor on the due date of such installment.

The moneys credited to the Interest Account and the Principal Account within the Bond Fund shall be used to pay the Bond Requirements of the 2018 Bonds, the 2017 Bonds, the 2016 Bonds, the 2015 Bonds, and any additional parity securities hereafter issued as such Bond Requirements become due.

Section 508. Reserve Payments. Third, but subsequent to the payments into the Interest Account and the Principal Account within the Bond Fund, except as provided in Sections 510, 511 and 1135 hereof, from any moneys remaining in the Revenue Fund there shall be transferred to the Trustee and credited monthly to any reserve account established in connection with any parity securities, such amount as may be required by the resolution or other instrument authorizing such parity securities. No reserve account is being established in connection with the issuance of the 2018 Bonds.

Section 509. Rebate Account. Fourth, and subject to the provisions hereinabove in this article, but before the transfer of any Net Revenues to the payment of subordinate securities, such amounts as are required to be deposited in the Rebate Account to meet the Authority's obligations under the covenant contained in Section 1134 hereof, in accordance with Section 148(f) of the Tax Code with respect to the 2018 Bonds. Amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein by Section 1134 hereof and Section 148(f) of the Tax Code may be withdrawn therefrom and used for any lawful purpose as provided herein.

Section 510. Termination of Deposits. No payment need be made into the Interest Account or the Principal Account, or all or any other combination thereof, within the Bond Fund, if

the amount in the Bond Fund totals a sum at least equal to all Bond Requirements of the Outstanding 2018 Bonds and any Outstanding parity securities, to their respective maturities or to any Redemption Date or Redemption Dates on which the Authority shall have exercised or shall have obligated itself to exercise its option to redeem prior to their respective maturities the 2018 Bonds and any parity securities (or any part thereof) then Outstanding and thereafter maturing, whichever date is the earlier, if any, and both accrued and not accrued, in which case moneys in those 3 subaccounts in an amount at least equal to such Bond Requirements, except for any interest or other gain to accrue from any investment of moneys in Federal securities or otherwise pursuant to Article VI hereof from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due; and any moneys in excess thereof in those 3 subaccounts and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the Board or the TMWA Manager, if the TMWA Manager certifies that the Rebate Account is sufficiently funded to meet the requirements of 148(f) of the Tax Code.

Section 511. Payment of Subordinate Securities. Fifth, and subject to the provisions hereinabove in this article, but subsequent to the payments required by Sections 507, 508 and 509 and subject to the provisions of Section 518 hereof, as provided in Article VII hereof any moneys remaining in the Revenue Fund may be used by the Authority for the payment of Bond Requirements of subordinate bonds or other subordinate securities payable from Pledged Revenues and hereafter authorized to be issued in accordance with Article VII and any other provisions herein supplemental thereto, including reasonable reserves for such securities and rebate requirements for such securities, as the same accrue; but the lien of such subordinate bonds or other subordinate securities on the Net Revenues and the pledge thereof for the payment of such securities shall be subordinate to the lien and pledge of the 2018 Bonds herein authorized, as herein provided. (Any other parity securities hereafter authorized to be issued shall be payable from the Bond Fund pursuant to Sections 507 through 510 hereof.)

Section 512. Operation and Maintenance Reserve Account. Sixth, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund there shall be credited to the Operation and Maintenance Reserve Account monthly, an amount sufficient to accumulate the Minimum Operation and Maintenance Reserve in 60 substantially equal monthly installments. For this purpose, in each Fiscal Year during such 60 month period the Authority will calculate the substantially equal monthly amount that would be sufficient to accumulate over the then remaining months in such 60 month period, an amount equal to the Minimum Operation and Maintenance Reserve. In any Fiscal Year, the amount of the Minimum Operation and Maintenance Reserve shall be determined based on that Fiscal Year's budget.

After the balance in the Operation and Maintenance Reserve Account initially has reached an amount equal to the Minimum Operation and Maintenance Reserve, if, at the beginning of any Fiscal Year, the amount accounted for in the Operation and Maintenance Reserve Account is less than the Minimum Operation and Maintenance Reserve for the Fiscal Year as stated in the budget therefor, there shall be credited to the Operation and Maintenance Reserve Account, in 12 substantially equal monthly installments commencing on the first day of the Fiscal Year, an amount

at least equal to the remainder of the Minimum Operation and Maintenance Reserve for the Fiscal Year less the amount accounted for in that account at the beginning of the Fiscal Year. No payment need be made into the Operation and Maintenance Reserve Account so long as the moneys therein shall then equal not less than the Minimum Operation and Maintenance Reserve. The moneys in the Operation and Maintenance Reserve Account shall be accumulated or reaccumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the TMWA Water System's Operation and Maintenance Expenses resulting from the failure to deposit into the Operation and Maintenance Account pursuant to Section 506 hereof sufficient funds to pay such expenses as the same accrue and become due. If at any time the moneys credited to the Operation and Maintenance Account are not sufficient to pay Operation and Maintenance Expenses, the Authority acting by and through the TMWA Manager or the Chief Financial Officer may requisition the additional moneys needed therefor, and thereupon such money shall be withdrawn from the Operation and Maintenance Reserve Account and transferred to the Operation and Maintenance Account. Any moneys accounted for in the Operation and Maintenance Reserve Account and exceeding the Minimum Operation and Maintenance Reserve for the then current Fiscal Year may be transferred to and deposited in the Revenue Fund.

Section 513. Renewal and Replacement Account. Seventh, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund there shall be credited to the Renewal and Replacement Account monthly, the sum of \$166,000 per month, unless the amount of \$10,000,000.00 (the "Emergency Capital Amount") is on deposit therein. If the Professional Engineer determines that the aforesaid monthly payments and the Emergency Capital Amount are insufficient or excessive for the purposes for which the Renewal and Replacement Account is established, the monthly payments into that account shall be adjusted in the amount directed by the Professional Engineer until the aggregate amount so determined by the Professional Engineer is on deposit therein, but in no event at a rate less than \$33,333.00 per month or in an aggregate amount less than \$2,000,000.00 (except for any period during which the Emergency Capital Amount is being accumulated or reaccumulated). The Authority shall expend moneys in the Renewal and Replacement Account only to make up deficiencies in the Bond Fund and to pay the cost of, and to create a reserve for the payment of the cost of, emergency capital improvements, extraordinary maintenance, repairs, renewals, and replacements to the TMWA Water System as shall not be annually recurring in nature, as determined by the Professional Engineer, unless otherwise provided by the Board.

Section 514. Rate Stabilization Account. Eighth, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund there shall be withdrawn from the Revenue Fund, and credited monthly, to the Rate Stabilization Account, an amount sufficient to accumulate in 12 substantially equal monthly installments the Rate Stabilization Amount (which shall not be less than \$500,000) as is designated by the Authority for that Fiscal Year and pertaining to the TMWA Water System. No deposit need be made into the Rate Stabilization Account if the amount therein equal or exceeds the Rate Stabilization Amount for the Fiscal Year. Such amounts shall be used for expenditure from time to time for any lawful purpose or purposes of the Authority pertaining to the Authority's TMWA Water System, and any other water facilities of the Authority, and to be held as a reserve therefor. Expenditures from the Rate Stabilization Account shall be in accordance with an annual budget for the account established by the Authority. At the

beginning of each Fiscal Year any moneys accounted for in the Rate Stabilization Account, whether or not encumbered to pay obligations accrued and to accrue under any existing contract made by the Authority prior to such Fiscal Year, shall remain in the Rate Stabilization Account for the purposes of the account designated above in this section, until expended for any such purposes. Amounts in the Rate Stabilization Account at the beginning of a Fiscal Year which are deposited into the Revenue Fund in that Fiscal Year are Gross Revenues for Fiscal Year in which they are deposited into the Revenue Fund.

Section 515. General Purpose Account. Ninth, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund, at least annually by the end of each Fiscal Year, there shall be set aside and credited to the General Purpose Account, on or before the last day of each Fiscal Year the remaining revenues in the Revenue Fund. Moneys accounted for in such account, as may be determined and directed from time to time by the TMWA Manager within budget limitations fixed by the Board, but subject to any limitations herein or in any other contract pertaining to such account, may be withdrawn in any priority for any one, all, or any other combination of the following, as the TMWA Manager may from time to time determine:

A. Capital Costs. To pay the costs of constructing or otherwise acquiring any betterments of, enlargement of, extensions of, or any other improvements to the TMWA Water System, or any part thereof, and any equipment therefor, authorized by law;

B. Major Maintenance Costs. To pay the costs of extraordinary and major repairs, renewals, replacements, or maintenance items pertaining to any properties of the TMWA Water System of a type not recurring annually or at shorter intervals and not defrayed by the monies in the Extraordinary Maintenance Account or otherwise as Operation and Maintenance Expenses;

C. Lawful Refunds. To make any lawful refund of any Pledged Revenues due any Person;

D. Bond Requirements. To pay any bonds or other securities pertaining to the TMWA Water System and payable from the Net Revenues (regardless of whether such securities are secured by a lien thereon), including, without limitation, the 2018 Bonds, as to Bond Requirements and any other appurtenant charge, at the fixed maturity dates pertaining to such Bond Requirements, or any Redemption Date or Redemption Dates, or by purchase in the open market, or otherwise; and

E. Law Suits Obligations. To pay any obligations pertaining to the TMWA Water System and arising from a judgment against the Authority or any officer, employee, or other agent of the Authority acting within the scope of his official duties, rights, or privileges, or the scope of his employment, as the case may be, in any suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, or a settlement by the Authority of any claim to avoid or to settle such a suit, action, or special proceedings, except to the extent revenues are otherwise available to defray such an obligation, including, without limitation, insurance proceeds.

F. Lawful Purpose. For any other lawful purpose as the Authority may determine, provided that no such amount shall be used for a purpose that is not a capital or working

capital expense of the Authority unless the balance in the General Purpose Account, after payment of such non-capital or non-working capital expense, is at least equal to six months of Operation and Maintenance Expenses based on the then current budget of the Authority.

Section 516. Application of General Purpose Account. Moneys shall be withdrawn from the General Purpose Account for any one, all, or other combination of such purposes designated in Section 515 hereof pursuant to any such directive of the TMWA Manager upon approval by the Board, drawn by the TMWA Manager or the Chief Financial Officer, and countersigned by the Chairman or the Treasurer, in the same manner that other claims against the Authority are presented and paid.

Section 517. Water Fund and Water Fund Accounts. There is hereby authorized to be created a separate fund designated as the “Truckee Meadows Water Authority, Water Fund” (herein the “Water Fund”), which fund consists of a self-balancing group of accounts, including, without limitation, the respective special and separate accounts and subaccounts herein designated, and constitutes an independent fiscal and accounting entity. Separate accounts and subaccounts (other than those herein designated) pertaining to the Water Fund may from time to time be created, terminated, and otherwise modified, but in no manner inconsistent with the provisions of this Instrument.

Section 518. Repayment of Interaccount Loans. If the Authority makes an interaccount loan and transfer to any account or subaccount within the Water Fund for the benefit of the TMWA Water System to the extent hereby permitted, the Authority’s obligation to repay the loan and any interest accruing thereon to the account from which the loan is made may be deemed by the Authority to be outstanding revenue subordinate securities thereof payable from the Net Revenues as to the Bond Requirements of such obligation in accordance with Section 511 hereof at such time or times and in such amount or amounts as the Authority may determine in accordance with an annual budget for such account or subaccount or as may otherwise be provided for the payment of such securities in this Instrument or any other instrument of the Authority.

Section 519. Funds Held for Securities. The amounts held or applied for the payment of the Bond Requirements due on any date with respect to particular 2018 Bonds, any parity securities, including, without limitation, any subordinate securities and any securities payable from the General Purpose Account, pending such payment, shall be set aside and held in trust for the holders of the respective securities entitled thereto by any paying agent holding moneys for such payment; and for the purposes of this Instrument, such Bond Requirements, after the due date thereof, shall no longer be considered to be unpaid or Outstanding.

ARTICLE VI

GENERAL ADMINISTRATION

Section 601. Administration of Accounts. The separate accounts and subaccounts designated in Articles IV and V hereof shall be administered as provided in this article (but not any account under Section 1201 hereof).

Section 602. Places and Times of Deposits. Each of the separate accounts and subaccounts hereinabove designated in Articles IV and V hereof shall be maintained as an account and kept separate from all other accounts solely for the purposes herein designated therefor, except as otherwise expressly stated herein. The moneys accounted for in such separate accounts and subaccounts shall be deposited in one bank account or more, except as herein otherwise provided. Nothing herein prevents the commingling of moneys accounted for in any two or more accounts or subaccounts, or both accounts and subaccounts, pertaining to the TMWA Water System, the Pledged Revenues, proceeds of securities, other moneys, or to the fund pertaining to the TMWA Water System and any other funds of the Authority (each of which funds consists of a self-balancing group of accounts and constitutes an independent fiscal and accounting entity) in any bank account or any investment in Federal Securities hereunder (but not any account under Section 1201 hereof). Each such bank account shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds, subject to the provisions of Section 1403 hereof, and shall be irrevocable and not withdrawable by anyone for any purpose other than the purpose or purposes designated therefor. Each periodic payment shall be credited to the proper account or subaccount not later than the date therefor herein designated, except that when any such date shall be a Saturday, Sunday, or a legal holiday, then such payment shall be made on or before the next preceding secular day. Notwithstanding any other provision herein to the contrary, collected moneys shall be deposited with the Paying Agent, and any other Banking Institution designated as a paying agent for any securities heretofore or hereafter authorized to be issued and payable from Pledged Revenues (or any combination thereof), at least by the day of each interest payment date or any other due date herein designated sufficient to pay the Bond Requirements then becoming due on the Outstanding 2018 Bonds and any other Outstanding securities pertaining to the TMWA Water System.

Section 603. Investment of Moneys. Any moneys in any account designated in Articles IV and V hereof (but not any account under Section 1201 hereof), and not needed for immediate use, may be invested or reinvested in any investments permitted under State law which are consistent with any guidelines for permitted investments required by the Insurer, if any, as a condition of insuring the Bonds, or are approved in writing by the Insurer (the “permitted securities”) in accordance with written or verbal instructions, which are promptly followed in writing, of the TMWA Manager or the Chief Financial Officer, except as otherwise expressly stated herein. Such investments shall mature not later than the date or dates on which the TMWA Manager or the Chief Financial Officer estimates the proceeds thereof will be needed. Any securities that mature later than 5 years after the investment therein will be revalued to their market value at least semiannually. For the purposes of any such investment or reinvestment, securities shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the

whole of such obligations. In making each such investment or reinvestment, the Trustee may rely upon such written or verbal instructions, which are promptly followed in writing, and shall be under no duty as to the propriety of the investment or reinvestment made in accordance with such instructions. The Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 604. Permitted Investments. The TMWA Manager and the Chief Financial Officer shall have no obligation to cause the making of any investment or reinvestment hereunder, unless any moneys on hand and accounted for in any one account exceeds \$5,000.00 and at least \$5,000.00 therein will not be needed for a period of not less than 60 days. In such event, the TMWA Manager or Chief Financial Officer shall cause the investment or reinvestment in permitted securities to the extent practicable not less than substantially all the amount which will not be needed during such 60-day period, except for any moneys on deposit in an interest-bearing account of a Banking Institution, regardless of whether such moneys on deposit are evidenced by a certificate of deposit, or otherwise; but the TMWA Manager and the Chief Financial Officer are not required to invest, or so to invest in such a manner, any moneys accounted for hereunder if any such investment would contravene the provisions of the Tax Code or any other investment limitation imposed by law upon the Authority. The TMWA Manager or the Chief Financial Officer may cause the investment or reinvestment in any lawful manner any moneys on hand at any time even though he is not obligated to do so. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of the investments or reinvestments as they occur. To the extent permitted by law, the Authority specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 605. Accounting for Investments. The securities so purchased as an investment or reinvestment of moneys in any such account or subaccount, as the case may be, shall be deemed at all times to be a part of the account or subaccount and held in trust therefor. Except as herein otherwise provided, any interest accruing thereon and any other gain realized therefrom, as well as any interest and other gain from the deposit of moneys in a Banking Institution, shall be credited to the Revenue Fund as such gain is received; and any loss in any account or subaccount resulting from any such investments and reinvestment in securities and from any such deposits in any Banking Institution shall be charged or debited to the Revenue Fund.

Except as provided in Section 603, no loss or profit in any account or subaccount on any investments or reinvestments in securities or any certificates of deposit shall be deemed to take place as a result of fluctuations in the market quotations of the investments, reinvestments, or certificates prior to the sale or maturity thereof. In the computation of the amount in any account or subaccount for any purpose hereunder, except as herein otherwise expressly provided, securities and certificates of deposit shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation) and other bank deposits shall be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the Authority until such gain is realized. The expenses of purchase, safekeeping, sale, and all other expenses incident to any

investment or reinvestment of moneys pursuant to this article shall be accounted for as Operation and Maintenance Expenses of the TMWA Water System and charged to the Operation and Maintenance Account as permitted by Section 506 hereof.

Section 606. Accelerated Payments. Nothing contained in Article V hereof prevents the accumulation in any account or subaccount herein designated of any monetary requirements at a faster rate than the rate or minimum rate, as the case may be, provided in Article V; but, no payment shall be so accelerated if such acceleration shall cause the Board to default in the payment of any obligation of the Authority pertaining to Pledged Revenues or the TMWA Water System. Nothing herein contained requires in connection with Pledged Revenues received in any Fiscal Year the accumulation in any account or subaccount for the payment in the Comparable Bond Year of Bond Requirements due in connection with any series of bonds or other securities payable from Pledged Revenues and herein or hereafter authorized, in excess of such Bond Requirements due in such Comparable Bond Year, and of any reserves required to be accumulated and maintained therefor, and of any existing deficiencies, and payable from such account, as the case may be, except as may be otherwise provided herein.

Section 607. Payment of Bond Requirements. The moneys credited to any account or subaccount designated in Article V hereof for the payment of the Bond Requirements due in connection with any issue of bonds or other securities payable from Pledged Revenues and herein, heretofore, or hereafter authorized shall be used without requisition, voucher, warrant, further order, or authority (other than is contained herein), or any other preliminaries, to pay promptly the Bond Requirements payable from such account or subaccount as such securities become due, upon the respective Redemption Dates, if any, on which the Authority is obligated to pay such securities, or upon the respective principal and interest fixed maturity dates of such securities, as provided therefor herein, or otherwise, except to the extent any other moneys are available therefor, including, without limitation, moneys accounted for in the Bond Fund.

Section 608. Payment of Redemption Premiums. Notwithstanding any other provision herein, this Instrument requires the accumulation in any account or subaccount designated in Article V hereof for the payment of any issue of bonds or other securities payable from Pledged Revenues of amounts sufficient to pay not only the principal thereof and interest thereon but also the prior redemption premiums due in connection therewith, as the same become due, whenever the Authority shall have exercised or shall have obligated itself to exercise a prior redemption option pertaining thereto or otherwise to call any security for prior redemption, except to the extent provision is otherwise made therefor, if any prior redemption premiums are due in connection therewith. In such event moneys shall be deposited in such account or subaccount when due for the payment of all such Bond Requirements without default as the same become due.

ARTICLE VII

SECURITIES LIENS AND ADDITIONAL SECURITIES

Section 701. Lien of the Bonds. The 2018 Bonds authorized herein, constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Pledged Revenues on a parity with the liens of the 2015 Bonds, the 2016 Bonds, the 2017 Bonds and any parity securities hereafter issued.

Section 702. Equality of Bonds. The 2018 Bonds, the 2017 Bonds, the 2016 Bonds, the 2015 Bonds, and any parity securities hereafter authorized to be issued and from time to time Outstanding are equally and ratably secured by a lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the bonds and any other such securities, it being the intention of the Board that there shall be no priority among the 2018 Bonds, the 2017 Bonds, the 2016 Bonds, the 2015 Bonds, and any such parity securities regardless of the fact that they may be actually issued and delivered at different times.

Section 703. Issuance of Parity Securities. Nothing herein, subject to the limitations stated in Section 712 hereof, prevents the issuance by the Authority of additional bonds or other additional securities payable from Pledged Revenues and constituting a lien thereon on a parity with, but not prior or superior to, the lien thereon of the 2018 Bonds, or prevents the issuance of bonds or other securities refunding all or a part of the 2018 Bonds, except as provided in Sections 708 through 712 hereof; but before any additional parity bonds or other additional parity securities are authorized or actually issued:

A. Absence of Default. At the time of the adoption of the supplemental instrument authorizing the issuance of the additional bonds or other securities as provided in Section 712 hereof, the Authority shall not be in default in making any payments for parity securities required by Article V hereof.

B. Earnings Tests. Either:

(1) Projected Earnings Test. The estimated Gross Revenues to be derived for each of the immediately succeeding five Fiscal Years after the estimated date of the completion of the project effected in whole or in part with the proceeds of the parity securities to be issued for each such Fiscal Year shall be at least in an amount equal to the sum of the following for each of such five Fiscal Years:

(a) An amount equal to the Operation and Maintenance Expenses of the TMWA Water System for such Fiscal Year, and

(b) An amount equal to the sum of 1.25 times the combined maximum annual principal and interest requirements for the Outstanding 2018 Bonds, any other Outstanding parity securities and the parity securities proposed to be issued; or

(2) Historical Earnings Test. The Net Revenues for (i) the immediately preceding Fiscal Year or (ii) any 12 consecutive months of the immediately preceding 18 months are equal to or greater than 1.25 times the combined maximum annual principal and interest requirements of the Outstanding 2018 Bonds and any other Outstanding parity securities and the parity securities proposed to be issued.

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

D. Treatment of Variable Interest Rate Securities. For the purposes of Subsection B of this section, if any parity security bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those parity securities or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed parity securities is accepted by the Authority or if such index is no longer published such other similar long-term bond index as the Authority reasonably selects.

E. Swap Termination Payments. If payments due under a Qualified Swap Agreement on the termination thereof prior to the full term permitted under the Qualified Swap Agreement are to be made on a parity with the payments of the Bond Requirements of any 2018 Bonds, then the consent of the Insurer, if any, shall be obtained prior to the execution of such Qualified Swap Agreement.

F. Adjustment of Revenues. In any computation of such earnings test as to whether or not additional parity securities may be issued as provided in Section 703 B(1) or (2), the amount of Gross Revenues or Net Revenues shall be decreased and may be increased by the amount of any loss or gain conservatively estimated by the Independent Accountant, Professional Engineer or Chief Financial Officer making the computations, which loss or gain results from any change in any schedule of rates, fees and charges or any annexations or extensions to the TMWA Water System which took effect during the next preceding Fiscal Year or thereafter prior to the issuance of such parity securities, based on the number of ratepayers during such next preceding Fiscal Year as if such modified schedule of rates, fees and charges and number of ratepayers shall have been effect during the entire next preceding Fiscal Year, if the change shall have been made by the Authority before the computation of the designated earnings test but made in the same Fiscal Year as the computation is made or in the next preceding Fiscal Year.

Section 704. Certification of Revenues. A written certification or written opinion by the Chief Financial Officer, a Professional Engineer or an Independent Accountant that such

annual revenues are sufficient to pay the amounts provided in Section 703 B(2) hereof, when adjusted thereby as hereinabove provided in Section 703 D, E or F or a written certification or written opinion by the Chief Financial Officer, a Professional Engineer or an Independent Accountant that such annual revenues are sufficient to pay the amounts provided in Section 703 B(1) hereof, based upon estimates of the Chief Financial Officer, a Professional Engineer or an Independent Account as provided in Section 703 B(1) hereof shall be conclusively presumed to be accurate in determining the right of the Authority to authorize, issue, sell, and deliver additional bonds on a parity with the 2018 Bonds.

Section 705. Subordinate Securities Permitted. Nothing herein, subject to the limitations otherwise stated in this article and Section 1207, prevents the Authority from issuing subordinate securities.

Section 706. Superior Securities Prohibited. Nothing herein permits the Authority to issue superior securities.

Section 707. Use of Proceeds. The proceeds of any additional bonds or other additional securities (other than funding or refunding securities) payable from Pledged Revenues shall be used only to pay the cost of a project, including, without limitation, incidental expenses, for the betterment, enlargement, extension, other improvement, and equipment of the TMWA Water System, or any combination thereof.

Section 708. Issuance of Refunding Securities. At any time after the 2018 Bonds, or any part thereof, are issued and remain Outstanding, if the Board shall find it desirable to refund any Outstanding bonds or other Outstanding securities payable from and constituting a lien upon Pledged Revenues, such bonds or other securities, or any part thereof, may be refunded only if the bonds or other securities at the time or times of their required surrender for their payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the Authority's option upon proper call, unless the holder or holders of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of any refunding securities on Pledged Revenues is changed (except as provided in Sections 706 and 709 through 712 hereof).

Section 709. Partial Refundings. The parity refunding securities so issued shall enjoy complete equality of lien with the portion of any parity securities of the same issue which is not refunded; and the holder or holders of such parity refunding securities shall have the same rights and privileges enjoyed by the holder or holders of the unrefunded parity securities of the same issue partially refunded by the parity refunding securities.

Section 710. Limitations Upon Refundings. Any bonds or other refunding securities payable from Pledged Revenues shall be issued with such details as the Board may by instrument provide, subject to the provisions of Section 712 hereof, and subject to the inclusion of any such rights and privileges designated in Section 709 hereof, but without any impairment of any contractual obligation imposed upon the Authority by any proceedings authorizing the issuance of any one or more issues, including, without limitation, the 2018 Bonds.

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

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

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

C. Default and Earnings Test. Unless the refunding securities are issued in compliance with Section 703 hereof and Section 704 hereof, but excluding from any computation thereunder the bonds to be refunded and redeemed.

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

ARTICLE VIII

BUDGETARY PROCEDURES

Section 801. Procedures Applicable. For the purposes of this Instrument the budgetary procedures of the Authority shall be substantially as provided in this article. The Board and the officials of the Authority shall annually and at such other times, if any, as may be provided by law prepare and adopt a budget pertaining to the TMWA Water System pursuant to the Budget Act, all laws supplemental thereto, and the provisions hereof.

Section 802. Budget Estimates. The TMWA Manager or Chief Financial Officer shall annually submit for each Budget Year to the Board in accordance with the budget calendar estimates of Gross Revenues and expenditure requirements for the TMWA Water System for such Budget Year, i.e., the next ensuing Fiscal Year, including, without limitation, as a part of such expenditure requirements the Operation and Maintenance Expenses for the Budget Year and the Bond Requirements for the Comparable Bond Year (but none other). The estimates of expenditures in connection with the operation of the TMWA Water System shall be classified so as to set forth the data by accounts, including those designated in Article V hereof, character, and object of expenditures, work programs, and other details requested by the Board. The estimates of the Gross Revenues shall be classified as to accounts and sources of income in such detail as requested by the Board. Such estimates, in addition, shall be so prepared as to permit an analysis of the Gross Revenues of the TMWA Water System and of the Operation and Maintenance Expenses of the TMWA Water System under the definitions set forth in Section 102 hereof.

Section 803. Amount of Net Revenues. The amount of the remainder of Net Revenues for each Fiscal Year shall at least equal the sum required for the Fiscal Year by the rate maintenance covenant in Section 1001 hereof and all other provisions herein supplemental thereto.

Section 804. Content and Submission of Budget. The TMWA Manager shall include such estimates in his proposed budget annually submitted to the Board. The annual budget as adopted by the Board shall show the amounts apportioned for the Operation and Maintenance Expenses of the TMWA Water System and shall be in such detail as to permit the analysis above contemplated.

Section 805. Limitation Upon Expenditures. The total expenditures for operating and maintaining the TMWA Water System in any Fiscal Year (other than expenses for the purchase of commodities for resale) shall not exceed the total expenditures so set forth in the budget except upon the approval of a majority of the members of the Board as expressed by vote of the Board.

ARTICLE IX

RESERVED

Section 901. Reserved.

ARTICLE X

RATES, FEES AND OTHER CHARGES

Section 1001. Rate Maintenance Covenant. The Authority shall adopt, from time to time revise, and continue in effect, a schedule of rates, fees, and other charges for water and other goods and services provided by, and for the use of, the TMWA Water System as may be necessary or proper in order that the amount of the Gross Revenues in each Fiscal Year, shall at least equal the sum of:

A. The amount of Gross Revenues required to pay Operation and Maintenance Expenses for such Fiscal Year; plus

B. The greater of:

(i) 1.25 times the Bond Requirements for the Comparable Bond Year of the Outstanding 2018 Bonds and all other Outstanding parity securities; or

(ii) All other amounts payable from the Gross Revenues and pertaining to the TMWA Water System, including, without limitation, debt service on any parity or subordinate securities, Operation and Maintenance reserves, capital reserves, any necessary capital expenditures not otherwise provided for, and prior deficiencies pertaining to any account relating to Gross Revenues.

The foregoing rate maintenance covenant is subject to compliance by the Authority with any legislation of the United States, the State, or other governmental body, or any regulation or other action taken by the Federal Government, any State agency, or any political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation, or action limits or otherwise inhibits the amounts of any rates, fees, and other charges due to the Authority for the use of or otherwise pertaining to any and all services rendered by or at the TMWA Water System, including, without limitation, increases in the amounts of such rates, fees, or other charges (or any combination thereof).

Section 1002. Increasing Revenues. From time to time, and as often as it shall appear necessary, and whenever the audit report made pursuant to Article XI hereof states that the Gross Revenues were not sufficient to comply with the rate maintenance covenant stated in Section 1001 hereof (adjusted as provided therein), the Authority, upon recommendation of the TMWA Manager or Chief Financial Officer, shall revise the schedule of rates, fees, and other charges for the use of the TMWA Water System as may be necessary to produce Gross Revenues as aforesaid.

Section 1003. Collection of Charges. The Authority shall cause all rates, fees, and other charges pertaining to the TMWA Water System to be collected as soon as reasonable, shall prescribe and enforce rules and regulations or impose contractual obligations for the payment thereof, including, without limitation, the imposition of penalties for any defaults, to the end that the Gross Revenues of the TMWA Water System shall be adequate to meet the requirements of this

Instrument and any other instruments supplemental thereto. The rates, fees, and other charges due shall be collected in any lawful manner.

ARTICLE XI

MISCELLANEOUS PROTECTIVE COVENANTS

Section 1101. General. The Authority hereby particularly covenants and agrees with the holders of the 2018 Bonds and makes provisions which shall be a part of its contract with such holders to the effect and with the purpose set forth in the following provisions and sections of this article.

Section 1102. Performance of Duties. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall faithfully and punctually perform or cause to be performed all duties with respect to Pledged Revenues, the TMWA Water System required by the Constitution and laws of the State and the various resolutions and other instruments of the Authority, including, without limitation, the proper segregation of the proceeds of the 2018 Bonds, the 2017 Bonds, the 2016 Bonds, the 2015 Bonds, and any securities hereafter authorized and pertaining to the TMWA Water System and Pledged Revenues and their application from time to time to the respective accounts provided therefor.

Section 1103. Contractual Obligations. The Authority shall perform all contractual obligations undertaken by it under leases or other agreements with the Federal Government, under and any other agreements with all other Persons relating to the 2018 Bonds and any other TMWA Water System securities, Pledged Revenues, the Refunding Project, or the TMWA Water System, or any combination thereof.

Section 1104. Further Assurances. At any and all times the Authority, acting by and through the Board except when otherwise required by law, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver, and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, the Gross Revenues, and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the Authority may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Instrument and any instrument supplemental thereto, and to comply with the Authority Act and the Bond Act. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Gross Revenues and other moneys and accounts pledged hereunder and all the rights of every holder of any bonds or other securities payable from Pledged Revenues against all claims and demands of all Persons whomsoever.

Section 1105. Conditions Precedent. Upon the date of issuance of any 2018 Bonds, all conditions, acts, and things required by the Constitution or statutes of the United States, the Constitution or statutes of the State, including, without limitation, the Authority Act and the Bond Act, or this Instrument to exist, to have happened, and to have been performed precedent to or in the issuance of the bonds shall exist, have happened, and have been performed; and the bonds, together with all other obligations of the Authority, shall not contravene any debt or other limitation

prescribed by the Constitution or statutes of the United States, or the Constitution or statutes of the State.

Section 1106. Rules, Regulations, and Other Details. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall establish and enforce reasonable rules and regulations governing the operation, care, repair, maintenance, management, control, occupancy, use, and services of the TMWA Water System. The Authority shall observe and perform all of the terms and conditions contained in this Instrument and shall comply with all valid acts, rules, regulations, orders, and directives of any legislative, executive, administrative, or judicial body applicable to the TMWA Water System or the Authority.

Section 1107. Competent Personnel and Operation. The Authority shall at all times endeavor to employ in connection with the operation of the TMWA Water System in executive and managerial capacities only individuals competent therefor by reason of training and experience. The Authority shall administer the TMWA Water System in accordance with sound business principles. All salaries, fees, wages, and other compensation paid by the Authority in connection with the maintenance, repair, and operation of the TMWA Water System shall be reasonable, proper, and not excessive.

Section 1108. Maintenance of TMWA Water System. The Authority shall, insofar as it may legally do so, without any violation of other provisions of this Instrument, maintain, preserve, keep, and operate the TMWA Water System or cause the TMWA Water System to be maintained, preserved, kept, and operated in good repair, working order, and condition.

Section 1109. Operation of TMWA Water System. The Authority shall at all times operate the TMWA Water System properly and in a sound and economical manner and shall maintain, preserve, and keep the TMWA Water System properly, or cause the same, by lease or otherwise, so to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof, in good repair, working order, and condition. The Authority also shall from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals so that at all times the operation of the TMWA Water System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating water facilities of like size and character.

Section 1110. Competing Water Facilities. The Authority shall not construct other facilities or structures to be operated by the Authority separate from the TMWA Water System and competing with the TMWA Water System for revenues otherwise available for the payment of the 2018 Bonds or any other securities payable from Pledged Revenues.

Section 1111. Corporate Existence. The Authority shall maintain its corporate identity and existence so long as any of the 2018 Bonds and any other securities payable from Pledged Revenues remain Outstanding, unless another body corporate and politic by operation of law succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the Authority and is obligated by law to operate and maintain the TMWA Water System and to fix and collect Pledged Revenues as herein provided without adversely and materially affecting at any time

the privileges and rights of any holder of any Outstanding bond or any such other Outstanding security.

Section 1112. Disposal of TMWA Water System Prohibited. Except for the use of the TMWA Water System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the TMWA Water System shall be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of, until all the 2018 Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the bonds have been otherwise redeemed, including, without limitation, the termination of the pledge as herein authorized; and the Authority shall not dispose of its title to the TMWA Water System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the TMWA Water System and the lands comprising the site of the TMWA Water System (other than the execution of leases, licenses, easements, or other agreements in connection with the operation of the TMWA Water System by the Authority), except for any pledges of and liens on revenues derived from the operation and use of the TMWA Water System, or any part thereof, for the payment of any other revenue bonds or other securities pertaining to the TMWA Water System as permitted herein, and except as otherwise provided herein.

Section 1113. Revenues and Agreements. The Authority shall not create or permit to be created any charge or lien on the Gross Revenues, except as herein permitted. Nothing herein contained prevents the Authority from executing leases, licenses, easements, or other agreements for any part of the TMWA Water System with the Federal Government or any other Persons, if such instrument shall not substantially diminish the Net Revenues otherwise available for the payment of the Outstanding 2018 Bonds and any other Outstanding bonds or other Outstanding securities payable from Pledged Revenues. TMWA shall not enter into any agreement that limits its ability to increase rates and charges for water and other goods and services provided by, and for the use of the TMWA Water System as may be necessary to comply with Section 1001 hereof. No more than 10 percent of the Gross Revenues, excluding revenues derived from the sale of electric power, may be subject to a contract that fixes the amount paid to the Authority for goods or services or otherwise for a term greater than three years.

Section 1114. Disposal of Unnecessary Property. The Authority may sell, exchange, lease, or otherwise dispose of at any time and from time to time any property constituting a part of the TMWA Water System and not useful in the construction, reconstruction, or operation thereof, or which shall cease to be necessary for the efficient operation of the TMWA Water System, or which shall have been replaced by other property of at least equal value, except to the extent the Authority is prevented from so doing by any contractual limitation pertaining thereto. The TMWA Manager shall certify that such property is not useful, has ceased to be necessary for the efficient operation of the TMWA Water Systems, or has been replaced by other property of at least equal value prior to disposal of such property. The net proceeds of the sale of any TMWA Water System property shall be used for the purpose of replacing properties at the TMWA Water System, real, personal, mixed, or otherwise, or shall be paid into the General Purpose Account for the purposes thereof.

Section 1115. Loss from Condemnation. If any part of the TMWA Water System shall be taken by the exercise of a power of eminent domain, the amount of any award received by

the Authority as a result of such taking shall be paid into the General Purpose Account for the purposes of reconstructing the TMWA Water System and, to the extent not needed for reconstruction, to the Revenue Fund, as the Board may determine.

Section 1116. Payment of Governmental Charges and Liens. The Authority shall pay or cause to be paid all taxes, assessments, and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the TMWA Water System, or upon any part thereof, or upon any portion of the Gross Revenues, or revenues otherwise pertaining to the TMWA Water System, when the same shall become due. The Authority shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the TMWA Water System, or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The Authority shall not create or suffer to be created any lien or charge upon the TMWA Water System, or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Instrument for the payment of the Bond Requirements of the 2018 Bonds and any Outstanding parity securities or subordinate securities, and except as herein otherwise permitted. The Authority shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law become a lien upon the TMWA Water System, any part thereof, the Gross Revenues, or any other revenues pertaining to the TMWA Water System. Nothing herein contained requires the Authority to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge, or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith.

Section 1117. Protection of Security. The Authority, the officers, agents, and employees of the Authority and the Board shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the 2018 Bonds and any other securities payable from Pledged Revenues according to the terms of such securities. The Authority shall maintain, preserve, and renew all the rights, powers, privileges, and franchises now owned or hereafter acquired with respect to the TMWA Water System. No contract shall be entered into and no other action shall be taken by which the rights of any holder of any bond or other security payable from Pledged Revenues might be prejudicially and materially impaired or diminished.

Section 1118. Prompt Payment of Securities. The Authority shall promptly pay the Bond Requirements of every bond and every other security payable from Pledged Revenues at a place, on the dates, and in the manner specified in the bond or other security according to their true intent and meaning and as provided in any instrument pertaining thereto, including without limitation, this Instrument.

Section 1119. Use of Gross Revenues. None of the Gross Revenues shall be used for any purpose other than as provided herein. The Authority shall apply the Net Revenues to the payment of the bonds, any other securities payable from Pledged Revenues, and the interest thereon (but not necessarily exclusively thereto), and the Authority is not obligated to make such payments from any other source or moneys, but it is not prohibited from making such payments from any moneys which may be lawfully used for that purpose.

Section 1120. Use of Bond Fund. The Bond Fund shall be used solely and only and the moneys credited to such account are hereby pledged for the purpose of paying the Bond Requirements of the 2018 Bonds and any parity securities heretofore or hereafter authorized and then Outstanding, except for those moneys in the Interest Account and the Principal within the Bond Fund as are in excess of such Bond Requirements, both accrued and not accrued, to their respective maturities or any Redemption Date or Redemption Dates, whichever due date is earlier, if any (subject to the provisions of Sections 509, 510, 606, and 1201 hereof).

Section 1121. Additional Securities. The Authority shall not hereafter issue any bonds or other securities payable from Pledged Revenues and having a lien on Pledged Revenues on a parity with the lien thereon of the 2018 Bonds so long as any 2018 Bonds are Outstanding, unless such additional securities (other than securities issued pursuant to Sections 708 through 712 hereof and refunding securities on a parity with the 2018 Bonds) with a lien on Pledged Revenues on a parity with the 2018 Bonds are issued in such manner as provided in Sections 703, 704, 707, and 712 hereof. Any other securities hereafter authorized to be issued and secured by Pledged Revenues shall not hereafter be issued, unless such additional securities are also issued in conformance with the provisions of Articles V and VII hereof.

Section 1122. Other Liens. Other than as provided herein, there are no liens or encumbrances of any nature whatsoever on or against the TMWA Water System, or any part thereof, or on or against the Gross Revenues derived or to be derived, on a parity with or superior to the lien of the 2018 Bonds, the 2017 Bonds, the 2016 Bonds, and the 2015 Bonds. The Authority shall not issue any bonds, other than the 2018 Bonds, 2017 Bonds, 2016 Bonds, and 2015 Bonds, or any other additional securities secured by a pledge of or lien on the Gross Revenues, or both such a pledge and such a lien (including, without limitation, amounts which the Authority may thereafter be entitled to withdraw from the Revenue Fund and transfer to the Operation and Maintenance Account for the payment of Operation and Maintenance Expenses) and shall neither create nor cause to be created any lien or charge on the Gross Revenues or on any amount held by the Trustee or the Authority under this Instrument, except as provided in Articles V and VII hereof; but neither this Section nor any other provision of this Instrument shall prevent the Authority from issuing additional bonds or other additional securities for the purposes of the Authority secured by a pledge of and lien on Pledged Revenues subordinate to the lien of the 2018 Bonds, 2017 Bonds, 2016 Bonds, or 2015 Bonds, or to be derived on and after such date as the pledge of and lien on the Pledged Revenues provided in this Instrument are discharged and satisfied as provided in Section 1201 hereof, or otherwise.

Section 1123. Revenues Claims. The Authority shall defend against every suit, action, or proceeding at any time brought against any holder of any bonds or other securities payable from Pledged Revenues upon any claim arising out of the receipt, application, or disbursement of any of the Gross Revenues, or involving such holder's rights under this Instrument or other proceedings pertaining to the issuance of such securities; the Authority shall also indemnify and save harmless any such holders against any and all liability, claim, or assertion by any Person whomsoever, arising out of such receipt, application, or disbursement; but such holder at his election may appear in and defend any such suit, action, or proceedings; and notwithstanding any contrary provision hereof, this

covenant shall continue and remain in full force and effect, even though all indebtedness, liabilities, obligations, and other sums secured hereby may have been fully paid and satisfied, and the obligations under this Instrument may have been released and the lien hereof discharged.

Section 1124. Accumulation of Interest Claims. In order to prevent any accumulation of claims for interest after maturity, the Authority shall not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on any of the 2018 Bonds or any other securities payable from Pledged Revenues; and the Authority shall not directly or indirectly be a party to or approve any arrangements for any such extension or for the purpose of keeping alive any of such claims for interest. If the time for the payment of such installment of interest shall be extended in contravention of the foregoing provisions, such installment or installments of interest after such extension or arrangement shall not be entitled in case of default hereunder to the benefit or security of this Instrument, except upon the prior payment in full of the principal of all 2018 Bonds and any such other securities then Outstanding and of all matured interest on all such securities the payment of which has not been extended.

Section 1125. Records and Accounts. So long as any of the 2018 Bonds and any other securities payable from Pledged Revenues remain outstanding, proper records and accounts shall be kept by the Authority, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the TMWA Water System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues. Such records shall include (but not necessarily be limited to) monthly records, all in reasonable detail as may be determined by the TMWA Manager or her delegate and in accordance with standard accounting practices, showing:

A. Receipts. The Gross Revenues and other moneys received and pertaining to the TMWA Water System;

B. Purposes and Accounts. The respective purposes for which such moneys were paid and the respective accounts in which such moneys were accounted; and

C. Complete Accounting. Complete and correct entries of all transactions relating to the receipt, disbursement, allocation, and application of all moneys.

All requisitions, requests, certificates, opinions, and other documents received by any Person on behalf of the Authority in connection with the TMWA Water System under the provisions of this Instrument shall be retained in the Authority's official records in accordance with State law.

Section 1126. Rights Concerning Records. The Trustee shall have the right at all reasonable times to inspect all financial statements, other records, accounts, and data relating thereto, concerning the TMWA Water System, or the Gross Revenues, or any other moneys pertaining to the TMWA Water System, or any combination thereof, and to make copies of such financial statements, other records, accounts, and data.

Section 1127. Audits Required. The Authority shall cause an audit to be made for each Fiscal Year within 180 days following the close of the Fiscal Year of such records, accounts, and subaccounts by an Independent Accountant, and shall order an audit report showing the receipts and disbursements for each account and subaccount pertaining to the TMWA Water System, including, without limitation, the Gross Revenues.

Section 1128. Accounting Principles. Records and accounts, and audits thereof, with respect to the TMWA Water System and the Gross Revenues, shall be currently kept and made, as nearly as practicable, in accordance with generally accepted accounting principles, methods and terminology followed and construed for water systems comparable to the TMWA Water System, except as may be otherwise provided herein or required by applicable law or regulation or by contractual obligation existing on the effective date of this Instrument.

Section 1129. Insurance and Reconstruction. The Authority, shall at all times maintain fire and extended coverage insurance, workmen's compensation insurance, public liability insurance, and all such other insurance as is customarily maintained with respect to facilities of like character against loss of or damage to the TMWA Water System, against loss of Pledged Revenues and against public and other liability to the extent reasonably necessary to protect the interests of the Authority and of each owner of a Bond or any other security payable from the Pledged Revenues, except as herein otherwise provided. The amounts of such insurance coverage shall be approved by the Authority's risk manager or the risk managers of the Members. If at any time the Authority is unable to obtain insurance to the extent provided herein, the Authority shall maintain such insurance to the extent it is reasonably obtainable. If such insurance is not reasonably obtainable, the Authority shall self-insure to the extent it is financially able to do so. If any useful part of the TMWA Water System shall be damaged or destroyed, the Authority shall, as expeditiously as possible, commence and diligently prosecute the repair or replacement of the damaged or destroyed property so as to restore the same to use. The proceeds of any such property insurance relating to the TMWA Water System shall be payable to the Authority and applied as provided in Section 1130 below. The Authority may insure all or a portion of the above risks through a program of self-insurance, providing that the level of self-insurance reserves and the funding thereof are approved by an independent expert in self-insurance.

Section 1130. Use of Insurance Proceeds. Immediately after any loss or damage to the TMWA Water System which is covered by insurance, the Authority shall cause plans and specifications for repairing, reconstruction, or otherwise replacing the damaged or destroyed property to be prepared and an estimate of the cost thereof, and to file copies of such plans and specifications and of such estimate with the TMWA Manager. The proceeds of all insurance referred to in Section 1129 hereof shall be available for and to the extent necessary be applied to the repair, reconstruction, and other replacement of the damaged or destroyed property. If such proceeds are more than sufficient for such purpose, the balance remaining shall be paid into the General Purpose Account designated in Section 516 hereof.

If such proceeds shall be insufficient to repair, reconstruct, or otherwise replace the damaged or destroyed property pertaining to the TMWA Water System, the deficiency may be supplied by the TMWA Manager from moneys in the Renewal and Replacement Account, the

General Purpose Account, or any other accounts or subaccounts legally available for such purposes. If the cost of repairing, reconstruction, or otherwise replacing the damaged or destroyed property as estimated by the TMWA Manager shall not exceed the proceeds of insurance and other moneys legally available for such purpose, the Authority shall forthwith commence and diligently prosecute the repair, reconstruction, or other replacement of the damaged or destroyed property. The cost of maintaining such insurance for the TMWA Water System shall be deemed a part of the Operation and Maintenance Expenses of the TMWA Water System.

Section 1131. Transfer to General Purpose Account. The proceeds of any insurance designated in Sections 1129 and 1130 hereof and not applied within 18 months after receipt by the Authority to the repairing, reconstructing, or otherwise replacing of the damaged or destroyed property, unless the Authority is prevented from so doing because of conditions beyond its control, shall be transferred to the General Purpose Account.

Section 1132. Maintenance of Policies. All such insurance policies designated in Sections 1129 hereof shall be filed with the TMWA Manager and shall be subject to the inspection at all reasonable times of any holder of any Outstanding bond or any other Outstanding security payable from Pledged Revenues or any authorized representative of any such holder.

Section 1133. Completion of Refunding Project. The Authority, with the proceeds derived from the sale of the 2018 Bonds and any other available moneys, shall proceed to cause the Refunding Project to be completed without delay to the best of the Authority's ability and with due diligence, as herein provided.

Section 1134. Federal Tax Covenant. The Authority hereby covenants for the benefit of each holder of the 2018 Bonds that it will not take any action or omit to take any action with respect to the 2018 Bonds, the proceeds thereof, any other funds of the Authority or any facilities refinanced with the proceeds of the 2018 Bonds if such action or omission (i) would cause the interest on the 2018 Bonds to lose its exclusion from gross income for Federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the 2018 Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income for taxable years of corporations beginning before January 1, 2018. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2018 Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Section 1135. Additional Covenants. While the 2018 Bonds are Outstanding, the Authority agrees to the following:

A. At least 15 days in advance of entering into a Qualified Swap, the Authority will give written notice to Standard and Poor's Ratings Group, Moody's Investors Service, and/or Fitch whichever then has a rating in effect for the bonds, of such Qualified Swap and provide those rating agencies the proposed documentation evidencing such Qualified Swap.

B. If a termination payment under a Qualified Swap is unconditionally due and payable in accordance with the terms of the Qualified Swap, and the Authority determines that payment of such termination payment on its due date would be unduly burdensome, the Authority will use its best efforts to issue bonds or other obligations and use the proceeds thereof for the purpose of paying such termination payment.

C. Any Qualified Swap entered into by the Authority will contain a provision requiring the Qualified Swap Provider to (i) maintain at least an “A” rating from Standard and Poor’s Corporation on its senior long-term debt obligations, or on the senior long-term debt obligations of the financial institution that guarantees the Authority’s obligations under the Qualified Swap, or (ii) to collateralize its obligations under the Qualified Swap in a manner reasonably acceptable to Standard and Poor’s Corporation.

Section 1136. Continuing Disclosure Undertaking. The Authority covenants for the benefit of the holders and beneficial owners of the Bonds to comply with the applicable provisions of the final Continuing Disclosure Certificate substantially in the form now on file with the Secretary, to be executed by the TMWA Manager or the Chief Financial Officer and delivered in connection with the delivery of the Bonds; provided, however, any failure to comply with such Continuing Disclosure Certificate shall not be deemed to be an Event of Default hereunder and remedies for any failure to comply shall be limited exclusively to the remedies set forth in such Continuing Disclosure Certificate.

Section 1137. No Purveyor Members. As provided in Section 6.13(e) of the TMWA Asset Purchase Agreement, the Authority shall not permit any of its Members to engage in the retail delivery of potable water within its respective jurisdiction and within the retail service area of the Authority.

ARTICLE XII

MISCELLANEOUS

Section 1201. Defeasance. Except as otherwise set forth herein, when all Bond Requirements of any 2018 Bond or any other security of any other issue payable from Pledged Revenues have been duly paid, the pledge and lien and all obligations hereunder shall thereby be discharged as to that Bond or security and it shall no longer be deemed to be Outstanding within the meaning of this Instrument. There shall be deemed to be such due payment if the Authority has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Bond or security, as such requirements become due to the fixed maturity date of the Bond or security or to any Redemption Date or Redemption Dates as of which the Authority shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond or security thereafter maturing for payment then. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the Authority and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. If at any time the Authority has so placed in escrow or trust an amount so sufficient to pay designated Bond Requirements of securities constituting less than all of the Bond Requirements of the securities becoming due on and before their respective due dates, be they the fixed maturity dates of the securities or any such Redemption Date pertaining to the securities, such designated Bond Requirements shall be deemed paid and discharged under this Instrument. For the purposes of this Section, "Federal Securities" shall not include any Federal Securities which are callable by any party other than the owner thereof; and if any defeasance escrow investments involve a contract for supplying Federal Securities for the escrow after the date of creation of the escrow, the consent of the Insurer, if any, must be obtained. The Authority shall provide the Trustee with either (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the defeased 2018 Bonds in full or (ii) an opinion of bond counsel to the effect that such 2018 Bonds are no longer Outstanding under this Instrument, that the defeasance was in accordance with the requirements of this Instrument and will not adversely affect the tax exempt status of such 2018 Bonds.

Section 1202. Delegated Powers. The Chairman, Secretary, Treasurer, TMWA Manager, Chief Financial Officer and other officers of the Authority be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Instrument, including, without limitation:

A. Printing Bonds. The printing of the 2018 Bonds, including, without limitation, the printing on each 2018 Bond of any applicable statement of insurance guaranteeing the payment of the principal of and the interest on the insured 2018 Bonds by the insurer or insurers thereof;

B. Final Certificates. The execution of such certificates as may be reasonably required by the Underwriter, relating, among other matters, to:

- (1) The signing of the 2018 Bonds,
- (2) The tenure and identity of the officials of the Board and the Authority,
- (3) The exemption of interest on the 2018 Bonds from Federal income taxation,
- (4) The delivery of the 2018 Bonds and the receipt of the purchase price,
- (5) If it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity thereof, and
- (6) The execution of any agreement related to the Paying Agent and Registrar not inconsistent with this Instrument;

C. Continuing Disclosure Certificate. The completion and execution of the Continuing Disclosure Certificate concerning the 2018 Bonds;

D. Official Statement. The preparation and distribution of an official statement for use for prospective buyers of the 2018 Bonds, including, without limitation, such use by the Underwriter and their associates, if any; and

E. Bond Sale. The sale and issuance of the 2018 Bonds in accordance with the provisions of this Instrument, including but not limited to the completion and execution of the Bond Purchase Agreement.

Section 1203. Statute of Limitations. No action or suit based upon any Bond or other obligation of the Authority shall be commenced after it is barred by any statute of limitations pertaining thereto. Any trust or fiduciary relationship between the Authority and the holder of any Bond or the obligee regarding any such obligation shall be conclusively presumed to have been repudiated on the fixed maturity date or other due date thereof unless the Bond is presented for payment or demand for payment of any such obligation is otherwise made before the expiration of the applicable limitation period. Any moneys from whatever source derived remaining in any account reserved, pledged, or otherwise held for the payment of any such obligation, action or suit for the collection of which has been barred, shall revert to the Revenue Fund, unless the Board shall otherwise provide by instrument of the Authority. Nothing herein prevents the payment of any such obligation after any action or suit for its collection has been barred if the Board deems it in the best interests of the public so to do and orders such payment to be made.

Section 1204. Impairment of Prior Contracts. Nothing herein impairs the Authority's obligation of contracts with any Person in connection with the Authority, including, without limitation:

- A. Pledged Revenues. Pledged Revenues,
- B. Outstanding Securities. Any Outstanding securities payable from Pledged Revenues,
- C. TMWA Water System. The TMWA Water System,
- D. Refunding Project. The Refunding Project,
- E. Prior Contracts. Any existing viable contracts pertaining to the TMWA Water System between the Authority and other Persons, or
- F. Combination. Any combination thereof.

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

Section 1205. Governmental Powers. The enforceability of the Authority's obligations and creditors' remedies is:

- A. Equity Principles. Subject to general principles of equity to the extent relevant to the Authority (regardless of whether such enforceability is considered in a proceeding in equity or at law),
- B. Limitations Fixed by Law. Subject to the limitations upon enforceability fixed by bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights and privileges,
- C. State and U.S. Powers. Otherwise subject to the reasonable exercise in the future by the State and its governmental bodies of the police powers and the powers of eminent domain, taxation, and licensing inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the Constitution of the United States,
- D. Limitations Upon Suits. Subject to the limitations stated in the 11th Amendment, Constitution of the United States, upon suits against states in Federal courts, and
- E. Sovereign Immunity. Subject to the possible passage hereafter of a State statute reestablishing the doctrine of sovereign immunity (heretofore waived by the State subject to certain exceptions and conditions) of the State and any political subdivision of the State from liability and suits thereagainst in the absence of the State's consent thereto.

Nothing herein prohibits or limits the exercise by the Federal Government, the State, or any other governmental entity of their respective sovereign powers. Generally, the State can neither contract away such sovereign powers nor limit or inhibit by contract the proper exercise of such powers, and this Instrument does not purport to do so.

Section 1206. Additional Securities. The Authority reserves the privileges of issuing at a later time or from time to time any securities now or hereafter authorized by law (not herein designated for issuance), as moneys, if any, are needed for the project or projects for which such securities are authorized respectively to be issued.

Section 1207. No Acceleration. Nothing in this Instrument or any other instrument of the Authority or any law of the State shall permit the acceleration of the time or times for the payment of the 2018 Bonds, as to all Bond Requirements prior to their respective maturities or other due dates as provided herein, even if the Authority defaults in the payment of any such Bond Requirements hereunder, and shall not permit such an acceleration of the time for the payment of any subordinate securities without the consent of the Insurer. The Authority may enter into Qualified Swaps which provide for a payment due on termination of the Qualified Swap, whether by reason of a default by the Authority or otherwise, without obtaining the consent of the Insurer so long as the termination payment does not have a lien on the Net Revenues that is on a parity with or superior to the lien thereon of the 2018 Bonds.

Section 1208. Subrogation of Bondholder's Rights. If the principal, or the Redemption Price, if applicable, and interest due on the 2018 Bonds shall be paid by the Insurer, if any, the assignment and pledge of Pledged Revenues, and all covenants, agreements, other obligations, liabilities, and duties of the Authority or the Trustee, or both of them, as the case may be, to the holders of the 2018 Bonds shall continue to exist; and the Insurer shall be subrogated to the rights and privileges of such holders of the bonds so paid by the Insurer, if any.

Section 1209. The Insurer Treated as Holder. So long as it has not defaulted on its insurance policy with respect to the 2018 Bonds, the Insurer, if any, shall be deemed to be the holder of the 2018 Bonds as provided below:

A. Consent to Amendments. At any time the consent of a holder of 2018 Bond is required for adoption of an amendatory or supplemental instrument, the Insurer must consent in writing to the adoption of the instrument, which consent must be obtained in lieu of the consents required to be obtained from the holders of the 2018 Bonds. Copies of any amendments consented to by the Insurer must be sent by first class mail, postage prepaid, to Standard & Poor's Ratings Group.

B. Other Purposes. Following an Event of Default for all other purposes (except payment of the principal of and interest on the 2018 Bonds unless the Insurer is entitled to such payment by virtue of its ownership of a 2018 Bond or subrogation), until after the curing of all defaults which may theretofore have occurred, the Insurer shall be treated as the holder of all of the 2018 Bonds.

C. Notices. A copy of any notices required to be sent pursuant to the provisions of this Instrument must be sent to the Insurer at such address as is provided in writing for such purpose by the Insurer.

ARTICLE XIII

PRIVILEGES, RIGHTS AND REMEDIES

Section 1301. Bondholder's Remedies. Each holder of any 2018 Bond and the Trustee, acting for each such holder, shall be entitled to all of the privileges, rights, and remedies provided herein, in the Authority Act, in the Bond Act, and as otherwise provided or permitted at law or in equity or by other statutes, except as provided in Sections 206 through 210 hereof, but subject to the provisions herein concerning Pledged Revenues and the proceeds of the 2018 Bonds.

Section 1302. Right To Enforce Payment. Nothing in this article affects or impairs the right of any holder of any 2018 Bond to enforce the payment of the Bond Requirements of his bond or the obligation of the Authority to pay the Bond Requirements of each 2018 Bond to the holder thereof at the time and the place expressed in the 2018 Bond.

Section 1303. Events of Default. Except as otherwise provided herein, each of the following events is hereby declared an "event of default:"

A. Nonpayment of Principal and Premium. Payment of the principal of any of the 2018 Bonds, or any prior redemption premium due in connection therewith, or both, is not made when the same becomes due and payable, either at maturity or by proceedings for prior redemption, or otherwise;

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

C. Incapable To Perform. The Authority for any reason is rendered incapable of fulfilling its obligations hereunder;

D. Nonperformance of Duties. The Authority fails to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to Pledged Revenues, to the TMWA Water System, or to all or any other combination thereof, or otherwise, including, without limitation this Instrument, and such failure continues for 60 days after receipt of notice directly from the holders of a majority in principal amount of the 2018 Bonds and parity securities then Outstanding or receipt of such notice from such holders is delivered by the Trustee;

E. Failure to Reconstruct. The Authority discontinues or unreasonably delays or fails to carry out with reasonable dispatch the repair, reconstruction, or other replacement of any material part of the TMWA Water System which is destroyed or damaged and is not promptly replaced (whether such failure to replace the same is due to impracticability of such replacement, is due to a lack of moneys therefor, or for any other reason);

F. Appointment of Receiver. An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the Authority appointing a receiver or

receivers for the TMWA Water System or for any Pledged Revenues and any other moneys subject to the lien to secure the payment of the 2018 Bonds, or both such TMWA Water System and such moneys, or an order or decree having been entered without the consent or acquiescence of the Authority is not vacated or discharged or stayed on appeal within 60 days after entry; and

G. Default of Any Provision. Except as otherwise provided herein, the Authority makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements, and other provisions contained in the 2018 Bonds or in this Instrument on its part to be performed, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the Authority directly by the holders of a majority in principal amount of the 2018 Bonds and any parity securities then Outstanding or such notice from such holders is received by the Trustee and delivered to the Authority by the Trustee. If the Authority defaults in performance of the Rate Maintenance Covenant pursuant to Section 1001 hereof, and: (1) the Authority has consulted an Professional Engineer with regard to the steps it should take to increase Net Revenues; (2) the rates and charges collected by the Authority equal or are greater than 100 percent of combined maximum principal and interest requirements; and (3) the Authority is following those recommendations of the Professional Engineer, it does not constitute an event of default as long as such default does not continue for a period of not more than three years.

Section 1304. Remedies for Defaults. Upon the happening of an event of default as provided in subsections A or B of Section 1303 with respect to any 2018 Bond which is insured by the Insurer, the Trustee shall instruct the Paying Agent to proceed as provided in the payment procedures provided by the Insurer. Upon the happening and continuance of any of the events of default, as provided in Section 1303 hereof, then and in every case the holder or holders of not less than a majority in principal amount of the 2018 Bonds and any parity securities then Outstanding or the Trustee therefor may proceed against the Authority and its agents, officers, and employees to protect and to enforce the rights of any holder of 2018 Bonds under this Instrument by mandamus or by other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or by an award of execution of any power herein granted for the enforcement of any proper, legal, or equitable remedy as such holder or holders may deem most effectual to protect and to enforce the rights aforesaid, or thereto enjoin any act or thing which may be unlawful or in violation of any right of any holder of any 2018 Bond, or to require the Authority to act as if it were the trustee an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had, and maintained for the equal benefit of all holders of the 2018 Bonds and any parity securities then Outstanding.

Section 1305. Vesting in Trustee Powers of Statutory Trustee. The holders of the 2018 Bonds shall be entitled to the benefits and be subject to the provisions of NRS 350.660, 350.664, and 350.666 (except as hereinafter provided with respect to the method of the appointment of a trustee), and the trustee referred to therein (being the Trustee appointed and confirmed herein) shall have the powers provided by such sections of the Bond Act; the provisions of such sections of the Bond Act (except as to such method of appointment) shall be fully applicable to all Outstanding 2018 Bonds; the right or privilege of such holders to appoint such trustee in the manner provided in

such sections is hereby abrogated; all of the rights, powers, and duties of such trustee shall be and hereby are vested in the Trustee without further act on the part of the holders of the 2018 Bonds; and the Authority shall not interpose, as a defense to any proceedings under such sections of the Bond Act, failure of holders of 2018 Bonds to appoint a trustee in the manner provided in such sections of the Bond Act.

Section 1306. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such holders hereunder, the consent to any such appointment being hereby expressly granted by the Authority, may enter and take possession of the TMWA Water System, subject to the rights and privileges of any lessee or other user under any lease or other contract, may operate and maintain the same, may prescribe rates, fees, and other charges, and may collect, receive, and apply all Gross Revenues and any other revenues pertaining to the TMWA Water System arising after the appointment of such receiver in the same manner as the Authority itself might do.

Section 1307. Rights and Privileges Cumulative. The failure of any holder of any Outstanding 2018 Bond to proceed in any manner herein provided shall not relieve the Authority, its Board, or any of the Authority's officers, agents, or employees of any liability for failure to perform or carry out any duty, obligation, or other commitment. Each right or privilege of any such holder (or trustee thereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege thereof.

Section 1308. Duties upon Defaults. Upon the happening of any of the events of default as provided in Section 1303 hereof, the Authority, in addition, shall do and perform all proper acts on behalf of and for the holders of the 2018 Bonds, and any parity securities payable from Pledged Revenues to protect and to preserve the security created for the payment of the securities and to insure the payment of the Bond Requirements of the securities promptly as the same become due. During any period of default, so long as any of the securities, as to any Bond Requirements, are Outstanding, all Net Revenues shall be paid into the Bond Fund, and, to the extent such revenues, if any, exceed the Bond Requirements of the Outstanding securities payable from such account, both accrued and to accrue to their respective fixed maturity dates or to any Redemption Date or Redemption Dates pertaining thereto, whichever is earlier, if any, into any like account or like accounts for any Outstanding subordinate securities. If the Authority fails or refuses to proceed as in this Section provided, the holder or holders of not less than a majority in principal amount of the bonds and any parity securities then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the holders of the securities as hereinabove provided; and to that end any such holders of Outstanding securities shall be subrogated to all rights of the Authority under any agreement, lease, or other contract involving Pledged Revenues, or the TMWA Water System entered into prior to the effective date of this Instrument or thereafter while any such securities are Outstanding.

Section 1309. Duties in Bankruptcy Proceedings. If any lessee or other user of the TMWA Water System proceeds under any laws of the United States relating to bankruptcy, including, without limitation, any action under law providing for corporate reorganization, it shall be

the duty of the Authority and its appropriate officers are hereby authorized and directed to take all necessary steps for the benefit of the holders of the 2018 Bonds and any parity securities in such proceedings, including, without limitation, the filing of any claims for unpaid rates, fees, other charges, and other payments due to the Authority or otherwise arising from the breach of any of the covenants, terms, or conditions of the lease or any other contract pertaining to the TMWA Water System, unless the TMWA Manager or his delegate determines that the costs of such action are likely to exceed the amounts thereby recovered from such obligor.

Section 1310. Prejudicial Action Unnecessary. Nothing in this article requires the Authority to proceed as provided therein if the TMWA Manager or his delegate determines in good faith and without any gross abuse of his discretion that if the Authority so proceeds it is more likely than not to incur a net loss rather than a gain or such action is otherwise likely to affect materially and prejudicially the holders of the Outstanding 2018 Bonds and any Outstanding parity securities.

ARTICLE XIV

CONCERNING THE TRUSTEE

Section 1401. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. is hereby appointed and confirmed as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Instrument by executing the certificate of authentication endorsed upon the 2018 Bonds; and the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the 2018 Bonds so authenticated, but also with respect to all the 2018 Bonds thereafter to be issued hereunder.

Section 1402. Property Held in Trust. All moneys and securities held by the Trustee at any time pursuant to the terms of this Instrument shall be and hereby are assigned, transferred, and set over unto such Trustee in trust for the purposes and under the terms and conditions on this Instrument.

Section 1403. Deposit and Security of Funds. Subject to the provisions of Sections 602 and 603 hereof, all moneys (not including securities) held by the Trustee may, subject to the provisions of this Section, be deposited by the Trustee in demand or time deposit in its banking department, the banking department of any of the Trustee's affiliates, or with such other Banking Institutions as may be designated by the Authority. No such moneys shall be deposited with any Banking Institution, other than the Trustee or an affiliate of the Trustee, in an amount exceeding 50% of the amount which an officer of such bank shall certify to the Trustee and to the Authority as the combined capital and surplus of such bank. No such moneys shall be deposited or remain on deposit with any Banking Institution, including the Trustee and its affiliates, in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other Federal agency:

A. Pledge of Collateral Security. Unless such bank shall have lodged with the corporate trust department of the Trustee or, with the written approval of the Trustee and of the Authority, pledged to some other Banking Institution for the benefit of the Authority and every holder of any 2018 Bond issued hereunder, as collateral security for the moneys deposited, Federal Securities or such securities as are provided by law for securing a deposit in a Banking Institution in the State of cities and towns in the State, having a market value (exclusive of accrued interest) at least equal to 110% of the amount of such moneys; or

B. Surety Bond. Unless, in lieu of such collateral security as to all or any part of such moneys, there shall have been lodged with the corporate trust department of the Trustee for the benefit of the Authority and every holder of any 2018 Bond issued hereunder, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States and qualified to transact business in the state in which such Banking Institution is located in a sum at least equal to the amount of such moneys or part thereof.

The Trustee shall allow and credit interest on any such moneys held by it at such rate as it customarily allows upon similar funds of similar size and under similar conditions or as required

by law. Interest or any other gain in respect of moneys or on securities in any account shall be credited in accordance with the provisions of Article VI hereof.

Section 1404. Basic Duties of Trustee. The Trustee undertakes, prior to default, and after the curing of all defaults which may have occurred, to perform such duties and only such duties as are specifically set forth in this Instrument and, in case of an event of default (which has not been cured) to exercise such of the rights and powers vested in it by this Instrument and to use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs, except as herein otherwise expressly provided. The Trustee, upon receipt of evidence furnished to it by or on behalf of the Authority pursuant to any provision of this Instrument shall examine the same to determine whether or not such evidence conforms to the requirements of this Instrument.

Section 1405. Trustee's Conduct. Except as herein otherwise expressly provided, no provision of this Instrument relieves the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

A. Absence of Implied Duties. Prior to default hereunder and after the curing of all defaults which may have occurred, the Trustee shall not be liable except for the performance of such duties as are specifically set out in this Instrument, and no implied covenants or obligations shall be read into this Instrument against the Trustee, but the duties and obligations of the Trustee, prior to default and after curing of all defaults which may have occurred, shall be determined solely by the express provisions of this Instrument;

B. Reliance Upon Instruments. Prior to default hereunder and after the curing of all defaults which may have occurred, and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, opinions, or other instruments conforming to the requirements of this Instrument;

C. No Liability for Mere Error of Judgment. The Trustee shall not be personally liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee, unless it shall be proven that the Trustee was negligent in ascertaining the pertinent facts or in the performance of an expressed duty;

D. Action Directed by Bondholders. The Trustee shall not be personally liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the 2018 Bonds and parity securities then Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Instrument;

E. Incurrence of Personal Liabilities. The Trustee shall not be required to advance or expend or use its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the repayment of

such funds or liability is not assured to it by the security afforded it by the terms of this Instrument or by other security or indemnity reasonably satisfactory to the Trustee;

F. Limited Liability Concerning Bonds. The Trustee shall not be under any responsibility or duty with respect to the disposition by the Authority of the 2018 Bonds or the application by the Authority of the proceeds thereof or of any moneys paid to the Authority under any of the provisions hereof, except to the extent that such proceeds are paid to the Trustee in its capacity as Trustee or Paying Agent. The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds; and

G. Cost of Execution or Enforcement of Trusts. The Trustee, in the case of any default hereunder, shall not be under any obligation to take any action toward the execution or enforcement of the trusts created by this Instrument, which, in the opinion of the Trustee, will likely involve it in expense or liability, unless one or more of the holders of 2018 Bonds shall, as often as required by the Trustee, furnish to the Trustee security and indemnity satisfactory to the Trustee against such expense or liability.

H. No Liability for Continued Tax-Exempt Status of 2018 Bonds. Under no circumstances does the Trustee assume any responsibility or liability for the issuance of the 2018 Bonds as obligations the interest on which is excludable from gross income for purposes of Federal income taxation or for the maintenance of such tax-exempt status subsequent to the date of issuance of the 2018 Bonds.

Section 1406. Recitals of Fact and Representations. The recitals of fact contained herein and in the bonds (other than the Trustee's certificate of authentication) shall be taken as the statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity of this Instrument or of the 2018 Bonds issued thereunder.

Section 1407. Entry upon TMWA Water System. The Trustee shall not be personally liable in case of entry by it upon the TMWA Water System for debts contracted or liability or damages incurred in the management or operation of the properties comprising the TMWA Water System.

Section 1408. Further Permitted Reliance. To the extent permitted by Sections 1404 and 1405:

A. Reliance upon Documents. The Trustee may rely and shall be protected in acting upon any resolution, certificate, opinion, notice, request, consent, order, appraisal, report, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

B. Reliance upon Counsel. The Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any

action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel; and

C. Reliance upon Assistants. Whenever this Instrument provides for certain action to be taken or a certain document shall be executed and forwarded to the Trustee or otherwise by a designated official and such action is taken or such document is executed and so forwarded by the assistant to such official or by an acting official so designated, the Trustee may conclusively assume that the designated official is unable to act in such capacity at such time and the assistant or acting official is then authorized to take such action or to execute and so forward such document, as the case may be; and the Trustee may rely upon such action or document.

D. Actions by Agents. The Trustee may act through agents or attorneys, and shall not be responsible for the misconduct or negligence of agents or attorneys appointed with due care.

Section 1409. Other Immunities. The Trustee shall not be under any responsibility for the approval of any expert for any of the purposes expressed in this Instrument, but nothing in this Section contained shall relieve the Trustee of its obligation to exercise reasonable care with respect to the approval of independent experts who may furnish opinions or certificates to the Trustee pursuant to any provision of this Instrument. Any instrument of the Board shall be evidenced to the Trustee by a copy thereof certified by the Secretary of the Authority to have been duly adopted, and the Trustee may accept such copy as conclusive evidence of the adoption of such instrument. Nothing contained in this Section modifies the obligation of the Trustee to exercise after default the rights and powers vested in it by this Instrument with the degree of care and skill specified in Section 1404. No surety bond or other security shall be required of the Trustee unless ordered by a court having jurisdiction and for cause shown.

Section 1410. Permitted Transactions with Authority. The Trustee, the affiliates of the Trustee, any paying agent, and any other Banking Institution to which this Instrument pertains may buy, hold, sell or deal in, or be a pledgee of the bonds and any other securities of the Authority and may engage or be interested in any financial or other transaction with the Authority, all as freely as if they were not Trustee, paying agent, or such other bank hereunder.

Section 1411. Commingling of Moneys. Except as herein otherwise provided, all moneys received by the Trustee, whether as Trustee or otherwise, until used or applied as herein provided, shall be held in trust for the purposes for which they were paid, but need not be segregated from other moneys except to the extent required by law, unless herein otherwise expressly provided.

Section 1412. Compensation of Trustee. The Authority covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust; and the Authority will pay to the Trustee from time to time its expenses and disbursements (including, without limitation, reasonable compensation and the expenses, charges, counsel fees, and other disbursements of its counsel, officers, employees, other agents, and of all other Persons not regularly

in the Trustee's employ). The Authority also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending against any claim of liability in the premises. The obligations of the Authority to the Trustee under this Section shall constitute additional obligations secured by the lien of this Instrument, and shall be defrayed as Operation and Maintenance Expenses.

Section 1413. Preference in Event of Defaults. In order to further assure the Trustee that it will be compensated, reimbursed, and indemnified, all parties to this Instrument agree, and hereafter each holder of any bond and any other security hereafter authorized and payable from Pledged Revenues by his acceptance thereof shall be deemed to have agreed that in the event of the occurrence of any one or more of the events of default mentioned in Section 1303 hereof, the Trustee may file from time to time in any proceeding or proceedings one or more claims, supplemental claims, and amended claims as a creditor for its reasonable compensation for all services rendered by it (including services rendered during the course of any such proceeding or proceedings) and for reimbursement as Operation and Maintenance Expenses for all advances, expenses, and disbursements (including the reasonable compensation and the expenses and disbursements of its counsel and of all other Persons not regularly in its employ) made or incurred by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties herein of the Trustee, and for any and all amounts to which the Trustee is entitled as indemnity; and the Trustee and its counsel and agents may file in any such proceeding or proceedings applications or petitions for compensation for such services rendered, for reimbursement for such advances, expenses, and disbursements, and for such indemnity, as such Operation and Maintenance Expenses.

Section 1414. Adjustment and Allowance of Claims. The claim or claims of the Trustee filed in any such proceeding or proceedings shall be reduced by the amount of compensation for services, reimbursement for advances, expenses, and disbursements, and indemnity paid to it following final allowance to it and to its counsel and agents by the court in any such proceedings as an expense of administration or in connection with a plan of reorganization or readjustment. To the extent that compensation, reimbursement, and indemnity are denied to the Trustee or to its counsel or its other agents because of not being rendered or incurred in connection with the administration of an estate in a proceeding or in connection with a plan of reorganization or readjustment approved as required by law, because such services were not rendered in the interests of and with benefit to the estate of the Authority as a whole but in the interest of and with benefit to the holders of the 2018 Bonds and any other securities hereafter authorized and payable from Pledged Revenues in the execution of the trusts hereby created or in the exercise and performance of any of the powers and duties hereunder of the Trustee, or because of any other reason, the court may, to the extent permitted by law, allow such claim, as supplemented and amended, in any such proceeding or proceedings and for the purposes of any plan of reorganization or readjustment of the Authority's obligations, may classify the Trustee as a creditor of a class having priority for the payment of the Operation and Maintenance Expenses, and precedence over the class in which the holders of the 2018 Bonds and any such securities are placed. The amount of the claim or claims of the Trustee for services rendered and for advances, expenses, and disbursements, including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ which are not allowed and paid in any such proceeding, but for which the Trustee is entitled to the allowance of

a claim as herein provided may be fixed by the court or judge in any such proceeding or proceedings to the extent that such court or judge has or exercises jurisdiction over the amount of any such claim or claims.

Section 1415. Certificates of Officers and Experts. Whenever in the administration of the trusts of this Instrument, prior to a default hereunder, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed), subject to the provisions of Sections 1404 and 1405, may be deemed to be prima facie proved and established by a certificate signed by an Authority officer, or may be deemed to be conclusively proved and established by a certificate signed by the Chairman or Vice Chairman and Secretary or Treasurer of the Board and delivered to the Trustee, and any such certificate so conclusively proved shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Instrument upon the faith thereof. Likewise, all appraiser's certificates, engineer's certificates, independent appraiser's certificates, independent engineer's certificates, officers' certificates, and other certificates or instruments herein provided to be given to the Trustee, shall be full warrant and protection to the Trustee, subject to the provisions of Sections 1404 and 1405 hereof, for any action or non-action taken or suffered by it under the provisions of this Instrument upon the faith thereof. Whenever it is provided in this Instrument that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Authority or of any holder of any 2018 Bond, the Trustee shall have full power to give any and all notices and to do any and all acts and things incident to such action.

Section 1416. Resignation of Trustee. The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than 60 days written notice to the Authority. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or holders of 2018 Bonds as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 1417. Removal of Trustee. The Trustee, or any successor thereof, may be removed at any time by the Authority, as designated by the TMWA Manager or the Chief Financial Officer, as long as the Authority is not in default pursuant to the terms of this Instrument or any other instrument authorizing the issuance of parity securities, and at any time by the holders of a majority in principal amount of the 2018 Bonds and any other bonds payable from Pledged Revenues then Outstanding, which payment is secured by a lien on such revenues, excluding any such bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of bonds or by their attorneys-in-fact duly authorized and delivered to the Authority. Copies of each such instrument shall be delivered by the Authority to the Trustee and to any successor thereof.

Section 1418. Successor Trustee. In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator thereof or of its property shall be appointed, or if any public officer shall take charge or control thereof or of its property or affairs, a successor may be

appointed by the Authority, as designated by the TMWA Manager or the Chief Financial Officer, or in the case of removal of the Trustee by the holders, a successor may be appointed by the holders of a majority in principal amount of the then Outstanding 2018 Bonds and any other parity bonds payable from Pledged Revenues, which payment is secured by a lien on such revenues, excluding any such bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of such parity bonds or by their attorneys-in-fact duly authorized and delivered to the Authority. Pending such appointment by holders of such bonds, the Authority shall forthwith appoint a successor to act until such appointment is made by the holders of such bonds. Copies of each such instrument and of any instrument of the Authority providing for any such appointment shall be delivered by the Authority to the successor and to the predecessor Trustee. If no appointment of a successor shall be made within 30 days after the Trustee has been removed or resigned or after the occurrence of any other event requiring or authorizing such appointment, any holder of such parity bonds or the trustee of such bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court thereupon after such notice, if any, as the court may deem proper and may prescribe, may appoint such successor. Any successor appointed under the provisions of this Section shall be a trust bank and willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by this Instrument.

Section 1419. Transfer of Rights and Property. Any successor appointed under the provisions of Section 1418 of this Instrument shall execute, acknowledge, and deliver to its predecessor and also to the Authority an instrument accepting such appointment; and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties, and obligations of its predecessor hereunder, with like effect as if originally appointed herein as Trustee; but the Trustee then ceasing to act shall, nevertheless, on request by the Authority or by such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title, and interest of such Trustee in and to any property held by it hereunder and shall pay over, assign, and deliver to such successor any money or other property subject to the trusts and conditions herein set forth. If any deed, conveyance, or instrument in writing from the Authority is required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing shall on request and so far as may be authorized by law be executed, acknowledged, and delivered to the Authority by the Trustee originally appointed herein.

Section 1420. Merger or Consolidation. Any company in which the Trustee may be merged or with which it may consolidate or any company resulting from any merger or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, if such company is a trust bank qualified to be a successor to the Trustee under the provisions of Section 1418 hereof, shall be the successor to the Trustee without any further act, deed, or conveyance.

Section 1421. Electronic Instructions. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this

Instrument and delivered using Electronic Means (“Electronic Means” means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority, whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. If the Trustee elects not to act upon such Instructions, the Trustee shall notify the Authority. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 1422. Force Majeure. The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other like occurrences beyond the control of the Trustee; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

ARTICLE XV

AMENDMENT OF INSTRUMENT

Section 1501. Privilege of Amendments. This Instrument may be amended as provided in Section 1510 hereof without the need of obtaining consent of any of the holders of the 2018 Bonds. The “Regular Record Date” as defined in Section 302 hereof may be changed by the Authority without the need of obtaining consent of any holders of the 2018 Bonds if the Authority receives the consent of the securities depository then holding the 2018 Bonds pursuant to Section 302 hereof, if any, and if the Authority gives to the registered owner of each 2018 Bond a notice of change in the Regular Record Date, if a securities depository is the registered owner of the 2018 Bonds, by registered or certified mail, and otherwise, by first class mail, not less than six months before the first interest payment date to which the changed Regular Record Date will be applicable. In addition, except for supplemental instruments adopted pursuant to Section 712 hereof which do not expressly or impliedly amend or otherwise modify this Instrument, and except as provided in Section 1502 hereof, this Instrument may be amended or supplemented by instruments adopted by the Board in accordance with the laws of the State, without receipt by the Authority of any additional consideration, but, subject to the provisions of Section 1209 hereof, with the written consent of the Insurer of the Bonds, if any, or the holders of 66% in aggregate principal amount of the 2018 Bonds and parity securities Outstanding at the time of the adoption of such amendatory or supplemental instrument, excluding, pursuant to paragraph (5), Section 102(B) hereof, any 2018 Bonds which may then be held or owned for the account of the Authority, but including such refunding securities as may be issued for the purpose of refunding any of the 2018 Bonds if such refunding securities are not owned by the Authority.

Section 1502. Limitations upon Amendments. Notwithstanding the provisions of Section 1209(A) of this Instrument, no such instrument shall permit without the consent of the Insurer, if any, and the beneficial owners of the 2018 Bonds affected thereby:

A. Changing Payment. A change in the maturity or in the terms of redemption of the principal of any Outstanding 2018 Bond or any installment of interest thereon; or

B. Reducing Return. A reduction in the principal amount of any 2018 Bond, the rate of interest thereon, or any prior redemption premium payable in connection therewith; or

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

D. Modifying Limitations upon Modifications. A reduction of the principal amount or percentages or otherwise affecting the description of 2018 Bonds or the consent of the holders of which is required for any such amendment or other modifications; or

E. Priorities Between Bonds. The establishment of priorities as between 2018 Bonds issued and Outstanding under the provisions of this Instrument; or

F. Partial Modification. Materially and prejudicially modifying or otherwise materially and prejudicially affecting the rights or privileges of the holders of less than all of the 2018 Bonds then Outstanding.

Section 1503. Notice of Amendment. Whenever the Board proposes to amend or modify this Instrument under the provisions of this article, it shall cause notice of the proposed amendment to be mailed within 30 days to the Trustee and the Insurer of the Bonds, if any, or each holder of the Outstanding 2018 Bonds and any parity securities. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the Secretary for public inspection.

Section 1504. Time for Amendment. Whenever at any time within one year from the date of the mailing of such notice, there shall be filed in the office of the Secretary an instrument or instruments executed by the insurer of the Bonds, if any, or the holders of at least 66% in the aggregate principal amount of the 2018 Bonds and any parity securities then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in such notice shall specifically consent to and approve the adoption of such instrument, thereupon, but not otherwise, the Board may adopt such amendatory instrument and such instrument shall become effective.

Section 1505. Binding Consent to Amendment. If the insurer of the Bonds, if any, or the holders of at least 66% in the aggregate principal amount of the 2018 Bonds and parity securities then Outstanding, at the time of the adoption of such amendatory instrument, or the predecessors in title of such holders, shall have consented to and approved the adoption thereof as herein provided, no insurer of the Bonds or holder of any bond whether or not such holder shall have consented to or shall have revoked any consent as in this article provided, shall have any right or interest to object to the adoption of such amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Authority from taking any action pursuant to the provisions thereof.

Section 1506. Time Consent Binding. Any consent given by the holder of a 2018 Bond and any parity securities pursuant to the provisions of this article shall be irrevocable for a period of 6 months from the date of the mailing of the notice above provided for in Section 1503 and shall be conclusive and binding upon all future holders of the same bond during such period. Such consent may be revoked at any time after 6 months from the date of such mailing of such notice, by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Secretary, but such revocation shall not be effective if the holders of 66% in aggregate principal amount of the bonds Outstanding as in this article provided, prior to the attempted revocation, consented to and approved the amendatory instrument referred to in such revocation.

Section 1507. Unanimous Consent. Notwithstanding anything in the foregoing provisions of this article, the terms and the provisions of this Instrument or of any instrument amendatory thereof or supplemental thereto and the rights and the obligations of the Authority and of the holders of the 2018 Bonds may be amended or otherwise modified in any respect upon the adoption by the Authority and upon the filing with the Secretary of an instrument to that effect and

with the consent of the holders of all the then Outstanding 2018 Bonds, such consent to be given as provided in Section 1204 hereof; and no notice to holders of 2018 Bonds shall be required as provided in Section 1503 hereof, and the time of consent shall not be limited except as may be provided in such consent.

Section 1508. Exclusion of Authority's Bonds. At the time of any consent or of other action taken under this article, the Authority shall furnish to the Secretary a certificate of the Treasurer, upon which the Authority may rely, describing all bonds to be excluded, for the purpose of consent or of other action or of any calculation of Outstanding bonds provided for in this article, and the Authority shall not be entitled with respect to such bonds to give any consent or to take any other action provided for in this article, pursuant to paragraph (5) of Section 102(B) hereof.

Section 1509. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in this article provided may bear a notation by endorsement or otherwise in form approved by the Board as to such action; and if such Bonds so authenticated and delivered shall bear such notation, then upon demand of the holder of any Bond Outstanding at such effective date and upon presentation of his Bond for the purpose at the principal office of the Secretary, suitable notation shall be made on such Bond by the Secretary as to any such action. If the Board so determines, new Bonds so modified as in the opinion of the Board to conform to such action shall be prepared, authenticated, and delivered; and upon demand of the holder of any Bond then Outstanding, exchanged without cost to such holder for Bonds then Outstanding upon surrender of such Bonds.

Section 1510. Amendments Not Requiring Consent. The Authority, acting by and through the Board, and the Trustee, notwithstanding the provisions of other sections of this article, and without the consent of or notice to the insurer of the Bonds, if any, or any holder of any 2018 Bond, shall consent to any amendment, change, or modification of this Instrument as required:

- A. Bond Resolution. By the provisions of this Instrument,
- B. Curing Defects. For the purpose of curing any ambiguity or formal defect or omission herein,
- C. Additional Securities. In connection with the issuance and delivery of additional bonds or other securities payable from the Net Revenues, or
- D. Other Change. In connection with any other change herein which, in the judgment of the Trustee and in the opinion of bond counsel to the Authority, is not to the prejudice of the Trustee, the Insurer of the Bonds, if any, or the holders of the 2018 Bonds or any parity securities then Outstanding.

**PASSED, APPROVED AND ADOPTED BY AT LEAST A TWO-THIRDS
MAJORITY OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER
AUTHORITY ON THIS APRIL 18, 2018.**

Chairman

(SEAL)

Attest:

Secretary

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)
)
TRUCKEE MEADOWS)
WATER AUTHORITY)

I am the duly chosen, qualified, and acting Secretary of the Truckee Meadows Water Authority and of its Board of Directors (herein the “Authority” and the “Board,” respectively), the Authority being situate in the County of Washoe and State of Nevada, do hereby certify:

1. The foregoing pages together with the Exhibits appended thereto constitute a true, correct, complete, and compared copy of the “2018 Refunding Bond Resolution,” introduced, passed, and adopted at a meeting of the Board held on April 18, 2018.

2. The original of the 2018 Refunding Bond Resolution has been approved and authenticated by the signatures of the Chairman of the Board and myself as Secretary, and sealed with the seal of the Authority, and has been recorded in the minute book of the Board kept for that purpose in the Authority’s office, which record has been duly signed by such officers and properly sealed.

3. At least two-thirds of the Directors voted on the passage of such instrument as follows:

Those Voting Aye:	Jenny Brekhus Naomi Duerr Vaughn Hartung Neoma Jardon Bob Lucey Geno Martini Ron Smith
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Those Voting Nay:	_____
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Those Absent:	_____
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4. The foregoing proceedings were in fact held as in such minutes specified as originally of record in my possession.

5. All members of the Board were given due and proper notice of the meeting. Pursuant to NRS 241.020, written notice of the meeting was given at least 3 working days before the meeting, including in the notice the time, place, location, and agenda of 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 Authority's website; on the State of Nevada's official website; at the principal office of the Board, or if there is no principal office, at the building in which the meeting is to be held; and at least 3 other separate, prominent places within the jurisdiction of the Board, to wit:

- (i) Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502
- (ii) Reno City Hall
1 E. First Street
Reno, Nevada 89505
- (iii) Sparks City Hall
431 Prater Way
Sparks, Nevada 89431
- (iv) Sparks Justice Court
1675 E. Prater Way
Sparks, Nevada 89434
- (v) Washoe County Administration Complex
1001 E. Ninth Street
Reno, Nevada 89512
- (vi) Washoe County Courthouse
75 Court St.
Reno, Nevada 89501
- (vii) Washoe County Central Library
301 South Center St.
Reno, Nevada 89501

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

6. A true, correct, complete, and compared copy of the notice so given of the meeting of the Board is attached to this certificate as Exhibit A.

7. No other proceedings were adopted and no other action was taken or considered at such meeting pertaining to the proposed bonds.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Truckee Meadows Water Authority, on this April 18, 2018.

(SEAL)

Secretary

EXHIBIT A

(Attach Copy of Notice of Meeting)



TRUCKEE MEADOWS WATER AUTHORITY

Board of Directors

AGENDA

Wednesday, April 18, 2018 at 10:00 a.m.

Sparks Council Chambers, 745 4th Street, Sparks, NV

Board Members

Chair Geno Martini
Member Neoma Jardon
Member Jenny Brekhus
Member Ron Smith

Vice Chair Vaughn Hartung
Member Bob Lucey
Member Naomi Duerr

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), at <http://www.tmwa.com>, and State of Nevada Public Notice Website, <https://notice.nv.gov/>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call (775) 834-8002 at least 24 hours before the meeting date.
3. Staff reports and supporting material for the meeting are available at TMWA and on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 834-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Board may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
5. Asterisks (*) denote non-action items.
6. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a "Request to Speak" card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.
7. In the event the Chairman and Vice-Chairman are absent, the remaining Board members may elect a temporary presiding officer to preside over the meeting until the Chairman or Vice-Chairman are present (**Standing Item of Possible Action**).
8. Notice of possible quorum of Western Regional Water Commission: Because several members of the Truckee Meadows Water Authority Board of Directors are also Trustees of the Western Regional Water Commission, it is possible that a quorum of the Western Regional Water Commission may be present, however, such members will not deliberate or take action at this meeting in their capacity as Trustees of the Western Regional Water Commission.

1. Roll call*
2. Pledge of allegiance*
3. Public comment — limited to no more than three minutes per speaker*
4. Approval of the agenda (**For Possible Action**)
5. Approval of the minutes of the March 21, 2018 meeting of the TMWA Board of Directors (**For Possible Action**)

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

6. Appointments of Trustee(s) to the Western Regional Water Commission(WRWC):
 - A) Pursuant to Sec.25(3)(c) of the WRWC Act from the following list of qualified persons: Bob Lucey.
 - B) Pursuant to Sec. 25(4) of the WRWC Act representing TMWA as successor to South Truckee Meadows General Improvement District from the following list of qualified persons: David Bobzien, Jenny Brekhus, Oscar Delgado, Paul McKenzie, Hillary Schieve, Marsha Berkbigler, Jeanne Herman, Kitty Jung, Charlene Bybee, Ed Lawson, and Geno Martini.

— Mark Foree **(For Possible Action)**
7. Discussion and action, and possible direction to staff regarding the results of the “Statement of Interest” for the Farad property — Pat Nielson **(For Possible Action)**
8. Informational update on the Bedell Flat activities — John Enloe, Christian Kropf, and Nick White*
9. Presentation and update on TMWA’s aquifer storage and recovery (ASR) program — Randy Van Hoozer and Lauren Roaldson*
10. Update regarding draft return flow management agreement between City of Reno, City of Sparks, Tahoe-Reno Industrial General Improvement District (TRIGID) and TMWA and possible direction to staff — John Enloe **(For Possible Action)**
11. Discussion and action on adoption of Resolution No. 261: A resolution designated by the short title “2018 Refunding Bond Resolution” authorizing the issuance by the Authority of its “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018,” in the approximate principal amount of \$44,200,000 for the purpose of defraying wholly or in part the cost of refunding certain outstanding commercial paper notes; providing the form, terms, and conditions of the bonds and the security therefor; providing for the collection and disposition of revenues derived from the operation of the Authority’s water system; pledging such revenues to the payment of the bonds; providing other covenants, agreements, details and other matters relating thereto.— Michele Sullivan **(For Possible Action)**
12. Request for Adoption of Resolution No. 262: A Resolution Approving a Reimbursement Agreement, Letter of Credit, Fee Letter, Bank Note, Amended And Restated Dealer Agreement, Amended And Restated Issuing and Paying Agent Agreement, and Offering Memorandum Relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B and other matters relating thereto — Michele Sullivan **(For Possible Action)**
13. Presentation on proposed Conservation, Communications and Outreach Plan for 2018, discussion and possible direction to staff — Andy Gebhardt and Marlene Olsen **(For Possible Action)**
14. General Manager’s Report*
15. Public comment — limited to no more than three minutes per speaker*
16. Board comments and requests for future agenda items*
17. Adjournment **(For Possible Action)**

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

EXHIBIT B

(Attach Certificate of TMWA Manager and Report of the Authority's Financial Advisor)

**TRUCKEE MEADOWS WATER AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2018**

CERTIFICATE OF GENERAL MANAGER PURSUANT TO NRS 350.155

IT IS HEREBY CERTIFIED by the undersigned, General Manager, as the chief administrative officer of the Truckee Meadows Water Authority (the "Authority"), in connection with the sale and issuance of the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018 (the "Bonds"), being issued for the purposes described in the resolution of the Board of Directors of the Authority to be considered for adoption on February 15, 2017, authorizing the issuance of the Bonds:

1. As described in the report of Hobbs Ong & Associates and Public Financial Management, Inc., as financial advisors to the Authority in connection with the Bonds, attached to this certificate and made a part hereof, the Bonds are being sold at a time when, because of particular conditions in the market, a negotiated sale may provide benefits to the Authority that would not be available if the Bonds were sold by competitive bid;
2. The particular conditions in the market which indicate that a negotiated sale of the Bonds may provide a benefit to the Authority are the continued market volatility in municipal debt markets, particularly since the tax reform bill was adopted in late 2017, and transaction's dependence on interest rates. A negotiated offering provides the Authority the flexibility and ability to pre-market the transaction with the expected benefits of a lower effective interest cost to the Authority; and
3. The estimated amount of benefit which could accrue to the Authority is stated in the attached report.

WITNESS my hand as of this April 18, 2018.



General Manager and Chief Administrative
Officer of Truckee Meadows Water Authority



Hobbs, Ong

& ASSOCIATES, INC.

Financial Consultants/Advisors

3900 Paradise Road 702 733-7223
Suite 152 702 733-7250 fax
Las Vegas, NV 89169



1200 Fifth Avenue
Suite 1220
Seattle, WA 98101

206-858-5360
www.pfm.com

April 9, 2018

Mr. Mark Foree
General Manager
Truckee Meadows Water Authority
1355 Capital Blvd.
Reno, NV 89502

Dear Mr. Foree:

As required by the Nevada Revised Statutes, this letter serves as the financial advisors' certification of the potential benefits to be derived from a negotiated method of sale for the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018 (the "Series 2018 Bonds").

The Series 2018 Bonds will be issued to: (i) refund the Truckee Meadows Water Authority Water Revenue Commercial Paper Notes, Series 2006A and a portion of the Truckee Meadows Water Authority Water Revenue Commercial Paper Notes, Series 2006B, and (ii) pay costs of issuance.

Truckee Meadows Water Authority (TMWA) is undertaking a refunding of a portion of its outstanding commercial paper notes, which simultaneously replacing the letter of credit supporting its remaining commercial paper notes. A negotiated bond sale will allow for better coordination of the execution of the bond sale together with the replacement of the letter of credit. Additionally, a negotiated bond sale will enable TMWA to benefit from more extensive investor outreach and pre-marketing, enabling investors to understand the nuances and benefits of the new, larger TMWA that was formed in 2015 through the merger with the Washoe County Water Utility and the South Truckee Meadows General Improvement District. Working with both investors and the rating agencies, the lead manager can work with TMWA and the Financial Advisors to ensure that we achieve the lowest yield and structure the transaction to achieve the most effective pricing (including adjusting coupons to respond to different investor needs). In addition, since timing and the ability to move quickly to take advantage of interest rates is important, the negotiated method of sale provides the greatest chance of success. A negotiated sale will provide the most flexibility to enter, as well as to pull the transaction and re-enter quickly. In today's still volatile financial market, flexibility is critical to a successful transaction. Given the volatility in today's capital markets, particularly since tax reform in late 2017 and the dependency of the economics of the transaction on interest rates, we recommend the refunding bonds be issued through a negotiated sale.

While it is always difficult to determine interest rate differentials as a result of a negotiated or competitive sale, we estimate the benefit of using a negotiated sale could be up to 2 basis points in terms of annual interest costs. These potential savings would be derived from lower fixed spreads to the tax-exempt MMD benchmark on the day of pricing.



Thank you for this opportunity to serve the District. Please let us know if you have any questions.

Sincerely,

Michael Berwanger
Managing Director
PFM Financial Advisors, LLC.

Katherine Ong
Director
Hobbs, Ong & Associates, Inc.

cc: Guy Hobbs – *Hobbs, Ong & Associates, Inc.*
Kendra Follet, Ryan Henry – *Sherman and Howard L.L.C.*



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: April 10, 2018
SUBJECT: **Request for Adoption of Resolution No. 262: A Resolution Approving a Reimbursement Agreement, Letter of Credit, Fee Letter, Bank Note, Amended and Restated Dealer Agreement, Amended and Restated Issuing and Paying Agent Agreement, and Offering Memorandum Relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B and other matters relating thereto.**

Recommendation

Staff recommends that the TMWA Board approve by resolution and execute the new Liquidity Facility (Reimbursement Agreement) with Wells Fargo Bank, N.A. to replace Bank of Tokyo-Mitsubishi UFJ Ltd. (MUFG) as Liquidity Provider related to TMWA's 2006B Tax Exempt Commercial Paper Notes (TECP). TMWA currently has a balance of \$74,200,000 in TECP. The direct pay letter of credit providing credit and liquidity for the TECP with MUFG expires May 29, 2018. TMWA plans to pay down the TECP to \$30,000,000 which is an amount TMWA plans to pay off in the next five years.

Background

TMWA entered into a Liquidity Facility in the amount of \$103,432,878 with MUFG in May of 2014. Currently this facility provides credit and liquidity support for TMWA's Tax-Exempt Commercial Paper Program (TECP). The direct pay letter of credit providing credit and liquidity for the TECP with MUFG expires May 29, 2018. In January 2018, TMWA, with the help of its financial advisors PFM, sent out a Request for Proposals to provide replacement of this direct pay letter of credit, other financing options, and/or underwriting services to consider the best course of action for the TECP debt. Terms of the proposed new provider, Wells Fargo Bank, NA are excellent and provide the most flexibility of all proposals received by TMWA. The new Liquidity Facility will be reduced to \$30,000,000 plus outstanding interest, and will be a five-year facility expiring in May 2023. TMWA plans to pay off the TECP over this period, mainly with water will-serve revenues. TMWA's TECP has benefited from historically low interest rates, but interest rates are expected to increase, with the latest projections from the federal reserve estimating two more rate increases in 2018, three in 2019, and two in 2020. TMWA still has the option to draw down additional TECP of \$53,600,00 up until the expiration of the TECP program on July 1, 2036.

Summary - A resolution approving certain documents relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B, and other matters relating thereto.

RESOLUTION NO. 262

A RESOLUTION APPROVING A REIMBURSEMENT AGREEMENT, LETTER OF CREDIT, FEE LETTER, BANK NOTE, AMENDED AND RESTATED DEALER AGREEMENT, AMENDED AND RESTATED ISSUING AND PAYING AGENT AGREEMENT, AND OFFERING MEMORANDUM RELATING TO THE TRUCKEE MEADOWS WATER AUTHORITY, NEVADA, WATER REVENUE COMMERCIAL PAPER NOTES, SERIES 2006B AND OTHER MATTERS RELATING THERETO.

WHEREAS, the Truckee Meadows Water Authority (the “Authority”) was duly organized and is operating in accordance with the provisions of the “Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks, County of Washoe” dated December 4, 2000, as amended and restated as of February 3, 2010 (the “TMWA Cooperative Agreement”), entered into pursuant to the provisions of Nevada Revised Statutes 277.080 to 277.180, inclusive, as amended (the “Authority Act”); and

WHEREAS, the Board of Directors (the “Board”) of the Authority, in Washoe County, Nevada, has the authority to issue revenue bonds, notes and other obligations and incur liabilities for the purposes of acquiring constructing, improving and equipping water facilities within the TMWA water system (the “Project”) in accordance with the TMWA Cooperative Agreement and the Authority’s capital improvement plan and refinancing or refunding obligations previously issued by the Authority; and

WHEREAS, the Authority is a body corporate and politic, a joint powers authority, and a political subdivision of the State of Nevada (the “State”), and the Authority and its Board are organized and operating under the Authority Act and all laws supplemental thereto; and

WHEREAS, the Board has previously adopted Resolution No. 100 on July 19, 2006 (as amended by Resolution No. 170 adopted on January 19, 2011, the “Commercial Paper Resolution”), authorizing, among other matters, commercial paper notes designated as the “Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B” (the “Notes”), for the purpose of providing funds for the Project and for the purpose of refunding, paying and discharging outstanding Notes; and

WHEREAS, in order to support the payment when due of the principal of and interest on the Notes, the Authority and The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (“BTMU”), have previously entered into a Reimbursement Agreement dated as of May 1, 2014 (the “Prior Reimbursement Agreement”), pursuant to which BTMU has

issued its irrevocable transferable direct-pay letter of credit to secure the payment when due of the principal of and interest on the Notes (the “Prior Letter of Credit”); and

WHEREAS, the Prior Letter of Credit is scheduled to expire on May 29, 2018, and the Authority desires to replace the Prior Letter of Credit with an “Alternate Letter of Credit” (as defined in the Commercial Paper Resolution) on or prior to such expiration date in the manner permitted by the Commercial Paper Resolution; and

WHEREAS, there has been presented at this meeting the form of a Reimbursement Agreement dated as of May 1, 2018 (the “Reimbursement Agreement”), between the Authority and Wells Fargo Bank, National Association (“Wells Fargo”), pursuant to which Wells Fargo will issue its irrevocable transferable direct-pay letter of credit to support the payment when due of the principal of and interest on the Notes (the “Letter of Credit”); and

WHEREAS, in order to facilitate the issuance of the Notes, there has been presented at this meeting the form of an Amended and Restated 2006B Issuing and Paying Agent Agreement dated as of May 1, 2018 (the “IPA Agreement”), between the Authority and U.S. Bank National Association, as the issuing and paying agent for the Notes, for the purpose of referencing the Reimbursement Agreement and the Letter of Credit and making certain other requested revisions; and

WHEREAS, in order to provide for the offering and sale of the Notes, there has been presented at this meeting the form of an Amended and Restated 2006B Dealer Agreement dated as of May 1, 2018 (the “Dealer Agreement”), between the Authority and Goldman, Sachs & Co. LLC, for the purpose of referencing the Reimbursement Agreement and the Letter of Credit and making certain other requested revisions; and

WHEREAS, there has been presented at this meeting the form of an Offering Memorandum relating to the Notes (the “Offering Memorandum”); and

WHEREAS, the Board desires to approve the form, terms, and provisions of (i) the Reimbursement Agreement, together with the Bank Note attached as Exhibit B thereto which secures the Authority’s payments under the Reimbursement Agreement, (ii) the Fee Letter between the Authority and the Bank relating to the Reimbursement Agreement, (iii) the Letter of Credit, (iv) the IPA Agreement, (v) the Dealer Agreement, and (vi) the Offering Memorandum (collectively, such Reimbursement Agreement, Bank Note, Fee Letter, Letter of Credit, IPA Agreement, Dealer Agreement, and Offering Memorandum are referred to herein as the “Documents”), as well as approve certain other matters relating to the Notes.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY DOES RESOLVE:

Section 1. Short Title. This resolution shall be known as the, and may be cited by the short title, “2018 Commercial Paper Notes Document Approval Resolution” (the “Resolution”).

Section 2. Approval of Documents. The Documents are hereby approved in substantially the forms presented at this meeting and as are on file with the Authority, with such

changes as may be designated by the General Manager of the Authority (the “TMWA Manager”) or the Chief Financial Officer of the Authority (the “Chief Financial Officer”) and which are not inconsistent with the provisions of this Resolution. The signature of an Authorized Officer (as hereinafter defined) on a Document shall be conclusive evidence of the Authority’s approval thereof.

Section 3. Ratification and Approval of Prior Actions. All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board or the officers or agents of the Authority relating to (i) the substitution of the Prior Reimbursement Agreement and the Prior Letter of Credit, including the delivery of any notices or consents required by the Commercial Paper Resolution or the Prior Reimbursement Agreement in connection therewith, and (ii) the Documents is hereby ratified, approved and confirmed.

Section 4. Delegated Powers. Each of the Chairman, Secretary, Treasurer, TMWA Manager, Chief Financial Officer and other officers of the Authority (each, an “Authorized Officer”) is hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation: (i) the execution, delivery, and performance of the Documents, as applicable; (ii) the execution and delivery of such notices, closing certificates and other agreements, instruments, and documents as may be required in connection with the execution and delivery of the Documents and the replacement of the Prior Reimbursement Agreement and the Prior Letter of Credit, in such forms and with such terms as are not inconsistent herewith and as are approved by the TMWA Manager or the Chief Financial Officer (the signature of an Authorized Officer on any such item shall be conclusive evidence of the Authority’s approval thereof); (iii) the updating, from time to time, as may be required by the Dealer Agreement or otherwise, of the Offering Memorandum with such information and in such form as is so required and is approved by the TMWA Manager or the Chief Financial Officer; and (iv) the execution and delivery of such notices and other documents as may be necessary to terminate all ancillary documents and credit facilities currently in existence and relating to the “Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A.”

Section 5. Governing Law. This Resolution shall be construed and governed in accordance with the laws of the State of Nevada.

Section 6. Repealer. All bylaws, orders, and other instruments, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any bylaw, order, or other instrument, or part thereof, heretofore repealed.

Section 7. 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 8. Execution of Resolution. This Resolution, immediately on its final passage and adoption, shall be recorded in the official records of the Authority kept for that

purpose, shall be executed by the signature of the Chairman, shall be attested by the Secretary, and the seal of the Authority shall be affixed thereto.

Section 9. Effective Date. This Resolution shall be in effect upon its adoption.

**PASSED, APPROVED AND ADOPTED BY AT LEAST A MAJORITY OF
THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER
AUTHORITY ON THIS APRIL 18, 2018.**

Chairman

(SEAL)

Attest:

Secretary

STATE OF NEVADA)
)
COUNTY OF WASHOE) ss.
)
TRUCKEE MEADOWS WATER)
AUTHORITY)

I am the duly chosen, qualified, and acting Secretary of the Truckee Meadows Water Authority and of its Board of Directors (herein the “Authority” and the “Board,” respectively), the Authority being situate in the County of Washoe and State of Nevada, and do hereby certify:

1. The foregoing pages constitute a true, correct, complete and compared copy of the “2018 Commercial Paper Notes Document Approval Resolution,” introduced, passed and adopted at a meeting of the Board held on April 18, 2018.

2. The original of the 2018 Commercial Paper Notes Document Approval Resolution has been approved and authenticated by the signatures of the Chairman of the Board and myself as Secretary, and sealed with the seal of the Authority, and has been recorded in the minute book of the Board kept for that purpose in the Authority’s office, which record has been duly signed by such officers and properly sealed.

3. At least a majority of the Directors voted on the passage of the 2018 Commercial Paper Notes Document Approval Resolution as follows:

Those Voting Aye:	Jenny Brekhus Naomi Duerr Vaughn Hartung Neoma Jardon Bob Lucey Geno Martini Ron Smith
Those Voting Nay:	_____ _____
Those Absent:	_____ _____

4. The foregoing proceedings were in fact held as in such minutes specified as originally of record in my possession.

5. All members of the Board were given due and proper notice of the meeting. Pursuant to NRS 241.020, written notice of the meeting was given at least 3 working days before the meeting, including in the notice the time, place, location, and agenda of 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 Authority's website; on the State of Nevada's official website; at the principal office of the Board, or if there is no principal office, at the building in which the meeting is to be held; and at least 3 other separate, prominent places within the jurisdiction of the Board, to wit:

- (i) Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502
- (ii) Reno City Hall
1 E. First Street
Reno, Nevada 89505
- (iii) Sparks City Hall
431 Prater Way
Sparks, Nevada 89431
- (iv) Sparks Justice Court
1675 E. Prater Way
Sparks, Nevada 89434
- (v) Washoe County Administration Complex
1001 E. Ninth Street
Reno, Nevada 89512
- (vi) Washoe County Courthouse
75 Court St.
Reno, Nevada 89501
- (vii) Washoe County Central Library
301 South Center St.
Reno, Nevada 89501

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

6. A true, correct, complete and compared copy of the notice so given of the meeting of the Board is attached to this certificate as Exhibit A.

7. No other proceedings were adopted and no other action was taken or considered at such meeting pertaining to the 2018 Commercial Paper Notes Document Approval Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Truckee Meadows Water Authority, on this April 18, 2018.

Secretary

(SEAL)

EXHIBIT A

(Attach Notice of Meeting)



TRUCKEE MEADOWS WATER AUTHORITY
Board of Directors

AGENDA

Wednesday, April 18, 2018 at 10:00 a.m.
Sparks Council Chambers, 745 4th Street, Sparks, NV

Board Members

Chair Geno Martini
 Member Neoma Jardon
 Member Jenny Brekhus
 Member Ron Smith

Vice Chair Vaughn Hartung
 Member Bob Lucey
 Member Naomi Duerr

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), at <http://www.tmwa.com>, and State of Nevada Public Notice Website, <https://notice.nv.gov/>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call (775) 834-8002 at least 24 hours before the meeting date.
3. Staff reports and supporting material for the meeting are available at TMWA and on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 834-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Board may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
5. Asterisks (*) denote non-action items.
6. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a "Request to Speak" card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.
7. In the event the Chairman and Vice-Chairman are absent, the remaining Board members may elect a temporary presiding officer to preside over the meeting until the Chairman or Vice-Chairman are present (**Standing Item of Possible Action**).
8. Notice of possible quorum of Western Regional Water Commission: Because several members of the Truckee Meadows Water Authority Board of Directors are also Trustees of the Western Regional Water Commission, it is possible that a quorum of the Western Regional Water Commission may be present, however, such members will not deliberate or take action at this meeting in their capacity as Trustees of the Western Regional Water Commission.

1. Roll call*
2. Pledge of allegiance*
3. Public comment — limited to no more than three minutes per speaker*
4. Approval of the agenda (**For Possible Action**)
5. Approval of the minutes of the March 21, 2018 meeting of the TMWA Board of Directors (**For Possible Action**)

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

6. Appointments of Trustee(s) to the Western Regional Water Commission(WRWC):
 - A) Pursuant to Sec.25(3)(c) of the WRWC Act from the following list of qualified persons: Bob Lucey.
 - B) Pursuant to Sec. 25(4) of the WRWC Act representing TMWA as successor to South Truckee Meadows General Improvement District from the following list of qualified persons: David Bobzien, Jenny Brekhus, Oscar Delgado, Paul McKenzie, Hillary Schieve, Marsha Berkbigler, Jeanne Herman, Kitty Jung, Charlene Bybee, Ed Lawson, and Geno Martini.

— Mark Foree (**For Possible Action**)
7. Discussion and action, and possible direction to staff regarding the results of the “Statement of Interest” for the Farad property — Pat Nielson (**For Possible Action**)
8. Informational update on the Bedell Flat activities — John Enloe, Christian Kropf, and Nick White*
9. Presentation and update on TMWA’s aquifer storage and recovery (ASR) program — Randy Van Hoozer and Lauren Roaldson*
10. Update regarding draft return flow management agreement between City of Reno, City of Sparks, Tahoe-Reno Industrial General Improvement District (TRIGID) and TMWA and possible direction to staff — John Enloe (**For Possible Action**)
11. Discussion and action on adoption of Resolution No. 261: A resolution designated by the short title “2018 Refunding Bond Resolution” authorizing the issuance by the Authority of its “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2018,” in the approximate principal amount of \$44,200,000 for the purpose of defraying wholly or in part the cost of refunding certain outstanding commercial paper notes; providing the form, terms, and conditions of the bonds and the security therefor; providing for the collection and disposition of revenues derived from the operation of the Authority’s water system; pledging such revenues to the payment of the bonds; providing other covenants, agreements, details and other matters relating thereto.— Michele Sullivan (**For Possible Action**)
12. Request for Adoption of Resolution No. 262: A Resolution Approving a Reimbursement Agreement, Letter of Credit, Fee Letter, Bank Note, Amended And Restated Dealer Agreement, Amended And Restated Issuing and Paying Agent Agreement, and Offering Memorandum Relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B and other matters relating thereto — Michele Sullivan (**For Possible Action**)
13. Presentation on proposed Conservation, Communications and Outreach Plan for 2018, discussion and possible direction to staff — Andy Gebhardt and Marlene Olsen (**For Possible Action**)
14. General Manager’s Report*
15. Public comment — limited to no more than three minutes per speaker*
16. Board comments and requests for future agenda items*
17. Adjournment (**For Possible Action**)

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

REIMBURSEMENT AGREEMENT

Dated as of **[May 1, 2018]**

by and between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Relating to:

Truckee Meadows Water Authority, Nevada
Water Revenue Commercial Paper Notes,
[Series 2018]

REIMBURSEMENT AGREEMENT

(This Table of Contents is not a part of this
Reimbursement Agreement and is only
for convenience of reference)

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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of **[May 1, 2018]** (together with any amendments or supplements hereto, this “*Agreement*”), is made by and between the TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the “*Authority*”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns (the “*Bank*”).

WITNESSETH:

WHEREAS, the Authority was duly organized and is operating in accordance with the provisions of the “Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks and County of Washoe,” dated December 4, 2000, as amended on February 3, 2010, and as may be further amended and supplemented in accordance with the terms hereof and thereof (the “*TMWA Cooperative Agreement*”) entered into pursuant to the provisions of Nevada Revised Statutes (“*NRS*”) 277.080 to 277.180, inclusive, as amended (the “*Authority Act*”); and

WHEREAS, the Board of Directors (the “*Board*”) of the Authority, in Washoe County, Nevada (the “*County*” and the “*State*” respectively) has the authority to issue revenue bonds, notes and other obligations and incur liabilities for the purpose of acquiring, constructing, improving and equipping capital projects in accordance with the TMWA Cooperative Agreement and the Authority’s capital improvement plan (the “*Project*”); and

WHEREAS, the Authority is a body corporate and politic, a quasi-municipal corporation, and a political subdivision of the State, and the Authority and its Board are organized and operating under the Authority Act and all laws supplemental thereto; and

WHEREAS, pursuant to the Local Government Securities Law and all laws amendatory thereof (the “*Bond Act*”), cited as NRS 350.500 through 350.720, and all laws supplemental thereto, the Authority has the power to issue its revenue commercial paper notes, which constitute special obligations of the Authority; and

WHEREAS, the Board has authorized the issuance of the Authority’s Water Revenue Commercial Paper Notes, **[Series 2018]** (the “*Commercial Paper Notes*”) pursuant to the terms of that certain Resolution No. 100 adopted by the Authority on July 19, 2006, as amended (the “*Resolution*”), in an aggregate principal amount not to exceed \$160,000,000; and

WHEREAS, in order to accomplish the issuance, sale and delivery from time to time of the Commercial Paper Notes, (i) the Authority and **[U.S. Bank National Association]**, as issuing and paying agent (the “*Issuing and Paying Agent*”) entered into that certain **[2018] [Amended and Restated]** Issuing and Paying Agent Agreement, dated as of **[August 1, 2006]**, as amended, supplemented or amended and restated from time to time in accordance with the terms hereof and thereof (the “*Issuing and Paying Agent Agreement*”) and (ii) the Authority and **[J.P. Morgan Securities LLC]** (the “*Dealer*”) entered into that certain **[Series 2018] [Amended and Restated]** Dealer Agreement dated as of **[August 1, 2006]**, as amended, supplemented or

amended and restated from time to time in accordance with the terms hereof and thereof (the “*Dealer Agreement*”) by and between the Authority and the Dealer; and

WHEREAS, the Authority has requested that the Bank issue the Letter of Credit (as hereinafter defined) as an alternate letter of credit to replace the Existing Letter of Credits (as hereinafter defined) for the payment by the Issuing and Paying Agent, when and as due, of the principal of and interest on the Commercial Paper Notes.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Authority and the Bank agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. As used in this Agreement:

“*Additional Debt*” - means Authority Debt payable from the Net Revenues.

“*Advance*” - has the meaning set forth in Section 2.3(a) hereof.

“*Agreement*” - has the meaning set forth in the introductory paragraph hereof.

“*Alternate Letter of Credit*” - has the meaning set forth in the Resolution.

“*Amortization Period*” - has the meaning set forth in Section 2.3(a) hereof.

“*Authority*” - has the meaning set forth in the introductory paragraph hereof.

“*Authority Act*” - has the meaning set forth in the recitals hereof.

“*Authority Debt*” - means with respect to the Authority, all Debt payable from or secured by a lien on the Net Revenues that would be classified as a liability in accordance with generally accepted accounting principles.

“*Authorized Representative*” - has the meaning set forth in the Resolution.

“*Bank*” - has the meaning set forth in the introductory paragraph hereof.

“*Bank Note*” - has the meaning set forth in Section 2.3(d) hereof.

“*Bank Rate*” - means the rate of interest per annum with respect to any Advance (a) for any day commencing on the date such Advance is made up to and including the one-hundred eightieth (180th) day next succeeding the date such Advance is made, equal to the Base Rate from time to time in effect and (b) for any day commencing on or after the one-hundred eighty-first (181st) day next succeeding the date such Advance is made and at all times thereafter for such Advance, equal to the sum of the Base Rate from time to time in effect *plus* one percent

(1.00%); *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Bank Rate” shall mean the Default Rate; and *provided further* that, at no time shall the Bank Rate be less than the highest rate of interest on any outstanding Commercial Paper Notes.

“*Base Rate*” - means, for any day, the highest of (a) the Prime Rate plus one percent (1.00%) per annum, (b) the Federal Funds Rate *plus* two percent (2.00%) per annum and (c) seven percent (7.00%) per annum.

“*Board*” - has the meaning set forth in the recitals hereof.

“*Bond Act*” - has the meaning set forth in the recitals hereof.

“*Bond Counsel*” - means **[Sherman & Howard L.L.C.]** or another nationally recognized Bond Counsel selected by the Authority.

“*Bond Requirements*” - has the meaning set forth in the Bond Resolution.

“*Bond Resolution*” - means, collectively, the resolutions of the Board authorizing the Outstanding Bonds and each series of bonds hereafter issued with a lien on the Net Revenues on a parity with any of the Outstanding Bonds.

“*Bonds*” - has the meaning set forth in the Resolution.

“*Business Day*” - means any day other than (a) a Saturday, Sunday, or other day on which commercial banks located in the States of New York or Nevada are authorized or required by law or executive order to close, (b) a day on which the New York Stock Exchange is closed, (c) a day on which commercial banks are authorized or required by law or executive order to be closed in the city in which Drawings under the Letter of Credit are to be presented or (d) a day on which commercial banks are authorized or required by law or executive order to be closed in the city in which the principal office of the Issuing and Paying Agent or the Dealer is located.

“*Closing Date*” - means **[May __, 2018]**, which, subject to the satisfaction of the conditions precedent set forth in Section 3.1 hereof, is the date on which the Letter of Credit shall be issued by the Bank.

“*Code*” - means the Internal Revenue Code of 1986, as amended from time to time, or any successor provision or provisions in that Code or any successor Federal tax code, and any regulations (including final, temporary and proposed regulations) under any such provision.

“*Commercial Paper Notes*” - has the meaning set forth in the recitals hereof.

“*Commercial Paper Program*” - means the issuance from time to time of the Commercial Paper Notes pursuant to the Resolution.

“Comparable Bond Year” - has the meaning set forth in the Bond Resolution.

“Controlled Group” - means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Authority, or any subsidiary or affiliate, are treated as a single employer under Section 414 of the Code.

“County” - has the meaning set forth in the recitals hereof.

“Dealer” - has the meaning set forth in the recitals hereof.

“Dealer Agreement” - has the meaning set forth in the recitals hereof.

“Debt” - means, with respect to the Authority, at any date and without duplication, (i) all obligations of the Authority for borrowed money, and all obligations of the Authority evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (ii) all direct or contingent obligations of the Authority arising under letters of credit, bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (iii) capital lease obligations, (iv) all obligations of the Authority to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered and other personnel expenses), (v) all indebtedness of others secured by a lien on any asset of the Authority, whether or not such indebtedness is assumed by the Authority, (vi) all indebtedness of others guaranteed by, or secured by any of the revenues or assets of, the Authority and (vii) payment obligations of the Authority under any Swap Contract.

“Default” - means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Default Rate” - means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect *plus* three percent (3.00%).

“Drawing” - has the meaning set forth in the Letter of Credit.

“Drinking Water State Revolving Fund Loans” - means the (i) Truckee Meadows Water Authority, Water Revenue Bond, Series 2005, (ii) Truckee Meadows Water Authority, Water Revenue Bonds, Series 2009A and (iii) Truckee Meadows Water Authority, Water Revenue Bonds, Series 2010A, and each similar loan, series of bonds or other obligation hereafter issued under or pursuant to the Nevada Drinking Water State Revolving Fund with a lien on the Net Revenues on a parity with any of the bonds referenced in this definition.

“ERISA” - means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules and regulations from time to time promulgated thereunder, or any successor statute.

“Event of Default” - has the meaning set forth in Section 6.1 hereof.

“Existing Letters of Credit” – means, collectively, (i) the Irrevocable Transferable Direct-Pay Letter of Credit dated as of May 30, 2014, issued by The Bank of Tokyo Mitsubishi UFG, Ltd., acting through its New York Branch, relating to the Authority’s Water Revenue Commercial Paper Notes, Series 2006A and (ii) the Irrevocable Transferable Direct-Pay Letter of Credit dated as of May 30, 2014, issued by The Bank of Tokyo Mitsubishi UFG, Ltd., acting through its New York Branch, relating to the Authority’s Water Revenue Commercial Paper Notes, Series 2006B.

“Existing Reimbursement Agreements” - means, collectively, (i) that certain Reimbursement Agreement dated as of May 1, 2014, by and between the Authority and The Bank of Tokyo Mitsubishi UFG, Ltd., acting through its New York Branch, relating to the Authority’s Water Revenue Commercial Paper Notes, Series 2006A and (ii) that certain Reimbursement Agreement dated as of May 1, 2014, by and between the Authority and The Bank of Tokyo Mitsubishi UFG, Ltd., acting through its New York Branch, relating to the Authority’s Water Revenue Commercial Paper Notes, Series 2006B.

“Federal Funds Rate” - means for any day the rate of interest per annum as determined by the Bank at which overnight Federal Funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the Authority on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be deemed conclusive and binding on the Authority absent manifest error.

“Fee Letter” - means that certain Fee Letter, dated the Closing Date, between the Authority and the Bank, as the same may be amended, modified or supplemented from time to time by written instrument executed by the Bank and the Authority, the terms of which are incorporated herein by reference.

“Final Drawing Notice” - has the meaning set forth in the Letter of Credit.

“Fiscal Year” - means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period designated by the Authority as its fiscal year.

“Fitch” - means Fitch Ratings, Inc., and its successors and assigns.

“GAAP” - means generally accepted accounting principles in the United States as in effect from time to time, applied by the Authority on a basis consistent with the Authority’s most recent financial statements furnished to the Bank pursuant to Section 3.1(viii) hereof.

“Governmental Authority” - means any national, supranational, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasigovernmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, department, commission, bureau, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“Gross Revenues” - has the meaning set forth in the Resolution.

“Issuing and Paying Agent” - has the meaning set forth in the recitals hereof.

“Issuing and Paying Agent Agreement” - has the meaning set forth in the recitals hereof.

“Letter of Credit” - means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the Authority in favor of the Issuing and Paying Agent supporting the Commercial Paper Notes, in the form of Appendix I hereto with appropriate insertions.

“Letter of Credit Expiration Date” - means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire, as the same may be extended pursuant to the terms thereof. The initial Letter of Credit Expiration Date is [May __, 2023].

“Letter of Credit Fees” - has the meaning set forth in the Fee Letter.

“Lien” - on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“Material Adverse Effect” - means the occurrence of any event or change which results in a material and adverse change in the business, condition (financial or otherwise) or operations of the Authority or which materially and adversely affects (a) the enforceability of this Agreement, the Bank Note, the Fee Letter or any of the other Related Documents, (b) the ability of the Authority to perform its obligations hereunder or thereunder or (c) the rights, security, interest or remedies available to the Bank under this Agreement or the other Related Documents.

“Maximum Commercial Paper Interest Rate” - means the maximum tax-exempt rate on the Commercial Paper Notes as provided in the Resolution.

“Maximum Rate” - means the lesser of (i) the maximum non-usurious lawful rate of interest permitted by applicable law and (ii) 25% per annum.

“Moody’s” - means Moody’s Investors Service, Inc., and its successors and assigns.

“Net Revenues” - has the meaning set forth in the Resolution.

“Notes” - means the Commercial Paper Notes and the Bank Note.

“NRS” - means the Nevada Revised Statutes.

“Obligations” - means the Reimbursement Obligations (which includes amounts owing to the Bank evidenced by the Bank Note), the Letter of Credit Fees, the obligations of the Authority to pay all fees, charges and expenses payable hereunder, under the Fee Letter and

under the Bank Note, and all other payment obligations of the Authority owed to the Bank arising under or in relation to this Agreement, the Fee Letter and the Bank Note.

“Offering Memorandum” - means the Offering Memorandum dated [May __, 2018], relating to the Commercial Paper Notes, and any supplements and amendments thereto.

“Operation and Maintenance Expenses” - has the meaning set forth in the Resolution.

“Original Stated Amount” - has the meaning set forth in Section 2.1 hereof.

“Other Debt Document” - has the meaning set forth in Section 5.1(k) hereof.

“Other Taxes” - has the meaning set forth in Section 2.13(a) hereof.

“Outstanding Bonds” - means the [Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2006, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2007, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2010] and each series of bonds hereafter issued with a lien on the Net Revenues on a parity with any of such bonds.

“Parity Debt” - has the meaning set forth in the Resolution.

“Participant” - has the meaning set forth in Section 7.3(b) hereof.

“Payment Office” - means _____, at ABA #_____ Account #_____ Ref: _____, or such other office or account as the Bank may designate from time to time.]

“Person” - means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“Plan” - means, with respect to the Authority and each subsidiary at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group of which the Authority or such subsidiary is a part, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group of which the Authority or such subsidiary is a part is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“Prime Rate” - means, for any day, the per annum rate of interest for such day announced or otherwise established by the Bank from time to time as its base rate or equivalent rate for United States dollar denominated loans to borrowers located in the United States as in

effect on such day, with any change in such prime rate or equivalent to be effective on the date of the announcement of such change, it being understood that such rate may not be the best or lowest rate offered by the Bank.

“Project” - has the meaning set forth in the recitals hereof.

“Public Offering” - means an offering of securities through an underwriter to the general public.

“Qualified Surety Bond” - has the meaning set forth in the Bond Resolution.

“Rating Agencies” - means Fitch, Moody’s and S&P.

“Reduction Fee” - has the meaning set forth in the Fee Letter.

“Refunding” - has the meaning set forth in the Resolution.

“Reimbursement Obligations” - means any and all obligations of the Authority to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Advance, including in each instance all interest accrued thereon (which obligations are evidenced and secured by the Bank Note).

“Related Documents” - means this Agreement, the Letter of Credit, the Bank Note, the Dealer Agreement, the Bond Resolution, the Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Resolution and any documents related thereto.

“Resolution” - has the meaning set forth in the recitals hereof.

“Senior Lien Obligations” - has the meaning set forth in the Resolution.

“S&P” - means S&P Global Ratings, and its successors and assigns.

“State” - means the State of Nevada.

“Stated Amount” - means, (i) as of the Closing Date, [\$_____], of which [\$_____] may be drawn to pay the principal of the Commercial Paper Notes, and of which [\$_____] may be drawn to pay interest due on the Commercial Paper Notes, computed at a rate of 12% per annum, calculated on the basis of a year of 365 days, for a period of 270 days, and (ii) for any day thereafter, the maximum amount which by the terms of the Letter of Credit is available to be drawn under the Letter of Credit as of such date.

“Stop-Issuance Instruction” - means the written instruction, in the form attached hereto as Exhibit A, given by the Bank to the Authority and the Issuing and Paying Agent pursuant to Section 6.2(b) hereof.

“Swap Contract” - means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a *“Master Agreement”*), including any such obligations or liabilities under any Master Agreement.

“Taxes” - has the meaning set forth in Section 2.13(a) hereof.

“Termination Fee” - has the meaning set forth in the Fee Letter.

“Term Loan Commencement Date” - means, in respect of an Advance, and subject to the satisfaction of the conditions precedent set forth in Section 3.2 hereof, the earlier to occur of (i) the Letter of Credit Expiration Date and (ii) the ninety-first (91st) day following the date on which the Bank made such Advance to the Authority.

“Termination Date” - has the meaning set forth in the Letter of Credit.

“TMWA Cooperative Agreement” - has the meaning set forth in the recitals hereof.

“TMWA Water System” - has the meaning set forth in the Resolution.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Resolution or the Issuing and Paying Agent Agreement, as applicable. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE II

LETTER OF CREDIT

Section 2.1. Issuance of Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of [\$_____]

(the “*Original Stated Amount*”), which is the sum of (i) the total aggregate principal amount of [\$_____], which may be drawn to pay the principal of the Commercial Paper Notes, plus (ii) interest thereon at the rate of twelve percent (12%) per annum for a period of two hundred seventy (270) days on the basis of a 365 day year ([\$_____]), which may be drawn to pay the interest due on the Commercial Paper Notes.

Section 2.2. Letter of Credit Drawings. The Issuing and Paying Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. The Authority hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Authority hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.3. Reimbursement of Certain Drawings Under the Letter of Credit; Mandatory Prepayment; Interest. (a) If the conditions precedent contained in Section 3.2 hereof are satisfied at the time of payment by the Bank of any Drawing, each Drawing made under the Letter of Credit shall constitute an advance (“*Advance*”) to the Authority. The Authority promises to reimburse the Bank for each Advance on the earliest to occur of (i) the date on which the Letter of Credit is replaced by an Alternate Letter of Credit pursuant to the terms of the Resolution, (ii) if the conditions precedent set forth in Section 3.2 hereof are not satisfied on the related Term Loan Commencement Date, on such Term Loan Commencement Date, (iii) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Letter of Credit Expiration Date), including as a result of the occurrence of an Event of Default, (iv) the third anniversary of the Letter of Credit Scheduled Expiration Date, (v) the end of the term of the Commercial Paper Program in respect of the Commercial Paper Notes as determined in accordance with the Resolution, and (vi) the date on which additional Notes are sold or bonded indebtedness (including any Bonds) is issued by the Authority to fund the repayment of the Commercial Paper Notes. Subject to Section 2.10 hereof, the Authority also promises to pay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect which shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first such date to occur after the making of the related Advance), and on the date that the final principal installment of such Advance is payable as herein provided. Unless otherwise paid in full on one of the dates provided above, and only if the conditions precedent set forth in Section 3.2 are satisfied on the Term Loan Commencement Date, the principal amount of each Advance shall be payable by the Authority in quarterly installments (“*Quarterly Principal Payments*”) commencing on the Term Loan Commencement Date, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance being due and payable on the third anniversary of the date of the related Advance was made (the period commencing on the date the first principal installment is initially payable and ending on the date that the final principal installment of such Advance is payable as herein provided is herein referred to as the “*Amortization Period*”). Each Quarterly Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Quarterly Principal Payments over the applicable Amortization Period.

(b) Any Advance may be prepaid in whole or in part on the day such Advance is made. Any Advance created pursuant to paragraph (a) above may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day's prior written notice.

(c) Upon the Bank's receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment.

(d) All Reimbursement Obligations shall be made against and evidenced by the Authority's promissory note payable to the order of the Bank in the principal amount of such Reimbursement Obligations, such note to be executed and delivered to the Bank on the Closing Date in the form of Exhibit B attached hereto with appropriate insertions (the "*Bank Note*"). All Reimbursement Obligations incurred by the Authority and all payments and prepayments on the account of the principal of and interest on each Reimbursement Obligation shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by the Authority hereunder and under the Bank Note. The Bank may, but shall not be required to, complete the schedule attached to its Bank Note to reflect the making and status of Drawings and Advances thereunder, *provided* that the failure to make or any error in making any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of the Authority to repay any Reimbursement Obligations. The Authority shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.3 and 2.4 hereof. The Authority shall, without duplication (i) make a principal payment on the Bank Note on each date on which the Authority is required to make a principal payment on Reimbursement Obligations in an amount equal to the principal payment due on such date and (ii) pay interest on the Bank Note on each date on which the Authority is required to make an interest payment with respect to Reimbursement Obligations in an amount equal to the interest payment due on such date. The payment of the principal of and interest on the Bank Note shall constitute payment of the principal of and interest on the related Reimbursement Obligations and the payment of the principal of and interest on the Reimbursement Obligations shall constitute the payment of and principal and interest on the Bank Note and the failure to make any payment on any Reimbursement Obligation when due shall be a failure to make a payment on the Bank Note and the failure to make any payment on the Bank Note when due shall be a failure to make a payment on the related Reimbursement Obligation.

Section 2.4. Reimbursement of Drawings Other Than Drawings Creating Advances Under the Letter of Credit. The Authority agrees to reimburse the Bank for the full amount of any Drawing (but only if the conditions precedent contained in Section 3.2 hereof are not satisfied on the date of payment by the Bank of such Drawing) immediately upon payment by the Bank of each such Drawing and on the date of each such payment. If the Authority does not make such reimbursement on such date, such Reimbursement Obligation shall bear interest at the Default Rate and shall be payable on demand.

Section 2.5. Fees. The Authority hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees, expenses and other amounts provided for therein, at the times and in the amounts set forth in the Fee Letter. Without limiting the generality of the foregoing, in the event that the Letter of Credit is terminated or the Stated Amount is reduced and is not subject to reinstatement, the Authority

shall pay to the Bank the Termination Fee and/or Reduction Fee, if any, at the times and in the amounts set forth in and as required by the Fee Letter. The terms and provisions of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All references to amounts or obligations due hereunder or in this Agreement shall be deemed to include all amounts and obligations (including without limitation fees and expenses) under the Fee Letter. All fees paid under this Agreement and the Fee Letter shall be fully earned when due and nonrefundable when paid.

Section 2.6. Method of Payment; Etc. All payments to be made by the Authority under this Agreement shall be made at the Payment Office of the Bank not later than 3:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. Any payment received by the Bank after 3:00 p.m., New York City time, shall be deemed to have been received by the Bank on the next Business Day.

Section 2.7. Substitute Letter of Credit; Reduction of Stated Amount. (a) The Authority agrees not to replace or terminate the Letter of Credit except upon (i) the payment by the Authority to the Bank of any and all fees associated therewith as set forth in the Fee Letter, (ii) the payment to the Bank of all fees, expenses and other amounts due and owing hereunder and under the Fee Letter to and including the date of termination of the Letter of Credit, (iii) the payment to the Bank of all Reimbursement Obligations (including, without limitation any unpaid Drawings or outstanding Advances) and (iv) the Authority providing the Bank with thirty (30) days' prior written notice of its intent to replace or terminate the Letter of Credit; *provided* that all payments to the Bank referred to in clauses (i), (ii) and (iii) above shall be made with immediately available funds.

(b) *Reduction Fees.* Notwithstanding the foregoing and anything set forth herein to the contrary, the Authority agrees not to permanently reduce the Original Stated Amount of the Letter of Credit except in accordance with the terms of the Related Documents and upon the payment of any and all fees associated therewith as set forth in the Fee Letter.

Section 2.8. Computation of Interest and Fees. Fees payable hereunder and under the Fee Letter shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of interest payable by the Authority under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 2.9. Payment Due on Non-Business Day To Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.10. Late Payments. If the principal amount of any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate.

Section 2.11. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.12. Extension of Letter of Credit Expiration Date. If the Authority on any date not more than one hundred eighty (180) days and not less than ninety (90) days prior to the Letter of Credit Expiration Date, submits to the Bank a written request for an extension of the Letter of Credit Expiration Date for a period as specified in such written request, the Bank will use commercially reasonable efforts to respond to such request within sixty (60) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank. If such an extension request is accepted by the Bank in its absolute discretion, the then current Letter of Credit Expiration Date shall be extended to the date agreed to by the Authority and the Bank.

Section 2.13. Net of Taxes, Etc.

(a) *Taxes.* Any and all payments to the Bank by the Authority hereunder or under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, including taxes imposed on or measured by the net income or capital of the Bank by the State with respect to any State income taxes solely as a result of the Bank issuing the Letter of Credit or executing and delivering this Agreement, but excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the Authority shall be required by law to withhold or deduct any Taxes from or in respect of any sum payable hereunder or under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Authority shall make any payment under this Section 2.13 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Authority an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Authority with respect to such Taxes. In addition, the Authority agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of

America, the State of New York, the State or any other taxing jurisdiction from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement or the Fee Letter or the issuance of the Letter of Credit (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the Authority within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by the Authority to the Bank hereunder; *provided* that the Bank's failure to send such notice shall not relieve the Authority of its obligation to pay such amounts hereunder.

(b) *Indemnity.* The Authority shall, to the fullest extent permitted by law and subject to the provisions hereof, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that the Authority shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the Authority of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided* that the Bank's failure to notify the Authority promptly of such assertion shall not relieve the Authority of its obligation under this Section 2.13. Payments by the Authority pursuant to this indemnification shall be made within 60 days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the Authority any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Authority pursuant to this Section 2.13 received by the Bank for Taxes or Other Taxes that were paid by the Authority pursuant to this Section 2.13. Additionally, the Bank agrees to consider any written request (and, to respond to such written request in writing within fifteen (15) days of the date of receipt of such written request) from the Authority to contest, with the cooperation and at the expense of the Authority, any such Taxes or Other Taxes which the Bank or the Authority reasonably believes not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the Authority, the Authority shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) *Bank Representation.* The Bank does not expect to be subject to any Taxes or Other Taxes, directly or indirectly, imposed, assessed, levied or collected by or for the account of any Governmental Authority as a result of the execution or delivery of this Agreement or the issuance of the Letter of Credit.

(e) *Survival of Obligations.* The obligations of the Authority under this Section 2.13 shall survive the termination of this Agreement.

Section 2.14. Increased Costs. (a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof

by any court, central bank or other administrative or Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), regardless of the date enacted, adopted or issued, or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall (i) change the basis of taxation of payments to the Bank of any amounts payable hereunder or under the Fee Letter (except for taxes on the overall net income of the Bank or such Participant), (ii) impose, modify or deem applicable any reserve, liquidity ratio, special deposit or similar requirement against making or maintaining its obligations under this Agreement or the Letter of Credit or assets held by, or deposit with or for the account of, the Bank or such Participant or (iii) impose on the Bank or such Participant any other condition regarding this Agreement or the Letter of Credit, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank of making or maintaining its obligations hereunder or maintaining the Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank or such Participant hereunder or under the Fee Letter, then, the Authority shall pay to the Bank or such Participant, at such time and in such amount as is set forth in paragraph (c) of this Section 2.14, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), shall impose, modify or deem applicable any capital adequacy or liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or such Participant allocates capital or liquidity resources to its commitments, including its obligations under lines of credit) that either (i) affects or would affect the amount of capital or liquidity to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the Bank's or such Participant's policies with respect to capital adequacy or liquidity) then, the Authority shall pay to the Bank or such Participant, at such time and in such amount as is set forth in

Section 2.14(c), such additional amount or amounts as will compensate the Bank or such Participant for such cost of maintaining such increased capital or such reduction the rate of return on the Bank's or such Participant's capital.

(c) All payments of amounts referred to in Section 2.14(a) and (b) shall be due sixty (60) days following the Authority's receipt of written notice thereof. Interest on the sums due as described in Section 2.14(a) and (b), and in the preceding sentence, shall begin to accrue from the date which is 60 days following the Authority's receipt of notice thereof and shall otherwise be payable in accordance with Section 2.6 hereof; *provided* that from and after the required date of payment, interest shall begin to accrue on such obligations at a rate per annum equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in Section 2.14(a) or (b) setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Authority and shall be deemed *prima facie* correct as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate.

(d) Notwithstanding anything contained in paragraphs (a), (b) or (c) of this Section 2.14, the Authority shall have no liability to the Bank for any increased costs, increased capital or reduction in rate of return to the extent incurred by or imposed on the Bank more than one hundred eighty (180) days prior to the date the above-described written notice is given to the Authority with respect thereto (the "*Cut-Off Date*"), except where (A) the Bank had no actual knowledge of the action resulting in such increased costs, increased capital or reduction in rate of return, as applicable, as of the Cut-Off Date or (B) such increased costs, increased capital or reduction in rate of return apply to the Bank retroactively to a date prior to the Cut-Off Date.

(e) No participant or other transferee of the Bank's rights shall be entitled to receive any greater payment under this section than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Authority's prior written consent.

Section 2.15. Reserved.

Section 2.16. Maximum Rate; Payment of Fee. If the rate of interest payable hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof and (ii) the Maximum Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the Authority shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the date all Obligations are payable hereunder following the termination of the Letter of Credit, in

consideration for the limitation of the rate of interest otherwise payable hereunder, the Authority shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 2.17. Commercial Paper Notes Operations.

(a) *Issuance Generally.* The Authority will permit Commercial Paper Notes to be issued, and authorize the Issuing and Paying Agent to issue Commercial Paper Notes, only in accordance with the terms of the Resolution and this Agreement.

(b) *Stop-Issuance Instructions; Final Drawing Notice.* Commercial Paper Notes may be issued from time to time prior to the Letter of Credit Expiration Date in accordance herewith and with the Resolution so long as (i) the Issuing and Paying Agent is not in receipt of a Stop-Issuance Instruction, and not rescinded and (ii) the Issuing and Paying Agent is not in receipt of the Final Drawing Notice. The Bank may deliver a Stop-Issuance Instruction or a Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. A Stop-Issuance Instruction or the Final Drawing Notice shall be effective when received by the Issuing and Paying Agent; *provided, however*, that a Stop-Issuance Instruction or the Final Drawing Notice received by the Issuing and Paying Agent after 11:00 A.M. New York time, on any day on which Commercial Paper Notes are being issued shall be effective on the next succeeding day. A Stop-Issuance Instruction or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Stop-Issuance Instruction or the Final Drawing Notice in writing shall not render such Stop-Issuance Instruction or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Stop-Issuance Instruction or the Final Drawing Notice to the Authority and the Dealer promptly following delivery thereof to the Issuing and Paying Agent, but the failure to furnish any such copy shall not render ineffective such Stop-Issuance Instruction or the Final Drawing Notice.

ARTICLE III
CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to Issuance of the Letter of Credit. As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the Authority shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank's counsel, Chapman and Cutler LLP (hereinafter, "*Bank's Counsel*");

(i) *Approvals.* The Bank shall have received a counterpart of this Agreement and the Fee Letter duly executed by the Authority and the Bank and copies of all action taken by the Authority approving the execution and delivery by the Authority of this Agreement, the Fee Letter and the Bank Note, in each case, certified by an authorized official of the Authority as complete and correct as of the date hereof.

(ii) *Incumbency of Authority Officials.* The Bank shall have received an incumbency certificate of the Authority in respect of each of the officials who is authorized to (i) sign this Agreement, the Fee Letter and the Bank Note on behalf of the

Authority and (ii) take actions for the Authority under this Agreement, the Bank Note and the other Related Documents with respect to the Commercial Paper Notes.

(iii) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date to the effect that (A) this Agreement, the Fee Letter and the Bank Note shall have been duly authorized, executed and delivered by the Authority and are the valid and binding obligations of the Authority enforceable in accordance with their terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the Authority and equitable principles relating to or affecting creditors' rights generally from time to time, (B) the execution and delivery by the Authority of this Agreement, the Fee Letter and the Bank Note does not violate the constitution or laws of the State; (C) the Board on behalf of the Authority has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery, and performance by the Authority of this Agreement, the Fee Letter and the Bank Note and (D) the Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Credit Agreement Obligations (as defined in the Resolution) owed to the Bank pursuant to this Agreement, which lien is subordinate and junior only to the lien thereon of the Senior Lien Obligations now or hereafter outstanding and is on a parity with the lien thereon of the Commercial Paper Notes and the Parity Debt now or hereafter outstanding.

(iv) *Bank Note.* The Bank shall have received an executed Bank Note payable to the Bank.

(v) *Issuing and Paying Agent; Dealers.* The Dealers and the Issuing and Paying Agent shall have been appointed. The Bank shall have received certified copies of the Issuing and Paying Agent Agreement and the Dealer Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect.

(vi) *Resolution.* The Bank shall have received a certified copy of the Resolution including any amendments or supplements thereto, if any, which have been adopted as of the Closing Date, authorizing the issuance of the Commercial Paper Notes, all certified by the Secretary of the Board as being in full force and effect.

(vii) *No Default, Etc.* (A) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the Authority of this Agreement and the Bank Note, (B) the representations and warranties made by the Authority in Article IV hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date (except to the extent the same expressly relate to an earlier date), (C) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2017, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect, (D) no material litigation is ongoing with respect to the Authority or any of its property which would be reasonably likely to result in a Material Adverse Effect and

(E) the Bank shall have received a certificate, given and made as of the Closing Date, from the Authority to the foregoing effect.

(viii) *Financial Information.* The Bank shall have received copies of (A) the Authority's audited financial statements, for the Fiscal Year ended June 30, 2017; and (B) the investment policy (including permitted investments) of the Authority.

(ix) *Legality; Material Adverse Change.* The Bank shall have determined (in its sole discretion) that (A) neither the making of any Drawings or Advances nor the consummation of any of the transactions contemplated by the Resolution, the Commercial Paper Notes, the Bank Note or this Agreement will violate any law, rule, guideline or regulation applicable to the Authority, the Bank or this Agreement and (B) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2017, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect.

(x) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses referred to in Section 7.6 hereof.

(xi) *Bank Note.* The Bank shall have received written evidence satisfactory to the Bank that (a) a CUSIP number has been obtained and reserved from Standard & Poor's CUSIP Service for the Bank Note, (b) the Bank Note shall have been assigned a rating of at least "BBB-" by Fitch or "Baa3" by Moody's, and (c) the unenhanced Senior Lien Obligations have been rated at least "Aa2" (or its equivalent) by Moody's, "AA-" (or its equivalent) by S&P and "AA-" (or its equivalent) by Fitch.

(xii) *Ratings of Notes.* The Bank shall have received written evidence satisfactory to the Bank that the Commercial Paper Notes have been assigned at least two of the following short-term debt ratings: "A-1" by S&P, "VMIG1" by Moody's or "F1" by Fitch.

(xiii) *Existing Facility.* The Bank shall have received satisfactory evidence that the Existing Letters of Credit shall have been cancelled and that all obligations owed under the Existing Reimbursement Agreements shall have been paid in full.

(xiv) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or the Bank's Counsel shall have reasonably requested.

Section 3.2. Conditions Precedent to Advances. Following any payment by the Bank under the Letter of Credit pursuant to a Drawing, an Advance shall be made available to the Authority *only if* on the date of payment of such Drawing by the Bank (a) the representations and warranties contained in Article IV of this Agreement are true and correct in all material respects as of such date (except to the extent that they expressly relate to an earlier date); and (b) no event

has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the Authority shall have previously advised the Bank in writing that the above statements are no longer true, the Authority shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement, the Authority represents and warrants to the Bank as follows:

Section 4.1. Organization, Powers, Etc. The Authority: (i) is validly organized and existing under and by virtue of the laws of the State of Nevada, (ii) has full power and authority to own its properties and carry on its business as now conducted, (iii) has or had, as applicable, full power and authority to execute (or adopt, if applicable), deliver and perform its obligations under this Agreement and the Related Documents, to borrow hereunder and to execute, deliver and perform its obligations under the Commercial Paper Notes and (iv) has or had, as applicable, full power and authority to grant the lien and pledge of the Net Revenues securing the Obligations in favor of the Bank.

Section 4.2. Authorization, Absence of Conflicts, Etc. The execution (or adoption, if applicable), delivery and performance of this Agreement and the Related Documents and the execution, delivery and performance of the Commercial Paper Notes: (i) have or had, as applicable, been duly authorized by the Authority, (ii) did not, do not and will not, to any material extent, conflict with, or result in violation of any applicable provision of law, including the Authority Act, or any order, rule or regulation of any court or other agency of government, and (iii) did not, do not and will not, to any material extent, conflict with, result in a violation of or constitute a default under, the Resolution or any other resolution, agreement or instrument to which the Authority is a party or by which the Authority or any of its property is bound.

Section 4.3. Governmental Consent or Approval. The execution, delivery and performance of this Agreement and the Related Documents and the execution, delivery and performance of the Commercial Paper Notes did not, do not and will not require registration with, or the consent or approval of, or any other action by, any Federal, state or other governmental authority or regulatory body other than those which have been made or given and are in full force and effect; *provided* that no representation is made as to any blue sky or securities law of any jurisdiction.

Section 4.4. Binding Obligations. This Agreement and the Related Documents are, and the Commercial Paper Notes, when executed and delivered, will be, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against the Authority.

Section 4.5. No Public Vote or Referendum. To the best knowledge of the Authority, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way have a Material Adverse Effect.

Section 4.6. No Defaults. The Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in the Resolution or any other resolution, agreement or instrument to which it is a party which would have a Material Adverse Effect on the ability of the Authority to perform its obligations hereunder or under the Related Documents or which would materially adversely affect the enforceability hereof.

Section 4.7. Litigation. There is no action or investigation pending or, to the knowledge of the Authority, threatened against the Authority before any court or administrative agency which questions the validity of the Authority Act, the Bond Act, or the validity of any proceeding taken by the Authority in connection with the execution and delivery of this Agreement, the Related Documents, or the Commercial Paper Notes or wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of this Agreement, the Related Documents or the Commercial Paper Notes. There is no action pending or to the knowledge of the Authority, threatened, which questions the validity of the Authority Act or the Net Revenues nor is there any pending initiative or referendum qualified for the ballot which would seek to amend, annul, modify or replace the Authority Act or to diminish or reallocate the Net Revenues.

Section 4.8. Financial Condition. All of the Authority's financial statements to date and all financial statements relating to the Gross Revenues to date, copies of which have been furnished to the Bank, have been prepared in conformity with generally accepted accounting principles (except as noted therein). All of such financial statements accurately present, in all material respects, the financial condition of the Authority, including the Net Revenues as of the dates thereof, and other than as disclosed to the Bank, there has been no material adverse change in the business or affairs of the Authority or of the Net Revenues since the date the last such report was so furnished.

Section 4.9. Incorporation of Representations and Warranties by Reference. The Authority hereby makes to the Bank the same representations and warranties made by the Authority in each Related Document to which the Authority is a party, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. Except as permitted by Section 5.2(c) hereof, no amendment to such representations and warranties or defined terms made pursuant to any Related Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

Section 4.10. Environmental Matters. To the best knowledge of the Authority, the operations of the Authority are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not the subject of any governmental investigation evaluating whether any remedial action is needed to

respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action would have a Material Adverse Effect.

Section 4.11. Authority for Issuance; Interest Rate Limitation. The Authority has entered into this Agreement so that the Letter of Credit will provide credit enhancement with respect to the Commercial Paper Notes and under the authority provided by the Authority Act and the Bond Act. Pursuant to NRS 350.5835, the interest rates payable under this Agreement are limited only by the terms specified in this Agreement.

Section 4.12. Security. The Resolution creates for the benefit of the Bank with respect to the Authority's obligations owed to the Bank hereunder (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate owed on any Advances) the legally valid, binding and irrevocable lien on and pledge of (a) the proceeds of all obligations issued by the Authority to refund any outstanding Advances and (b) Net Revenues, without any further filing, registering, recording, publication or other action, subject to the provisions of the Resolution, with an equal priority lien on such moneys with the holders of the Commercial Paper Notes and Parity Debt, subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against the Authority. For the avoidance of doubt and notwithstanding anything contained in the Resolution to the contrary, the pledge of Net Revenues set forth in the Resolution is irrevocable until all of the Notes are no longer outstanding and all of the Credit Agreement Obligations (as defined in the Resolution) shall have been paid in full and the Letter of Credit shall have terminated. Except as provided in Section 5.2(d) hereof, nothing herein shall limit the right of the Authority to issue additional Senior Lien Obligations, Parity Debt, Drinking Water State Revolving Fund Loans or obligations junior to the Notes and Parity Debt.

Section 4.13. Offering Memoranda. (a) The information contained in any offering memorandum or commercial paper memorandum furnished to prospective purchasers of the Commercial Paper Notes as of the Closing Date and as of date on which it is furnished to prospective purchasers of the Commercial Paper Notes (excluding information provided by the Bank, the Dealers and the Depository Trust Company as to which no representation is made) did not or will not contain any untrue statement of a material fact or fail to include any statement of a material fact concerning the Authority necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of the Closing Date, the Bank acknowledged that the limited information regarding the Authority in the Offering Memorandum was not intended by the Authority to represent all pertinent information regarding the Authority's creditworthiness or its ability to reimburse the Bank for amounts due under this Agreement. The Bank acknowledges that: (i) it had and has performed its own financial analysis with regard to the Authority and its ability to reimburse the Bank for amounts due under this Agreement, and (ii) it had not and has not relied upon the information contained in the Offering Memorandum in evaluating the creditworthiness of the Authority in connection with its decision to issue the Letter of Credit; *provided, however*, that to the extent that the Bank has relied on certain information provided to them by the Authority that is also contained in the

Offering Memorandum, nothing contained herein shall limit any action that the Bank might have against the Authority with respect to such information.

(b) The Bank hereby covenants to provide the Authority updated disclosure information for inclusion in periodically updated offering documents with respect to the Notes, if available, promptly upon the reasonable written request of the Authority.

Section 4.14. Legislation. No legislation has been enacted which in any way materially adversely affects or which prohibited or prohibits, as applicable (i) the issuance or delivery of the Commercial Paper Notes, (ii) the adoption of the Resolution, (iii) the execution and delivery of this Agreement or any of the Related Documents to which the Authority is a party, (iv) the creation, organization or existence of the Authority or the titles to office of any officers of the Authority, or (v) the power of the Authority to carry out its obligations under this Agreement or any of the Related Documents to which the Authority is a party.

Section 4.15. Provisions of Law. There is no maximum interest rate that applies to the Authority's obligations under this Agreement presently prescribed by NRS; no vote or referendum of the registered electors of the Authority is presently required by NRS in connection with the Notes or any of the Authority's obligations under the Agreement; and the Authority is not entitled to raise the defense of sovereign immunity or any other similar doctrine in any actions by the Bank against the Authority not sounding in tort to enforce the provisions of this Agreement under the existing provisions of NRS.

Section 4.16. Employee Benefit Plan Compliance. The Authority has no funding liability or obligation currently due and payable with respect to any employee benefit plan which could reasonably be expected to materially and adversely affect the ability of the Authority to perform its obligations hereunder or under any other Related Document. The Authority is otherwise in compliance with the terms of any such plan in which the Authority participates to the extent any such failure to comply could reasonably be expected to result in a Material Adverse Effect. Neither the Authority nor any employee benefit plan maintained by the Authority is subject to ERISA. The Authority maintains no Plans.

Section 4.17. Margin Regulations. No portion of the proceeds of any Drawings under the Letter of Credit or Advances hereunder shall be used by the Authority (or the Issuing and Paying Agent or any other Person on behalf of the Authority) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U or X of the Board of Governors of the Federal Reserve System or any other regulation of the Department of the Treasury or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Drawings or Advances and such use of proceeds.

Section 4.18. Compliance. The current collection of Gross Revenues and the management of the Authority and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the Authority. The Authority is in compliance with the terms and conditions of each of the Related Documents to which it is a party, and no breach of the terms hereof or thereof has

occurred and is continuing, and no Default or Event of Default has occurred and is continuing. The Authority is in material compliance with all laws, ordinances, orders, writs, injunctions, decrees, rules and regulations applicable to it (including, without limitation, all applicable federal, state or local environmental, health and safety statutes and regulations, and the Authority's investment policy guidelines), except to the extent noncompliance could not reasonably be expected to have a Material Adverse Effect.

Section 4.19. Maintenance of Insurance. The Authority shall maintain, or cause to be maintained, at all times insurance on and with respect to its properties with responsible and reputable insurance companies; *provided, however,* that the Authority may maintain self-insurance for worker's compensation and vehicle liability and, with the consent of the Bank, such other self-insurance as it deems prudent. Such insurance shall include casualty, liability and workers' compensation and be in amounts and with deductibles and exclusions customary and reasonable for governmental entities of similar size and with similar operations as the Authority. The Authority shall, upon request of the Bank, furnish evidence of such insurance to the Bank.

Section 4.20. Alternate Letter of Credit; Credit Agreement. The Letter of Credit constitutes an Alternate Letter of Credit under the Resolution, and all conditions precedent to the effectiveness of the Letter of Credit as an Alternate Letter of Credit under the Resolution have been satisfied or waived. Upon the issuance of the Letter of Credit, this Agreement will constitute the "Credit Agreement" as defined in the Resolution.

Section 4.21. Anti-Terrorism Laws. (a) The Authority is not in violation of any Laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the Patriot Act;

(b) The Authority is not any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which the Purchaser is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the Office of Foreign Asset Control ("*OFAC*") or any list of Persons issued by OFAC pursuant to the Executive Order at its

official website or any replacement website or other replacement official publication of such list;

(c) The Authority does not (i) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (b)(ii) above, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engage in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

ARTICLE V COVENANTS

Section 5.1. Affirmative Covenants of the Authority. Until the termination of the Letter of Credit and this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will:

(a) *Reports and Other Information.* (i) *Notice of Default.* As promptly as practical after the chief financial officer of the Authority shall have obtained knowledge of the occurrence of an Event of Default, provide to the Bank the written statement of the Authority setting forth the details of such event and the action which the Authority proposes to take with respect thereto.

(ii) *Annual and Semi-Annual Reports.* (A) Within one hundred eighty (180) days after the end of each Fiscal Year of the Authority, provide to the Bank audited financial statements of the Authority, consisting of a balance sheet and a statement of revenues, expenditures and changes in fund balances of the Authority, including the Gross Revenues for such Fiscal Year, setting forth in comparative form the corresponding figures (if any) for the preceding Fiscal Year, all in reasonable detail, and accompanied by an unqualified opinion of **[Kafoury, Armstrong & Co., certified public accountants, Reno, Nevada]** (or another independent certified public accounting firm acceptable to the Bank (if such accounting firm is not nationally recognized and such acceptance not to be unreasonably withheld or delayed)) stating that they have been prepared in accordance with generally accepted accounting principles consistently applied together with a certificate signed by the chief financial officer of the Authority (x) demonstrating compliance with Section 5.1(i) hereof and (y) stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

(B) Within sixty (60) days after each June 30 and December 31 (beginning June 30, 2018), provide to the Bank unaudited financial statements of the Authority, consisting of a statement of net position, a statement of revenues, expenditures and changes in net assets of the Authority, including a statement of cash flows of the Authority, including the Gross Revenues for such fiscal period, setting forth in comparative form the corresponding figures (if any) for the preceding fiscal period, all in reasonable detail, certified by the chief financial officer of the Authority.

(C) In the event the Authority is a party to any interest rate swaps or commodity swaps, as soon as available and in any event within 60 days after the end of each June 30 and December 31, a semi-annual summary with respect to (i) interest rate swaps (including, without limitation, an aggregate mark-to-market valuation of all interest rate swaps) and (ii) commodity swaps (including, without limitation, an aggregate mark-to-market valuation of all commodity swaps).

(iii) *Offering Circulars.* Within ten (10) days after the issuance of any securities by the Authority with respect to which a final official statement or other offering or disclosure document has been prepared by the Authority, (1) provide the Bank with a copy of such official statement or offering circular or (2) provide the Bank with notice that such information has been filed with EMMA and is publicly available; and (B) during any period of time the Authority is subject to continuing disclosure requirements under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, immediately following any dissemination, distribution or provision thereof to any Person, (1) provide the Bank with a copy of any reportable event notice (as described in b(5)(i)(C) of Rule 15c2-12) disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements or (2) provide the Bank with notice that such event notice has been filed with EMMA and is publicly available.

(iv) *Notice of Adverse Change.* Notify the Bank as soon as possible after the chief financial officer of the Authority acquires knowledge of the occurrence of the filing of a complaint against the Authority in any court or administrative agency, where the amount claimed is in excess of Five Million Dollars (\$5,000,000).

(v) *Budget.* As soon as available, but in any event within 30 days following the beginning of each Fiscal Year, deliver to the Bank the annual budget of the Authority.

(vi) *Other Information.* Provide to the Bank such other information respecting the business affairs, financial condition and/or operations of the Authority, as the Bank may from time to time reasonably request.

(b) *Inspections; Discussion.* Permit the Bank or its representatives, at any reasonable time during normal business hours and from time to time at the request of such Bank and at such Bank's expense (to the extent that the Authority has the legal ability to permit access thereto): to discuss the affairs, finances and accounts of the Authority with the appropriate officers of the Authority and its independent public accountants; *provided* that, if required by the Authority, as a condition to the Bank being permitted by the Authority to make or conduct any such visit, inspection, examination or discussion, the Bank shall certify to the Authority that the same is being made or conducted solely in order to assist the Bank in evaluating its position under the Agreement.

(c) *Preservation of Pledge.* Take any and all actions necessary or reasonably requested by any Bank to maintain the pledges and security interests described in Section 4.12 hereof.

(d) *Taxes and Liabilities.* Pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, which default could have a material adverse effect on the ability of the Authority to perform its obligations under this Agreement; *provided* that the Authority shall have the right to defer payment or performance of obligations to Persons other than the Bank so long as it is contesting in good faith the validity of such obligations by appropriate legal action and no final order or judgment has been entered with respect to such obligations.

(e) *Sovereign Immunity.* To the extent that the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings, on the grounds of sovereign immunity or any other similar doctrine, the Authority hereby irrevocably waives, to the full extent permitted by law, such rights to immunity for itself in respect of its contractual obligations arising under or related to this Agreement. The foregoing does not constitute consent to any claim being made on or relief or execution being granted against any revenues or assets of the Authority other than Net Revenues, and the foregoing shall never apply to any tort claims.

(f) *Liquidity.* (i) In the event that (A) the Bank shall determine not to extend the Letter of Credit Expiration Date or (B) an Event of Default shall have occurred and the Bank shall have delivered to the Issuing and Paying Agent a Stop-Issuance Instruction or a Final Drawing Notice, the Authority shall use its commercially reasonable best efforts to obtain an Alternate Letter of Credit to replace this Agreement.

(ii) The Authority agrees that any Alternate Letter of Credit will require, as a condition to the effectiveness of the Alternate Letter of Credit, that the provider of the Alternate Letter of Credit will provide funds, on the date the Alternate Letter of Credit becomes effective, for the payment of all principal and accrued interest (at the Bank Rate) on all Reimbursement Obligations. On such date any and all amounts due hereunder and under the Resolution or the Bank Note due to the Bank shall be payable in full to the Bank.

(g) *Incorporation by Reference.* From and after the date hereof and so long as the Letter of Credit or this Agreement is in effect or any obligation of the Authority hereunder remains unsatisfied, except to the extent compliance in any case or cases is waived in writing by the Bank pursuant to the terms hereof, the Authority agrees that it will, for the benefit of the Bank, comply with, abide by, and be restricted by all of the agreements, covenants, obligations and undertakings of the Authority contained in the Related Documents of which any failure of the Authority to comply with or abide by would result in a material adverse effect on the rights, security and interests of the Bank, which provisions, together with the related definitions, and ancillary provisions, are hereby incorporated herein by reference, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and it will be deemed to continue in effect for the benefit of the Bank, without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, it being the intent of the parties that no such amendment, modification or waiver shall

constitute an amendment, modification or waiver of the provisions thereof as incorporated herein.

(h) *Corporate Existence, Etc.* The Authority will maintain its corporate existence. The Authority will preserve and keep in force and effect all licenses, permits, franchises and qualifications necessary to the proper conduct of its business. The Authority will continue to engage in a business of the same general type as now conducted by it.

(i) *Rate Maintenance Covenant.* The Authority will maintain a schedule of rates, fees and other charges for water and other goods and services provided by the TMWA Water System so that the amount of the Gross Revenues in each Fiscal Year equals at least the sum of: (i) the amount of Gross Revenues required to pay Operation and Maintenance Expenses for such Fiscal Year; *plus* (ii) the greater of (A) 1.25 times the Bond Requirements for the Comparable Bond Year of the Outstanding Bonds; or (B) all other amounts payable from the Gross Revenues and pertaining to the TMWA Water System, including, without limitation, debt service on any Drinking Water State Revolving Fund Loans, any parity or subordinate securities, Operation and Maintenance reserves, capital reserves, any obligations under an agreement between the Authority and the provider of a Qualified Surety Bond, Obligations hereunder and any obligations under an agreement between the Authority and any credit or liquidity provider supporting bonds, commercial paper or other indebtedness of the Authority and prior deficiencies pertaining to any account relating to Gross Revenues.

(j) *Maintenance of Ratings.* The Authority covenants and agrees that it shall at all times maintain (i) at least two unenhanced long-term ratings from any of Fitch, Moody's or S&P on its Senior Lien Obligations, (ii) at least two short-term ratings on the Commercial Paper Notes by any Rating Agency, and (iii) at least one long-term rating of at least Investment Grade for the Bank Note from any Rating Agency. The Authority covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Senior Lien Obligations from any of Fitch, Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement.

(k) *Credit Facilities.* (i) In the event that the Authority shall, directly or indirectly, enter into or otherwise consent to any Other Debt Document, which such Other Debt Document (or amendment thereto) provides such Person with more restrictive covenants, additional or different events of default, greater rights and remedies and/or acceleration rights than are provided to the Bank in this Agreement (collectively, the "*Additional Rights*"), then, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (each such event referred to herein as a "*potential default*") (without regard to a waiver of such potential default or event of default) under such Other Debt Document (or amendment thereto) caused by such Additional Rights, such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights; *provided, however*, that such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights only from and after the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event

of default) under the related Other Debt Document caused by the Additional Rights or a failure by the Authority to comply with such Additional Rights; *provided* that, for the avoidance of doubt, in no event shall any such Additional Rights result in there being any event of default under this Agreement the remedy for which shall be the immediate termination or suspension of the obligation of the Bank to honor a properly presented and conforming Drawing pursuant to the terms of the Letter of Credit. The Authority shall promptly, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Other Debt Document caused by such Additional Rights or a failure by the Authority to comply with such Additional Rights, enter into an amendment to this Agreement to include such Additional Rights, *provided* that the Bank shall maintain the benefit of such Additional Rights even if the Authority fails to provide such amendment.

(ii) In the event that the Authority shall enter into or otherwise consent to any Other Debt Document, which such Other Debt Document provides for any term or provision which permits any outstanding advance, loan or drawing to be amortized or repaid over a period shorter than the Amortization Period set forth in Section 2.3(a) hereof (or preferential payment frequency) (a “*Preferential Amortization Period*”), this Agreement shall automatically be deemed to be amended such that the Amortization Period set forth in Section 2.3(a) hereof shall be such Preferential Amortization Period. Upon the occurrence of the conditions set forth in the immediately preceding sentence, the Authority shall promptly enter into an amendment to this Agreement such that the Amortization Period equals such Preferential Amortization Period, *provided* that the Amortization Period shall equal the Preferential Amortization Period regardless of whether this Agreement is amended.

(iii) For purposes of this Section 5.1(k), “*Other Debt Document*” means any letter of credit reimbursement agreement, standby bond purchase agreement, liquidity agreement, direct bond purchase agreement or other similar agreement or instrument (or any amendment, supplement or modification thereto) executed and delivered after the Closing Date between the Authority and a bank or similar financial institution under which the party to that Other Debt Document (other than the Authority) undertakes to purchase Additional Debt of the Authority (*provided* that for purposes of this Section 5.1(k) only, purchases of Additional Debt shall not include purchases made in a Public Offering of Additional Debt), make loans or extend credit or liquidity to the Authority, that is payable from and secured by the Net Revenues and that has the same lien priority as the Authority’s Obligations under this Agreement, or a subordinate lien priority on Net Revenues. “*Other Debt Document*” does not include loans or extensions of credit the repayment obligation of the Authority with respect to which shall be payable as Operation and Maintenance Expenses and not secured by a Lien on Net Revenues on a parity with or subordinate to the Lien on Net Revenues securing the Obligations owed to the Bank hereunder.

(l) *Operation and Maintenance of TMWA Water System.* The Authority will operate, maintain and preserve the TMWA Water System in good repair and working order in conformity with standards customarily followed for municipal water systems of like size and character. The Authority will from time to time make necessary and proper repairs, renewals, replacements and substitutions to the properties of the TMWA Water System, so that business carried on in

connection with the TMWA Water System shall and can be conducted in an efficient and economical manner, and will operate the TMWA Water System in an efficient and economical manner. The Authority shall not use the TMWA Water System to conduct any business other than that which is lawfully permitted.

(m) *Further Assurances.* The Authority agrees to do such further acts and things and to execute and deliver to the Bank such additional assignments, agreements, powers and instruments as the Bank may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement and the Fee Letter or to better assure and confirm to the Bank its rights, powers and remedies hereunder and under the Related Documents.

(n) *Maturity Date of Commercial Paper Notes.* The Authority shall use commercially reasonable efforts to issue any Commercial Paper Notes with a maturity date of not less than five (5) days after the date of issuance.

Section 5.2. Negative Covenants of the Authority. Until the termination of the Letter of Credit and this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will not:

(a) *Compliance with Acts, Etc.* Violate any laws, rules, regulations, or governmental orders to which it is subject, which violation will materially and adversely affecting its financial condition.

(b) *Amendments.* Without the written consent of Bank, (i) consent or agree to any rescission of or amendment to the Authority Act which would reduce the amount of the Net Revenues or which would materially impair or materially adversely affect the rights of the Authority to the Net Revenues or the security of the Bank (it being understood that only the Legislature of the State, not the Authority, has the power to rescind or amend the Authority Act); or (ii) agree to any amendment, supplement or modification to the Resolution such that payments to holders of Commercial Paper Notes are impaired or reduced or the priority of the obligations of the Authority to the Bank hereunder is adversely affected in any way; or (iii) agree to any amendment of the Resolution whatsoever which will materially and adversely affect any right, security or interest of the Bank.

(c) *Amendments to Related Documents.* Without the prior written consent of the Bank, modify, amend, or supplement, or give any consent to any modification, amendment or supplement, or make any material waiver with respect to any of the Related Documents.

(d) *Additional Debt.* (i) Issue Additional Debt payable from or secured by a lien on Net Revenues on a parity basis with or senior to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance) unless at the time of issuance of such Additional Debt the Authority provides to the Bank a written certificate (including supporting calculations) of an Authorized Representative of the Authority stating that:

(A) based upon reasonable assumptions, projected Gross Revenues will be sufficient to satisfy the rate maintenance covenant set forth in the resolutions authorizing the Authority Debt through the maturity date of such Additional Debt and in Section 5.1(i) hereof; and

(B) the projected Net Revenues for each of the first five (5) Fiscal Years immediately succeeding the last Fiscal Year in which any interest on such Additional Debt is capitalized will be at least equal to 110% of the Annual Debt Service with respect to all outstanding Senior Lien Obligations, Parity Debt, the Notes and Obligations calculated as if the full authorized amount of such Additional Debt were then outstanding.

(ii) For the purposes of determining Annual Debt Service pursuant to this Section 5.2(d), (A) interest payable on the Commercial Paper Notes shall be deemed to be 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer and (B) interest payable on other Authority Debt which bears interest at a rate other than a long term fixed rate shall be deemed to be the greater of (i) the actual amount of interest paid thereon during such 12 month period (or if such Authority Debt was not outstanding during the entire 12 month period, the amount of interest that would have been paid thereon if the rate or rates of interest thereon were equal to the rate applicable to similar variable rate indebtedness for such 12 month period), or (ii) the amount of interest that would have been paid thereon if the interest rate was 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer and (C) the amount of principal due on the Commercial Paper Notes (or other similar obligations with maturities of less than one year or for which more than 25% of the principal amount of such obligations mature in one Fiscal Year) during such twelve (12) month period shall be deemed to be the amount that would be due in that Fiscal Year if the indebtedness represented by those obligations were amortized over a period of thirty (30) years (or such shorter period ending on the date the program pursuant to which such obligations were issued terminates) from the date the obligation was first issued (for a purpose other than paying principal on a prior issue of commercial paper) at an interest rate equal to 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer. For purposes of the foregoing Additional Debt Test, the Authority may treat its actual or projected unencumbered ending fund balance for a Fiscal Year as a portion of the Net Revenues in the succeeding Fiscal Year to the extent such unencumbered net assets (i) may legally be used for such payments and (ii) consists of cash and investment described in NRS 350.658, 350.659 and 355.170.

(iii) For purposes of subsections (a)(i) and (a)(ii) above, in estimating Net Revenues, the Authorized Representative may take into account (1) Gross Revenues generated by the TMWA Water System reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges or other sources of Gross Revenues which have been approved by the Authority and will be in effect during the period for which the estimates are provided, and (3) any other increases in Gross Revenues which the Authorized Representative believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Authorized Representative shall use such assumptions as the Authorized Representative believes reasonable, taking into account (i) historical Operation and Maintenance Expenses and (ii) such other factors, including inflation and changing operations or policies of the Authority, as the Authorized Representative believes to be appropriate. The Authorized Representative shall include in the certificate or in a separate

accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Annual Debt Service.

(iv) For purposes of preparing the certificate or certificates described above, the Authorized Representative may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant only if audited financial statements for such Fiscal Year or period are not available; *provided, however*, that the chief financial officer of the Authority shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

(v) Nothing herein shall prevent the Authority from issuing Additional Debt payable from and secured by a lien on the Net Revenues which is junior and subordinate to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance). In addition, nothing herein limits the ability of the Authority to issue Additional Debt in order to refund any outstanding Authority Debt (the "*Refunding Obligations*") payable from the Net Revenues if and so long as (i) the lien on the Net Revenues securing such Additional Debt is on a parity with or junior and subordinate to the lien thereon securing the Authority Debt being refunded and, (ii) the Annual Debt Service on such Refunding Obligations shall not exceed the Annual Debt Service on the Authority Debt refunded thereby in any Fiscal year commencing in the Fiscal Year in which the Refunding Obligations are issued to the Fiscal Year ending June 30, 2036.

(e) *Mergers; Leases; Sale of Assets.* (i) **[Except for the transactions described on Schedule 5.2(e)(i) hereto,]** the Authority will not be a party to any merger or consolidation, or enter into a contractual operating agreement with another water utility, without the prior written consent of the Bank.

(ii) The Authority shall not transfer, sell, lease or dispose of all or substantially all of the properties and facilities constituting the TMWA Water System unless either (i) the Authority receives the prior written consent of the Bank or (ii) the Authority pays to the Bank all amounts due and owing under this Agreement and the Fee Letter prior to the sale, lease or disposal of all or substantially all of the properties and facilities constituting the TMWA Water System. The Authority may not transfer any cash or cash equivalents to the City of Reno, Nevada, the City of Sparks, Nevada or to any other municipality's general fund, unless such transfer is in the ordinary course of business and the Authority receives property or services of equal or greater value in return.

(f) *Dealer; Issuing and Paying Agent.* The Authority will not, without the prior written consent of the Bank, appoint or permit the appointment of a successor Dealer or Issuing and Paying Agent. The Authority shall at all times maintain one or more Dealers and an Issuing and Paying Agent under the Related Documents. The Authority shall cause the Dealers and the Issuing and Paying Agent to market, issue, and deliver, as applicable, Commercial Paper Notes bearing interest at a rate up to the Maximum Commercial Paper Interest Rate which the Dealers reasonably believe will result in the Commercial Paper Notes being sold to investors. If any

Dealer fails to market Commercial Paper Notes for a Refunding for a period of thirty (30) consecutive days, then the Authority agrees, at the written request of the Bank, to cause the applicable Dealer to be replaced with a Dealer reasonably satisfactory to the Bank. Any dealer agreement with a successor dealer shall provide that (a) such dealer may resign upon at least 60-days prior written notice to the Authority, Issuing and Paying Agent and the Bank and (b) such dealer shall use its best efforts to market Commercial Paper Notes for a Refunding bearing interest at a rate up to the Maximum Commercial Paper Interest Rate which such dealer reasonably believes will result in the Commercial Paper Notes being sold to investors.

(g) *Swap Contracts.* The Authority will not enter into any Swap Contract relating to its Debt (i) wherein any termination payments thereunder are senior to or on parity with, in terms of the lien on Net Revenues and priority of payment, the Commercial Paper Notes and the Obligations or (ii) which requires the Authority to post collateral to secure its obligations thereunder (other than a Lien on Net Revenues and except to the extent required by any law or regulation not in effect on the Closing Date), in each case, without the prior written consent of the Bank.

(h) *Income Tax Status.* The Authority shall not take any action, or omit to take any action under present or future laws, rules, regulations or official interpretations thereof, including, without limitation, making payments to the United States, restricting yield on investments, and making necessary filings, which, if taken or omitted, would cause interest on the Commercial Paper Notes to become includable in the gross income of the owners thereof for federal income tax purposes.

(i) *Action under the TMWA Cooperative Agreement.* Pursuant to Section 34 and 35(a) of the TMWA Cooperative Agreement, the Authority shall not permit the withdrawal of any Member (as defined therein) nor the termination of the TMWA Cooperative Agreement unless and until this Agreement shall have terminated and all Obligations shall have been repaid in full.

ARTICLE VI

DEFAULTS

Section 6.1. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “Event of Default”:

(a) the Authority fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance; (ii) any principal of or interest on any Commercial Paper Note for any reason other than the failure of the Bank to honor a properly presented and conforming Drawing under the Letter of Credit or (iii) any other Obligation (other than the principal of or interest on any Drawing or any Advance) and such failure shall continue for three (3) Business Days;

(b) any representation, warranty or statement made by or on behalf of the Authority herein or in any Related Document to which the Authority is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or any documents, certificate or

statement of the Authority (including unaudited financial reports, budgets, projections and cash flows of the Authority) furnished to the Bank by or on behalf of the Authority in connection with the transactions contemplated hereby are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the Authority fails to perform or observe any term, covenant or agreement contained in Section 5.1(a), 5.1(c), 5.1(f)(ii), 5.1(i), 5.1(j) or 5.2 hereof or (ii) the Authority fails to perform or observe any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 6.1(a) and this 6.1(c)(i)) and any such failure cannot be cured or, if curable, remains uncured for thirty (30) days after the earlier to occur of (A) the Bank has provided written notice thereof to the Authority or (B) the Authority has actual knowledge of such failure to perform;

(d) the Authority shall (i) default in any payment of any obligation (other than the Commercial Paper Notes, the Drawings or the Advances) secured by a charge, lien or encumbrance on the Net Revenues with a priority of payment from Net Revenues that is senior to, or on a parity with, the Commercial Paper Notes, the Drawings or the Advances, including, without limitation, Senior Lien Obligations (“*Secured Debt*”), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of this Agreement, the Resolution or any other Related Document to which the Authority is a party shall find, announce or rule that (A) any material provision of this Agreement and any other Related Document to which the Authority is a party or (B) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, in either case, is not a valid and binding agreement of the Authority or (ii) the Authority shall contest the validity or enforceability of this Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or shall seek an adjudication that this Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not valid and binding on the Authority;

(f) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or any Related Document to which the Authority is a party, except for any Dealer Agreement or the Issuing and Paying Agent Agreement which has been terminated due to a substitution of a Dealer or the Issuing and Paying Agent, or any material provision thereof shall cease to be in full force or effect, or the Authority or any Person acting by or on behalf of the Authority shall deny or disaffirm the Authority's obligations under any Related Document to which the Authority is a party;

(g) one or more final judgments or orders for the payment of money in excess of \$5,000,000 in the aggregate (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Authority and such judgments or orders shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of ninety (90) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal or interest on any obligation secured by a lien, charge or encumbrance upon the Net Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the Authority seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the Authority seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the Authority's property, or the Authority shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (ii) of this paragraph (h) and the same shall remain undismissed; (v) there shall be commenced against the Authority or the TMWA Water System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof; (vi) the Authority takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the Authority shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) any of Fitch, Moody's or S&P shall have downgraded its long-term unenhanced rating of any Senior Lien Obligations to below "BBB" (or its equivalent), "Baa2" (or its equivalent) or "BBB" (or its equivalent), respectively, or suspended or withdrawn its rating of the same;

(j) the Authority shall dissolve or its existence shall have been terminated; or

(k) any “event of default” shall have occurred under any Other Debt Document supporting any Senior Lien Obligations, commercial paper notes or other Parity Debt of the Authority or any other Related Document.

Section 6.2. Remedies. Upon the occurrence of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the Authority, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority; *provided* that upon the occurrence of an Event of Default under Section 6.1(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing); *provided, further, however,* that the Bank shall not declare the outstanding amount of the Obligations to be immediately due and payable unless (i) no Senior Lien Obligations remain outstanding or (ii) the Authority has entered into or otherwise consented to any Other Debt Document which provides a Person with acceleration rights without regard to whether Senior Lien Obligations remain outstanding.

(b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a “Stop-Issuance Instruction” for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Commercial Paper Notes supported by the Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

(c) reduce the Stated Amount of the Letter of Credit to the principal amount of Commercial Paper Notes Outstanding (and, if applicable, interest on the Notes to their stated maturity dates), instruct the Authority and the Issuing and Paying Agent to immediately cease issuing, delivering and selling additional Notes, instruct the Issuing and Paying Agent to make a final drawing under the Letter of Credit in accordance with its terms, by delivering a Final Drawing Notice (the effect of which shall be to cause the Letter of Credit Expiration Date to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

(d) pursue any rights and remedies it may have under the Related Documents;
or

(e) pursue any other action available at law or in equity.

Notwithstanding the exercise of any other remedies provided for herein, upon the occurrence and during the continuance of any Event of Default, all Obligations shall bear interest at the Default Rate.

ARTICLE VII
MISCELLANEOUS

Section 7.1. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, or consent to any departure by the Authority therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, waiver or consent shall, unless in writing and signed by the Bank, affect the rights or duties of the Bank under this Agreement or any other Related Document.

Section 7.2. Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), email, telex, facsimile transmission, or regular mail, as follows:

- (a) if to the Authority: Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502
Telephone: (775) 834-8048
Facsimile: (775) 834-8084
Attention: Chief Financial Officer
- (b) if to the Bank with respect to credit matters, compliance and deliverables: Wells Fargo Bank, National Association

Attention: _____
Telephone: _____
Facsimile: _____
Email: _____
- with a copy to: _____

Attention: _____
Telephone: _____
Facsimile: _____
Email: _____

if to the Bank, with respect to
Drawings under the Letter of
Credit:

Attention: _____
Telephone: _____
Facsimile: _____
Email: _____
Operations Contact: _____

(c) if to the Issuing and
Paying Agent:

**[U.S. Bank National Association
100 Wall Street, 16th Floor
New York, New York 10005
Telephone: (212) 951-8508/(212) 951-8561
Facsimile: (212) 509-4529
Attention: Commercial Paper Operations]**

(d) if to the Dealer:

**[J.P. Morgan Securities LLC
Public Finance Short-Term Trading
383 Madison Avenue, 8th Floor
New York, New York 10179
Telephone: (212) 834-7224
Facsimile: (917) 456-3541
Attention: Peter McCarthy
Email: Public_Finance_Short_Term_Trading@jpmorgan.com]**

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and other communications shall, when delivered or telecopied, sent by facsimile transmission or mailed, be effective when deposited with the courier, telecopied, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Drawing Certificates submitted to the Bank shall not be effective until received by the Bank.

Section 7.3. Survival of Covenants; Survival of This Agreement; Successors and Assigns. (a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Drawing or Advance hereunder and shall continue in full force and effect and until all Obligations hereunder and under the Bank Note shall have been paid in full. The obligation of the Authority to reimburse the Bank pursuant to Sections 2.13, 2.14 and 7.5 hereof shall survive the payment of the Commercial Paper Notes and the termination of the Letter of Credit and this Agreement. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Authority which are contained in this Agreement and the Bank Note shall inure to the benefit of the successors and assigns of the Bank. The Authority may not transfer its rights or obligations under this Agreement and the Bank Note without the prior written consent of the Bank. The Bank may

transfer some or all of obligations under this Agreement and the Letter of Credit with the prior written consent of the Authority (which consent shall not be withheld unreasonably), *provided* that (i) the Authority has received written notice from the rating agencies then rating the Commercial Paper Notes that the transfer shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Commercial Paper Notes, and (ii) the Bank shall be responsible for all costs resulting from the transfer. The Bank may transfer its rights under this Agreement, the Bank Note and the other Related Documents without the prior written consent of the Authority; *provided* that the Bank shall be responsible for all costs resulting from such transfer; *provided* that the Bank shall provide written notice to the Authority within fifteen (15) calendar days of the date on which the Bank assigns any of its rights under the Agreement and the Letter of Credit; *provided, further*, that the failure by the Bank to give such notice shall not invalidate assignment and the Bank shall have no liability for such failure. This Agreement and the Bank Note are made solely for the benefit of the Authority and the Bank, and no other Person (including, without limitation, the Issuing and Paying Agent, the Dealers or any holder of Commercial Paper Notes) shall have any right, benefit or interest under or because of the existence of this Agreement and the Bank Note; *provided further* that the Board's and the Authority's liability to any Participant shall not in any event exceed that liability which the Board and the Authority would owe to the Bank but for such participation.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement and the Bank Note on a participating basis but not as a party to this Agreement and the Bank Note (a "*Participation*"). In the event of any such grant by the Bank of a Participation to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the Authority shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement and the Bank Note. The Authority agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement and the Bank Note as if such Participant were the Bank; *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.1 hereof.

Section 7.4. Unconditional Obligations. The obligations of the Authority under this Agreement and the Bank Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Resolution, this Agreement and the Bank Note, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit, the Bank Note or, to the extent permitted by law, the Commercial Paper Notes, the Resolution or any other Related Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Resolution or all or any of the Related Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, the Authority, the

Issuing and Paying Agent, the Dealers, or any other Person, whether in connection with this Agreement, the Bank Note, the Resolution, the Related Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank of a Drawing or an Advance against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement; and

(f) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

SECTION 7.5. LIABILITY OF BANK: INDEMNIFICATION. (a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY ASSUMES ALL RISKS OF THE ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT WITH RESPECT TO THE USE OF THE LETTER OF CREDIT AND THE USE OF PROCEEDS THEREUNDER; *PROVIDED* THAT THIS ASSUMPTION WITH RESPECT TO THE BANK IS NOT INTENDED TO AND SHALL NOT PRECLUDE THE AUTHORITY FROM PURSUING SUCH RIGHTS AND REMEDIES AS IT MAY HAVE AGAINST THE ISSUING AND PAYING AGENT UNDER ANY OTHER AGREEMENTS. NEITHER THE BANK NOR ANY OF ITS RESPECTIVE OFFICERS OR DIRECTORS SHALL BE LIABLE OR RESPONSIBLE FOR (i) THE USE OF THE LETTER OF CREDIT, THE DRAWINGS UNDER THE LETTER OF CREDIT OR ADVANCES HEREUNDER, THE PROCEEDS OF THE COMMERCIAL PAPER NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE RELATED DOCUMENTS OR FOR ANY ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT OR THE DEALERS; (ii) THE VALIDITY, SUFFICIENCY, OR GENUINENESS OF ANY DOCUMENTS DETERMINED IN GOOD FAITH BY THE BANK TO BE VALID, SUFFICIENT OR GENUINE, EVEN IF SUCH DOCUMENTS SHALL, IN FACT, PROVE TO BE IN ANY OR ALL RESPECTS INVALID, FRAUDULENT, FORGED OR INSUFFICIENT; (iii) PAYMENTS BY THE BANK AGAINST PRESENTATION OF REQUESTS FOR DRAWINGS OR REQUESTS FOR WHICH THE BANK IN GOOD FAITH HAS DETERMINED TO BE VALID, SUFFICIENT OR GENUINE AND WHICH SUBSEQUENTLY ARE FOUND NOT TO COMPLY WITH THE TERMS OF THIS AGREEMENT; OR (iv) ANY OTHER CIRCUMSTANCES WHATSOEVER IN MAKING OR FAILING IN GOOD FAITH TO MAKE PAYMENT HEREUNDER; *PROVIDED* THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK FOR ANY CLAIMS, LOSSES, LIABILITIES, COSTS OR EXPENSES TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BANK.

(b) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY HEREBY INDEMNIFIES AND HOLDS HARMLESS THE BANK FROM AND AGAINST ANY AND ALL DIRECT, AS OPPOSED TO CONSEQUENTIAL, CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES (INCLUDING SPECIFICALLY REASONABLE ATTORNEYS FEES) WHICH THE BANK MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST THE BANK BY ANY PERSON WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (I) THE EXECUTION, DELIVERY, PERFORMANCE AND ADMINISTRATION OF THIS AGREEMENT, THE LETTER OF CREDIT AND THE BANK NOTE AND THE TRANSACTIONS

CONTEMPLATED HEREBY OR THEREBY AND (II) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT CONTAINED IN THE OFFERING MEMORANDUM PREPARED AND DISTRIBUTED IN CONNECTION WITH THE COMMERCIAL PAPER NOTES, OR THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT NECESSARY TO MAKE SUCH STATEMENTS IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE OR WERE MADE, NOT MISLEADING; PROVIDED THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK, AND THE AUTHORITY SHALL HAVE A CAUSE OF ACTION AGAINST THE BANK, FOR ANY DIRECT, AS OPPOSED TO CONSEQUENTIAL, CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, OR EXPENSES (A) TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY (1) THE BANK'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE IN DETERMINING WHETHER DOCUMENTS PRESENTED UNDER THE LETTER OF CREDIT COMPLY WITH THE TERMS OF THE LETTER OF CREDIT; OR (2) THE BANK'S WILLFUL OR GROSSLY NEGLIGENT FAILURE TO MAKE LAWFUL PAYMENT UNDER THE LETTER OF CREDIT AFTER THE PRESENTATION TO THE BANK BY THE ISSUING AND PAYING AGENT OR A SUCCESSOR ISSUING AND PAYING AGENT UNDER THE RESOLUTION OF A DRAWING STRICTLY COMPLYING WITH THE TERMS AND CONDITIONS OF THE LETTER OF CREDIT (IT BEING UNDERSTOOD THAT IN MAKING SUCH PAYMENT THE BANK'S EXCLUSIVE RELIANCE ON THE DOCUMENTS PRESENTED TO THE BANK IN ACCORDANCE WITH THE TERMS OF THE LETTER OF CREDIT AS TO ANY AND ALL MATTERS SET FORTH THEREIN, WHETHER OR NOT ANY STATEMENT OR ANY DOCUMENT PRESENTED PURSUANT TO THE LETTER OF CREDIT PROVES TO BE FORGED, FRAUDULENT, INVALID OR INSUFFICIENT IN ANY RESPECT OR ANY STATEMENT THEREIN PROVES TO BE UNTRUE OR INACCURATE IN ANY RESPECT WHATSOEVER, SHALL NOT BE DEEMED WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF THE BANK); (B) INCURRED BY REASON OF ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT CONTAINED UNDER THE CAPTION "THE BANK" SUPPLIED BY THE BANK AS SET FORTH IN THE OFFERING MEMORANDUM OR (C) THAT THE AUTHORITY ESTABLISHES AROSE FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BANK AS DETERMINED BY A COURT OF COMPETENT JURISDICTION. THE BANK IS HEREBY EXPRESSLY AUTHORIZED AND DIRECTED TO HONOR ANY DEMAND FOR PAYMENT WHICH IS MADE UNDER THE LETTER OF CREDIT WITHOUT REGARD TO, AND WITHOUT ANY DUTY ON ITS PART TO INQUIRE INTO THE EXISTENCE OF, ANY DISPUTES OR CONTROVERSIES BETWEEN THE AUTHORITY, THE DEALERS, THE ISSUING AND PAYING AGENT OR ANY OTHER PERSON OR THE RESPECTIVE RIGHTS, DUTIES OR LIABILITIES OF ANY OF THEM, OR WHETHER ANY FACTS OR OCCURRENCES REPRESENTED IN ANY OF THE DOCUMENTS PRESENTED UNDER THE LETTER OF CREDIT ARE TRUE AND CORRECT.

Section 7.6. Expenses and Taxes. The Authority will promptly pay all reasonable costs and expenses, if any, in connection with the enforcement of this Agreement and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents and any related documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, the Authority agrees to pay, after the occurrence of a Default or an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank with respect to advice relating to its rights and remedies under this Agreement or any other Related Document or in enforcing any obligations or in collecting any payments due from the Authority hereunder by reason of such Default or Event of Default or

in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a “workout” or of any insolvency or bankruptcy proceedings.

Section 7.7. No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement, the Letter of Credit, the Resolution and any other Related Documents, this Agreement shall control solely as between the Authority and the Bank.

Section 7.8. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement or the Bank Note shall be effective unless the same shall be in writing and signed by the parties hereto.

Section 7.9. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 7.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 7.11. Table of Contents; Headings. The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 7.12. Entire Agreement. This Agreement together with the Bank Note represents the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto.

Section 7.13. Governing Law; Venue. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER*, THAT THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA.

(b) Each party consents to and submits to exclusive in personam jurisdiction and venue in the State of Nevada, County of Washoe, and in the Federal District Courts which are located in the City of Reno or the state and federal courts located in the State of New York. Each party asserts that it has purposefully availed itself to the state and federal courts in the State of Nevada or the State of New York and waives any objection to in personam jurisdiction on the grounds of minimum contacts, waives objection to venue, and waives any plea of forum non conveniens. This consent to and submission to jurisdiction is with regard to any action related to this Agreement, regardless of whether the Authority's or the Bank's actions took place in the State of Nevada, the State of New York or of elsewhere in the United States.

(c) To the extent it may legally do so, each party hereby waives any right it may have to a jury trial in any action related to this Agreement.

(d) The waivers made pursuant to this Section shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 7.14. Government Regulations. The Bank hereby notifies the Authority that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Act. The Authority shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, "know your customer" and anti-money laundering rules and regulations, including the Act, and shall comply with all applicable Bank Secrecy Act ("BSA") laws and regulations, as amended.

The Authority shall (a) ensure that no person who owns a controlling interest in or otherwise controls the Authority is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the Authority or from otherwise conducting business with the Authority and (b) ensure that the proceeds of the Commercial Paper Notes shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

Section 7.15. Assignment to Federal Reserve Bank. The Bank may assign and pledge all or any portion of the obligations owing to it hereunder to any Federal Reserve Bank, the United States Treasury or to any state or local governmental entity, including, without limitation, as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned obligations made by the Authority to the Bank in accordance with the terms of this Agreement shall satisfy the Authority's obligations hereunder

in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 7.16. Arm's-Length Transaction. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the Authority acknowledges and agrees that: (a) (i) the services regarding this Agreement, the Letter of Credit and the Fee Letter provided by the Bank and any affiliate thereof are arm's-length commercial transactions between the Authority, on the one hand, and the Bank and its affiliates, on the other hand, (ii) the Authority has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Authority is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents; (b) (i) the Bank and its affiliates each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor (including, without limitation, as a financial advisor or municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended, and the related final rules)), or agent or fiduciary, for the Authority, or any other Person, (ii) the Bank has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 as amended, to the Authority with respect to this transaction and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the Authority on other matters) and (iii) neither the Bank nor any of its affiliates has any obligation to the Authority with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Related Documents; (c) the Bank and its affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Authority, and neither the Bank nor any of its affiliates has any obligation to disclose any of such interests to the Authority and (d) the Bank has not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Authority with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the Authority on other matters) and the Bank is not recommending that the Authority take an action with respect to the transaction described in this Agreement and the other Related Documents.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the Authority and the Bank have duly executed this Agreement as of the date first above written.

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,

By: _____

Name: _____

Title: _____

APPENDIX I

IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

[May __, 2018]
[No. _____]

U.S. Bank National Association,
as Issuing and Paying Agent
100 Wall Street, 16th Floor
New York, New York 10005
Attention: Commercial Paper Operations

Ladies and Gentlemen:

1. At the request and for the account of our customer, Truckee Meadows Water Authority, Nevada (the “*Authority*”), which has or will cause the issuance of its Water Revenue Commercial Paper Notes, [Series 2018] (the “*Commercial Paper Notes*”), Wells Fargo Bank, National Association (the “*Bank*”), hereby establishes in favor of U.S. Bank National Association, as issuing and paying agent acting for the benefit of the holders of the Commercial Paper Notes (the “*Issuing and Paying Agent*”) pursuant to that certain Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2012 (as amended, supplemented or modified as of the date hereof, the “*Issuing and Paying Agent Agreement*”), between the Authority and the Issuing and Paying Agent, and the 2006 Commercial Paper Resolution, adopted by the Authority on July 19, 2006, as amended on January 19, 2011 (the “*Resolution*”), pursuant to which the Commercial Paper Notes have been or will be issued from time to time, and that certain Reimbursement Agreement dated as of [May 1, 2018] (the “*Reimbursement Agreement*”), between the Authority and the Bank, this Irrevocable Transferable Direct-Pay Letter of Credit (this “*Letter of Credit*”) in the maximum available amount of [_____] U.S. DOLLARS ([extract_itex]_____) (hereinafter, as reduced or reinstated from time to time in accordance with the provisions hereof, the “*Stated Amount*”), of which an amount not exceeding [extract_itex]_____] (as such amount may be reduced or reinstated from time to time in accordance with the provisions hereof, the “*Principal Component*”) may be drawn upon by the Issuing and Paying Agent to pay the unpaid principal amount of Commercial Paper Notes on their stated maturity date, and an amount not exceeding [extract_itex]_____] (as such amount may be reduced or reinstated from time to time in accordance with the provisions hereof, the “*Interest Component*”) may be drawn upon by the Issuing and Paying Agent with respect to payment of interest accrued and unpaid on the Commercial Paper Notes on their stated maturity date, but in no event more than an amount equal to 270 days’ interest accrued and unpaid on the outstanding Commercial Paper Notes immediately preceding any Drawing (as hereinafter defined) made with respect to the Commercial Paper Notes at an assumed rate of 12% based on a year of 365 days.

2. This Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the “*Termination Date*”) which is the earliest of: (i) [May __, 2023] (the “*Letter of Credit*”

Expiration Date”), as such date may be extended in a Notice of Extension from the Bank to the Issuing and Paying Agent and the Authority in the form attached hereto as Annex G, (ii) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored hereunder which were not subject to reinstatement as provided herein, in the aggregate equals the Stated Amount on the date of issuance hereof as adjusted pursuant to the terms and conditions of this Letter of Credit, (iii) our receipt of a certificate signed by your duly authorized officer in the form of Annex C or D attached hereto appropriately completed, (iv) the date when you surrender this Letter of Credit to the Bank for cancellation or (v) the earlier of (a) the 15th calendar day after the date on which you receive the Final Drawing Notice (as hereinafter defined), and (b) the date on which the Drawing resulting from the delivery of the Final Drawing Notice is honored hereunder. You agree to surrender this Letter of Credit to the Bank, and not to make any Drawings, on and after the Termination Date, as such date may be extended in a Notice of Extension as provided herein. All Drawings hereunder shall be paid from immediately available funds of the Bank.

3. Funds under this Letter of Credit are available to you, commencing [May __, 2018], against your presentation of a drawing certificate in the form of (i) Annex A-1 (with respect to the payment at maturity of the principal of and interest at maturity on Commercial Paper Notes issued in accordance with the Resolution), or (ii) Annex A-2 (with respect to the payment at maturity of the principal of and interest to maturity on Commercial Paper Notes issued in accordance with the Resolution and that otherwise matures on or after the date that you receive notice from us in the form of Annex I hereto (the “*Final Drawing Notice*”)), attached hereto (any such certificate being a “*Drawing*”) [to the Bank by telecopier (at Telecopier Number: () - - or alternatively () - -, Attention: _____ Contact: _____)], or at any other office or offices or number or numbers which may be designated by the Bank by written notice delivered to you. Each Drawing so presented shall have all blanks appropriately filled in and shall be signed by a person who purports to be an authorized officer of the Issuing and Paying Agent and the aforesaid certificates shall be either in the form of a letter on the letterhead of the Issuing and Paying Agent or a communication by telecopy delivered or transmitted to us. Any telecopy pursuant to which a Drawing is made hereunder shall be promptly confirmed to us in writing.

4. The Bank hereby agrees with you that, to the extent of its liability as provided herein, all demands for payment made under and in compliance with the terms of this Letter of Credit will be duly honored upon delivery or transmission of the certificate as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If a Drawing is made hereunder at or prior to 11:30 a.m., New York City time, on a Business Day and such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made of the amount specified in immediately available funds, no later than 2:00 p.m., New York City time, on the same Business Day. If a Drawing is made by you hereunder after 11:30 a.m., New York City time, on a Business Day and *provided* that such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified, in immediately available funds, not later than 11:00 a.m., New York City time, on the next succeeding Business Day.

The Bank shall make payment under this Letter of Credit by wire transfer of immediately available funds to the Issuing and Paying Agent at: _____, ABA Number _____, Account Number _____, Attention _____, Reference: _____. Such account may be changed only by presentation to the Bank of a letter in form satisfactory to the Bank specifying a different account with the Issuing and Paying Agent and executed by the Issuing and Paying Agent and authenticated to our satisfaction. As used in this Letter of Credit, “*Business Day*” shall mean any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the state of New York are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, (iii) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which Drawing certificates are to be presented under this Letter of Credit or (iv) a day on which commercial banks are authorized or required by law or executive order to be closed in the city in which the principal office of the Issuing and Paying Agent or the Dealer is located.

5. Demands for payment hereunder honored by us with respect to interest on the Commercial Paper Notes shall not at the time of any Drawing exceed the Interest Component of the Stated Amount, as the Interest Component may have been reduced or reinstated by us as hereinafter provided. Demands for payment hereunder honored by us with respect to principal of the Commercial Paper Notes shall not at the time of any Drawing exceed the Principal Component of the Stated Amount, as the Principal Component may have been reduced or reinstated by us as hereinafter provided. Subject to the preceding sentences, each Drawing honored by the Bank hereunder shall *pro tanto* reduce, by the applicable amount of such Drawing, the Principal Component of the Stated Amount and the Interest Component shall be reduced by an amount equal to 270 days’ accrued interest on the Principal Component of such Drawing at an assumed rate of 12% based upon a year of 365 days (the amount of such reduction of the Principal Component and the Interest Component referred to herein as the “*Reduction Amount*”). The amount available to be drawn hereunder by you shall be reduced by the Reduction Amount, except to the extent the Stated Amount has been reinstated in accordance with the provisions of paragraph 7 of this Letter of Credit.

6. Upon receipt by us of a certificate in the form of Annex B (a “*Reduction Certificate of Stated Amount*”) attached hereto appropriately completed and signed by your duly authorized officer, at least five Business Days prior to the date specified in such certificate for the permanent reduction of the Stated Amount, the Stated Amount, as well as the Principal Component and the Interest Component thereof, shall be permanently reduced to the amounts set forth therein.

7. After any Drawing (except in the case of a Drawing resulting from the delivery of a Final Drawing Notice), the Stated Amount will be automatically and immediately reinstated by and to the extent of amounts received by the Bank of reimbursement by the Authority of any amounts of such Drawing with respect to the Principal Component and an amount equal to 270 days interest on the amount of the Principal Component being reinstated at a rate of 12% per annum with respect to the Interest Component and the Bank’s written notice of such receipt in the form of Annex H attached hereto to the Issuing and Paying Agent (subject to any reduction in said Stated Amount as above provided in paragraph 6), unless you shall have received notice

from the Bank in substantially the form of Annex F attached hereto that an Event of Default under the Reimbursement Agreement has occurred and is continuing.

8. Only you or your successor as Issuing and Paying Agent may make Drawings under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of or interest on any Commercial Paper Note. By paying to you an amount demanded in accordance herewith, we make no representations as to the correctness of the amount demanded.

9. If you receive written notice from the Authority that all the Commercial Paper Notes are defeased or otherwise no longer outstanding and that the Authority does not intend to issue any additional Commercial Paper Notes, you shall submit a termination certificate in the form of Annex D hereto.

10. This Letter of Credit is intended to apply only to (i) the payment of the principal amount of the Commercial Paper Notes and interest thereon upon maturity and (ii) upon the Issuing and Paying Agent's receipt of a Final Drawing Notice, payment of the principal of and accrued interest on the Commercial Paper Notes issued in accordance with the Resolution but which matures on or after the date of a Final Drawing Notice.

11. Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the "ISP98"). As to matters not governed by ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York, without regard to conflict of laws. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to the Bank at Wells Fargo Bank, National Association, [_____, **Attention:** _____ **Contact:** _____] or such other address as we may notify you in writing, specifically referring thereon to this Letter of Credit by number. Any communication to the Bank which is made by telecopier as permitted hereby (other than Drawings) shall be immediately confirmed in writing delivered to the Bank at the address set forth in paragraph 3 hereof, *provided* that failure to provide such written confirmation shall not affect the validity of such notice by telecopier.

12. This Letter of Credit is transferable in its entirety to any transferee whom you have certified to us has succeeded you as Issuing and Paying Agent with respect to the Commercial Paper Notes, and may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by presenting to us the attached form of Annex E signed by the transferor and the transferee (each a "Transfer") together with the original Letter of Credit. Upon presentation and payment by the Authority of \$2,500 representing transfer fees payable under the Reimbursement Agreement, we shall forthwith effect a transfer of this Letter of Credit to your designated transferee. Transfers to designated

foreign nationals and /or specially designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided* that, in such case, any certificates of the Issuing and Paying Agent to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

13. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Commercial Paper Notes), except only the certificates and letters referred to herein; and no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

**ANNEX A-1 TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

[Wells Fargo Bank, National Association

Facsimile Number: (____) ____-____

Alternate Facsimile Number: (____) ____-____

Attention: _____

Operations Contact: _____]

Re: Drawing Certificate

Ladies and Gentlemen:

[Issuing and Paying Agent], (the “*Issuing and Paying Agent*”) hereby certifies to Wells Fargo Bank, National Association, acting through its New York Branch (the “*Bank*”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit **[No. _____]**, dated **[May __, 2018]**, (the “*Letter of Credit*”; any other defined terms used herein having their respective meanings set forth in the Letter of Credit or the hereinafter defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent pursuant to that certain Reimbursement Agreement, dated as of **[May 1, 2018]**, by and between the Authority and the Bank (the “*Reimbursement Agreement*”) that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, and is acting as agent for the owners of Commercial Paper Notes.
2. The Issuing and Paying Agent is making a drawing under the Letter of Credit with respect to payment of the principal amount of, and interest on, the Commercial Paper Notes upon the stated maturity thereof.
3. The amount demanded hereby is \$_____ to be used for payment of principal of the Commercial Paper Notes and \$_____ to be used for the payment of interest on the Commercial Paper Notes. Said amounts do not exceed the amounts permitted to be drawn under the Letter of Credit in accordance with the Letter of Credit.
4. The amount demanded hereunder was computed in accordance with the terms and conditions of the Commercial Paper Notes, the Resolution and the Issuing and Paying Agent Agreement.
5. The amount demanded hereby does not include any amount in respect of (a) the Commercial Paper Notes registered in the name of the Authority or, to the best knowledge of the Issuing and Paying Agent, any nominee for or any Person who owns

ANNEX A-1

WELLS FARGO BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT [No. _____]
(CONTINUED)

such Commercial Paper Notes for the sole benefit of the Authority or (b) any Commercial Paper Notes issued on or after the date on which the Bank has issued a Stop-Issuance Instruction to the Authority and the Issuing and Paying Agent, substantially in the form of Exhibit A to the Reimbursement Agreement.

6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of and interest on, as applicable, Commercial Paper Notes, as applicable, upon the stated maturity thereof, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

7. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

8. Payment by the Bank pursuant to this drawing shall be made to the Issuing and Paying Agent in accordance with the instructions set forth in the Letter of Credit.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, ____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

ANNEX A-2
TO
LETTER OF CREDIT [No. _____]

CERTIFICATE FOR DRAWING IN CONNECTION WITH THE
PAYMENT OF PRINCIPAL AND INTEREST AFTER FINAL DRAWING NOTICE
IRREVOCABLE LETTER OF CREDIT [No. _____]

[Wells Fargo Bank, National Association

Facsimile Number: (____) ____ - ____

Alternate Facsimile Number: (____) ____ - ____

Attention: _____

Operations Contact: _____]

The undersigned, a duly authorized officer of the undersigned Issuing and Paying Agent (the "*Issuing and Paying Agent*"), hereby certifies to Wells Fargo Bank, National Association, acting through its New York Branch (the "*Bank*"), with reference to Irrevocable Letter of Credit [No. _____] (the "*Letter of Credit*," the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Issuing and Paying Agent, as follows:

1. The undersigned is the Issuing and Paying Agent under the Issuing and Paying Agent Agreement and the Resolution and is acting as the agent for the holders of the Commercial Paper Notes.
2. The Issuing and Paying Agent has received the Final Drawing Notice.
3. The undersigned is making a Drawing under the Letter of Credit with respect to a payment of the principal of and accrued interest on the Commercial Paper Notes issued in accordance with the Resolution but which matures on or after the date of a Final Drawing Notice.
4. The amount of the Drawing is equal to \$_____, with \$_____ being drawn in respect of the payment of principal of maturing Commercial Paper Notes and \$_____ representing ____ days' interest thereon. Such amounts were computed in compliance with the terms and conditions of the Commercial Paper Notes and the Resolution. The amount of the Drawing being drawn in respect of the payment of principal of, accrued interest on, and interest payable to maturity of, the Commercial Paper Notes does not exceed the Stated Amount of the Letter of Credit. The amount requested for payment hereunder has not been and is not the subject of a prior or contemporaneous request for payment under the Letter of Credit.
5. The Commercial Paper Notes were authenticated and delivered by us (or a predecessor Issuing and Paying Agent) pursuant to authority under the Resolution.

ANNEX A-2

WELLS FARGO BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT [No. _____]
(CONTINUED)

6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will deposit the same directly into the applicable Commercial Paper Account maintained by the Issuing and Paying Agent pursuant to the Resolution and the Issuing and Paying Agent Agreement and apply the same directly to the payment when due of the principal amount of Notes and the interest amount owing on account of the Commercial Paper Notes pursuant to the Resolution and the Issuing and Paying Agent Agreement, (b) no portion of said amount shall be applied by the undersigned for any other purpose, (c) no portion of said amount shall be commingled with other funds held by the undersigned, except for other funds drawn under the Letter of Credit, and (d) when such Notes have been presented for payment and paid by us, we will cancel such matured Notes.

7. This Certificate is being presented to the Bank on a date which is no later than the 15th calendar day after receipt by the Issuing and Paying Agent of the Final Drawing Notice.

8. Payment by the Bank pursuant to this drawing shall be made to the Issuing and Paying Agent in accordance with the instructions set forth in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the _____ day of _____, _____.

_____, as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

**ANNEX B TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

[Wells Fargo Bank, National Association

Facsimile Number: (____) ____-____

Alternate Facsimile Number: (____) ____-____

Attention: _____

Operations Contact: _____]

Re: Reduction of Stated Amount of Letter of Credit

Ladies and Gentlemen:

[Issuing and Paying Agent] (the “*Issuing and Paying Agent*”) hereby certifies to Wells Fargo Bank, National Association, acting through its New York Branch (the “*Bank*”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit **[No. _____]**, dated **[May __, 2018]** (the “*Letter of Credit*”; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, and is acting as the agent for the owners of the Commercial Paper Notes.
2. The Issuing and Paying Agent hereby notifies you that on or prior to the date hereof the Authority has determined that the Stated Amount of the Letter of Credit shall be permanently reduced to \$_____.
3. The Principal Component of the Letter of Credit is reduced to \$_____ upon receipt by the Bank of this Certificate, which amount, as so reduced, is equal to or not less than the principal amount of all Commercial Paper Notes outstanding as of the date hereof.
4. The Interest Component of the Letter of Credit is reduced to \$_____ upon receipt by the Bank of this Certificate, such amount being equal to interest on the Principal Component (such amount set out in paragraph 3 above) at an assumed interest rate of 12% for 270 days on the basis of a 365-day year. The amount of the Interest Component, as so reduced, is equal to or not less than the amount of interest to accrue on all Commercial Paper Notes outstanding as of the date hereof.
5. If any Commercial Paper Notes are outstanding as of the date of this Certificate, the Authority has informed us that it will not issue additional Commercial Paper Notes unless after the issuance of such additional Commercial Paper Notes the

ANNEX B

WELLS FARGO BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT [No. _____]
(CONTINUED)

aggregate principal amount of Commercial Paper Notes outstanding, together with the aggregate interest payable thereon, shall be no greater than the Stated Amount of the Letter of Credit, as so reduced pursuant to this certificate.

6. The Stated Amount of the Letter of Credit is permanently reduced to \$_____ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this certificate.

7. The undersigned represents that he/she is a duly authorized representative of the Issuing and Paying Agent.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, ____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX C TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

**[Wells Fargo Bank, National Association
Facsimile Number: (____) ____ - ____
Alternate Facsimile Number: (____) ____ - ____
Attention: _____
Operations Contact: _____]**

Re: Termination of Letter of Credit (Alternate Credit Facility)

Ladies and Gentlemen:

[ISSUING AND PAYING AGENT] (the “*Issuing and Paying Agent*”) hereby certifies to Wells Fargo Bank, National Association, acting through its New York Branch (the “*Bank*”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit **[No. _____]**, dated **[May __, 2018]** (the “*Letter of Credit*”; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement.
2. As Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, the Issuing and Paying Agent has accepted an Alternate Letter of Credit, in compliance with the Resolution and the Issuing and Paying Agent Agreement and the Reimbursement Agreement.
3. Upon receipt of this certificate accompanied by the Letter of Credit, the Letter of Credit shall terminate as provided above in clause (iii) of paragraph 2 of the Letter of Credit.
4. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

ANNEX C
WELLS FARGO BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT [No. _____]
(CONTINUED)

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, ____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX D TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

**[Wells Fargo Bank, National Association
Facsimile Number: (____) ____ - ____
Alternate Facsimile Number: (____) ____ - ____
Attention: _____
Operations Contact: _____]**

Re: Termination of Letter of Credit
(No Commercial Paper Notes Outstanding)

Ladies and Gentlemen:

[ISSUING AND PAYING AGENT] (the “*Issuing and Paying Agent*”) hereby certifies to Wells Fargo Bank, National Association, acting through its New York Branch (the “*Bank*”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit **[No. _____]**, dated **[May __, 2018]** (the “*Letter of Credit*”; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement.
2. No Commercial Paper Notes remain outstanding under the Resolution and the Issuing and Paying Agent Agreement.
3. The Authority has notified us that it does not intend to issue any additional Commercial Paper Notes and desires to terminate this Letter of Credit in accordance with terms of the Reimbursement Agreement.
4. Upon receipt by the Bank of this certificate the Letter of Credit shall terminate as provided in clause (iii) of paragraph 2 of the Letter of Credit.
5. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

ANNEX D
WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
(CONTINUED)

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, ____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX E TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

TRANSFER CERTIFICATE

[Date]

[Wells Fargo Bank, National Association

Facsimile Number: (____) ____ - ____

Alternate Facsimile Number: (____) ____ - ____

Attention: _____

Operations Contact: _____]

Re: Irrevocable Transferable Direct-Pay Letter of Credit [No. _____]
dated [May __, 2018]

Ladies and Gentlemen:

We, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit ("*Letter of Credit*") in its entirety to:

NAME OF TRANSFEREE

(Print Name and complete address of the Transferee)
"*Transferee*"

ADDRESS OF TRANSFEREE

CITY, STATE/COUNTRY, ZIP

In accordance with ISP 98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in such Letter of Credit are transferred to the Transferee, which shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Letter of Credit, including amendments to this date, is attached, and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse hereof. The undersigned Transferor requests that you notify the Transferee of the Letter of Credit in such form and manner as you deem appropriate and of the terms and conditions of the Letter of Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee and the transfer fee has been paid to you.

ANNEX E
WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
(CONTINUED)

If you agree to these instructions, please advise the Transferee of the terms and conditions of the transferred Letter of Credit and these instructions.

Payment of a transfer fee of U.S. \$2,500 is for the account of the Board, which shall also pay you on demand any out-of-pocket expense or cost you may incur in connection with the transfer. Receipt of such fee shall not constitute consent by you to effect the transfer.

Transferor represents and warrants that (a) the Transferee is the Transferor's successor issuing and paying agent under the Issuing and Paying Agent Agreement, (b) the enclosed Letter of Credit is original and complete, and (c) there is no outstanding demand or request for payment or transfer under the Letter of Credit affecting the rights to be transferred.

The Effective Date shall be the date hereafter on which you effect the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This transfer is made subject to ISP98 and is subject to and shall be governed by the law of the State of New York.

(Signature Page Follows)

ANNEX E
WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
(CONTINUED)

This transfer is made subject to ISP98 and is subject to and shall be governed by the law of the State of New York.

Sincerely yours,

SIGNATURE GUARANTEED

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement.

(Print Name of Transferor)

(Transferor's Authorized Signature)

(Print Name of Bank)

(Print Authorized Signers Name and Title)

(Address of Bank)

(Telephone Number/Fax Number)

(City, State, Zip Code)

(Print Name and Title of Authorized Signer)

(Authorized Signature)

(Telephone Number)

(Date)

Sincerely yours,

SIGNATURE GUARANTEED

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement.

(Print Name of Transferor)

(Transferor's Authorized Signature)

(Print Name of Bank)

ANNEX E
WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
(CONTINUED)

(Print Authorized Signers Name and Title)

(Telephone Number/Fax Number)

(Address of Bank)

(City, State, Zip Code)

(Print Name and Title of Authorized Signer)

(Authorized Signature)

(Telephone Number)

(Date)

Acknowledged as of _____, 20__

WELLS FARGO BANK, NATIONAL ASSOCIATION,
acting through its New York Branch

By: _____
Name: _____
Title: _____

**ANNEX F TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

Re: Event of Default under the Reimbursement Agreement

Ladies and Gentlemen:

The undersigned, authorized officers of Wells Fargo Bank, National Association, acting through its New York Branch (the “*Bank*”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit [No. _____], dated [May __, 2018] (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of _____, as Issuing and Paying Agent, hereby certify that:

1. There exists an Event of Default under Section ____ of that certain Reimbursement Agreement dated as of [May 1, 2018], by and between the Authority and the Bank and that such Event of Default is continuing.

2. Upon receipt by you of this certificate you are notified that the Stated Amount of the Letter of Credit shall be permanently reduced following the maturity of any Commercial Paper Notes and that the Stated Amount shall no longer be reinstated following any Drawings.

ANNEX F

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
(CONTINUED)**

IN WITNESS WHEREOF, the Bank has executed and delivered this certificate as of the
_____ day of _____, ____.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
acting through its New York Branch

By: _____
Name: _____
Title: _____

**ANNEX G TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Re: Notice of Extension

Ladies and Gentlemen:

1. Pursuant to Section 2.12(a) of that certain Reimbursement Agreement, dated as of **[May 1, 2018]** (the “*Reimbursement Agreement*”), by and between Truckee Meadows Water Authority, Nevada (the “*Authority*”) and Wells Fargo Bank, National Association, acting through its New York Branch (the “*Bank*”), the Bank has approved an extension of Irrevocable Transferable Direct-Pay Letter of Credit **[No. _____]** (the “*Letter of Credit*”), dated **[May __, 2018]**. The new Letter of Credit Expiration Date is _____. You are hereby authorized to attach this Notice of Extension to the Letter of Credit and to treat this Notice of Extension as extending the Letter of Credit Expiration Date of the Letter of Credit.

The Authority’s acknowledgment hereof shall be deemed to be the Authority’s representation that all its representations contained in Article IV of the Reimbursement Agreement are true and correct and will be true and correct as of the date hereof and that no Default or Event of Default has occurred and is continuing.

This Notice of Extension may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart. This Notice of Extension may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

ANNEX G
WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
(CONTINUED)

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
acting through its New York Branch

By: _____
Name: _____
Title: _____

Acknowledged as of _____, _____
by **[ISSUING AND PAYING AGENT]**, as Issuing
and Paying Agent

By _____
Name: _____
Title: _____

Acknowledged as of _____, _____
by TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By _____
Name: _____
Title: _____

cc: Dealers

**ANNEX H TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT [No. _____]**

[Date]

[ISSUING AND PAYING AGENT]

Attention: _____

Re: Reinstatement

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit [No. _____], dated [May __, 2018] (the "*Letter of Credit*"). Please be advised that the undersigned is in receipt of the amount of \$_____, of such amount, \$_____ represents reimbursement by Truckee Meadows Water Authority, Nevada (the "*Authority*") for the principal portion of the Drawing dated _____, __, and \$_____, represents reimbursement by the Authority for the interest portion of the Drawing and accordingly, the Stated Amount shall be reinstated with respect to the Principal Component by an amount equal to the principal portion so received and with respect to the Interest Component an amount equal to 270 days interest on the amount of the Principal Component being reinstated at a rate of 12% per annum.

Dated this ____ day of _____, ____.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
acting through its New York Branch

By: _____

Name: _____

Title: _____

cc: Truckee Meadows Water Authority, Nevada

ANNEX I
TO
WELLS FARGO BANK, NATIONAL ASSOCIATION,
ACTING THROUGH ITS NEW YORK BRANCH
LETTER OF CREDIT [No. _____]
CERTIFICATE RE: FINAL DRAWING
IRREVOCABLE LETTER OF CREDIT [No. _____]

[Issuing and Paying Agent]

Attention: _____

Reference is made to Irrevocable Letter of Credit [No. _____] (the “*Letter of Credit*”; the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in your favor as Issuing and Paying Agent.

Please be advised that:

(1) An Event of Default under and as defined in the Reimbursement Agreement has occurred and is continuing.

(2) The Bank hereby instructs the Issuing and Paying Agent, effective upon receipt of this Notice, to cease issuing Notes.

(3) The Bank hereby notifies the Issuing and Paying Agent that (i) effective upon receipt of this Certificate, the Stated Amount available to be drawn under the Letter of Credit will not be reinstated in accordance with the Letter of Credit, (ii) the Issuing and Paying Agent is instructed to make the final Drawing under the Letter of Credit to provide for the payment of the Commercial Paper Notes issued in accordance with the Resolution which are outstanding and are maturing or are hereafter to mature, and (iii) the Termination Date of the Letter of Credit will occur and the Letter of Credit will expire on the earlier of (a) date which is the 15th calendar day after the date of receipt by the Depository of this notice, and (b) the date on which the Drawing resulting from the delivery of this notice is honored by us.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
acting through its New York Branch

By: _____
Name: _____
Title: _____

ANNEX I
WELLS FARGO BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT [No. _____]
(CONTINUED)

Acknowledged as of _____, _____ by
_____, as Issuing and Paying Agent

By _____
Name: _____
Title: _____

EXHIBIT A

FORM OF STOP-ISSUANCE INSTRUCTION

[Dated Date]

[ISSUING AND PAYING AGENT]

as Issuing and Paying Agent

Attention: _____

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

Re: Truckee Meadows Water Authority, Nevada
Water Revenue Commercial Paper Notes, **[Series 2018]**

Ladies and Gentlemen:

Pursuant to Section ____ of that certain Reimbursement Agreement, dated as of **[May 1, 2018]** (the “*Reimbursement Agreement*”), by and between Truckee Meadows Water Authority, Nevada (the “*Authority*”) and the undersigned, you are hereby notified that (a) an “Event of Default” under Section 6.1(____) of the Reimbursement Agreement has occurred and is now continuing and (b) upon receipt of this notice, (i) no new Commercial Paper Notes (as defined in the Reimbursement Agreement) shall be issued or authenticated, (ii) the Stated Amount of the Letter of Credit shall be permanently reduced to \$_____, representing the principal amount of Commercial Paper Notes currently outstanding and interest thereon, and shall be further permanently reduced following the maturity of any such Commercial Paper Notes, and/or (iii) the Stated Amount shall no longer be reinstated following payment by the Bank of any Drawings.

This Stop-Issuance Instruction shall remain in effect unless you have received written notification from us that this Stop-Issuance Instruction has been rescinded.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
acting through its New York Branch

By: _____
Name: _____
Title: _____

cc: **[Dealer]**
[Rating Agencies]

EXHIBIT B

FORM OF BANK NOTE

[\$_____]

[May __, 2018]

FOR VALUE RECEIVED, the undersigned, TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the “*Authority*”), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION, acting through its New York Branch (the “*Bank*”), at its principal office at [_____], in the manner and on the dates provided in the hereinafter defined Agreement in lawful money of the United States of America and in immediately available funds, the principal sum of [_____] (\$_____) or, if less, the aggregate outstanding principal amount of the Reimbursement Obligations from time to time owing to the Bank under the Agreement. Terms used herein and not otherwise defined herein shall have the meanings assigned to them in that certain Reimbursement Agreement, dated as of [May 1, 2018] (the “*Agreement*”) by and between the Authority and the Bank, relating to the Authority’s Water Revenue Commercial Paper Notes, [Series 2018], as from time to time in effect.

The Authority further promises to pay interest from the date hereof on the outstanding principal amount hereof and unpaid interest hereon from time to time at the rates and times and in all cases in accordance with the terms of the Agreement. The Bank may endorse its records relating to this Bank Note with appropriate notations evidencing the Advances under the Agreement and payments of principal hereunder as contemplated by the Agreement.

This Bank Note is issued pursuant to, is entitled to the benefits of, and is subject to, the provisions of the Agreement and that certain 2006 Commercial Paper Resolution adopted by the Authority on July 19, 2006, as the same may be amended, restated, supplemented or otherwise modified from time to time. The principal of this Bank Note is subject to prepayment in whole or in part in accordance with the terms of the Agreement.

The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgors that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Bank Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

THIS BANK NOTE AND THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW).

IN WITNESS WHEREOF, the Authority has caused this Bank Note to be signed in its name as an instrument by its duly authorized officer on the date and in the year first above written.

ATTEST:

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Secretary to Truckee Meadows Water
Authority, Nevada

By: _____

SCHEDULE 5.2(e)(i)

SPECIFIED TRANSACTIONS

1. Those transactions contemplated by and executed pursuant to and in accordance with that certain Interlocal Agreement Governing the Merger of The South Truckee Meadows General Improvement District into The Truckee Meadows Water Authority, Pursuant to NRS 318.3490, dated 12/11/2013.
2. Those transactions contemplated by and executed pursuant to and in accordance with that certain Interlocal Agreement Governing the Merger of The Washoe County Department of Water Resources Water Utility into The Truckee Meadows Water Authority, dated January 29, 2010.
3. Those transactions contemplated by and executed pursuant to and in accordance with that certain Agreement for Water System Acquisition between Verdi Business Park Water Cooperative and Truckee Meadows Water Authority, dated November 7, 2012, as amended by the First Amendment to Agreement for Water System between Verdi Business Park Water Cooperative and Truckee Meadows Water Authority, dated as of December 11, 2013.

FEE LETTER
DATED AS OF [MAY __, 2018]

Reference is hereby made to (i) that certain Reimbursement Agreement dated as of **[May 1, 2018]** (as amended, supplemented or otherwise modified or restated from time to time, the “*Agreement*”), between the TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the “*Authority*”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (the “*Bank*”), relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, **[Series 2018]** (the “*Commercial Paper Notes*”), and (ii) that certain Irrevocable Transferable Direct-Pay Letter of Credit dated the date hereof (the “*Letter of Credit*”), issued by the Bank pursuant to the Agreement, supporting the Commercial Paper Notes. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement or the Letter of Credit, as applicable.

The purpose of this Fee Letter is to confirm the agreement between the Bank and the Authority with respect to, among other things, the Letter of Credit Fees (as defined below) and certain other fees payable to the Bank. This Fee Letter is the Fee Letter referenced in the Agreement, and the terms hereof are incorporated by reference into the Agreement. This Fee Agreement and the Agreement shall be construed as one agreement between the Authority and the Bank and all obligations hereunder shall be construed as obligations thereunder. All references to amounts due and payable under the Agreement shall be deemed to include all amounts, fees and expenses payable under this Fee Letter.

ARTICLE I. FEES AND OTHER AGREEMENTS.

Section 1.1. Letter of Credit Fees. The Authority hereby agrees to pay or cause to be paid to the Bank, in immediately available funds, without any requirement of notice or demand, on July 1, 2018, for the period commencing on the Closing Date to and including June 30, 2018, and in arrears on the first Business Day of each October, January, April and July occurring thereafter to the Termination Date, and on the Termination Date, a non-refundable facility fee (the “*Letter of Credit Fees*”) in an amount, for each day during the related fee period, equal to the product of the Stated Amount of the Letter of Credit (without regard to any reduction thereof subject to reinstatement) for each such day and the applicable rate per annum for each such day during the related period associated with the Rating (as defined below) then in effect, set forth in the applicable Level in the pricing matrix below (the “*Letter of Credit Fee Rate*”).

LEVEL	MOODY’S RATING	S&P RATING	FITCH RATING	LETTER OF CREDIT FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.515%
Level 2	A1	A+	A+	0.665%
Level 3	A2	A	A	0.815%
Level 4	A3	A-	A-	0.965%
Level 5	Baa1	BBB+	BBB+	1.215%
Level 6	Baa2 or below	BBB or below	BBB or below	1.565%

The term “*Rating*” as used above shall mean the long-term unenhanced credit rating assigned by any Rating Agency to any of the Authority’s Senior Lien Obligations (without giving effect to any bond insurance policy or other credit enhancement securing such Senior Lien Obligations). In the event of a split Rating (i.e. one of the foregoing Rating Agency’s Rating is at a different level than the Rating of either of the other Rating Agencies), (i) if such Ratings are assigned by all three Rating Agencies, and two of such Ratings are equivalent, the Letter of Credit Fee Rate shall be based upon the Level in which the two equivalent Ratings appear; (ii) if such Ratings are assigned by all three Rating Agencies and no two such Ratings are equivalent, the Letter of Credit Fee Rate shall be based upon the Level in which the middle Rating appears; and (iii) if such Ratings are assigned by only two Rating Agencies and such Ratings are not equivalent, the Letter of Credit Fee Rate shall be based upon the Level in which the lower Rating appears (for the avoidance of doubt, Level 6 is the lowest Level, and Level 1 is the highest Level for purposes of the above pricing matrix). Any change in the Letter of Credit Fee Rate resulting from a change in the Rating shall be and become effective as of and on the date of the announcement of the change in the Rating. References to ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any Rating Agency, including, without limitation, any recalibration of such ratings in connection with the adoption of a “global” rating scale, each rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The Authority acknowledges that as of the Closing Date the Letter of Credit Fee Rate is that specified above for Level 1. In the event that any rating on any Senior Lien Obligation is suspended, withdrawn or otherwise unavailable from any Rating Agency (except, with respect to such other unavailability only, to the extent that the applicable Rating Agency states in writing that such action occurred for a non-credit-related reason) or upon the occurrence of and during the continuance of an Event of Default (whether or not the Bank declares an Event of Default in connection therewith), the Letter of Credit Fee Rate shall immediately, automatically and without notice increase by 2.00% per annum above the Letter of Credit Fee Rate otherwise in effect. The Letter of Credit Fees shall be payable on the dates set forth above on the basis of a year of 360-days and the actual number of days elapsed. To the extent any Letter of Credit Fees are not paid when due, such Letter of Credit Fees shall accrue interest from the date payment is due until payment in full at a per annum rate of interest equal to the Default Rate, payable on demand.

Section 1.2. Draw Fees. The Authority hereby agrees to pay to the Bank on the date of each Drawing under the Letter of Credit, a non-refundable draw fee equal to \$300 for each Drawing made under the Letter of Credit. Such drawing fees shall be payable by the Authority without any requirement of notice or demand by the Bank on the date of such Drawing.

Section 1.3. Amendment Fee. The Authority hereby agrees to pay to the Bank on the date of any amendment, modification or supplement to the Agreement or any Related Document, or any waiver or consent by the Bank with respect thereto, a non-refundable amendment, modification, supplement, waiver or consent fee, as applicable, in a minimum amount equal to \$2,500 (or such other amount as agreed to by the Authority and the Bank), plus, in each case, the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

Section 1.4. Transfer Fee. The Authority hereby agrees to pay to the Bank on the date of each transfer of the Letter of Credit to a successor Issuing and Paying Agent, a non-refundable transfer fee in an amount equal to \$2,500, plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

Section 1.5. Termination Fee; Reduction Fee. (a) Notwithstanding anything set forth herein or in the Agreement to the contrary, the Authority agrees not to terminate or replace, or cause the termination or replacement of, the Letter of Credit prior to the one-year anniversary of the Closing Date, except upon (i) the payment by the Authority to the Bank of a termination fee (the "*Termination Fee*"), in an amount equal to the product of (1) the Letter of Credit Fee Rate in effect on the date of such termination or replacement, (2) the Stated Amount in effect as of the date of such termination or replacement (without regard to any reductions thereof, including without limitation, any unreimbursed Drawing thereunder that may be reinstated pursuant to the terms of the Letter of Credit) and (3) a fraction, the numerator of which is equal to the number of days from and including the date of such termination or replacement to and including the first anniversary of the Closing Date and the denominator of which is 360 and (ii) compliance with the provisions of Section 2.7 of the Agreement; *provided, however*, that no Termination Fee shall become payable if the Letter of Credit is terminated or replaced as a result of (i) a reduction of the Bank's senior unsecured short-term debt ratings by any Ratings Agency below "A-1" by S&P, "P-1" by Moody's or "F1" by Fitch (provided, that for the avoidance of doubt, the ratings referenced in this clause (i) shall mean those ratings assigned to letters of credit issued by Wells Fargo Bank, National Association and not ratings assigned to Wells Fargo Bank, National Association's parent or holding company or any other affiliate of the Bank) or (ii) the Bank imposing and the Authority paying increased costs pursuant to the provisions of Section 2.14 of the Agreement. Upon termination of the Letter of Credit, the Authority shall pay to the Bank all amounts then due and owed to the Bank pursuant to this Fee Letter and the Agreement upon the date of termination.

(b) Notwithstanding anything set forth herein or in the Agreement to the contrary, the Authority agrees not to permanently reduce the Stated Amount below the Stated Amount of the Letter of Credit in effect as of the Closing Date prior to the one-year anniversary of the Closing Date, without the payment by the Authority to the Bank of a reduction fee (the "*Reduction Fee*") in connection with each and every permanent reduction of the Stated Amount in an amount equal to the product of (A) the Letter of Credit Fee Rate in effect on the date of such reduction, (B) the difference between the Stated Amount (without regard to any reductions thereof, including without limitation, any unreimbursed Drawing thereunder that may be reinstated pursuant to the terms of the Letter of Credit) prior to such permanent reduction and the Stated Amount (without regard to any reductions thereof, including without limitation, any unreimbursed Drawing thereunder that may be reinstated pursuant to the terms of the Letter of Credit) after such permanent reduction and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the first anniversary of the Closing Date, and the denominator of which is 360 *provided, however*, that no Reduction Fee shall become payable if the Letter of Credit is permanently reduced as a result of (i) a reduction of the Bank's senior unsecured short-term debt ratings by any Ratings Agency below "A-1" by S&P, "P-1" by Moody's or "F1" by Fitch (provided, that for the avoidance of doubt, the ratings referenced in this clause (i) shall mean those ratings assigned to letters of credit issued by Wells Fargo Bank, National Association

and not ratings assigned to Wells Fargo Bank, National Association's parent or holding company or any other affiliate of the Bank) or (ii) the Bank imposing and the Authority paying increased costs pursuant to the provisions of Section 2.14 of the Agreement.

Section 1.6. Fees and Expenses. The Authority will promptly pay upon receipt of an invoice (a) the reasonable expenses of the Bank incurred in connection with the preparation, execution and delivery of the Agreement and the Letter of Credit and (b) the reasonable fees and expenses of Chapman and Cutler LLP, special counsel to the Bank incurred in connection with the preparation, execution and delivery of the Agreement and the Letter of Credit (in an amount not to exceed \$45,000, plus expenses). The reasonable fees and expenses of special counsel to the Bank shall be paid directly to Chapman and Cutler LLP in accordance with the instructions provided by Chapman and Cutler LLP.

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Letter shall become effective without the prior written consent of the Authority and the Bank.

Section 2.2. Governing Law. THIS FEE LETTER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER,* THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA AND APPLICABLE FEDERAL LAW.

Section 2.3. Counterparts. This Fee Letter may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Fee Letter may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 2.4. Severability. Any provision of this Fee Letter which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 2.5. No Disclosure. Unless required by law, the Authority shall not deliver or permit, authorize or consent to the delivery of this Fee Letter to any Dealer or any other Person or for posting on the Electronic Municipal Market Access website as provided by the Municipal Securities Rulemaking Board unless the Bank provides its prior written consent.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Letter to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first set forth above.

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Name: _____
Title: _____

[Signature Page to Wells-Truckee Meadows Fee Letter]

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

[Signature Page to Wells-Truckee Meadows Fee Letter]

AMENDED AND RESTATED SERIES 2006B DEALER AGREEMENT

Between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

GOLDMAN, SACHS & CO. LLC,
as the Dealer

Dated as of May 1, 2018

Relating to the

Truckee Meadows Water Authority, Nevada

Water Revenue

Commercial Paper Notes, Series 2006B

TRUCKEE MEADOWS WATER AUTHORITY
Water Revenue
Commercial Paper Notes, Series 2006B

AMENDED AND RESTATED SERIES 2006B DEALER AGREEMENT

This **AMENDED AND RESTATED SERIES 2006B DEALER AGREEMENT** (this “Agreement”) is dated as of May 1, 2018, and is by and between Goldman, Sachs & Co. LLC (the “Dealer”) and Truckee Meadows Water Authority, Nevada (the “Authority”).

WHEREAS, the Authority intends to offer, sell and issue its Truckee Meadows Water Authority, Nevada Water Revenue Commercial Paper Notes, Series 2006B (the “Notes”) under and pursuant to the provisions of the 2006 Commercial Paper Resolution adopted on July 19, 2006, as amended and supplemented on January 19, 2011 (as further amended and supplemented, the “Resolution”); and

WHEREAS, the Dealer intends to act as a dealer for the Authority in connection with the offer, sale and issuance of the Notes in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Authority and the Dealer hereby agree that, as of the date hereof, the Amended and Restated Series 2006B Dealer Agreement, dated as of May 1, 2014, between the Authority and the Dealer, shall be amended and restated as set forth herein; and

WHEREAS, the Resolution provides the maximum principal amount of Notes (together with other Series 2006B Notes) which may be issued is limited to \$160,000,000 and otherwise as required by the terms of the Reimbursement Agreement, dated as of May 1, 2018 (the “Credit Agreement”), by and between the Authority and Wells Fargo Bank, National Association (the “Bank”); subject, however, to any limitations contained in the TMWA Cooperative Agreement and the Authority Act (both as defined in the Resolution) and the Authority’s reserved right to limit the aggregate principal amount of Notes issued or outstanding.

NOW, THEREFORE, the Authority and the Dealer agree as follows:

1. Appointment of Dealer; Responsibilities of Dealer.

(a) Subject to the terms and conditions herein contained, the Authority hereby appoints the Dealer to act as a dealer hereunder in connection with the offering, issuance and sale of the Notes, and the Dealer hereby accepts such appointment. All terms used herein shall have the same meaning as in the Resolution or the Credit Agreement unless otherwise defined herein.

(b) Upon receipt of an Issuance Request from the Authority, the Dealer shall exercise its best efforts to solicit purchases of the portion of the Notes specified in the Issuance Request, on such terms and conditions, including maturity dates and interest rates, as may prevail from time to time in the market; and in any event at interest rates up to the Maximum Commercial Paper Interest Rate. Before 1:00 P.M., New York time, on each day on which the Notes, the

purchase of which has been solicited by the Dealer, are to be issued, the Dealer will notify the Authority and the Issuing and Paying Agent of the amounts and terms and conditions of such Notes with respect to which the Dealer has received indications of interest from potential purchasers. Such amounts and terms and conditions shall be subject to the approval of the Authority as provided below.

(c) If the Authority determines that the terms and conditions available from the Dealer are acceptable to the Authority, the Authority shall confirm sales to the Dealer prior to 1:15 P.M., New York time, on such day.

(d) It is understood and agreed that the Dealer's responsibilities hereunder will include the following:

(i) after receipt of an Issuance Request, the soliciting of purchases of Notes from investors that customarily purchase commercial paper or tax exempt securities in large denominations as provided in paragraph (b) of this Section,

(ii) effecting and processing such purchases,

(iii) causing the furnishing, by mail or otherwise, of such materials as are described in Section 3 hereof,

(iv) billing and receiving payment for Notes purchased,

(v) purchasing Notes pursuant to the provisions of paragraph (b) of this Section,

(vi) performing all duties and obligations of the Dealer with respect to the timing of notifications and payments set forth in the Issuing and Paying Agent Agreement (as defined herein), and

(vii) performing such other related functions as may be requested by the Authority and agreed to by the Dealer.

Nothing herein obligates the Dealer to purchase Notes for its own account.

(e) Notices pursuant to, or contemplated by, the provisions of this Section shall be given by telephonic or other electronic communication between or among authorized representatives of the parties to this Agreement and shall be confirmed in writing and mailed, telegraphed or delivered to such parties on the later of the business day following the settlement, if any, of the respective transactions to which such notices relate or the business day following the telephonic communication.

(f) Delivery of beneficial ownership interests in the Notes shall be made to the Dealer by the Issuing and Paying Agent in accordance with the Issuing and Paying Agent Agreement and the customary practices of The Depository Trust Company ("DTC"). Payment for Notes sold by or purchased by the Dealer shall be effected in accordance with the Issuing and Paying Agent Agreement and the Resolution. The Dealer shall pay for such Notes as are delivered

to it executed and authenticated in the manner provided for in the Issuing and Paying Agent Agreement and the Resolution, in immediately available funds on the day on which such Notes are delivered to the Dealer.

2. **The Notes.** The Notes shall have the security, terms and provisions as set forth in the Resolution and the applicable Issuance Request, with interest rates and maturities (not in excess of the limits provided in the Resolution) as specified by the Dealer and confirmed by the Authority.

3. **Furnishing of Information.**

(a) At or before the time of execution of this Agreement, the Authority will prepare and furnish to the Dealer a camera-ready copy of an offering memorandum describing the Authority, the Notes, the Credit Agreement, the Letter of Credit, the Bank, DTC, the Issuing and Paying Agent and such other items as shall be reasonably requested by the Dealer, such offering memorandum to be in such form and having such substance as shall be reasonably requested by the Dealer (such offering memorandum, as the same may be revised, updated, amended, supplemented or otherwise changed in accordance with the terms of this Agreement, is herein referred to as the "Offering Memorandum").

(b) Upon written request of the Dealer, but not more frequently than once each calendar year, the Authority shall prepare and furnish to the Dealer a camera-ready copy of a new Offering Memorandum, which shall be an update to the prior Offering Memorandum and which shall also contain such additional information as the Dealer may reasonably request. Such update shall also include current, updated information on the Bank.

(c) Notwithstanding the provisions of subsection (b) above, if, at any time, an event shall become known to the Authority or the Dealer which might make the information set forth in the then current Offering Memorandum incorrect, or cause such Offering Memorandum to fail to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, then the party making such discovery shall notify the other party, and, if in the reasonable judgment of the Dealer or the Authority, it is necessary to prepare a supplement or amendment to the Offering Memorandum, the Authority will prepare and furnish to the Dealer a camera-ready copy of such supplement or amendment in form and substance reasonably satisfactory to the Dealer.

(d) Contemporaneously with the furnishing to the Dealer of each update to the Offering Memorandum, and each amendment or supplement to the Offering Memorandum which relates to the Bank, the Authority shall also furnish to the Dealer a copy of the information furnished by the Bank pursuant to Section 4.13(b) of the Credit Agreement.

(e) The Authority recognizes and agrees that the Offering Memorandum will be, and any other information furnished to the Dealer pursuant to this section may be, furnished by the Dealer to potential purchasers and purchasers of the Notes in connection with the offer and sale of the Notes. In no event may a Dealer furnish any other information to a purchaser or potential purchaser without the prior written approval of the Authority.

4. **Representations, Warranties, Covenants and Agreements of the Authority.** The Authority represents, warrants, covenants and agrees as follows:

(a) The Authority is organized and existing under laws of the State, and is authorized by the TMWA Cooperative Agreement and the Authority Act and other laws of the State and the Resolution to offer, sell and issue the Notes for the purposes specified in the Resolution and to enter into and perform its obligations under this Agreement, the Notes, the Resolution, the Credit Agreement and the Amended and Restated Series 2006B Issuing and Paying Agent Agreement, dated as of May 1, 2018, between the Authority and the Issuing and Paying Agent (the “Issuing and Paying Agent Agreement”);

(b) The Authority has full power and authority to take all actions required or permitted to be taken by the Authority by or under and to perform and observe the covenants and agreements on its part contained in this Agreement, the Notes, the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement, and the Authority has complied with all provisions of applicable law in all matters related to such actions;

(c) The Authority has duly taken all action necessary to be taken by it or on its behalf for: (i) the adoption of the Resolution, (ii) the execution, delivery and performance of this Agreement, the Credit Agreement, and the Issuing and Paying Agent Agreement, (iii) the preparation, authorization and the distribution of the Offering Memorandum, and (iv) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement. The Authority will have, on or before the date on which any Notes are issued, duly taken all action required to be taken by it or on its behalf prior to such date for the offering, sale and issuance, of such Notes upon the terms set forth in the Resolution;

(d) The Resolution has been duly adopted by the Authority and is in full force and effect, and this Agreement, the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement, when executed and delivered by the respective parties thereto, will constitute valid and binding obligations of the Authority, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors’ rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Nevada;

(e) The adoption of the Resolution and the execution and delivery of this Agreement, the Notes, the Credit Agreement and the Issuing and Paying Agent Agreement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not conflict with or constitute a material breach of or a material default under or result in a material violation of (i) the TMWA Cooperative Agreement, (ii) the Authority Act, (iii) the Resolution, (iv) any agreement or other instrument to which the Authority is a party or by which the Authority or any of its properties is bound, or (v) any constitutional or statutory provision or order, rule, regulation, decree or resolution of any court, government or governmental authority having jurisdiction over the Authority or any of its properties;

(f) On and as of each date on which Notes are to be issued and sold pursuant to the terms of the Resolution and this Agreement (each, a “Closing Date”), all authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any

governmental body, agency or other instrumentality or court required in connection with the adoption of the Resolution and the execution, delivery and performance by the Authority of this Agreement, the Notes, the Credit Agreement and the Issuing and Paying Agent Agreement will have been obtained, given or taken and will be in full force and effect, provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States;

(g) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the Authority, threatened against the Authority wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of, or the authority of the Authority to perform its obligations under, the Resolution, this Agreement, the Notes, the Credit Agreement or the Issuing and Paying Agent Agreement;

(h) When executed and issued as herein and in the Resolution and the Issuing and Paying Agent Agreement provided, the Notes will be duly authorized, executed and issued and will constitute valid and binding obligations of the Authority enforceable in accordance with their terms and the terms of the Resolution, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors’ rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Nevada;

(i) The Authority will cooperate with the Dealer in the qualification of the Notes for offering and sale and the determination of the eligibility of the Notes for investment under the laws of such jurisdictions as the Dealer shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Notes by the Dealer, provided that the Authority shall not be required to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject or otherwise undertake any burden in connection with any such qualification that the Authority determines to be unduly burdensome. It is understood that the Authority is not responsible for compliance with or the consequences of failure to comply with applicable Blue Sky laws;

(j) The Authority is not in default in the payment of principal of, premium, if any, or interest on any bonds, notes or other obligations which it has issued, assumed or guaranteed as to the payment of principal, premium, if any, or interest;

(k) The information provided by the Authority pursuant to Section 3 hereof, as of the date on which such information is furnished, will not contain any untrue statement of a material fact and will not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. It is understood that the Authority is not making any representations about the accuracy or completeness of any information concerning or furnished by it with respect to the Bank, any Dealer, the Issuing and Paying Agent or DTC;

(l) Any certificate signed by any authorized official or officials of the Authority and delivered to the Dealer, shall be deemed a representation by the Authority to the Dealer as to the statements made therein; and

(m) The terms and provisions of each Issuance Request shall comply with the terms, conditions and limitations contained in the Resolution.

(n) Each delivery of Notes to the Dealer shall be deemed a representation and warranty by the Authority, as of the date thereof, that (i) the Notes issued on such date have been duly authorized, issued and delivered and, upon payment therefor, will constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, and (ii) the representations and warranties of the Authority set forth in this Section 4 are true and correct as if made on such date.

(o) The Authority will give the Dealer notice forthwith of the occurrence of any material breach by the Authority of any of its covenants contained in the Resolution.

(p) The Authority will give the Dealer notice of any proposed amendment to or modification of the Resolution, this Agreement, the Credit Agreement and the Issuing and Paying Agent Agreement prior to the effective date thereof.

5. Conditions to the Dealer's Obligations. The obligations of the Dealer under this Agreement have been undertaken in reliance on, and are subject to, the due performance by the Authority of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants and agreements of the Authority contained herein, in each case on and as of the date of delivery of this Agreement and on and as of each Closing Date. The obligations of the Dealer hereunder with respect to each date on which Notes are to be issued are also subject, in the discretion of the Dealer, to the following further conditions:

(a) The Resolution, the Letter of Credit, this Agreement and the Issuing and Paying Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, and, prior to the initial issuance of any Notes secured by the Letter of Credit, there shall be in full force and effect such additional resolutions, agreements and certificates (including such certificates as may be required by regulations of the Treasury Department of the United States in order to establish the exclusion from gross income for federal income tax purposes of interest on the Notes) and such opinions of counsel, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to bond counsel, the Authority, and the Dealer, and there shall have been taken in connection therewith and in connection with the initial issuance of the Notes secured by the Letter of Credit all such action as shall, in the opinion of bond counsel, be necessary, in connection with the transactions contemplated hereby;

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Bank since the date of the Offering Memorandum relating to Notes being sold on such date, the Authority or the Issuing and Paying Agent shall not have received a Stop-Issuance Instruction or a Final Drawing Notice (each

as defined in the Credit Agreement) from the Bank, and no event of default under the Resolution shall have occurred and be continuing; and

(c) On or prior to May 15, 2018, the Dealer shall have received the following in form and substance satisfactory to the Dealer:

(i) Executed or certified copies of the Resolution, the Credit Agreement, the Letter of Credit, and the Issuing and Paying Agent Agreement and a transcript of all other proceedings relating to the authorization of the Notes;

(ii) An opinion of bond counsel to the Authority dated May 15, 2018, together with a reliance letter to the Dealer, relating to this Agreement, the Issuing and Paying Agent Agreement and the Credit Agreement but not the matters described in clause (iii) below;

(iii) The opinion of bond counsel to the Authority, dated August 16, 2006, together with a reliance letter to the Dealer, dated August 16, 2006, relating to the Resolution and the exclusion from federal gross income of the interest on the Notes, which the Dealer acknowledges having previously received;

(iv) An opinion of counsel to the Bank addressed to the Dealer or accompanied by letters indicating the Dealer may rely on those opinions related to the Letter of Credit;

(v) A certificate of the Authority, executed by any duly authorized official of the Authority, dated as of the Closing Date, to the effect that each of the Authority's representations and warranties contained herein are true and correct in all material respects on and as of the first Closing Date with the same effect as if made on the first Closing Date;

(vi) A certificate of the Bank as to the information concerning the Bank in the Offering Memorandum; and

(vii) Copies of all documents required by, and to be delivered pursuant to, the Resolution.

6. **Conditions to Authority's Obligations.** The Authority's obligations hereunder are subject to the performance by the Dealer of its obligations hereunder and to the following additional conditions:

(a) The Resolution, the Credit Agreement, the Letter of Credit and the Issuing and Paying Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Authority and the Dealer, and there shall be in full force and effect such additional resolutions, agreements and certificates (including such certificates as may be required by regulations of the Treasury Department of the United States in order to establish the exclusion from gross income for federal income tax purposes of interest on the Notes) and such opinions of counsel, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to bond counsel, the Authority, and the Dealer, and there shall have been taken in connection therewith and in

connection with the issuance of the Notes all such action as shall, in the opinion of the aforesaid counsel, be necessary, in connection with the transactions contemplated hereby;

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Authority since the date of the Offering Memorandum relating to Notes being sold on such date, the Authority shall not have received a notice of an event of default under the Credit Agreement or a Stop-Issuance Instruction or a Final Drawing Notice from the Bank, and no event of default under the Resolution shall have occurred and be continuing and no material event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an event of default under either the Credit Agreement or the Resolution; and

(c) On or prior to May 15, 2018, the Authority shall have received:

(i) Executed or certified copies of the Resolution, the Credit Agreement, the Letter of Credit and the Issuing and Paying Agent Agreement; and a transcript of all other proceedings relating to the authorization of the Notes;

(ii) Opinions dated as of such date of (a) bond counsel to the Authority and (b) counsel to the Bank addressed to the Authority or accompanied by letters indicating the Authority may rely on those opinions;

(iii) A certificate of the Dealer, in form and substance satisfactory to the Authority, to the effect that (a) the Dealer has the power and authority to execute this Agreement and to perform its obligations hereunder, (b) the Dealer has duly and validly approved, executed and delivered this Agreement and this Agreement constitutes a legal, valid and binding agreement of the Dealer enforceable in accordance with its terms, and (c) the execution and delivery by the Dealer of this Agreement, and the performance of its obligations hereunder, do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance of any of its property under, its charter or by-laws, or any other agreement, instruction, judgment, injunction or order applicable to it or any of its property; and

(iv) Copies of all documents required by, and to be delivered pursuant to, the Resolution and the Credit Agreement.

7. Term and Termination of Agreement.

(a) This Agreement may be canceled by the Dealer or the Authority at any time on written notice if another dealer appointed by the Authority and acceptable to the Bank has agreed to assume responsibility for marketing the Dealer's share of the Notes. To be effective, such written notice must be given no less than 30 days prior to such cancellation date. If the Dealer gives notice of cancellation to the Authority, the Authority agrees to use its best efforts to appoint another dealer.

(b) In addition to the provisions of paragraph (a) of this Section, any party to this Agreement may immediately terminate its obligations under this Agreement at any time by notifying the other party to this Agreement in writing or by telegram of its election so to do, if:

(i) A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended to the Congress of the United States for passage by the President of the, United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived by the Authority (or by any similar body) or upon interest received on obligations of the general character of the Notes;

(ii) Legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby;

(iii) Any event shall have occurred, or information become known, which, in either party's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information supplied by the Authority pursuant to Section 3, and the Authority shall fail to supplement such information in a manner satisfactory to both parties and in accordance with said Section 3 within a reasonable period of time after requested to do so by the Dealer;

(iv) Any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the United States or the State of Nevada, or a decision by any court of competent jurisdiction within the United States or the State of Nevada shall be rendered which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(vi) Any governmental authority shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(vii) A general banking moratorium shall have been established by federal, Nevada, New York authorities;

(viii) Any rating of the Notes shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes; or

(ix) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

8. **Payment of Fees and Expenses.** In consideration of the services to be performed by the Dealer under this Agreement, the Authority agrees to pay to the Dealer quarterly, within 30 days of submission of a bill therefor by the Dealer after the close of each calendar quarter, commencing with the quarter ending on September 30, 2006, a fee equal to the product of the average balance of Notes outstanding during that quarter for which the Dealer was responsible times four (4) basis points. It is understood and agreed that (i) payment of such fee shall be made by the Authority quarterly upon receipt of an invoice therefore from the Dealer, and (ii) the obligation of the Authority to pay such fee shall survive the termination or cancellation of this Agreement to the extent that such obligation relates to Notes outstanding prior to such termination or cancellation.

9. **Miscellaneous.**

(a) Except as otherwise specifically provided in this Agreement, all notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

Authority: Truckee Meadows Water Authority, Nevada
1355 Capital Boulevard
Reno, NV 89502
Attention: Chief Financial Officer
Telephone: (775) 834-8048
Facsimile: (775) 834-8084

Dealer: Goldman, Sachs & Co. LLC
200 West Street
New York, NY 10282
Attention: Municipal Money Market Desk
Telephone: (212) 902-6633
Facsimile: (212) 428-3132

Any of the above named entities may, by notice given under this Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) This Agreement will inure to the benefit of and be binding upon the Authority and the Dealer and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation. The terms “successors” and “assigns” shall not include any purchaser of any of the Notes merely because of such purchase.

(c) All of the representations and warranties of the Authority and the Dealer in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Dealer, (ii) delivery of and any payment for any Notes hereunder, or (iii) termination of this Agreement.

(d) Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

(e) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada and the parties hereby agree that if either party determines to bring an action to litigate any dispute hereunder or arising out of the actions contemplated hereby or including, without limitation, any action to enforce any provision hereof, such action shall be brought in the District Court of the Second Judicial District of the State of Nevada in Washoe County, Nevada.

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**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chief Financial Officer

(SEAL)

Attest:

By: _____
Secretary

GOLDMAN, SACHS & CO. LLC

By: _____
Title: _____

AMENDED AND RESTATED
2006B ISSUING AND PAYING AGENT AGREEMENT

Between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

U.S. BANK NATIONAL ASSOCIATION
as Issuing and Paying Agent

Dated as of May 1, 2018

Relating to the

Truckee Meadows Water Authority, Nevada

Water Revenue

Commercial Paper Notes, Series 2006B

AMENDED AND RESTATED 2006B ISSUING AND PAYING AGENT AGREEMENT

This **AMENDED AND RESTATED 2006B ISSUING AND PAYING AGENT AGREEMENT**, dated as of May 1, 2018 (this “Agreement”), between Truckee Meadows Water Authority, Nevada (the “Authority”), and U.S. Bank National Association, a banking corporation duly organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the “Issuing and Paying Agent”);

WHEREAS, the Authority has heretofore authorized the issuance of its Water Revenue Commercial Paper Notes, Series 2006B (the “Notes”), pursuant to an Authority Resolution adopted on July 19, 2006, as amended and supplemented on January 19, 2011 (as further amended and supplemented from time to time, in accordance with its terms, the “Resolution”);

WHEREAS, in order to provide support for payment of the principal of and interest on the Notes, the Authority has determined to enter into a Reimbursement Agreement dated as of May 1, 2018 (as supplemented and amended from time to time, the “Credit Agreement”), by and between the Authority and Wells Fargo Bank, National Association (the “Bank”), pursuant to which the Bank will issue a Letter of Credit (the “Letter of Credit”), which Letter of Credit will be drawn upon by the Issuing and Paying Agent to pay the principal of and interest on the Notes;

WHEREAS, in order to provide for the offering and sale of the Notes, the Authority has determined to enter into an Amended and Restated Series 2006B Dealer Agreement, dated as of May 1, 2018 (the “Dealer Agreement”), between the Authority and Goldman, Sachs & Co. (the “Dealer”); and

WHEREAS, in order to facilitate the issuance and sale of the Notes, the Authority and the Issuing and Paying Agent desire to enter in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Appointment of Issuing and Paying Agent.** The Authority hereby appoints U.S. Bank National Association, on the terms and conditions specified herein, as Issuing and Paying Agent for the Notes, which the Authority shall from time to time deliver or cause to be delivered to the Issuing and Paying Agent. The Notes will be substantially in the form set forth in the Resolution and will be offered by the Dealer. At no time will the aggregate outstanding principal amount of such Notes exceed the amount permitted by the Credit Agreement or the Resolution. All terms used herein shall have the same meaning as in the Resolution or the Credit Agreement unless otherwise defined herein.

2. **Letter of Representations; Supply of Notes.** The Authority will promptly deliver to the Issuing and Paying Agent an executed version of the form of Letter of Representations (the “Letter of Representations”) provided by The Depository Trust Company (“DTC”). The Authority understands and agrees that such Letter of Representations shall supplement the provisions of this Agreement and that the Authority, the Issuing and Paying Agent, and DTC shall be bound by the terms and provisions of the Letter of Representations, including any procedures and operational arrangements applicable thereunder. Except as otherwise provided in Section 2.13 of the Resolution, the Authority agrees from time to time to furnish the Issuing and Paying Agent with

an adequate supply of Notes, which will be serially numbered and which will have been executed by the facsimile signature of the Chairman, Secretary and Treasurer of the Authority, and bear a facsimile impression of the Authority's seal. (The principal amount, date of issue, registered owner, maturity date, interest rate and amount of interest will be left blank.) Pending receipt of an Issuance Request, the Issuing and Paying Agent agrees to hold the supply of Notes in safekeeping for the account of the Authority in accordance with the customary practice of the Issuing and Paying Agent.

3. **Authorized Representatives of the Authority.** From time to time the Authority agrees to furnish the Issuing and Paying Agent with one or more certificates certifying the incumbency and specimen signatures of officers or agents of the Authority authorized to execute Issuance Requests on behalf of the Authority and/or authorized to take other action hereunder on behalf of the Authority (each an "Authorized Representative") and the names of employees of the Dealer who are authorized to give notices and/or issuance instructions to the Issuing and Paying Agent as provided herein (a "Dealer Representative"). Until the Issuing and Paying Agent receives a subsequent certificate from the Authority, the Issuing and Paying Agent is entitled to rely on the last such certificate delivered to it for purposes of determining the Authorized Representatives or Dealer Representatives.

The Authority agrees that the Issuing and Paying Agent shall not have any responsibility to the Authority to determine by whom or what means a facsimile signature may have been affixed on the Notes. Any Note bearing the facsimile signatures identified in Section 2 hereof on the date the signature of such officer is affixed shall bind the Authority after the completion of such Note by the Issuing and Paying Agent, notwithstanding that such officer shall have died or shall have otherwise ceased to hold office on the date such Note is authenticated or delivered by the Issuing and Paying Agent.

4. **Completion, Authentication and Delivery of Notes.**

(a) An Issuance Request will be given by an Authorized Representative to the Issuing and Paying Agent and the Dealer by Immediate Notice, by 4:30 p.m. New York time on the Business Day preceding the Business Day on which Notes are to be issued. Instructions to complete Notes and deliver Notes to the Dealer will be given by the Dealer to the Issuing and Paying Agent and the Authority by Immediate Notice, by 1:00 p.m. New York time on the Business Day on which Notes are to be issued. Confirmation of such instruction to complete and deliver Notes will be given by the Authority to the Issuing and Paying Agent, the Dealer and the Financial Advisors by Immediate Notice, as soon as practicable after receipt of instructions from the Dealer but in no event later than 1:15 p.m. New York time on the Business Day on which Notes are to be issued. Financial Advisors shall mean Public Financial Management, Inc. and Hobbs, Ong & Associates, Inc. or such other financial advisor designated by the Authority from time to time.

(b) Upon receipt of an Issuance Request, instructions from the Dealer and confirmation from the Authority as described in Section 4(a) hereof, the Issuing and Paying Agent agrees (i) to record on its books and provide a record to the Authority of the principal amount, date of issue, maturity date, interest rate, amount of interest and registered owner of each Note, and (ii) to the extent necessary under the book entry system used for the Notes:

- (i) to withdraw the necessary Note(s) from safekeeping;
 - (ii) to complete Notes as to principal amount (which principal amount shall be \$100,000 or an integral multiple of \$1,000 in excess thereof), date of issue, maturity date, interest rate and amount of interest thereon and to register such Note to Cede & Co., as nominee of DTC;
 - (iii) to manually authenticate each Note by any officer or employee duly authorized and designated for such purpose;
 - (iv) to retain one (1) nonnegotiable copy of each Note for its records and promptly forward one (1) nonnegotiable copy of each Note to the Authority; and
 - (v) to deliver the Note(s) through the facilities of DTC, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such Issuance Request or instructions (if such Issuance Request or instructions do not provide for such receipt, the Dealer shall nevertheless pay the purchase price for the Note(s) in accordance with Section 5 hereof).
- (c) It is understood that each delivery of Notes hereunder shall be subject to the rules of the DTC in effect at the time of such delivery and, in accordance therewith, Notes are to be delivered by such time as specified in such rules.
- (d) Notwithstanding any other provision of this Agreement or the Resolution to the contrary, no Notes shall be authenticated or delivered if:
- (i) such delivery would result in the aggregate principal amount of Notes Outstanding being in excess of the maximum amount provided in the Resolution; or
 - (ii) such delivery would result in an aggregate principal amount of Outstanding Notes plus the aggregate amount of interest to accrue on the Outstanding Notes to maturity thereof, calculated at the maximum rate of 12% per annum for 270 days, to be in excess of the Stated Amount; or
 - (iii) such delivery would result in the delivery of any Note bearing interest at a rate in excess of the lesser of (a) 3 percentage points per annum above the 25 Bond Revenue Index most recently published in The Bond Buyer before the Authority confirms the Dealer's instructions with respect to delivery of the Note, or (b) 12% per annum; or
 - (iv) such delivery would result in the delivery of any Note that has a maturity date that extends beyond the earliest of (a) 270 days from the date of authentication and issuance of such Note, (b) five days prior to the Letter of Credit Expiration Date (as such term is defined in the Resolution) or (c) July 1, 2036; or
 - (v) the Issuing and Paying Agent has received a Stop-Issuance Instruction or a Final Drawing Notice from the Bank; or

(vi) the Issuing and Paying Agent shall have actual knowledge that an event of default (as such term is defined in the Resolution) shall have occurred and is continuing; or

(vii) the Issuing and Paying Agent shall have received notice that the opinion of bond counsel delivered regarding the validity of the Notes and the exclusion of interest on the Notes from the gross income of the registered owners thereof for federal income tax purposes has been or is being withdrawn, which notice shall be delivered by such bond counsel.

If the Issuing and Paying Agent is unable to comply with an Issuance Request because of any of the above conditions, the Issuing and Paying Agent shall give Immediate Notice to the Authority and the Dealer of the circumstances prohibiting the issuance of the Notes.

(e) Notwithstanding Section 4(d)(ii) hereof, in the event an Advance is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Notes exceeding the limitations of that provision if, upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall have sufficient funds immediately available to reimburse the Bank for an Advance equal to such principal amount and if upon such reimbursement the limitation of Sections 4(d)(i) and 4(d)(ii) hereof will not be exceeded. Upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall give Immediate Notice to the Bank that it is holding such proceeds in trust for the Bank, and shall immediately wire such proceeds to the Bank.

(f) The Authority understands that although the Issuing and Paying Agent has been instructed to deliver Notes against payment, delivery of Notes will, in accordance with the custom prevailing in the commercial paper market, be made before receipt of payment in immediately available funds. Therefore, once the Issuing and Paying Agent has delivered a Note to a Dealer or its agent as provided herein, the Authority shall bear the risk that a Dealer or its agent fails to remit payment for the Note to the Issuing and Paying Agent. The Issuing and Paying Agent shall have no liability to the Authority for any failure or inability on the part of the Dealer to make payment for Notes. Nothing in this Agreement shall require the Issuing and Paying Agent to purchase any Note or expend the Issuing and Paying Agent's own funds for the purchase price of a Note or Notes.

5. Demand for Payment Under Letter of Credit.

(a) Concurrently with the execution and delivery of this Agreement and for the purposes of this Agreement, the Resolution and the Credit Agreement, the Issuing and Paying Agent will establish the Note Payment Account in accordance with the provisions set forth herein.

(b) On any date on which Notes are maturing, the Issuing and Paying Agent shall determine the amount needed to pay the maturing Notes in full as to both principal and interest and, in the event the Issuing and Paying Agent is in receipt of a Final Drawing Notice, the Issuing and Paying Agent shall determine the amount needed to be drawn on the Letter of Credit pursuant to its terms to pay the Notes in full as to both principal and interest on their respective maturity dates, and shall submit a Drawing Certificate in such form as is set forth as Annex A-1 to the Letter of Credit with respect to payment of the principal of and interest on Notes at maturity, or as Annex A-2 to the Letter of Credit with respect to payment of the principal of and interest on

Notes at their respective maturity dates after receipt of the Final Drawing Notice, all in accordance with the Letter of Credit, to the Bank by 11:30 a.m. New York time, in order to draw on the Letter of Credit, the full amount of the principal of and interest due on such maturing Notes, and shall deposit the amount of such Drawing in the Note Payment Account. The amount of each Drawing will not be applied to any payment in respect of Notes registered in the name of the Authority or, to the best knowledge of the Issuing and Paying Agent, any nominee for or any Person who owns such Notes for the sole benefit of the Authority. The Issuing and Paying Agent shall hold the funds in the Note Payment Account uninvested for the benefit of the owners of the Notes, and shall apply such funds solely to pay the principal of and interest on the maturing Notes as provided herein and in the Resolution.

On each day on which the Notes are delivered, the Dealer or its agents shall pay the purchase price for such Notes in immediately available funds to the Issuing and Paying Agent, which shall transfer to the Authority for deposit to the Note Construction Account, the Letter of Credit Reimbursement Account or an Escrow Account or for payment of Refinanced Obligations the amounts received from the Dealer, as shown in the Issuance Request.

6. Establishment of Letter of Credit Reimbursement Account. Concurrently with the execution and delivery of this Agreement and for the purposes of this Agreement, the Resolution and the Credit Agreement, the Issuing and Paying Agent will establish the Letter of Credit Reimbursement Account in accordance with the provisions set forth herein. On each day on which the Issuing and Paying Agent receives a transfer of funds from or on behalf of the Authority or from the Dealer with respect to principal or interest due or to become due on the Notes, the Issuing and Paying Agent shall deposit such amounts in the Letter of Credit Reimbursement Account.

The Issuing and Paying Agent shall hold the funds in the Letter of Credit Reimbursement Account uninvested for the benefit of the Bank, shall set such funds aside exclusively to reimburse the Bank for an Advance, and shall apply such funds to reimburse the Bank for the Advance, in accordance with the terms of this Agreement and the Credit Agreement by 3:00 p.m. New York City time on the date of receipt. If the Bank fails to honor a properly presented and conforming drawing on, and pursuant to, the Letter of Credit submitted in accordance with Section 5 hereof in full, the Issuing and Paying Agent shall apply monies in the Letter of Credit Reimbursement Account to the payment of the principal of and interest on the Notes pro rata to the extent necessary to prevent a default in such payment, and shall give Immediate Notice to the Authority and the Bank of such use.

The Issuing and Paying Agent shall not have a lien on the Letter of Credit Reimbursement Account for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent hereunder.

7. Payment of Matured Notes. Payment of matured Notes shall be made by the Issuing and Paying Agent in accordance with Section 2.5(E) of the Resolution. By 2:00 p.m. New York time on the date that any Notes are scheduled to mature, the Authority shall have caused to be provided to the Issuing and Paying Agent, sufficient funds from which to pay the maturing Notes and the interest thereon. The Notes and maturing interest thereon shall be paid from the

funds provided pursuant to Section 5 hereof and if the Bank fails to honor a properly presented and conforming Drawing, the funds provided pursuant to Section 6 hereof.

8. **Reliance on Instructions.** The Issuing and Paying Agent shall incur no liability to the Authority in acting hereunder upon the instructions received by such means as are contemplated hereby, which the recipient thereof reasonably believed in good faith to have been given by an Authorized Representative of the Authority or representatives of the Dealer. In the event a discrepancy exists between any telephonic instructions given by the Authority or the Dealer and as understood by the Issuing and Paying Agent, the Issuing and Paying Agent shall immediately, by telephone or such other means as it deems reliable, attempt to resolve such discrepancy. Once resolved to the satisfaction of the Issuing and Paying Agent, the reasonable understanding of the Issuing and Paying Agent of such resolution will be deemed the controlling and proper instructions.

9. **Destruction of Notes.** After payment of any matured Notes, the Issuing and Paying Agent shall annotate its records to reflect the face amount of Notes outstanding in accordance with the Letter of Representations. Promptly upon the written request of the Authority, the Issuing and Paying Agent agrees either to cancel and return to the Authority all unissued Notes in the possession of the Issuing and Paying Agent at the time of such request or destroy such Notes and deliver a certificate of such destruction to the Authority, as specified by the Authority.

10. **Compliance with Resolution; Duties.** The Issuing and Paying Agent hereby agrees to accept, undertake and perform all of the duties and obligations set forth and imposed upon the Issuing and Paying Agent hereunder and under the Resolution and, in addition, the Issuing and Paying Agent agrees:

(a) to hold all sums held by the Issuing and Paying Agent for the payment of the principal of or interest on the Notes in trust for the benefit of the registered owners of the Notes until such sums shall be paid to such registered owners or otherwise disposed of as provided in the Resolution;

(b) to provide to the Bank and the Authority a monthly report on the first Business Day of each month, which report shall set forth such information regarding the authentication and delivery of Notes during the prior month, as the Authority, the Bank and Issuing and Paying Agent shall have agreed upon;

(c) to keep such books and records, including, without limitation a complete record of all Issuance Requests, as shall be consistent with standard industry practice and to make such books and records available for inspection by the Authority and the Bank, such books and records to be available on each Business Day during reasonable business hours and, if so requested, to send copies of such books and records to the Authority or the Bank, as applicable; and

(d) to hold and administer the Reserve Account, if any, created pursuant to the Resolution.

11. **Notices; Addresses.**

(a) All communications by or on behalf of the Authority or the Dealer, by telephone or otherwise, relating to the completion, delivery or payment of the Note(s) are to be directed to the Corporate Trust Division of the Issuing and Paying Agent (or to such other person or department which the Issuing and Paying Agent shall specify in writing to the Authority and the Dealer). The Authority agrees to send all Notes to be completed and delivered by the Issuing and Paying Agent to the Issuing and Paying Agent (or to such other person as the Issuing and Paying Agent shall specify in writing to the Authority). The Issuing and Paying Agent agrees to advise the Authority, the Bank and the Dealer from time to time of the individuals generally responsible for the administration of this Agreement and agrees from time to time to certify incumbency and specimen signatures of officers or employees authorized to countersign the Notes and agrees to supply a list of employees authorized to receive telephone instructions.

(b) Notices and other communications to be given hereunder shall (except to the extent otherwise expressly provided) be given by Immediate Notice or shall be given in writing and be addressed as set forth below (or to such other address as the party receiving such notice shall have previously specified, by notice given hereunder, to the party sending such notice):

Authority:

Truckee Meadows Water Authority, Nevada
1355 Capital Boulevard
Reno, NV 89502
Attention: Chief Financial Officer
Telephone: (775) 834-8048
Facsimile: (775) 834-8084

Issuing and Paying Agent:

concerning the issuance of the Notes:

U.S. Bank National Association
100 Wall Street, 16th Floor
New York, NY 10005
Attention: Commercial Paper Operations
Telephone: (212) 951-8508
Facsimile: (212) 509-4529

concerning all other matters:

U.S. Bank National Association
100 Wall Street, Suite 1600
New York, NY 10005
Attention: Corporate Trust Administration
Telephone: (212) 951-8561
Facsimile: (212) 509-3384

Bank:

Dealer:

Goldman, Sachs & Co.
200 West Street
New York, NY 10282
Attention: Municipal Money Market Desk
Telephone: (212) 902-6633
Facsimile: (212) 428-3132

Notices shall be deemed delivered when received at the address specified above. For purposes of this Section, “when received” shall mean actual receipt (x) of an Immediate Notice specified in or pursuant to this Agreement; (y) of an oral communication by any person answering the telephone at the office of the Issuing and Paying Agent specified in Section 11 (b) hereof and otherwise at the office specified in or pursuant to this Agreement; or (z) of a written communication hand delivered at the office specified in or pursuant to this Agreement provided that any notices to the Bank shall be made in accordance with the Credit Agreement.

12. Additional Information; Notification of the Owners of Note.

(a) Upon the reasonable request of the Authority or Bank, as applicable, given at any time and from time to time, the Issuing and Paying Agent agrees promptly to provide the Authority or the Bank, as applicable, with information with respect to the Note(s) issued and paid hereunder. Such request shall be in written form and shall include the principal amount, date of issue, maturity date, interest rate and amount of interest of each Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made. The Issuing and Paying Agent and the Authority shall discuss from time to time the extent to which such information is reasonably available and the times at which the Issuing and Paying Agent can reasonably furnish such information.

(b) The Authority agrees to give Immediate Notice to the Issuing and Paying Agent in advance thereof if there is an assignment by the Bank of its rights under the Credit

Agreement or its obligations under the Letter of Credit pursuant to the Credit Agreement or upon receipt by the Issuing and Paying Agent of a Stop-Issuance Instruction or a Final Drawing Notice or the rescission of such an instruction or notice. Upon receipt of such notification, the Issuing and Paying Agent agrees to give Immediate Notice to the Dealer and to give written notice (by first-class, postage prepaid, mail) to the registered owners of the Notes of the assignment in advance thereof of the receipt or rescission of a Stop-Issuance Instruction or a Final Drawing Request.

13. **Modifications and Amendments.** This Agreement may be modified or amended from time to time and at any time, provided that such modification or amendment is in writing, is executed by the Authority and the Issuing and Paying Agent, and is approved in writing by the Bank, and provided further that no modification or amendment shall materially and adversely affect the rights of the registered owners of Notes outstanding.

14. **Termination.** This Agreement may be terminated at any time by either party upon not less than fifteen (15) days written notice to the other party and upon (i) appointment of, and acceptance by, a successor Issuing and Paying Agent which must be a commercial bank with trust powers, and (ii) the payment to the Bank of any transfer fees required by the Letter of Credit. If no successor has been appointed and accepts such appointment within 30 days, then the Issuing and Paying Agent have the right to petition a court of competent jurisdiction for the appointment of a successor issuing and paying agent hereunder; provided, however, no such appointment shall be effective until the Authority has paid to the Bank the transfer fees required by the Letter of Credit. The Issuing and Paying Agent shall be reimbursed for any and all expenses in connection with any such petition and appointment. On the Business Day following the date of termination of this Agreement, the Issuing and Paying Agent shall (i) transfer the Letter of Credit to the successor issuing and paying agent, (ii) destroy all Notes in the Issuing and Paying Agent's possession, and (iii) transfer to the Authority all funds, if any, then on deposit in any account held under this Agreement. The Issuing and Paying Agent shall promptly notify the Authority of all Notes so destroyed.

15. **Fees.** The Authority and the Issuing and Paying Agent agree that the fees for the services of the Issuing and Paying Agent hereunder shall be as set mutually agreed upon as evidenced by a writing signed by a representative of the Issuing and Paying Agent and the Chief Financial Officer of the Authority. The Authority shall from time to time, subject to any agreement then in effect with the Issuing and Paying Agent, pay the Issuing and Paying Agent compensation for its services and reimburse the Issuing and Paying Agent for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counselor other experts employed by it in the observance and performance of its rights and obligations hereunder.

16. **Reliance on Representations.**

(a) The recitals of facts herein and in the Notes contained shall be taken as statements of the Authority, and the Issuing and Paying Agent assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Resolution or of the Notes or of any investment security, as to the sufficiency of the Net Revenues or the priority of the lien of the Resolution thereon, or as to the financial or technical feasibility of

any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein, in the Resolution or in the Notes assigned to or imposed upon it. The Issuing and Paying Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Notes and may join in any action which any Owner of a Note may be entitled to take, with like effect as if the Issuing and Paying Agent was not the Issuing and Paying Agent. The Issuing and Paying Agent may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(b) The Issuing and Paying Agent shall not be liable for any error of judgment made reasonably and in good faith by a responsible officer unless it shall be proved that the Issuing and Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provision of the Resolution or this Agreement shall require the Issuing and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction.

(d) The Issuing and Paying Agent shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in the Resolution, other than the covenants of the Authority to file with the Issuing and Paying Agent when due, such reports and certifications as the Authority is required to file with the Issuing and Paying Agent.

(e) No permissive power, right or remedy conferred upon the Issuing and Paying Agent hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(f) The Issuing and Paying Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Issuing and Paying Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Issuing and Paying Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(g) The Issuing and Paying Agent shall not be responsible for:

(i) the application or handling by the Authority of any Gross Revenues in accordance with the terms and conditions of the Resolution;

(ii) the application and handling by the Authority of any other fund or account designated to be held by the Authority under the Resolution; or

(iii) the construction, operation or maintenance of any portion of the Project by the Authority.

(h) The Issuing and Paying Agent may consult with counsel, who may be counsel to the Authority, with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

(i) Whenever in the observance or performance of its rights and obligations hereunder the Issuing and Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Authority, and such certificate shall be full warrant to the Issuing and Paying Agent for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Issuing and Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable, and the Issuing and Paying Agent shall not be responsible for any loss or damage resulting from any action or inaction taken or not taken, as the case may be, in good faith in reliance upon such certificate or other evidence; provided, however, that nothing in this subsection shall be construed to permit the Issuing and Paying Agent to delay drawing under the Letter of Credit at the times required by this Agreement and the Resolution.

17. **Force Majeure.** The Issuing and Paying Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to: Acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other like occurrences beyond the control of the Issuing and Paying Agent; it being understood that the Issuing and Paying Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

18. **Liability.** Neither the Issuing and Paying Agent nor its agents shall be liable for any act or omission hereunder, except in the case of gross negligence or willful misconduct as described in Section 19 herein. The Issuing and Paying Agent's duties and obligations shall be determined by the express provisions of this Agreement and the Letter of Representations (including the documents referred to therein), and the Issuing and Paying Agent and its agents shall be responsible for the performance of only such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against the Issuing and Paying Agent or its agents. Neither the Issuing and Paying Agent nor its agents shall be required to ascertain whether any issuance or sale of Note(s) (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with any other agreement to which the Authority is a party (whether or not the Issuing and Paying Agent or any such agent is a party to such other agreement).

19. **Indemnity.** To the extent permitted by law, the Authority agrees to indemnify and hold the Issuing and Paying Agent, its employees and any and all of its officers and agents harmless from and against any and all losses, liabilities (including liabilities for penalties), actions, suits,

judgments, demands, damages, costs and expenses of any nature (including, without limitation, attorneys' fees and expenses) arising out of or resulting from this Agreement or the transactions or activities contemplated hereby or the exercise of its rights and/or the performance of its duties (or those of its agents and employees) hereunder; provided, however that the Authority shall not be liable to indemnify or pay the Issuing and Paying Agent or any of its officers or employees with respect to any loss, liability, action, suit, judgment, demand, damage, cost or expense that results from or is attributable to the Issuing and Paying Agent's gross negligence or willful misconduct or that of the Issuing and Paying Agent's officers or employees. The foregoing indemnity includes, but is not limited to, (a) any action taken or omitted to be taken by the Issuing and Paying Agent or any of its officers or employees upon written, telecopy, telephonic or other electronically transmitted instructions (authorized herein) received by the Issuing and Paying Agent from, or believed by the Issuing and Paying Agent in good faith to have been given by, the proper person or persons, (b) the Issuing and Paying Agent's improperly executing or failing to execute any instruction because of unclear instructions, failure of communications media or any other circumstances beyond the Issuing and Paying Agent's control, and (c) the actions or inactions of DTC. The provisions of this Section shall survive (i) the Issuing and Paying Agent's resignation or removal hereunder and (ii) the termination of this Agreement. In no event shall the Issuing and Paying Agent be liable for special, indirect or consequential damages.

20. **Governing Law.** This Agreement is delivered and performed in, and shall be construed and enforced in accordance with, the laws of the State of Nevada; provided, however, to the extent not prohibited by the laws of the State of New York, the duties of the Issuing and Paying Agent shall be construed and enforced under the laws of the State of New York. Any dispute hereunder, or any action to enforce the provisions hereof shall be brought in federal or State court in Washoe County, Nevada, and each party hereto hereby consents to the jurisdiction of those courts.

21. **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, including successors by merger, and assigns; provided, however, that neither party hereto may assign any of its rights or obligations hereunder except with the prior written consent of the other party hereto. Any successor to or assign of the Issuer and Paying Agent must be a commercial bank with trust powers.

22. **Benefit of Agreement.** This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

23. **Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

The following notice is being added to this Agreement at the request of the Issuing and Paying Agent:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A
NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, we ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Authority and the Issuing and Paying Agent have caused this Agreement to be executed in their respective names by their duly authorized representatives all as of the date and year first above written.

**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chief Financial Officer

(SEAL)

Attest:

By: _____
Secretary

U.S. BANK NATIONAL ASSOCIATION
as Issuing and Paying Agent

By: _____
Authorized Officer

OFFERING MEMORANDUM DATED MAY [REDACTED], 2018

(This Offering Memorandum supersedes the Offering Memorandum dated May 29, 2014)

**NOT A NEW ISSUE
BOOK-ENTRY ONLY****RATINGS: S&P: "[REDACTED]"
Fitch: "[REDACTED]"
See "RATINGS"**

*In the opinion of Sherman & Howard L.L.C., formerly known as Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, delivered upon the initial issuance of the Notes on August 16, 2006, assuming continuous compliance with certain covenants described herein, interest on the Notes is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to August 16, 2006 (the date of original delivery of the Notes) (the "Tax Code"), and interest on the Notes is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS" herein. **No updated Bond Counsel opinion will be delivered in connection with the substitution of the Prior Letter of Credit (defined herein) with a new Letter of Credit (as described herein).***

**\$83,600,000 (Maximum Remaining Aggregate Principal Amount)
TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE COMMERCIAL PAPER NOTES
SERIES 2006B**

Price: 100%

The Notes are issued as fully registered notes in denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof. The Notes initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Notes. Purchases of the Notes are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Notes. See "THE NOTES--Book-Entry Only System."

Each Note will be dated its date of authentication and issuance and will bear interest from such date until its maturity at a fixed rate per annum approved by the Truckee Meadows Water Authority (the "Authority") prior to the issuance of such Note. Interest will be computed on the basis of a year of 365/366 days and the actual number of days elapsed. Principal and interest on each Note will be payable on its maturity date by U.S. Bank National Association, New York, New York, or its successor as the Issuing and Paying Agent for the Notes. See "THE NOTES." The Notes are not subject to redemption prior to maturity.

Proceeds of the Notes may be used to: (i) finance the costs of acquiring, constructing, improving and equipping capital projects for the Authority's Water System in accordance with the TMWA Cooperative Agreement (defined herein) and the Authority's capital improvement plan; (ii) pay maturing Notes, to reimburse Wells Fargo Bank National Association (the "Bank"), for amounts drawn under the Letter of Credit and interest thereon, or for the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations (as defined herein); and (iii) pay the costs of issuing the Notes.

The Notes constitute special, limited obligations of the Authority payable from the Net Revenues (defined herein). Effective May [REDACTED], 2018, the principal of and interest on the Notes is payable primarily from draws made on an irrevocable transferable direct-pay letter of credit (the "Letter of Credit") issued by the Bank. See "THE CREDIT AGREEMENT."

The Letter of Credit has a stated expiration date of May [REDACTED], 2023 (unless earlier terminated or extended as described herein). The Authority covenants to maintain in effect at all times the Letter of Credit or Alternate Letter(s) of Credit enabling the Issuing and Paying Agent to draw an amount equal to the principal amount of the Notes Outstanding plus interest on all of the Outstanding Notes to the maturity date thereof at a maximum rate of 12% per annum for a period of 270 days. See "SECURITY AND SOURCE OF PAYMENT FOR THE NOTES."

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Offering Memorandum to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the substitution of the Prior Letter of Credit and also has acted as special counsel to the Authority in connection with this Offering Memorandum. Certain legal matters will be passed upon for the Bank by its counsel, Chapman and Cutler LLP.

**Goldman, Sachs & Co.
Dealer for the Notes**

USE OF INFORMATION IN THIS OFFERING MEMORANDUM

This Offering Memorandum, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Notes in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum in connection with the offering of the Notes, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority. The Authority maintains an internet website; however, the information presented there is not a part of this Offering Memorandum and should not be relied upon in making an investment decision with respect to the Notes.

The information set forth in this Offering Memorandum has been obtained from the Authority and from the other sources referenced throughout this Offering Memorandum which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information received from parties other than the Authority. This Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Dealer has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Dealer does not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Offering Memorandum are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale of the Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, or in the information, estimates, or opinions set forth herein, since the date of this Offering Memorandum.

This Offering Memorandum has been prepared only in connection with the original offering of the Notes and may not be reproduced or used in whole or in part for any other purpose.

The Notes have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Notes have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

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OFFERING MEMORANDUM

\$83,600,000 (Maximum Remaining Aggregate Principal Amount)
TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE COMMERCIAL PAPER NOTES
SERIES 2006B

INTRODUCTION

General

General. This Offering Memorandum, including the cover page and the appendices, is provided to furnish information in connection with the issuance by the Truckee Meadows Water Authority, Nevada (the “Authority”), a body corporate and politic, a quasi-municipal corporation, and a political subdivision of the State of Nevada (the “State”), of its Revenue Commercial Paper Notes Series 2006B (the “Notes” or the “2006B Notes”). The Notes are issued pursuant to a resolution originally adopted by the Board of Directors of the Authority (the “Board”) on July 19, 2006, as amended by adoption of the First Supplemental Resolution on January 19, 2011 (as amended from time to time, the “Resolution” or the “Commercial Paper Resolution”). Unless otherwise defined herein, capitalized terms used in this Offering Memorandum are defined in Appendix B hereto.

The offering of the Notes is made only by way of this Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Notes. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Offering Memorandum. A full review should be made of the entire Offering Memorandum and the documents summarized or described herein, particularly the section entitled “CERTAIN RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Offering Memorandum, including the cover page and appendices, is unauthorized.

The Authority has previously issued an Offering Memorandum dated August 10, 2006, an Offering Memorandum dated January 19, 2011, an Offering Memorandum dated June 6, 2012, and an Offering Memorandum dated May 29, 2014 with respect to the Notes. **This Offering Memorandum dated May 15, 2018, replaces the prior offering memoranda and investors should not rely upon any of the prior offering memoranda in making a decision to purchase the Notes.**

The Authority

The Authority is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement (as amended and restated as of February 3, 2010, the “Cooperative Agreement”) among the City of Reno, Nevada (“Reno”), the City of Sparks, Nevada (“Sparks”) and Washoe County, Nevada (the “County”). The Authority owns and operates a water system (the “Water System”) and develops, manages and maintains supplies of water for the benefit of the Truckee Meadows communities. The primary water source for the Authority is Lake Tahoe and the Truckee River system. On December 31, 2014, the County’s water utility (the “Water Utility”) and the South Truckee Meadows General Improvement District (“STMGID”), a smaller water utility in the same basin, were merged into the Authority. The Authority has a total of 154

square miles of service area (the “Service Area”), which includes the cities of Reno and Sparks and other surrounding populated areas of the County (except certain areas in the vicinity of Lake Tahoe and other small areas bordering California). The Authority has no authority to provide water service outside of its Service Area; however, the Authority may provide service in the future to developments that are annexed into its Service Area.

Authority for Issuance

The Notes are issued in full conformity with the constitution and laws of the State of Nevada, particularly Nevada Revised Statutes (“NRS”) 277.080 to 277.180, inclusive (the “Authority Act”), the Local Government Securities Act, NRS 350.500 through 350.720, inclusive (the “Bond Act”), as amended, NRS Chapter 348 (the “Supplemental Bond Act”), and the Resolution.

The Resolution initially authorized the issuance of up to \$160,000,000 aggregate principal amount of commercial paper notes to be issued in two series, consisting of the 2006B Notes and the Truckee Meadows Water Authority, Water Revenue Commercial Paper Notes, Series 2006A (the “2006A Notes”). As of May 15, 2018, \$53,200,000 aggregate principal amount of 2006A Notes have heretofore been issued, all of which have been repaid. As of May 15, 2018, \$53,200,000 aggregate principal amount of 2006B Notes have heretofore been issued, and \$23,200,00 of 2006B Notes have been repaid, leaving \$30,000,000 aggregate principal amount of 2006B Notes outstanding and expected to be rolled on the delivery date of the Letter of Credit.

The Authority expects no more than \$30,000,000 aggregate principal amount of 2006B Notes to be outstanding at any one time. As a result, the Stated Amount of the Letter of Credit (as more fully described in “The Letter of Credit” below) is \$ [REDACTED]. If the Authority determines to issue more than \$30,000,000 aggregate principal amount of 2006B Notes at any one time pursuant to the Resolution authorization, it will be required to request that Wells Fargo Bank National Association (the “Bank”), increase the Stated Amount available under the Letter of Credit or obtain a new letter of credit to support such 2006B Notes. The Authority cannot issue 2006B Notes in an amount that, together with interest thereon (based upon a maximum rate of 12% per annum for a period of 270 days and a 365-day year), exceeds the Stated Amount of the Letter of Credit. The Authority also cannot issue 2006B Notes in an amount that exceeds the Stated Amount of the Letter of Credit.

Purpose

Proceeds of the Notes may be used to: (i) finance the costs of acquiring, constructing, improving and equipping capital projects for the Authority’s Water System in accordance with the TMWA Cooperative Agreement and the Authority’s capital improvement plan (the “Project”); (ii) pay maturing Notes, to reimburse the Bank for amounts drawn under the Letter of Credit and interest thereon, or for the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations; and (iii) pay the costs of issuing the Notes. See “THE NOTES--Use of Note Proceeds.”

Security

General. The Notes constitute special, limited obligations of the Authority payable from the Net Revenues (defined herein under “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES--Reimbursement of Credit Agreement Obligations”). The principal and interest on the Notes will be paid primarily from Drawings under the Letter of Credit. If the Bank fails to honor a Drawing, from moneys, if any, on deposit in the Letter of Credit Reimbursement Account as specified in the Issuing and Paying Agent Agreement (defined herein). If the Bank fails, for any reason, to honor a Drawing in full, payment of the Notes shall be made from whatever amount of the Drawing is paid by the Bank, pro-rata to the principal of and interest on all Notes then coming due, and the balance due shall be paid from the other sources described in the Resolution and in the Issuing and Paying Agent Agreement (i.e., Net Revenues (defined herein) of the Authority). **The Notes do not constitute a general obligation of the Authority. Owners of the Notes may not look to any funds or accounts other than those specifically pledged by the Authority to the payment of the Notes. See Appendix B - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION. The Notes do not constitute an obligation of Reno, Sparks, the County or the State.**

The Letter of Credit. Effective May [REDACTED], 2018, the Authority will replace the current letter of credit securing the 2006B Notes (the “Prior Letter of Credit”), which was issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, with a new letter of credit issued by the Bank. Effective May [REDACTED], 2018, the principal of and interest on the 2006B Notes is payable from draws made on an irrevocable transferable direct-pay letter of credit (the “2006B Letter of Credit” or the “Letter of Credit”) issued by the Bank.

The Letter of Credit enables the Issuing and Paying Agent to draw an amount equal to the principal amount of the Notes Outstanding plus interest on all such Notes to their respective maturity dates at a maximum rate of 12% per annum for a period of 270 days. The Letter of Credit will be issued with a maximum stated amount of \$[REDACTED] (hereinafter, as reduced or reinstated from time to time in accordance with the provisions thereof, the “Stated Amount”), of which an amount not exceeding \$30,000,000 may be drawn upon by the Issuing and Paying Agent to pay the unpaid principal amount of the Notes on their stated maturity dates, and an amount not exceeding \$[REDACTED] may be drawn upon by the Issuing and Paying Agent with respect to payment of interest accrued and unpaid on the Notes on their stated maturity dates. The Letter of Credit currently is scheduled to expire on May [REDACTED], 2028, unless terminated sooner or extended pursuant to its terms. See “SECURITY AND SOURCE OF PAYMENT FOR THE NOTES--The Letter of Credit and Alternate Letter of Credit - The Letter of Credit.”

Reimbursement Obligations. The Authority will enter into a Reimbursement Agreement, dated as of May 1, 2018, with the Bank relating to the 2006B Letter of Credit and the 2006B Notes (the “Credit Agreement” or the “Reimbursement Agreement”).

Under certain circumstances described herein, the Bank may accelerate all Reimbursement Obligations, Letter of Credit Fees and other obligations of the Authority to the Bank arising under or in relation to the Credit Agreement (all as defined herein). See “THE CREDIT AGREEMENT.”

Certain information about the Bank is set forth in Appendix E - THE BANK. The information in Appendix E has been provided by the Bank for inclusion in this Offering Memorandum.

Reimbursement of Credit Agreement Obligations. Pursuant to the Credit Agreement, the Authority is obligated to reimburse the Bank for all Drawings and other obligations, including without limitation, repayment obligations on Advances (collectively, the “Credit Agreement Obligations”). The Bank will be reimbursed for all Drawings and paid for other Credit Agreement Obligations under the Credit Agreement from the proceeds of refunding Notes and from Net Revenues (defined herein) of the Authority deposited into the Letter of Credit Reimbursement Account. For a general description of the Net Revenues, see “SECURITY AND SOURCE OF PAYMENT FOR THE NOTES--Reimbursement of Credit Agreement Obligations.”

Lien Priority. The Authority’s obligation to reimburse the Bank pursuant to the Credit Agreement is secured by a lien (but not necessarily an exclusive lien) on the Net Revenues on a parity with the lien thereon of the Notes, but subordinate to the senior lien thereon of (i) \$343,475,000 aggregate principal amount of currently outstanding Authority bonds and any bonds issued in the future (collectively, the “Bonds”), and (ii) \$21,802,923 aggregate principal amount of current loans from the State’s Drinking Water State Revolving Loan Fund, and any loans obtained in the future (the “DWSRF loans”) (collectively with the Bonds, the “Senior Lien Obligations”). See “THE AUTHORITY-- Debt Authorization and Outstanding Senior Lien Obligations.” The lien of the DWSRF loans on the Net Revenues is subordinate to the lien thereon of the Bonds; the Authority’s reimbursement obligation to the Bank (and the lien of the Notes on the Net Revenues) is subordinate to the lien of the DWSRF loans on the Net Revenues.

The Notes

The Notes will be issued in registered form only in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. Each Note will be dated its date of authentication and issuance and will bear interest from such date until its maturity date (as described below) at a fixed rate per annum approved by the Authority prior to the issuance of such Note. Interest will be computed on the basis of a 365/366-day year and the actual number of days elapsed. Principal of and interest on each Note will be payable on its maturity date. The interest rate on a particular Note may not exceed the lesser of (i) the “25-Bond Revenue Index” as published in The Bond Buyer (the “Index”), plus 3 percentage points per annum, or (ii) 12% per annum. In determining the maximum rate that a particular Note may bear, the Index shall be the Index most recently published before instructions from the Dealer (as defined herein) specifying such rate are confirmed by the Authority as described in “THE NOTES--Method of Note Issuance.”

A Note may have a maturity date from one to 270 days after its issuance, provided, however, that no Note may mature after the earlier of July 1, 2036, or five days prior to the Letter of Credit Expiration Date (defined herein) of the Letter of Credit supporting the Notes; and provided further that the Authority has agreed in the Reimbursement Agreement to use commercially reasonable efforts to issue Notes with a maturity date of not less than five (5) days after their date of issuance. The Notes are not subject to redemption prior to maturity. The Notes will be sold at a price of 100% of the principal amount thereof and shall mature on a Business Day.

Tax Matters

In the opinion of Bond Counsel, initially issued on August 16, 2006, assuming continuous compliance with certain covenants described herein, interest on the Notes is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to August 16, 2006 (the date of original delivery of the Notes) (the “Tax Code”), and interest on the Notes is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See “TAX MATTERS--Federal Tax Matters” herein. ***No updated Bond Counsel opinion will be delivered in connection with this Offering Memorandum or the substitution of the Prior Letter of Credit.*** Nonetheless, investors should be aware of the information in “TAX MATTERS.”

The Notes, their transfer, and the income therefrom are free and exempt from taxation by the State of Nevada or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of the NRS. See “TAX MATTERS--State Tax Exemption.”

No Continuing Disclosure

The sale of the Notes is exempt from the continuing disclosure provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “Rule”).

Professionals

Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the substitution of the Prior Letter of Credit and also has acted as special counsel to the Authority in connection with preparation of this Offering Memorandum. Hobbs, Ong & Associates, Inc., Las Vegas, Nevada, and PFM Financial Advisors LLC, Seattle, Washington, have acted as the financial advisors to the Authority (the “Financial Advisors”). See “FINANCIAL ADVISORS.” The audited financial statements included in Appendix A of this Official Statement include the report of Eide Bailly LLP, Reno, Nevada, certified public accountants, Reno, Nevada. See “INDEPENDENT AUDITORS.” U.S. Bank National Association, New York, New York, has been appointed as the registrar (the “Registrar”) and as the issuing and paying agent (the “Issuing and Paying Agent”) in connection with the issuance of the Notes. Chapman and Cutler LLP, Chicago, Illinois, is acting as counsel to the Bank. Goldman, Sachs & Co. has been appointed as the dealer (the “Dealer”) for the 2006B Notes, pursuant to an Amended and Restated Dealer Agreement, dated as of May 1, 2018 (the “Dealer Agreement”) with the Authority. See “THE DEALER.”

Additional Information

This introduction is only a brief summary of the provisions of the Notes, the Resolution, the Authority and the Bank; a full review of the entire Offering Memorandum should be made by potential investors. Brief descriptions of the Notes, the Resolution, the Credit Agreement, the Letter of Credit and the Bank are included in this Offering Memorandum. All references herein to the Notes, the Resolution, the Letter of Credit, the Credit Agreement and

other documents are qualified in their entirety by reference to such documents. *This Offering Memorandum speaks only as of its date and the information contained herein is subject to change.*

Copies of the documents referred to herein are available upon request from the Authority and the Financial Advisors using the contact information provided below:

Truckee Meadows Water Authority
Attn: Chief Financial Officer
1355 Capital Boulevard
Reno, Nevada 89502
(or P.O. Box 30013, Reno, Nevada 89520-3013)
Telephone: (775) 834-8284

Hobbs, Ong & Associates, Inc.
3900 Paradise Road, Suite 152
Las Vegas, Nevada 89169
Telephone: (702) 733-7223

PFM Financial Advisors LLC
1200 Fifth Avenue, Suite 1220
Seattle, Washington 98101
Telephone: (206) 264-8900

THE NOTES

General

The Resolution initially authorized the issuance of up to \$160,000,000 aggregate principal amount of commercial paper notes to be issued in two series, consisting of the 2006B Notes and the 2006A Notes. As of May 15, 2018, \$53,200,000 aggregate principal amount of 2006A Notes have heretofore been issued, all of which have been repaid. As of May 15, 2018, \$53,200,000 aggregate principal amount of 2006B Notes have heretofore been issued, and \$23,200,00 of 2006B Notes have been repaid, leaving \$30,000,000 aggregate principal amount of 2006B Notes outstanding and expected to be rolled on the delivery date of the Letter of Credit.

2006B Notes issued to refund, pay and discharge the principal of 2006B Notes issued pursuant to the Resolution or for the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations may be issued without regard to such limitation, but pursuant to the Resolution, the maximum principal amount of the 2006B Notes that may be Outstanding at any one time is now \$83,600,000 (which has been reduced down from \$160,000,000 due to principal payments made by the Authority on 2006A Notes and 2006B Notes previously issued).

The Notes may be issued only in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. Each Note will be dated its date of issuance and will bear interest from such date until maturity at a fixed rate per annum approved by the Authority prior to the issuance of such Note. Interest will be computed on the basis of a year of 365/366 days and the actual number of days elapsed. Principal and interest on each Note will be payable on its maturity date. The interest rate on a particular Note may not exceed the lesser of (i) the Index plus 3 percentage points, or (ii) 12% per annum. In determining the maximum rate that a particular Note may bear, the Index used shall be the Index most recently published before instructions from the Dealer specifying such rate are confirmed by the Authority as described below under "Method of Note Issuance."

A Note may have a maturity date of from one to 270 days after its issuance, provided, however, that no Note may mature after the earlier of July 1, 2036, or five days prior to the Letter of Credit Expiration Date (defined herein) of the Letter of Credit supporting such Notes; and provided further that the Authority has agreed in the Reimbursement Agreement to use commercially reasonable efforts to issue Notes with a maturity date of not less than five (5) days after their date of issuance. The Notes are not subject to redemption prior to the maturity date specified in the Issuance Request. The Notes shall be sold at a price of 100% of the principal amount thereof and shall mature on a Business Day.

The Notes initially will be issued only in book-entry form through DTC. See "Book-Entry Only System" below. The principal of and the interest on the Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. Payments shall be paid from Drawings made under the Letter of Credit for the amount of maturing principal and interest then due. If the Bank fails, for any reason, to honor a Drawing in full, payment of the related Notes shall be made from whatever amount of the Drawing is paid by the Bank, pro-rata to the principal of and interest on all Notes then coming

due, and the balance due shall be paid from other sources described in the Resolution and the Issuing and Paying Agent Agreement (defined herein).

The principal of and interest on the Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on the Business Day upon which such Notes have become due and payable, provided that such Notes are presented and surrendered on a timely basis (if required under the book entry system applicable to the Notes). Upon presentation (if required) of such a Note to the Issuing and Paying Agent no later than 1:30 p.m. (New York time) on a Business Day, payment for such Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Note is presented for payment (if required) after 1:30 p.m. (New York time) on a Business Day, payment therefor shall be made by the Issuing and Paying Agent on the next succeeding Business Day, without the accrual of additional interest thereon.

Issuing and Paying Agent

U.S. Bank National Association, New York, New York, has been appointed as the Issuing and Paying Agent for the Notes pursuant to a separate Amended and Restated Issuing and Paying Agent Agreement for the Notes, dated as of May 1, 2018 (the “Issuing and Paying Agent Agreement”), between the Authority and the Issuing and Paying Agent. The Issuing and Paying Agent, among other things, issues those Notes that have been approved by the Authority and sold by the Dealer and causes such Notes to be delivered to or upon the order of the Dealer. The Issuing and Paying Agent, as the beneficiary of the Letter of Credit, also receives the proceeds of Drawings under the Letter of Credit. See “THE CREDIT AGREEMENT.”

In the Credit Agreement, the Authority agrees that it will not, without the prior written consent of the Bank, appoint or permit the appointment of a successor Issuing and Paying Agent and that it will at all times maintain an Issuing and Paying Agent.

If the Issuing and Paying Agent resigns, or if the Board reasonably determines that the Registrar or Issuing and Paying Agent has become incapable of performing its duties under the Resolution, the Board may, with the consent of the Bank (such consent to not be unreasonably withheld), upon notice mailed to each Owner of any Notes Outstanding at his address last shown on the registration records and the Dealer, appoint a successor Issuing and Paying Agent. No resignation or dismissal of the Issuing and Paying Agent may take effect until a successor is appointed and has accepted the appointment and the Authority has paid any applicable transfer fees required under the Letter of Credit. Every such successor Issuing and Paying Agent shall be a commercial bank with corporate trust powers. It shall not be required that the same institution serve as both Registrar and Issuing and Paying Agent, but the Board shall have the right to have the same institution serve as both Registrar and Issuing and Paying Agent.

Method of Note Issuance

General. A Note may be issued only upon the written request of the Authority to the Issuing and Paying Agent and the Dealer in the form of an Issuance Request. The Authority shall consult with the Dealer as to the terms of such Note, including the interest rate, the maturity date and the principal amount of such Note, and the sale or issuance thereof. No Note may be issued pursuant to an Issuance Request unless the maturity and interest rate thereof as determined

by such Dealer have been first approved by the Authority. *The Dealer is under no obligation to purchase Notes for their own accounts.*

Notes shall be authenticated and delivered by the Issuing and Paying Agent having maturities and interest rates so approved by the Authority. The Resolution and the Issuing and Paying Agent Agreement provide that the Issuing and Paying Agent shall not authenticate and deliver any Note of a series if, among other things:

(1) such delivery would result in the aggregate principal amount of Outstanding Notes being in excess of the maximum amount provided in the Resolution; or

(2) such delivery would result in the sum of the aggregate principal amount of Outstanding Notes plus the aggregate amount of interest to accrue on the Outstanding Notes to be in excess of the Stated Amount of the Letter of Credit; or

(3) such delivery would result in the delivery of any Note bearing interest at a rate in excess of the lesser of (a) 3 percentage points per annum above the Index most recently published before the Authority confirms the Dealer's Instructions with respect to delivery of that Note or (b) 12% per annum; or

(4) such delivery would result in the delivery of any Note which has a maturity date that extends beyond the earliest of (a) 270 days from the date of authentication and issuance of such Note, (b) the date which is five days prior to the Letter of Credit Expiration Date, or (c) July 1, 2036; or

(5) the Issuing and Paying Agent has received a Stop-Issuance Instruction which is not rescinded or a Final Drawing Notice from the Bank (see "THE CREDIT AGREEMENT"); or

(6) the Issuing and Paying Agent shall have actual knowledge that an Event of Default under the Resolution shall have occurred and is continuing; or

(7) the Issuing and Paying Agent shall have received notice that the Opinion of Bond Counsel delivered regarding the validity of the Notes and the exclusion of interest on the Notes from the gross income of the Holders thereof for federal income tax purposes has been or is being withdrawn, which notice shall be delivered by such Bond Counsel.

Stop-Issuance Instructions; Final Drawing Notice. Notes may be issued from time to time prior to the Letter of Credit Expiration Date of the Letter of Credit in accordance with the Credit Agreement and the Resolution so long as (i) the Issuing and Paying Agent is not in receipt of a Stop-Issuance Instruction (which is not rescinded), from the Bank, and (ii) the Issuing and Paying Agent is not in receipt of the Final Drawing Notice (as defined in the Letter of Credit) from the Bank. The Bank may deliver a Stop-Issuance Instruction or a Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing under either Credit Agreement. See "THE CREDIT AGREEMENT--Events of Default." A Stop-Issuance Instruction or the Final Drawing Notice with respect to the Notes shall be effective when received by the Issuing and Paying Agent; provided, however, that a Stop-Issuance Instruction or the Final Drawing Notice with respect to the Notes received by the Issuing and Paying Agent

after 11:00 A.M. New York time, on any day on which Notes are being issued shall be effective on the next succeeding day.

Use of Note Proceeds

The Authority maintains an annually updated listing of projects proposed for funding in the next five-year period in its annually updated Capital Improvement Plan (the “CIP”). The Authority’s current CIP covers fiscal years 2018-2022. Proceeds from the sale of the Notes may be applied to finance certain components of the CIP (the “Project”).

Proceeds of the Notes which are not used for the Project may be used to pay principal of or interest due on maturing Notes (if directed by the Authority) or to repay all or part of Drawings made under the Letter of Credit. Proceeds of the Notes also may be used to fund Refinancing Projects and to pay the costs of issuing the Notes.

Tax Covenant

In the Resolution, the Authority covenants for the benefit of the owners of the Notes that it will not take any action or omit to take any action with respect to the Notes, the proceeds thereof, any other funds of the Authority or any facilities financed or refinanced with the proceeds of the Notes if such action or omission (i) would cause the interest on the Notes to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Notes to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Notes until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Book-Entry Only System

The Notes will be available only in book-entry form in the principal amount of \$100,000 or any integral multiple of \$1,000 in excess thereof. DTC will act as the initial securities depository for the Notes. Unless otherwise required by Cede & Co., the initial registered owner of the Notes, the Notes shall be evidenced by a single Master Note, in the form set forth in Exhibit A to the Resolution. See “Appendix C - BOOK-ENTRY ONLY SYSTEM.”

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE NOTES, REFERENCES IN THIS OFFERING MEMORANDUM TO THE REGISTERED OWNERS (OR THE OWNERS) WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the Authority nor the Registrar will have any responsibility or obligation to DTC’s participants or indirect participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the Beneficial Owners (all as defined in Appendix C hereto) of the Notes as further described in Appendix C to this Offering Memorandum.

SECURITY AND SOURCE OF PAYMENT FOR THE NOTES

Limited Obligations

The Notes constitute special, limited obligations of the Authority. The principal of and interest on the Notes will be paid primarily from Drawings under the Letter of Credit. If the Bank fails to honor a Drawing under the Letter of Credit, the principal and interest on the Notes will be payable, from moneys, if any, on deposit in the Letter of Credit Reimbursement Account as specified in the Resolution and the Issuing and Paying Agent Agreement.

The Notes do not constitute a general obligation debt or indebtedness of the Authority or an obligation of Reno, Sparks, the County, the State, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or provision. The owners of the Notes may not look to any funds or accounts of the Authority (other than those pledged under the Resolution) for payment of the Notes. See Appendix B - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.

The Letter of Credit and Alternate Letter of Credit

General. The payment of the principal and interest on the Notes will be paid from Drawings under the Letter of Credit.

In the Resolution, the Authority covenants that it will maintain in effect at all times the Letter of Credit or Alternate Letter of Credit that enable the Issuing and Paying Agent to draw thereunder an amount equal to the principal amount of the Notes Outstanding plus interest on all Outstanding Notes to their respective maturity dates at a maximum rate of 12% per annum for a period of 270 days.

Any Alternate Letter of Credit shall have a term of at least 270 days or until at least three Business Days after the last maturing Note; and shall not cause the Authority to violate its covenant described above. Following the substitution of the Alternate Letter of Credit for the Letter of Credit, the Credit Agreement and Letter of Credit replaced thereby will refer to such Alternate Letter of Credit. The Authority shall give Immediate Notice of the acceptance of such Alternate Letter of Credit or the assignment by the Bank of all or a portion of its respective percentage of the Stated Amount (defined generally as the maximum amount which is available to be drawn under the Letter of Credit by its terms as of any date; see the definition of "Available Amount" in Appendix B) to the Dealer and the Issuing and Paying Agent. The Authority may cause to be delivered to the Issuing and Paying Agent an Alternate Letter of Credit, or the Bank may assign all or any portion of its respective percentage of the Stated Amount, so long as either (a) Moody's, Standard & Poor's and Fitch do not withdraw, lower or suspend their respective short-term rating assigned to any Note Outstanding upon the effective date of the delivery of an Alternate Letter of Credit or any such assignment or (b) such Alternate Letter of Credit takes effect on the Business Day on which all of the Outstanding Notes are scheduled to mature and the Issuing and Paying Agent is entitled to draw on the existing Letter of Credit to pay such Outstanding Notes. In connection with any delivery of an Alternate Letter of Credit or assignment by the Bank pursuant to clause (a) of the preceding sentence, the Authority shall deliver to the Issuing and Paying Agent and the Dealer written evidence of the ratings assigned by Moody's, Standard & Poor's or Fitch which takes into account such delivery or assignment. The Issuing and Paying Agent shall give notice of such acceptance or assignment to the Owners

of the Notes by first class mail, postage prepaid, to the addresses appearing on the registration records, if any. Such notice shall be mailed not less than 15 days prior to the effective date of such acceptance or assignment.

The Letter of Credit. The Bank has issued its irrevocable transferable direct-pay Letter of Credit in favor of the Issuing and Paying Agent, in the Stated Amount of \$ [REDACTED]. (as reduced or reinstated from time to time), which may be drawn upon by the Issuing and Paying Agent commencing May [REDACTED], 2018, to pay the unpaid principal amount of the Notes on their stated maturity dates, together with accrued and unpaid interest thereon. Drawings (as defined in the Credit Agreement) shall be made on or prior to the date any principal or interest was due on the Notes, provided that, in accordance with the terms of the Letter of Credit, the Bank is not obligated to honor any Drawing prior to May [REDACTED], 2018, and provided further that the Bank is not obligated to honor such Drawings until the date due of the applicable Notes, except to the extent expressly provided therein. The Letter of Credit is intended to apply only to (i) the payment of the principal amount of the Notes and interest thereon on their respective maturity dates and (ii) upon the Issuing and Paying Agent's receipt of a Final Drawing Notice, payment of the principal of and accrued interest on the Notes issued in accordance with the Resolution but which matures on or after the date of a Final Drawing Notice.

The Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the "Termination Date") which is the earliest of: (i) May [REDACTED], 2023 (the "Letter of Credit Expiration Date"), as such date may be extended in a notice of extension from the Bank to the Issuing and Paying Agent and the Authority in the form attached to the Credit Agreement, (ii) the date of payment of a Drawing, not subject to reinstatement under the Letter of Credit, which when added to all other Drawings honored under such Letter of Credit which were not subject to reinstatement as provided therein, in the aggregate equals the Stated Amount of such Letter of Credit on the date of its issuance, as adjusted pursuant to the terms and conditions of such Letter of Credit, (iii) the Bank's receipt of a certificate signed by a duly authorized officer of the Issuing and Paying Agent in the forms required by such Letter of Credit requesting a termination due to obtaining an Alternate Letter of Credit or a termination when no Notes are Outstanding, (iv) the date when the Letter of Credit is surrendered to the Bank for cancellation, or (v) the earlier of (a) the 15th calendar day after the date on which the Issuing and Paying Agent receives the Final Drawing Notice, and (b) the date on which the Drawing resulting from the delivery of the Final Drawing Notice under the Letter of Credit is honored. All Drawings under the Letter of Credit shall be paid from immediately available funds of the Bank.

Upon receipt by the Bank of a reduction certificate in the form required by the Letter of Credit, at least five Business Days prior to the date specified in such certificate for the permanent reduction of the Stated Amount of such Letter of Credit, the Stated Amount of such Letter of Credit shall be permanently reduced to the amounts set forth therein.

Each Drawing will reduce the Stated Amount of the Letter of Credit by the amount of such Drawing. After any Drawing (except in the case of a Drawing resulting from the delivery of a Final Drawing Notice), the Stated Amount of the Letter of Credit will be automatically and immediately reinstated by and to the extent of amounts received by the Bank of reimbursement by the Authority of any amounts of such Drawing and the Bank's written notice of such receipt to the Issuing and Paying Agent (subject to any reduction in said Stated Amount as above described in the prior paragraph), unless the Issuing and Paying Agent has received notice from the Bank (in substantially the form required by the Letter of Credit) that an

Event of Default under the Credit Agreement has occurred and is continuing. See “THE CREDIT AGREEMENT” below.

Reimbursement of Credit Agreement Obligations

The Bank shall be reimbursed for all Drawings under its Letter of Credit from the proceeds of refunding Notes and from Net Revenues (defined below) deposited into the Letter of Credit Reimbursement Account. The Credit Agreement Obligations under the Credit Agreement will be paid from and secured by a lien on and pledge of Net Revenues.

“Net Revenues” are defined in the Resolution as Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Water System, or any other facilities in connection with which the defined term is used.

“Gross Revenues” are defined in the Resolution as all income and revenues received or accrued under generally accepted accounting principles derived directly or indirectly by the Authority from the water and other goods and services provided by, or from the operation and use of and otherwise pertaining to, the Water System, including, without limitation, all rates, fees, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the Authority from the Water System, including, without limitation, all fees, rates, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. “Gross Revenues” also include: (i) all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues; and (ii) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in the bond resolutions for the Senior Lien Obligations (the “Bond Resolutions”).

“Operation and Maintenance Expenses” (or phrases of similar import), as defined in the Resolution, generally means all reasonable and necessary current expenses of the Authority, paid or accrued under generally accepted accounting principles, of operating, maintaining, and repairing the Water System or any other designated facilities in connection with which such term is used. For a detailed definition of Operation and Maintenance Expenses, see Appendix B.

The Authority’s obligation to reimburse the Bank pursuant to the Credit Agreement is secured by a lien (but not necessarily an exclusive lien) on the Net Revenues on a parity with the lien thereon of the Notes, but subordinate to the senior lien thereon of the Bonds and the DWSRF loans. The lien of the DWSRF loans on the Net Revenues is subordinate to the lien thereon of the Bonds; the Authority’s reimbursement obligations to the Bank (and the lien

securing the Notes and the reimbursement obligations) is subordinate to the lien of the DWSRF loans on the Net Revenues.

Additional Senior Lien Obligations and Additional Parity Debt

General. The Resolution permits the Authority to issue additional obligations having a lien on Net Revenues superior to or on a parity with the lien of the Notes upon the satisfaction of certain conditions set forth in the Credit Agreement. In order to issue additional Senior Lien Obligations, the Authority also must satisfy certain conditions set forth in the Credit Agreement. Definitions of capitalized terms used in this section may be found in "THE CREDIT AGREEMENT" below.

Revenue Test. In the Credit Agreement, the Authority agrees that it will not issue Additional Debt payable from or secured by a lien on Net Revenues on a parity basis with or senior to the lien on such Net Revenues securing the Notes (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Drawing) unless at the time of issuance of such Additional Debt the Authority provides to the Bank a written certificate (including supporting calculations) of an Authorized Representative of the Authority stating that:

(1) based upon reasonable assumptions, projected Gross Revenues will be sufficient to satisfy the rate maintenance covenant set forth in the resolutions authorizing the Authority Debt through the maturity date of such Additional Debt; and

(2) the projected Net Revenues for each of the first five Fiscal Years immediately succeeding the last Fiscal Year in which any interest on such Additional Debt is capitalized will be at least equal to 110% of the Annual Debt Service with respect to all outstanding Senior Lien Obligations, Parity Debt, the Notes and Credit Agreement Obligations calculated as if the full authorized amount of such Additional Debt were then outstanding.

Determining Annual Debt Service. For the purposes of determining Annual Debt Service, (A) interest payable on the Commercial Paper Notes shall be deemed to be 110% of the Index which was most recently published in The Bond Buyer, and (B) interest payable on other Authority Debt which bears interest at a rate other than a long term fixed rate shall be deemed to be the greater of (i) the actual amount of interest paid thereon during such 12 month period (or if such Authority Debt was not outstanding during the entire 12 month period, the amount of interest that would have been paid thereon if the rate or rates of interest thereon were equal to the rate applicable to similar variable rate indebtedness for such 12 month period), or (ii) the amount of interest that would have been paid thereon if the interest rate was 110% of the Index which was most recently published in The Bond Buyer and (C) the amount of principal due on the Notes (or other similar obligations with maturities of less than one year or for which more than 25% of the principal amount of such obligations mature in one Fiscal Year) during such twelve (12) month period shall be deemed to be the amount that would be due in that Fiscal Year if the indebtedness represented by those obligations were amortized over a period of thirty (30) years (or such shorter period ending on the date the program pursuant to which such obligations were issued terminates) from the date the obligation was first issued (for a purpose other than paying principal on a prior issue of commercial paper) at an interest rate equal to 110% of the Index which was most recently published in The Bond Buyer. For purposes of the foregoing Additional Debt Test, the Authority may treat its actual or projected unencumbered ending fund balance for

a Fiscal Year as a portion of the Net Revenues in the succeeding Fiscal Year to the extent such unencumbered ending fund balance (i) may legally be used for such payments and (ii) consists of cash and investments described in NRS 350.658, 350.659 and 355.170.

For purposes of paragraphs (1) and (2) under “Revenue Test” above, in estimating Net Revenues, the Chief Financial Officer or authorized representative of the Authority (the “Authorized Representative”) may take into account (1) Gross Revenues generated by the Water System reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges or other sources of Gross Revenues which have been approved by the Authority and will be in effect during the period for which the estimates are provided, and (3) any other increases in Gross Revenues which the Authorized Representative believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Authorized Representative shall use such assumptions as the Authorized Representative believes reasonable, taking into account (i) historical Operation and Maintenance Expenses and (ii) such other factors, including inflation and changing operations or policies of the Authority, as the Authorized Representative believes to be appropriate. The Authorized Representative shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Annual Debt Service.

For purposes of preparing the certificate or certificates described above, the Authorized Representative may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant only if audited financial statements for such Fiscal Year or period are not available; provided, however, that the chief financial officer of the Authority shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

The Credit Agreement defines “Additional Debt” to mean Authority Debt payable from the Net Revenues. “Authority Debt” means, with respect to the Authority, all items payable from or secured by a lien on the Net Revenues that would be classified as a liability in accordance with generally accepted accounting principles.

Subordinate Obligations; Refunding Obligations

Pursuant to the Credit Agreement, the Authority may issue Additional Debt payable from and secured by a lien on the Net Revenues which is junior and subordinate to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance).

In addition, the Credit Agreement allows the Authority to issue Additional Debt in order to refund any outstanding Authority Debt (the “Refunding Obligations”) payable from the Net Revenues if and so long as (i) the lien on the Net Revenues securing such Additional Debt is on a parity with or junior and subordinate to the lien thereon securing the Authority Debt being refunded and, (ii) the Annual Debt Service on such Refunding Obligations shall not exceed the Annual Debt Service on the Authority Debt refunded thereby in any Fiscal Year commencing in the Fiscal Year in which the Refunding Obligations are issued to the Fiscal Year ending June 30, 2036.

THE CREDIT AGREEMENT

The following is a brief description of certain provisions of the Credit Agreement. This description does not purport to be comprehensive and reference should be made to the Credit Agreement for a full and complete statement of its provisions. Copies of the Credit Agreement are available from the sources listed in "INTRODUCTION--Additional Information."

The Credit Agreement Generally

The payment of the principal of and accrued interest on the 2006B Notes (also referred to in this section as the "Commercial Paper Notes") at their respective maturity dates is supported by the Letter of Credit, an Irrevocable Transferable Direct-Pay Letter of Credit dated May 15, 2018, issued by the Bank.

The following discussion summarizes certain provisions of the Credit Agreement. Reference is made to the Credit Agreement for the complete provisions thereof. Capitalized terms used under the heading "THE CREDIT AGREEMENT" and not defined herein will have the meanings set forth in the Credit Agreement securing the Notes.

Events of Default

"Events of Default" under the Credit Agreement include the following:

(a) the Authority fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance; (ii) any principal of or interest on any Commercial Paper Note for any reason other than the failure of the Bank to honor a properly presented and conforming Drawing under the Letter of Credit; or (iii) any other Obligation (other than the principal of or interest on any Drawing or any Advance) and such failure shall continue for three (3) Business Days;

(b) any representation, warranty or statement made by or on behalf of the Authority in the Credit Agreement or in any Related Document to which the Authority is a party or in any certificate delivered pursuant thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or any documents, certificate or statement of the Authority (including unaudited financial reports, budgets, projections and cash flows of the Authority) furnished to the Bank by or on behalf of the Authority in connection with the transactions contemplated by the Credit Agreement are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the Authority fails to perform or observe certain terms, covenants or agreements contained in the Credit Agreement or (ii) the Authority fails to perform or observe any other term, covenant or agreement contained in the Credit Agreement (other than those referred to in clauses (a) and (c)(i) above) and any such failure cannot be cured or, if curable, remains uncured for 30 days after the earlier to occur of (A) the Bank has provided written notice thereof to the Authority, or (B) the Authority has actual knowledge of such failure to perform;

(d) the Authority shall (i) default in any payment of any obligation (other than the Commercial Paper Notes, the Drawings or the Advances) secured by a charge, lien or encumbrance on the Net Revenues with a priority of payment from Net Revenues that is senior

to, or on a parity with, the Commercial Paper Notes, the Drawings or the Advances, including, without limitation, Senior Lien Obligations (“Secured Debt”), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of the Credit Agreement, the Resolution or any other Related Document to which the Authority is a party shall find, announce or rule that (A) any material provision of the Credit Agreement and any other Related Document to which the Authority is a party or (B) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations under the Credit Agreement or the rights and remedies of the Bank, in either case, is not a valid and binding agreement of the Authority or (ii) the Authority shall contest the validity or enforceability of the Credit Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations under the Credit Agreement or the rights and remedies of the Bank, or shall seek an adjudication that the Credit Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations under the Credit Agreement or the rights and remedies of the Bank, is not valid and binding on the Authority;

(f) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority’s ability to pay the Obligations or perform its obligations under the Credit Agreement or the rights and remedies of the Bank, or any Related Document to which the Authority is a party, except for any Dealer Agreement or the Issuing and Paying Agent Agreement which has been terminated due to a substitution of a Dealer or the Issuing and Paying Agent, or any material provision thereof shall cease to be in full force or effect, or the Authority or any Person acting by or on behalf of the Authority shall deny or disaffirm the Authority’s obligations under any of the Related Documents to which the Authority is a party;

(g) one or more final judgments or orders for the payment of money in excess of \$5,000,000 in the aggregate (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Authority and such judgment or order shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of ninety (90) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any obligation secured by a lien, charge or encumbrance upon the Net Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or

relief of debtors, the Authority seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the Authority seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the Authority's property, or the Authority shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in subclause (ii) of this paragraph (h) and the same shall remain undismissed; (v) there shall be commenced against the Authority or the TMWA Water System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (vi) the Authority takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in subclause (i), (ii), (iii), (iv) or (v) above; or (vii) the Authority shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) any of Fitch, Moody's or S&P shall have downgraded its long-term unenhanced rating of any Senior Lien Obligations to below "BBB" (or its equivalent), "Baa2" (or its equivalent) or "BBB" (or its equivalent), respectively, or suspended or withdrawn its rating of the same;

(j) the Authority shall dissolve or its existence shall have been terminated; or

(k) any "event of default" shall have occurred under any Other Debt Document (as defined in the Credit Agreement) supporting any Senior Lien Obligations, commercial paper notes or other Parity Debt of the Authority or any other Related Document.

Remedies

Upon the occurrence of any Event of Default, the Bank may, pursuant to the terms of the Credit Agreement and the Letter of Credit issued pursuant thereto, exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the Authority, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are thereby waived by the Authority; provided that upon the occurrence of an Event of Default described in clause (h) under "Events of Default" above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing); *provided, further, however*, that the Bank shall not declare the outstanding amount of the Obligations to be immediately due and payable unless (i) no Senior Lien Obligations remain outstanding or (ii) the Authority has entered into or otherwise consented to any Other Debt Document which provides a Person with acceleration rights without regard to whether Senior Lien Obligations remain outstanding.

(b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a "Stop-Issuance Instruction" for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall

withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount to the amount of the then outstanding Commercial Paper Notes supported by the Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

(c) reduce the Stated Amount of the Letter of Credit to the principal amount of Commercial Paper Notes Outstanding (and, if applicable, interest on the Notes to their stated maturity dates), instruct the Authority and the Issuing and Paying Agent to immediately cease issuing, delivering and selling additional Notes, instruct the Issuing and Paying Agent to make a final drawing under the Letter of Credit in accordance with its terms, by delivering a Final Drawing Notice (the effect of which shall be to cause the Letter of Credit Expiration Date to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

(d) pursue any rights and remedies it may have under the Credit Agreement, the Letter of Credit, the Bank Note, the Dealer Agreement, the Bond Resolutions (defined below), the Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Resolution and any documents related thereto (the "Related Documents"); or

(e) pursue any other action available at law or in equity.

Notwithstanding the exercise of any other remedies provided for in the Credit Agreement, upon the occurrence and during the continuance of any Event of Default, all Obligations shall bear interest at a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect plus three percent (3.00%).

CERTAIN RISK FACTORS

The purchase of the Notes involves special risks and the Notes may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Offering Memorandum in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the Notes and could affect the market price of the Notes to an extent that cannot be determined at this time. *The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the Notes. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.*

Letter of Credit is Primary Security

Draws under the Letter of Credit will constitute the primary security for the payment of the principal and interest on the Notes. Therefore, the Owners of the Notes will be required to look to the Bank for security and will be dependent upon the Bank to honor draws under the Letter of Credit. It is possible, in the event of the insolvency of the Bank, or the occurrence of some other event precluding the Bank from honoring its obligations to make payments as stated in its Letter of Credit, that the financial resources of the Authority will be the only source of payment on the Notes. There can be no assurance that the financial resources of the Authority would be sufficient to pay the principal and interest on the Notes in that event. See “CERTAIN RISK FACTORS-- If the Letter of Credit Fails, Payment on the Notes will be Dependent upon Sufficiency of Net Revenues.”

As described in “THE CREDIT AGREEMENT--Remedies,” upon the occurrence of an event of default under a Credit Agreement, the Bank may reduce the Stated Amount of the Letter of Credit to an amount equal to the principal of the Notes (plus interest thereon) that were Outstanding on or prior to the date on which such event of default occurred, or may suspend the authority of the Authority and the Issuing and Paying Agent to issue any additional Notes, including Notes issued for the purpose of retiring Outstanding Notes.

Enforcement of Remedies Against Bank

Enforcement of remedies provided in the Credit Agreement with respect to payments to be made by the Bank under the Letter of Credit (or in the Resolution) may be limited by insolvency, bankruptcy or other laws relating to creditors’ rights generally. Further, the security provided by a Letter of Credit for the payment of the principal of and interest on the Notes may be impaired in the event of a deterioration of the financial condition of the Bank. The obligation of the Bank to honor draws under the Letter of Credit represents a general unsecured claim against the assets of the Bank. The obligation of the Bank to honor draws under the Letter of Credit is not secured or otherwise guaranteed by the United States of America or any agency or instrumentality thereof, including the Federal Deposit Insurance Corporation. No assurance can be given by the Authority that the Bank will be able to meet its obligations under the Letter of Credit.

Performance by Issuing and Paying Agent

Performance by the Bank of its obligations under the Letter of Credit is subject to the satisfaction of certain conditions by the Issuing and Paying Agent as set forth in the Letter of Credit. Owners of the Notes are therefore dependent upon the Issuing and Paying Agent acting to satisfy such conditions before they will receive the benefit of the Letter of Credit. In addition, the question of whether the Issuing and Paying Agent has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat the Issuing and Paying Agent's rights of enforcement of the Letter of Credit.

Inability to Obtain Alternate Letter of Credit

The Letter of Credit expires on May 1, 2023. No assurances can be given that the Authority will be able to the Letter of Credit or obtain an Alternate Letter of Credit to secure the Notes on the terms required by the Resolution after the Letter of Credit Expiration Date.

Limitations on Remedies Available to Owners of Notes

The enforceability of the rights and remedies of the owners of the Notes and the obligations incurred by the Authority in issuing the Notes are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of such powers by the federal, State or local governments, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

If the Letter of Credit Fails, Payment on the Notes will be Dependent upon Sufficiency of Net Revenues

If an event occurs that precludes the Bank from honoring its obligations to make payment as stated in its Letter of Credit, the payment of principal and interest on the Notes would be dependent upon the generation of sufficient Net Revenues of the Water System. If the Water System becomes inoperable due to damage, destruction, environmental restriction or for any other reason, if the Authority should lack raw water or lack treatable water due to contamination, if the Authority should lack adequate supply to serve existing customers due to drought or for any other reason, if the Authority is unable to increase rates and charges for any reason, or if the Authority incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, the Authority may be unable to generate adequate revenues from the Water System to pay debt service on the Notes.

Additionally, the payment of principal and interest on the Notes is payable solely from Net Revenues. **The Notes and the reimbursement obligations to the Bank have a lien on the Net Revenues that is subordinate to the lien thereon of the Senior Lien Obligations.** See "THE AUTHORITY-- Debt Authorization and Outstanding Senior Lien Obligations." The Notes are not secured by a mortgage, lien, or security interest on or in any of the funds, buildings or other assets of the Authority other than the funds or accounts of the Authority pledged under

the Resolution for payment of the Notes. See Appendix B - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION. The owners of the Notes may not look to any funds, buildings or other assets of the Authority, other than the Net Revenues, for payment of debt service on the Notes.

The ability of the Authority to meet its payment obligations under the Resolution will depend upon the ability of the Authority to generate sufficient Gross Revenues to meet such obligations, the Authority's operating expenses, debt service on other debt, extraordinary costs or expenses that may occur and other costs and expenses. Accordingly, investors should be aware that future revenues and expenses of the Authority will be subject to conditions that may differ materially from current conditions to an extent that cannot be determined at this time.

Environmental Risks

There are several types of environmental risks associated with operating the Water System. These risks include the use of hazardous materials in the water treatment process and the necessity to properly dispose of such hazardous materials. Other environmental issues that may impact the Water System include, but are not limited to, the possible occurrence of upstream events that could cause contamination to the Authority's surface water source. The impact that such potential environmental issues may have on the Water System cannot be determined.

Flooding, Drought and Seismic Activity

General. The Water System is susceptible to certain risks posed by flooding, drought and seismic activity. Certain of these risks may be mitigated by the purchase of insurance; however, it is not possible to predict at this time whether the Authority's insurance coverage would be sufficient to pay all of the costs associated with a flood or a seismic event. See "THE WATER SYSTEM--Insurance." To the extent insurance coverage is not sufficient to replace facilities damaged by flooding or seismic activity (or to the extent damage caused by such events is excluded from policy coverage), the Authority may be required to expend significant amounts to replace the damaged facilities and operations may be negatively impacted to an extent that cannot be determined at this time. See "Insurance" in this section.

Flooding. Periodic flooding has occurred within the Authority's Service Area, most recently in early January 2017, and likely will occur in the future. To date, damage to the Water System has been minimal and no interruption to service was experienced; however, the impact to the Water System of any future flooding cannot be determined.

Seismic Activity. Periodic seismic activity has occurred within the Authority's Service Area, most recently in 2008, and may occur in the future. As a result of the seismic activity that occurred in 2008, significant damage was done to certain conveyance facilities that supplied water to the Chalk Bluff Water Treatment Plant. The impact to the Water System of any future seismic activity cannot be determined.

Drought. Drought conditions have existed within the Authority's Service Area in the recent past. As discussed in "THE WATER SYSTEM--The Water System--*Water Rights and Drought Plan*," the Authority has adopted a Water Resource Plan that provides a water budget and resource plan for the Authority and also sets out conservation goals and provides for

a drought plan based upon an extended drought cycle of nine years. Notably, the Truckee River Operating Agreement (TROA) implemented in December of 2015 provides TMWA with the ability to store a significant amount of water in upstream federal reservoirs and federally operated reservoirs in the winter months (which was not possible before TROA implementation) for later use during a drought. TROA also provides for carryover of unused drought storage in successive drought years such that drought storage can actually increase over years of extended drought. While the implementation of TROA greatly reduces risks, any lack of availability of expected water resources in the course of any future extreme drought may negatively impact the Authority's operations and its ability to generate Net Revenues. See "THE WATER SYSTEM--Certain Contracts and Agreements--Truckee River Operating Agreement."

Regulatory Risks

The Water System is subject to numerous federal and State statutory and regulatory requirements. Those laws and regulations are subject to change at any time. The Authority works with all regulatory agencies and personnel to stay abreast of future regulatory requirements as failure to comply with regulatory changes, or the inability to comply with them in a timely manner, could cause portions of the water supply available to the Water System to be unavailable. Any disruption of service could negatively impact Net Revenues.

The most significant law governing public drinking water systems like the Authority's Water System is the federal Safe Drinking Water Act. Primary enforcement authority for this act in Nevada has been delegated by the EPA to the Nevada Division of Environmental Protection. The EPA sets standards for ensuring safe drinking water and administers programs to protect drinking water sources. The Nevada Division of Environmental Protection Bureau of Safe Drinking Water and the Washoe County District Health Department work together with the Authority to assure that all drinking water standards have been and will continue to be met.

The Authority is in full compliance with all current regulatory requirements and currently is not aware of any forthcoming regulatory requirements that would significantly impact compliance costs.

Insurance

The Authority has obtained environmental and property insurance coverage as described in "THE WATER SYSTEM--Insurance." The Water System facilities are insured against earthquake (except for California assets) and flood damage (with the exception of the Glendale Water Treatment Facility, as discussed in "THE WATER SYSTEM--Insurance"); however, it is not possible to determine whether the level of such coverage will be sufficient to cover actual losses sustained as a result of earthquakes or floods. Investors should be aware that it is possible that any property insurance obtained by the Authority in the future may not cover any damage to the dams and diversions caused by earthquakes or floods. If the Water System sustains damage rendering it unable to operate for any significant length of time, Gross Revenues will be adversely impacted. In addition, the Authority will be required to pay the capital costs necessary to repair the damage from funds other than insurance proceeds (such as existing cash reserves).

Forward-Looking Statements

This Offering Memorandum, particularly (but not limited to) the sections entitled “CERTAIN RISK FACTORS,” “THE AUTHORITY--Debt Authorization, Outstanding Senior Lien Obligations,” “THE WATER SYSTEM--The Water System,” “THE WATER SYSTEM--Capital Improvement Plan,” “WATER SYSTEM FINANCIAL INFORMATION--Budget Summary and Comparison,” and “LEGAL MATTERS--Litigation” contains statements relating to future results that are “forward-looking statements.” When used in this Offering Memorandum, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results.

THE AUTHORITY

General

The Authority is a joint powers authority formed in November 2000, pursuant to the Cooperative Agreement among Reno, Sparks and the County (collectively, the “Members”). Pursuant to the Authority Act, the Authority is a political subdivision of the State separate from its Members. The Authority was formed to develop, manage and maintain supplies of water for the benefit of the Truckee Meadows communities. On December 31, 2014, the Water Utility and STMGID were merged into the Authority. The Authority’s Service Area encompasses a total of 154 square miles, including the cities of Reno and Sparks and other surrounding populated areas of the County (except certain areas in the vicinity of Lake Tahoe and other small areas bordering California). The Authority has no authority to provide water service outside of its Service Area; however, the Authority may provide service in the future to developments that are annexed into its Service Area.

Powers of the Authority

The Authority was formed to provide a separate legal entity to jointly exercise certain delegated powers, privileges and authority of each Member. The Cooperative Agreement gives the Authority broad powers with respect to the Water System, including the power to: (1) acquire, use, and dispose of water rights and water supplies; (2) develop and implement projects with respect to the acquisition, development, treatment, storage and transportation of water; (3) acquire interests in, finance, operate, maintain, replace, and construct additions and improvements to the Water System; (4) provide retail water service to customers within its service area; (5) contract with wholesale water users; (6) establish a water budget, a water resource plan, and a water conservation plan; (7) prepare, update, and implement a capital improvement plan; and (8) establish rates, tolls and charges in general accordance with the procedures and authorities established in Chapter 318 of NRS, or as otherwise adopted by the Board. The Authority also has the power to acquire, possess, lease, encumber and dispose of personal and real property; to have and exercise eminent domain powers; to contract; to issue revenue bonds and other bonds, notes, an obligations and to incur liabilities for the purposes stated in the Authority Act; to execute leases, installment sale and purchase contracts and other transactions; to obtain license, permits, grants, loans or aid from any agency; and to perform all other acts necessary or convenient to perform its functions or exercise its powers.

Board of Directors

Pursuant to the Cooperative Agreement, the Board is to be comprised of seven members: three Directors appointed by Reno, two directors appointed by Sparks, and two directors appointed by the County. Each governing body also may appoint an alternate Director. Each Director holds office until the governing body of the Member selects a successor and notifies the Authority. Any Director who is not an elected official is appointed for a two-year term. Directors who are elected officials may not serve beyond their respective terms of office. The Directors do not receive compensation from the Authority for their service as Directors but may be reimbursed for reasonable expenses incurred in the conduct of the Authority’s business. The Board appoints a chairman and a vice chairman from its membership. Board officers hold office for one-year periods corresponding to the Authority’s Fiscal Year (July 1 through June 30).

The Board generally holds its regular meetings on the third Wednesday of each month, with certain exceptions required by law or established by the Board, and may hold special meetings as needed. A quorum of the Board exists if the Directors present constitute a majority of all Directors then in office.

The current members of the Board, their affiliations, and their term expirations are set forth below:

<u>Name</u>	<u>Affiliation</u>	<u>Term Expiration</u>
Geno Martini, Chairman	City of Sparks	November 2018
Vaughn Hartung, Vice Chairman	Washoe County	December 2020
Jenny Brekhus	City of Reno	November 2020
Naomi Duerr	City of Reno	November 2018
Neoma Jardon	City of Reno	November 2020
Bob Lucey	Washoe County	December 2018
Ron Smith	City of Sparks	November 2020

Administration

General Manager. The General Manager serves as the Chief Administrative Officer of the Authority and generally is responsible for operation of the Water System. The General Manager reports to the Board and is responsible for planning, organizing and directing all Authority activities.

Mark W. Foree – General Manager. Mr. Foree was appointed the General Manager of the Authority in May 2009. Prior to that time, he served as the Director of Water Operations. Mr. Foree has over 36 years of experience in the water industry including extensive experience in planning, engineering, operations and maintenance of complex water treatment and distribution systems. Mr. Foree is a registered professional Civil Engineer in Nevada and California and holds a bachelor's degree in civil engineering. In addition, Mr. Foree holds the highest level of operator certifications (Grade IV) for both water distribution and water treatment in the State. He also is a Nevada registered Water Right Surveyor.

Chief Financial Officer. The Chief Financial Officer oversees all financial activities for the Authority, including short and long range financial planning, development of the long range funding plan, financial reporting and investment programs.

Michele Sullivan – Chief Financial Officer/Treasurer. Ms. Sullivan is a Certified Public Accountant who joined the Authority in December, 2015. Ms. Sullivan graduated from California State University, Sacramento with a Bachelor of Science in Accounting and joined Ernst & Young in 1986. Ms. Sullivan audited mainly clients in the banking industry and manufacturing. After receiving her Certified Public Accountant license in 1989, Ms. Sullivan relocated to Reno, Nevada and was chief accountant at FMC Gold, a gold mining subsidiary of FMC Corporation. After several years in mining, Ms. Sullivan started her own consulting firm, and worked in industries including construction, insurance, manufacturing and advertising, developing budgets and financial statements and implementing accounting procedures. In 2010, Ms. Sullivan joined IGT where she most recently was the senior manager of the corporate accounting group, and was integral in the consolidation of all financial data during IGT's recent acquisition.

Employees; Benefits and Pension PlanEmployees. As of April 1, 2018, the Authority employed 205 full time equivalent positions (“FTE”), including twelve management employees and the General Manager. There are 90 Management, Professional, Administrative and Technical (“MPAT”) personnel, including the management personnel and 115 employees covered by a collective bargaining agreement. The current collective bargaining expires June 30, 2021. The Authority considers its relations with the union to be good. The Authority also will employ up to eighteen part time seasonal workers and student interns (9 FTE) at any time during a fiscal year and are not considered part of the permanent FTE count.

As of April 1, 2018, the Authority’s permanent employees are distributed as follows:

<u>Function</u>	<u>Number of FTEs</u>
Administration/IT	31
Supply/Treatment Operations	58
Distribution Maintenance	45
Hydroelectric	6
Customer Service/Conservation/Inspection	23
Water/Planning/Land & Water Resources	19
Engineering/Construction	<u>23</u>
Total authorized employees	205

Benefits. MPAT employees who work at least 20 hours per week are entitled to receive benefits, including: group health, dental and vision insurance (the Authority pays for employee coverage and a portion of dependent coverage); group life insurance and accidental death and dismemberment insurance; flexible health care and dependent care spending accounts; paid time off/vacation (starting with 16 days per year plus extra days for years of service); short-term disability insurance; a long-term disability income plan; paid holidays and other miscellaneous benefits. The Authority also provides 457 and 401(a) deferred compensation plans and matches employee contributions up to 6% of an employee’s annual salary. Post-retirement medical coverage also is provided for eligible employees. See Note 10 in the audited financial statements attached hereto as Appendix A for more information regarding other post-employment benefits (“OPEB”).

Employees covered by the collective bargaining agreement generally also receive the benefits described above, except that vacation time begins at 10 days per year and increases with years served pursuant to the schedule set forth in the agreement and sick leave accumulates at a rate of one day for each month worked with no limit.

Pension Matters. The State Public Employees’ Retirement System (“PERS”) covers substantially all public employees of the State, its agencies and its political subdivisions, including the County. PERS, established by the Legislature effective July 1, 1948, is governed by the Public Employees’ Retirement Board whose seven members are appointed by the Governor. Retirement Board members serve for a term of four years. Except for certain Authority specific information set forth below, the information in this section has been obtained from publicly-available documents provided by PERS. The Authority has not independently verified the information obtained from the publicly available documents provided by PERS and is not responsible for its accuracy.

All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit plan. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation. Benefit payments to which participants may be entitled under PERS include pension benefits, disability benefits, and death benefits. PERS has several tiers based on legislative changes effective with membership dates. The following table illustrates the PERS service credit multiplier.

PERS Benefit Multiplier

Membership Date	Before 07/01/01	<u>Service Credit Multiplier</u>		After 07/01/15	Highest Contiguous Average Over
		After 07/01/01	After 01/01/10		
Before July 1, 2001	2.50%	2.67%	2.67%	2.67%	36 months
After July 1, 2001, before January 1, 2010	--	2.67%	2.67%	2.67%	36 months
After January 1, 2010, before July 1, 2015	--	--	2.50%	2.50%	36 months
After July 1, 2015	--	--	--	2.25%	36 months

Similarly, legislative changes have created several tiers of retirement eligibility thresholds. The following table illustrates the PERS retirement eligibility thresholds for regular members.

Nevada PERS Retirement Eligibility

Membership Date	<u>Regular</u>	
	<u>Age</u>	<u>Years of Service</u>
Before January 1, 2010	65	5
	60	10
	Any	30
After January 1, 2010, before July 1, 2015	65	5
	62	10
	Any	30
After July 1, 2015	65	5
	62	10
	55	30
	Any	33 1/3

Nevada law requires PERS to conduct a biennial actuarial valuation showing unfunded actuarial accrued liability ("UAAL") and the contribution rates required to fund PERS on an actuarial reserve basis. The actual employer and employee contribution rates are established in cycle with the State's biennium budget on the first full pay period of the even numbered fiscal years. By PERS policy, the system actually performs an annual actuary study. The most recent independent actuarial valuation report of PERS was completed as of June 30, 2017. The following table reflects some of the key valuation results from the last three PERS' actuary studies:

PERS Actuarial Report

Key Valuation Results	June 30, 2017	June 30, 2016	June 30, 2015
UAAL	\$13.27 billion	\$12.56 billion	\$12.35 billion
Market Value Funding Ratio	74.4%	72.2%	75.1%
Actuarial Value Funding Ratio	74.5%	74.1%	73.2%
Assets Market Value	\$38.69 billion	\$35.00 billion	\$34.61 billion
Assets Actuarial Value	\$38.72 billion	\$35.90 billion	\$33.72 billion

For the purpose of calculating the actuarially determined contribution rate, the UAAL is amortized as a level percent of payroll over a year-by-year closed amortization period where each amortization period is set at 20 years. The amortization period prior to fiscal year 2012 was 30 years. Effective starting fiscal year 2012, the PERS Board adopted a shorter amortization period to be used to amortize new UAAL resulting from actuarial gains or losses and changes in actuarial assumptions. Any new UAAL is amortized over a period equal to the truncated average remaining amortization period of all prior UAAL layers, until the average remaining amortization period is less than 20 years; after that time, 20-year amortization periods will be used. The PERS Board also adopted a five-year asset smoothing policy for net deferred gains/losses.

For the year ended June 30, 2014, PERS adopted Governmental Accounting Standards Board Statement (“GASB”) No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25 (“GASB 67”). GASB 67 replaces the requirements of GASB Statement Nos. 25 and 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. It requires enhancement to footnote disclosure and required supplementary information for pension plans.

Prior to these new standards, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions and require the unfunded portion of the pension liability to be apportioned among the participating employers. These standards apply for financial reporting purposes only and do not apply to contribution amounts for pension funding purposes.

With the implementation of GASB 67, PERS began reporting its total pension liability, fiduciary net position, and net pension liability in its Comprehensive Annual Financial Reports, beginning with the Comprehensive Annual Financial Report for its fiscal year ending June 30, 2014 and 2015. The total pension liability for financial reporting was determined on the same basis as the actuarial accrued liability measure for funding. The fiduciary net position is equal to the market value of assets.

Effective with its fiscal year ending June 30, 2015, the Authority was required to apply GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (“GASB 68”) to its audited financial statements. Among other requirements, the Authority was required to report its proportionate share of the total PERS’ net pension liability in its financial statements.

The following presents the net pension liability of PERS as of its fiscal year ending June 30, 2016, and the Authority’s proportionate share of such net pension liability as of its fiscal year ending June 30, 2017, measured as of June 30, 2016, calculated using the discount rate of 8.00%, as well as what the PERS’ net pension liability would be if it were calculated

using a discount rate that is one percentage-point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
PERS Net Pension Liability	\$19,725,527,478	\$13,457,132,664	\$8,241,905,366
Authority Share of PERS Net Pension Liability	\$52,753,951	\$35,783,246	\$22,042,152

The following represents the net pension liability of PERS as of June 30, 2017. The Authority's proportionate share as of its fiscal year ending June 30, 2018, measured as of June 30, 2017, has not yet been determined.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
PERS Net Pension Liability	\$20,105,650,986	\$13,299,844,084	\$7,647,514,976

Contribution rates to PERS are established by State statute. The statutes currently require an adjustment in the statutory contribution rates on July 1 of each odd-numbered fiscal year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rates exceeds one-half of 1%. Plan members have the option of being funded under two alternative methods. Under the employer pay contribution plan, the Authority is required to contribute all amounts due under the plan. Under the employee-employer contribution plan, the Authority and the employee share equally in contribution of amounts due under the plan. A history of contribution rates for each funding method, as a percentage of payroll, is shown below.

Contribution Rates

	<u>Fiscal Years 2010 and 2011</u>	<u>Fiscal Years 2012 and 2013</u>	<u>Fiscal Years 2014 and 2015</u>	<u>Fiscal Years 2016 and 2017</u>	<u>Fiscal Years 2018 and 2019</u>
Regular members					
Employee/Employer- plan	11.25%	12.25%	13.25%	14.50%	14.50%

A history of the Authority's contribution to PERS in each of its last five fiscal years is shown below. For each fiscal year shown, the amount contributed equaled the Authority's required contribution.

PERS Contributions

	Fiscal Year <u>2013</u>	Fiscal Year <u>2014</u>	Fiscal Year <u>2015</u>	Fiscal Year <u>2016</u>	Fiscal Year <u>2017</u>
Contribution	\$2,898,332	\$3,199,518	\$3,629,441	\$4,534,811	\$5,037,877

See Note 10 in the audited financial statements attached hereto as Appendix A for additional information on PERS. In addition, copies of PERS' most recent annual financial report, including audited financial statements and required supplemental information, are available from the Public Employees Retirement System of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, telephone: (775) 687-4200.

Other Post-Employment Benefits. The Authority has two Other Post-Employment Benefit plans. The first plan was established for the benefit of transferred employees from Sierra Pacific Power Company and all new hires. The second plan was formed to provide post-employment benefits for benefitted employees who transferred from the County as a result of the merger. The first plan is referred to as the § 501-c-9 Plan and the second plan is referred to as the § 115 Plan. Both Plans reference the Internal Revenue Code sections that the plans were formed under. Detailed descriptions of each plan, including its funding status and funding policy as of June 30, 2017, are set forth in Note 10 in the audited financial statements attached hereto.

The most recent actuarial valuation of the Authority's § 501-c-9 Plan is dated as of January 1, 2018. Such valuation showed actuarial accrued liability of \$10,694,672, actuarial value of plan assets of \$10,926,894, and a funded ratio of 102.2%.

The most recent actuarial valuation of the Authority's § 115 Plan is dated as of January 1, 2018. Such valuation showed actuarial accrued liability of \$1,826,373, actuarial value of plan assets of \$999,831, and a funded ratio of 54.7%.

Budget Process

The Board is required to adopt an annual budget for the Authority in accordance with State law. The General Manager's current practice is to submit to the Board the tentative budget for the next fiscal year commencing on July 1; the tentative budget is filed with the State Department of Taxation by April 15 of each year. The proposed operating budget contains the proposed expenditures and the means for funding them. The Authority is required to conduct a public hearing on the budget in May. The Authority is required to adopt the final budget on or before June 1. A five-year capital plan also must be adopted by June 1 of each year. The final budget, as approved by the Authority, is on file for public inspection at the Authority offices and the State Department of Taxation.

The Authority may not expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function (other than bond repayments, short-term financing repayments, construction contracts for which funds are to be provided by a bond issue or other borrowing and any other long-term contracts as to which expenditures are expressly authorized by law).

See “WATER SYSTEM FINANCIAL INFORMATION--Budget Summary and Comparison” for a representation of recent budgets.

Financial Statements

General. The Authority is required to provide for an annual audit of all funds and accounts. The audit is required to be conducted in accordance with generally accepted auditing standards. The audit is required to be completed no later than five months after the close of the fiscal year for which the audit is conducted. The Authority must act upon any recommendations in the audit report within six months after receipt of the report, unless more prompt action is required. The audited financial statements must be approved by the Board of the Authority within six months of the end of the audited fiscal year.

The audited financial statements for the fiscal years ended June 30, 2017 and 2016, which are attached hereto as Appendix A, represent the most recent audited financial statements of the Authority.

Basis of Accounting. A fund is an accounting entity with a self-balancing set of accounts established to record financial position and results of operations of the governmental entity. The Authority’s activities are accounted for as an enterprise fund (proprietary fund type). Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its operating objectives. The Authority’s financial statements are reported using the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred. See Note 1 to the audited financial statements attached hereto as Appendix A for a further summary of the Authority’s significant accounting policies.

Awards. The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (“CAFR”) for the fiscal year ended June 30, 2016. This marked the 14th year for which the Authority applied for and received the award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The Authority has submitted its fiscal year 2017 CAFR for award consideration.

Cooperative Agreement

The Authority is required to take all action required by various water conservation agreements to encourage and implement programs for the conservation of water within each Member’s geographic area. The Authority has the power to periodically assess its Members for budgets and for the satisfaction of any liabilities imposed against the Authority pursuant to the Cooperative Agreement. Each Member agrees to pay its assessments when due.

The Cooperative Agreement will remain in full force and effect unless terminated pursuant to its terms. The Cooperative Agreement may be rescinded and the Authority terminated pursuant to a written agreement of termination executed by the governing body of each Member. Upon termination, the obligations of the Authority must be paid; any water right or facility contributed by a Member must be returned to that Member (unless the Member agrees to a different distribution); and all other Authority assets must be distributed pursuant to the

terms of the termination agreement. In addition, any Member may withdraw from the Authority on the terms and conditions specified in an agreement of withdrawal executed by all Members. Notwithstanding the foregoing, the Authority may not be terminated and no Member may withdraw during the term of any indebtedness or other obligation incurred by Authority (or for which it is otherwise responsible) if the terms of such obligation preclude termination.

The Cooperative Agreement may be amended by action taken by the governing body of each Member and upon any required approval given (or deemed to be given) by the State Attorney General.

Debt Authorization and Outstanding Senior Lien Obligations

General. Pursuant to the Cooperative Agreement, the Authority has the power to issue revenue bonds, notes or other obligations for the purposes specified in the Authority Act. The Authority also may incur other liabilities and enter into long-term leases or installment sale or purchase agreements in accordance with applicable law.

Outstanding Senior Lien Obligations. Upon the date of delivery of the Notes, the Authority's outstanding Senior Lien Obligations (as defined below) include the bonds described below (collectively, the "Bonds"), which will be outstanding in the aggregate principal amount of \$343,475,000. Each series of Bonds has a lien on the Net Revenues that is superior to the lien thereon of the DWSRF Loans (as defined below), the Notes and the reimbursement obligations to the Bank. The Bonds are comprised of the following:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding</u>
2015A Bonds	05/14/15	07/01/36	\$ 28,750,000	\$ 27,070,000
2016 Bonds	04/12/16	07/01/37	124,790,000	124,790,000
2017 Bonds	04/11/17	07/01/30	147,415,000	147,415,000
2018 Bonds	05/15/18	07/01/43	[44,200,000]	[44,200,000]
Total:				\$343,475,000

In addition, the Authority currently has several loans from the State outstanding. Each of these loans has a lien on the Net Revenues that is subordinate to the lien thereon of the Bonds and superior to the lien thereon of the Notes and the reimbursement obligations to the Bank. Upon the date of delivery of the Notes, these include the loans described below (collectively, the "DWSRF Loans" and collectively with the Bonds, the "Senior Lien Obligations"), which will be outstanding in the aggregate principal amount of \$21,802,923. The DWSRF Loans are comprised of the following:

<u>Fiscal Year</u>	<u>Original Amount</u>	<u>Current Balance</u>	<u>Interest Rate</u>	<u>Approximate Annual Loan Payment</u>	<u>Final Payment Date</u>
<u>Incurred</u> 2005	\$ 4,669,565	\$2,095,861	3.21%	\$ 336,692	01/01/25
2010	2,401,120	1,422,190	0.00	123,669	07/01/29
2010	4,381,614	3,331,596	3.25	337,503	01/01/30
2015	9,109,437	6,364,231	2.81	1,007,875	01/01/25
2015	8,971,562	8,589,045	2.62	614,982	07/01/35

Agreements. The Board also has entered into a Customer Care Agreement dated as of November 1, 2014 (the "Customer Care Agreement"), with Vertex Alliance Data Systems ("Vertex"). Pursuant to the Customer Care Agreement, the Authority has outsourced its billing, bill printing and mailing, remittance processing, billing data information storage and call center

functions to Vertex. The Customer Care Contract expires on November 1, 2019, with an option for three successive two year terms.

The Authority has also entered into a Settlement and Release Agreement with NV Energy which is discussed in detail in the following section.

Other Commitments or Material Receivables.

Farad Facilities. As of June 30, 2013, the Authority was committed under an Asset Purchase Agreement with Sierra Pacific Power Company, dated as of January 15, 2001 (the “Asset Purchase Agreement”), to expend \$8,000,000 for the purchase of four hydroelectric plants. NV Energy and the Authority agreed to prorate this sum equally among the four hydroelectric plants so that the plants could be purchased individually. As of June 30, 2014, the Authority completed the purchase of three of the four hydroelectric plants for a total purchase price of \$6,000,000 and was released from its obligation to purchase the remaining hydroelectric plant (known as the “Farad Facilities”) pursuant to a settlement agreement reached with NV Energy (the “Settlement Agreement”). The Settlement Agreement assigned to the Authority all of NV Energy’s rights to future insurance payments received as a result of a certain litigation involving the Farad Facilities, less any applicable deductibles. To date, the Authority has received \$21,410,911 in insurance proceeds related to the Farad Facilities.

In the event the Farad Facilities are ever reconstructed by the Authority, the Authority has committed \$1,400,000 to mitigate the effects of such operations on the Truckee River. See Note 11 in the financial statements attached hereto as Appendix A. In January 2018, the Farad Facilities were deeded to TMWA. Based on feasibility studies, TMWA has no plan to reconstruct the hydroelectric plant, and is considering interest from buyers for the Farad Facilities.

River Fund Agreement. The Authority also has entered into an agreement with the Community Foundation of Western Nevada, a Nevada non-profit corporation (the “River Fund Agreement”), for the establishment of The Truckee River Fund (the “River Fund”). The River Fund is to be used exclusively to fund projects that protect and enhance water quality or water resources of the Truckee River or its watershed. The River Fund is administered by an advisory committee comprised of nine members; each Member selects three members. In fiscal year 2018, the Authority contributed approximately \$450,000 and has committed contributions of approximately \$850,000 for fiscal year 2019 to the River Fund. The River Fund Agreement does not require the Authority to provide any additional funds to the River Fund; continued contributions to the River Fund are solely within the discretion of the Board. See Note 11 in the financial statements attached hereto as Appendix A.

Boca Dam and Reservoir. The Truckee Storage Project was constructed to provide a supplemental supply of irrigation water to approximately 29,000 acres of land in the Truckee Meadows surrounding Reno and Sparks, Nevada. Boca Dam and Reservoir (the “Boca Dam”), the major feature of the Truckee Storage Project, was constructed by the United States and is operated by the Washoe County Water Conservation District (the “Conservation District”). As part of the Safety of Dams retrofit being conducted by the Bureau of Reclamation (the “BOR”), the Conservation District is currently working on conceptual designs for an earthquake hardening project at the base of Boca Dam. The costs for the earthquake hardening project are currently estimated at \$36,000,000. Under federal law, the beneficiary of the

authorized purposes of the structure must pay 15% of the adjusted cost. The Conservation District is in negotiations with the BOR as to how that 15% is allocated between irrigation and municipal uses. The Authority currently expects its portion of assessments from the Conservation District for Safety of Dams expenditures to be no more than \$2,200,000 based on current cost estimates. See Note 8 in the financial statements attached hereto as Exhibit A.

Investment Policy

The Authority's investments are governed by its Investment Policy. The Investment Policy can be amended by a majority vote of the Board. The Authority's most recent Investment Policy was adopted in September 2017; the provisions of the Investment Policy are described generally below. The Investment Policy's stated goal is to invest funds to obtain suitable rates of return on investments in a safe and prudent manner. The Investment Policy conforms to State statutes governing the investment of funds. The objectives established under the Investment Policy are (1) safety of principal, (2) liquidity, and (3) return on investment. The Investment Policy establishes maximum investment maturities, diversification requirements, collateralization requirements and performance standards for managers and delineates authorized investments. Authorized investments include U.S. Treasury instruments, U.S. government agency securities, agency issued mortgage backed securities (FNMA, FHLMC, GNMA), corporate notes meeting certain rating standards, money market mutual funds meeting certain criteria, certificates of deposit, repurchase agreements, commercial paper meeting certain standards, bankers acceptances, long-term forward sale contracts and guaranteed investment contracts meeting certain rating standards, the State's local government investment pools, medium-term obligations of municipal issuers in the State that meet certain rating standards, and asset backed securities that meet certain rating standards. Presently, certain investments contained in the Investment Policy (corporate notes and asset backed securities) are not permitted under Nevada law, and the Authority will abstain from investing in such investments until such time, if ever, that such investments are permitted under the Nevada law.

In 2008, the Board approved an interest rate swap policy to establish guidelines for the execution and management of the Authority's use of interest rate swaps or similar projects and related transactions to meet specified financial and management objectives. To date, the Authority has not entered into any swap transactions.

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THE WATER SYSTEM

Service Area

General. The Authority owns and operates a Water System and develops, manages and maintains supplies of water for the benefit of the Truckee Meadows communities. On December 31, 2014, the Water Utility and STMGID were merged into the Authority. The Authority has a total of 154 square miles of service area (the “Service Area”), which includes the cities of Reno and Sparks and other surrounding populated areas of the County (except certain areas in the vicinity of Lake Tahoe and other small areas bordering California). The Authority currently serves approximately 121,500 service connections, which are mainly residential and commercial customers located primarily in the Reno/Sparks metropolitan area. The Authority also serves a few wholesale or resale customers and large contract customers (which are billed pursuant to existing general tariffs). The Authority has no authority to provide water service outside of the Service Area; however, the Authority may provide service in the future to developments that are annexed into the Service Area. In addition, in the Bond Resolution, the Authority has covenanted to not permit any of its Members to engage in the retail delivery of potable water within its respective jurisdiction and within the retail service area of the Authority.

Certain Contracts and Agreements

Wholesale/Resale Contracts. The Authority provides water to resale customers through contracts. Those customers include the Parr-Reno Water Company and the Sun Valley General Improvement District. In fiscal year 2017, wholesale contracts accounted for approximately 1.3% of Water System operating revenues.

Truckee River Operating Agreement

Pursuant to the Truckee-Carson-Pyramid Lake Water Rights Settlement Act, Pub. L. No. 101-618 (Nov. 16, 1990), Title II, 104 Stat. 3289 (the “Settlement Act”), Congress directed the Secretary of the Interior to negotiate an operating agreement with Nevada and California (and other parties) which, among other things, would provide for a more flexible and coordinated operation of Lake Tahoe, Boca Reservoir, Prosser Creek Reservoir, Martis Reservoir and Stampede Reservoir, and if owners of affected storage rights agreed, Donner and Independence Lake, while at the same time satisfying the exercise of water rights in conformance with the Orr Ditch Decree. The Truckee River Operating Agreement (“TROA”), executed September 6, 2008, is that operating agreement.

The major parties to TROA are the Authority, the Pyramid Lake Paiute Tribe, the State of Nevada, the State of California, and the United States of America. TROA provides for modified river and reservoir operations that result in multiple benefits for water users, including benefits related to endangered fish species (spawning fish flows), recreation (minimum water levels in reservoirs), and significant additional drought storage for the Authority. Implementation of TROA also results in the entry into effect of the interstate allocation of water between Nevada and California as provided for in the Settlement Act.

Although TROA was executed on September 6, 2008, there were a number of additional actions which had to take place for it to enter into effect and be implemented. The last of those required actions has now taken place and TROA was implemented on December 1,

2015. Pursuant to the terms of TROA, the Authority began credit storing water on the same day, which was the first time in history the Authority has been able to store water during a winter month. TROA established a framework that provides greater flexibility for river operations without injuring any party's water rights. TROA significantly increases the Authority's ability to store water in upstream reservoirs for use during droughts. Beginning in 2016 the Authority was able to significantly increase its upstream drought reserves. In accordance with TROA, over time as system demand grows, it is anticipated that drought reserves will continue to grow up to two to three times the amount stored prior to TROA.

Facilities and Water SupplyGeneral. The Water System generally is comprised of all of the Authority's existing storage, supply, diversion, treatment, conveyance, water transmission, groundwater production and distribution-related facilities and all other facilities that may be constructed or acquired by the Authority. Each component of the existing Water System, including water rights, sources of water supply, storage rights and capacity, hydroelectric generation facilities, water treatment facilities, and water distribution facilities is discussed in more detail below. Components of the Authority's CIP (discussed in "Capital Improvement Plan" below) relating to each component of the Water System also are discussed below.

The Authority has owned, operated, and maintained its Water System since its inception in 2001. As a consequence of the merger of the Water Utility and STMGID into the Authority, 18 additional public water systems are now also owned, operated and maintained by the Authority (and now thus a part of the Water System). The merger of these public water systems into the Authority resulted in 24,800 new service connections.

The Authority's water production totaled approximately 25.9 billion gallons during fiscal year 2017 (4.4 billion gallons were produced from groundwater wells and the remaining 21.5 billion gallons were treated through the Authority's two surface water treatment facilities). The peak-day delivery during fiscal year 2017 was 139.6 million gallons on August 22, 2016. The peak day for the past several years is as follows: August 9, 2011 (FY 2012), 119.9 mgd; July 12, 2012 (FY 2013), 125.6 mgd; July 21, 2013 (FY 2014), 121.4 mgd; June 30, 2015 (FY 2015), 122.6 mgd; and June 28, 2016 (FY 2016), 131.2 mgd. The variability in peak day demand over the years is due to variations in temperatures, rainfall during the irrigation season, and the number of service connections.

Water Quality. The primary water source for the Authority is Lake Tahoe and the Truckee River system. The Authority treats water to a very high standard at several treatment plants, the primary plant being the Chalk Bluff Water Treatment Plant. See "Treatment Plants" below. After receiving the "Directors Award" from the Partnership for Safe Water ("PFSW") in 2014 (only 2 percent of surface water treatment plants in the U.S. have been recognized by the PFSW) for outstanding water quality, the Chalk Bluff Water Treatment Plant (the Authority's largest plant) was awarded the "President's Award" from the PFSW in 2015, which is the highest award given for outstanding water quality. At the time, the President's Award had only been given to 18 surface water treatment plants nationally. TMWA has requalified for this award successfully on an annual basis.

The Authority has no lead pipe in its system. Furthermore, the Authority has never had a violation of any federal or state water quality standard since its inception in 2001.

Treatment Plants. The Authority now operates eight water treatment facilities (Chalk Bluff, Glendale, Lightning W, Longley Lane, Truckee Canyon, Mill Street, Kietzke and Morrill). The Chalk Bluff Water Treatment Facility (“CBWTF”), located in northwest Reno, was placed into service in 1994 to meet the requirements of the Safe Drinking Water Act. The CBWTF can produce 90 million gallons per day (“MGD”) under optimal conditions. The CIP does not envision increases to treatment capacities at the CBWTF for the next five years.

The Glendale Water Treatment Facility (“GWTF”), located in west Sparks, was originally built and placed into service in 1976. This facility was also modernized in the mid-1990s to meet the requirements of the Safe Drinking Water Act and upgrades to modernize the raw water intake structure from the rock rubble diversion to a more modern intake structure increased the GWTF treatment capacity from 25 MGD (million gallons a day) to 34.5 MGD. As a result of effluent pumping improvements and some feeder main improvements, groundwater (6.6 MGD) from three wells containing arsenic are piped to the GWTF and blended with the surface water supply and treated to level below the arsenic standard for a total plant output capacity of 41 MGD.

The Lightning W Water Treatment Facility (“LWWTF”) is a Uranium treatment facility that treats two wells in the Lightning W system in Washoe Valley to comply with the Safe Drinking Water Act requirements. A plan to upgrade the LWWTF to expand capacity and to replace the treatment media is currently in process and such upgrades are anticipated to be completed in 2017.

The Longley Lane Water Treatment Facility (“LLWTF”) is a 4 MGD coagulation assisted microfiltration facility that could be expanded to 6 MGD with the addition of more microfilters. It is a relatively new facility with no upgrades currently planned. It produces high quality water from 3 wells that can be sent to the Hidden Valley and Double Diamond systems.

The Truckee Canyon Water Treatment Facility (“TCWTF”) is a small arsenic treatment facility that treats one well (with plans for a second well and expanded plant capacity in the CIP) that services an industrial area just east of Sparks along Interstate 80.

The Mill Street, Kietzke, and Morrill Water Treatment Facilities all treat groundwater wells for PCE (perchloroethylene) removal.

Treated Water Reservoir and Tank Storage. The Authority currently has slightly more than 170 million gallons of treated water storage capacity system-wide. This storage capacity is divided between the two finished water reservoirs at the Highland and Hunter Creek sites and 93 individual concrete and steel tanks placed across the combined service territory. The two treated water storage reservoirs feed water into the gravity zones and have a combined capacity of 50 million gallons. The individual tanks provide the remaining 120 million gallons of storage.

Groundwater Supply. The Authority now operates 94 production wells in ten different groundwater basins to produce water during periods of peak demand and augment the river supplies during drought conditions. With the Merger, the Authority added 55 production wells in seven different groundwater basins with approximate capacity of 30 MGD. The combined capacity of the Authority’s well production is rated at 110 MGD. When combined with the treatment plant capacities (128 MGD), total maximum water production capacity of

approximately 238 MGD is sufficient to supply summer peak demands. For that portion of the Service Area able to use Truckee River resources, the well capacity is drawn upon to meet peak summer demands and/or when there is insufficient river flow to provide water in the late fall months during dry years; for some of the smaller systems acquired in the Merger, groundwater supplies all of the annual demands of customers.

The Water Resource Plan currently envisions additional groundwater development projects in the future.

Distribution. The Authority has about 1,970 miles of pressurized transmission and distribution mains. Approximately 2% of the Authority's water mains are more than 70 years old and cast iron and riveted steel mains make up less than 4% of the water mains in the Water System. The Authority is closely coordinating with Reno, Sparks, Washoe County and the Regional Transportation Commission on long term planning for multifaceted street repaving and/or sewer rehabilitation plans. These combined rehabilitation activities are a cost effective approach for the citizens of the communities. If older mains are not replaced during city street reconstruction projects, there is a risk that the reconstructed streets will be exposed to unnecessary undermining of roadbeds and destruction of newly placed pavement.

Pump Stations and Pressure Regulators. The Authority currently has more than 110 pump stations of various sizes and more than 330 pressure regulators which are used to manage water pressure over 290 pressure zones. The Authority service territory serves elevations from approximately 4,100 to 6,600 feet in elevation. The Authority water system is considered a complex water system to operate.

The Authority has identified a number of pump stations and pressure regulating stations that will require reconstruction over the next five years, and such stations are included in the Authority's Capital Improvement Plan for its fiscal years ending 2018 through 2022. See "THE WATER SYSTEM—Capital Improvement Plan." Many of these facilities have been in service for over 50 years. As development moves into higher elevations the Authority will be adding additional pump stations to lift water to these water services. These facilities are ultimately paid for by the developer of a particular subdivision.

Hydroelectric Facilities. The Water System's hydroelectric facilities comprise four hydroelectric generation facilities (three operational facilities) and related flumes and canals, buildings and other structures. The hydroelectric facilities are run-of-river plants; water is diverted from the Truckee River to the generating facilities and is returned directly to the river. These facilities were included in the Asset Purchase Agreement in part because the water rights associated with the Hydroelectric Facilities are among the oldest rights on the Truckee River, representing an important component of the Authority's water rights. Electric power produced at the plants is sold to NV Energy pursuant to power purchase agreements specific to each of the three operational facilities.

Water Rights, Water Storage, and Drought Plan.

Water Rights. The Authority maintains a portfolio of decreed and acquired surface water rights, primarily from the Truckee River, in order to provide a stable source of water for its customers. The Authority has approximately 182,000 acre-feet of water rights, including approximately 39,000 acre-feet of decreed water rights, approximately 74,000 acre-feet of acquired irrigation water rights, approximately 37,000 acre-feet of groundwater rights (based upon average year pumping rights), approximately 27,000 acre-feet of reservoir storage rights, and approximately 5,000 acre feet of various South Truckee Meadows creek water rights. The Authority's water rights portfolio is subject to ongoing review and revision. According to the Authority analysis, its decreed, storage and irrigation water rights and groundwater rights are sufficient to generate water supplies for customer demands well into the future.

Water Storage. The Authority currently owns and operates 27,000 acre-feet of reservoir storage comprised of 9,500 acre-feet in Donner Lake (owned and controlled by the Authority) and 17,500 acre-feet in Independence Lake (owned and controlled by the Authority). The Authority does not use all of its privately owned stored water or all of its groundwater to meet demand in average or above-average precipitation years; those water rights are held in reserve for drought years.

With the recent implementation of TROA, the Authority's storage rights have increased. TROA allows the Authority access to additional storage capacity in certain federal reservoirs (Prosser and Stampede) and the federally operated Boca Reservoir and Lake Tahoe. The Authority currently has between 30,000 and 40,000 acre feet of water stored in these upstream reservoirs and due to current hydrologic conditions does not expect to use any of that stored water for supply to customers in 2018 or 2019.

Drought Plan. In March 2016, the Authority adopted its 2016-2035 Water Resource Plan ("2035WRP"). The 2035WRP reassessed the Authority's water resources portfolio, analyzed sustainability of its resources, updated the plan in relation to TROA implementation and the Donner Lake water rights acquisition, revised conservation goals and confirmed the Authority's ability to meet water demands during a drought plan period based upon an extended drought cycle of nine years.

Future Acquisition of Water Rights

The Authority generally purchases water rights when needed or as opportunities arise. The Authority purchases water rights on the open market primarily from former agricultural water right holders and converts these rights to municipal and industrial use and issues will-serve commitments against water rights for prices that include the cost of acquiring the water plus administrative costs for perfecting the chain of title and a certain amount of holding costs based upon the Authority's cost of capital.

Having a sufficient number of water rights is essential to the Authority issuing new will-serve commitments. New development cannot proceed before demonstrating that adequate water resources exist to serve a project. At present, will-serve commitments can only be issued when, and if, water resources are available to service the estimated demand of a particular project and drought supplies can support the expansion of new demand. The needed water resources can either be purchased on the open market by an applicant for new water service and

dedicated to a water purveyor or purchased directly from the Authority. Those purchasing will-serve commitments directly from the Authority are required to reimburse the utility for the costs it incurred in acquiring, processing and carrying the necessary water rights. The primary water rights that applicants for new water service dedicate to the Authority are main stem Truckee River water rights. The Authority has been successful in accumulating a sufficient number of water rights (over 5,200 acre feet) that are available for will-serve commitments, as well as bringing the market price down from the highs of over \$30,000 per acre foot in 2005-2007 to approximately \$7,600 per acre foot at year-end 2017. The 2035WRP demonstrates that over 46,000 acre-feet of Truckee River main stem rights are potentially available for future dedication to the Authority to support future will-serve commitments. This amount, coupled with the Authority's existing inventory of available water rights, is more than enough to meet the Authority's future water rights requirements from 2016 through the year 2035, estimated at about 20,000 acre feet.

Capital Improvement Plan

General. The Authority periodically prepares and revises a Five Year Capital Improvement Plan (the "CIP"). The CIP describes all of the construction and major life-extending maintenance of existing facilities and infrastructure. The CIP constitutes an essential component in the Authority's system of planning, monitoring and managing the activities of purveying water and generating hydroelectric power. Overall direction is established by the Authority's 2010-2030 Facility Plan (the "Facility Plan") and the 2035WRP. The CIP incorporates essential elements of the Facility Plan. Actual implementation of the Authority's capital improvements is accomplished through the budget process in each fiscal year. The Authority's capital spending priorities are dynamic, especially with respect to projects needed to serve growth.

The Authority's most recently adopted CIP covered its fiscal years ending 2018-2022. The Authority monitors development activity to ensure that projects are built timely to meet demands for new or expanded water system capacity but also to avoid building too much water system capacity. The Authority may change the priority of its projects based on current conditions. The Authority will continue to monitor its capital needs and may adjust the CIP as needed. The table below provides estimated expenditures associated with the Authority's CIP for the current and following four fiscal years.

Capital Improvement Plan
(For Fiscal Years Ending June 30, 2018 through June 30, 2022)
(Amounts in Thousands of Dollars)*

Summary of Capital Expenditure by Function	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Five Year CIP Total
Raw water supply improvements	\$ 2,875	\$ 575	\$ 575	\$ 1,475	\$ 575	\$ 6,075
Ground water supply improvements	3,305	2,385	3,575	3,175	2,175	14,615
Treatment plant improvements	10,654	6,967	5,187	1,795	1,089	25,692
Distribution system improvements	15,078	12,900	13,630	16,200	11,590	69,398
Potable water storage improvements	3,510	3,950	3,450	2,900	6,500	20,310
Hydroelectric improvements	345	1,055	1,000	1,000	650	4,050
Customer service outlays	1,785	1,725	1,610	1,475	1,535	8,130
Administrative outlays	4,255	2,835	1,350	1,415	1,465	11,320
Water meter retrofit/ Water rights purchases	450	450	450	450	450	2,250
Subtotal – Construction Spending and Outlays	42,257	32,842	30,827	29,885	26,029	161,840
Former STMGID System Improvements	775	3,520	3,300	2,900	500	10,995
Total projected capital spending	\$43,032	\$36,362	\$34,127	\$32,785	\$26,529	\$172,835

Summary of Funding by Source	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Five Year CIP Total
Capital improvements funded by customer rates	\$33,223	\$26,798	\$25,205	\$23,845	\$20,464	\$129,534
Capital improvements funded by development	8,284	5,594	5,172	5,590	5,115	29,756
Capital improvements funded by grants	300	-	-	-	-	300
Capital improvements funded with former STMGID reserves	775	3,520	3,300	2,900	500	10,995
Water meter retrofit/water meter purchases	450	450	450	450	450	2,250
Total Projected Capital Spending	\$43,032	\$36,362	\$34,127	\$32,785	\$26,529	\$172,835

The CIP relies on various funding sources, including revenues from water sales, bond proceeds, revolving fund loans from the State, water meter retrofit fees and unrestricted cash reserves. In addition, the Authority has in place a tax-exempt commercial paper program; that program was established primarily to fund the acquisition of water rights but also can be used to fund other capital projects. The Authority also uses funds provided by developers (primarily through system development charges) to fund new capacity construction. The Authority currently anticipates funding the projects in its CIP on a pay-as-it-goes basis. However, future changes in law may require the Authority to finance certain additional capital expenditures.

* Totals may not add due to rounding.

2019-2023 Capital Improvement Plan. A tentative CIP for fiscal years 2019-2023 was presented to the TMWA Board of Directors on March 21, 2018. The Board had no significant issues with the new CIP plan and is scheduled to vote on the plan at its May 23, 2018 Board meeting. This most recent five year plan includes \$191.6 million in total capital spending, or \$18.8 million more than the previous five year plan. Estimated spending in fiscal year 2019 increased to \$46.6 million mainly due to delays in construction of a new water treatment facility in fiscal year 2018 (\$3.0 million), expansion of the plans for the same treatment facility (\$4.0 million), and expansion of the TMWA service area through the planned purchase and upgrade of a water system in Verdi, Nevada (\$2.0 million). Estimated spending in fiscal year 2020 increased to \$50.1 million due to customer service and administrative outlays for the planned purchase of advanced meter infrastructure components (\$4.7 million), main improvements (\$4.6 million), and treatment plant improvements (\$4.3 million). CIP spending is estimated at \$39.5 million, \$28.0 million, and \$27.4 million for fiscal years 2021, 2022, and 2023, respectively.

Insurance

To protect against risk of loss, the Authority has in force various insurance policies. These policies are renewed annually with high quality insurance carriers and include Property, General Liability, Auto Liability, Public Officials Liability, Employment Practices Liability, as well as Workers' Compensation and Employer's Liability.

The Authority's major treatment plants, two treated water reservoirs and operations center are all covered under a property insurance policy provided by American Home Assurance (AIG) that provides for a blanket limit of \$370 million for all risk insurance coverage, subject to standard exclusions. Coverage provides for \$50 million in earthquake coverage with exclusion of assets in California, \$10 million in flood insurance with the Glendale Treatment Facility specifically excluded. The earthquake deductible is 2% per unit of insurance with a minimum of \$100,000 for any one occurrence. The flood deductible is \$100,000 per occurrence. The general deductible for all other perils is \$25,000. The Authority also has a loss of earnings provision written in a form that provides for no sublimit and loss of earnings are within the blanket limit of \$370 million under the property insurance policy.

The Authority has policies for General Liability and Automobile Liability coverage provided by Arch Insurance for the first \$1 million in limits per occurrence. The general liability policy is subject to a \$25,000 per occurrence deductible while the automobile liability is not subject to a deductible. In addition to the first \$1 million in limits the Authority has purchased another \$20 million in excess umbrella liability policies.

The Authority's Public Official Liability insurance provides coverage for \$1 million in limits per claim and a \$10 million in excess liability. The Authority also purchases Employment Practices Liability insurance for \$1 million in limits per claim and a \$10 million in excess liability coverage.

The Authority's Workers' Compensation and Employer's Liability coverage is a fully insured program with no deductible and coverage has been issued for statutory limits as required by the State. This policy provides \$1 million in limits for employer's liability coverage. The Authority currently participates in the City of Reno's health insurance plans.

The Authority's Crime Policy provides for \$3 million in employee theft coverage and is subject to a \$30,000 deductible. The crime policy also provides additional coverage for forgery or alteration, theft of money and securities, robbery or burglary of other property, computer fraud, funds transfer fraud, money orders and counterfeit paper currency, claim expenses, corporate credit, debit card forgery, and faithful performance of duty.

State Regulatory Matters

The State Attorney General has concluded that the Authority is a municipality exempt from regulation by the PUCN pursuant to NRS 704.330. Although it is possible that future legislative action could subject the Authority to PUCN regulation, no future rate regulation may be imposed in a way that would impair the ability of the Authority to perform its obligations under the Bond Resolution.

WATER SYSTEM FINANCIAL INFORMATION

Customer Information

The following table sets forth a breakdown of the average number of accounts served by the Water System in fiscal year 2017 (by customer type) and also sets forth the amount of Water System revenues generated by each customer class. Similar information for prior fiscal years is shown in Schedule No. 13 to the financial statements attached hereto as Appendix A.

Customers by Category - 2017

Category	Average Number of Accounts	% of Total Accounts	2017 Water Revenues ⁽¹⁾	% of Total Revenues
Residential – Unmetered	695	0.6%	\$ 2,446,145	2.6%
Residential - Metered	109,939	91.2	65,829,634	71.0
Commercial	9,931	8.2	11,887,395	12.8
Other ⁽²⁾	2	0.0	11,369,179	12.3
Wholesale	2	0.0	1,154,907	1.3
Total	120,569	100.0%	92,687,260	100.0%

⁽¹⁾ Includes revenues that were billed and estimated in the fiscal year. Estimated revenues are revenues for water deliveries just prior to the end of the fiscal year that are unbilled until July (i.e., in the next fiscal year).

⁽²⁾ Includes fire protection services located on the premises of the commercial and some residential customers.

Source: The Authority.

The following table sets forth the Water System's historical volume of water sales (in millions of gallons) and resulting revenues for fiscal years 2013 through 2017.

History of Gallons of Water Sold and Revenues by Category

Category	2013		2014		2015 ⁽⁴⁾	
	Gallons Sold (000)	Revenue ⁽¹⁾	Gallons Sold (000)	Revenue ⁽¹⁾	Gallons Sold (000)	Revenue ⁽¹⁾
Residential-Unmetered	-- ⁽²⁾	\$10,288,324	-- ⁽²⁾	\$ 9,731,811	-- ⁽²⁾	\$ 9,366,307
Residential-Metered	11,916,455	43,957,551	11,581,326	44,137,033	15,151,881	51,796,871
Commercial	4,083,972	10,885,539	3,913,088	10,755,824	4,350,417	11,339,953
Other ⁽³⁾	2,816,474	11,031,924	2,688,389	10,720,156	2,913,757	11,123,168
Wholesale	1,982,557	3,748,276	2,070,593	3,845,893	1,598,995	2,560,399
Total	20,799,458	\$79,911,614	20,253,396	\$79,190,417	24,015,050	\$86,186,698

Category	2016 ⁽⁵⁾		2017 ⁽⁵⁾	
	Gallons Sold (000)	Revenue ⁽¹⁾	Gallons Sold (000)	Revenue ⁽¹⁾
Residential-Unmetered	-- ⁽²⁾	\$3,725,916	-- ⁽²⁾	\$2,446,145
Residential-Metered	14,633,319	60,198,267	16,487,693	65,829,634
Commercial	4,086,057	11,026,132	4,277,917	11,887,395
Other ⁽³⁾	2,579,408	11,554,063	2,749,795	11,369,179
Wholesale	542,875	1,029,954	613,051	1,154,907
Total	21,841,659	\$87,534,332	24,128,456	\$92,687,260

- (1) Includes revenues that were billed and estimated in the fiscal year. Estimated revenues are revenues for water deliveries just prior to the end of the fiscal year that are unbilled until July (i.e., in the next fiscal year).
- (2) Volume information is not available for unmetered customers.
- (3) Includes fire protection services located on the premises of the commercial and some residential customers.
- (4) Reflects changes as a result of the merger. See "INTRODUCTION--The Authority." The Water Utility was accounted for as a transfer of operations requiring the recording by the Authority of applicable Water Utility data from the operational effective date of December 31, 2014 through the end of fiscal year 2015. STMIGID operational data is also included for the entirety of fiscal year 2015 because the consolidation of STMID into the Authority as of December 31, 2014 was treated as a merger for accounting purposes.
- (5) The increased revenue in the "Residential-Metered" category for fiscal years 2016 and 2017, and the corresponding decrease in the "Residential-Unmetered" category, is primarily a result of the continued implementation of the Authority's water metering program. See "WATER SYSTEM FINANCIAL INFORMATION--Authority Rates and Charges--Water Metering Program."

Source: The Authority.

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The following table sets forth information regarding the ten largest customers of the Water System (by total revenues) for fiscal year 2017.

Ten Largest Water System Customers – 2017

Customer ⁽¹⁾	Gallons Used (in 000 gallons)	Total Water Sales	Percent of Total Water Sales ⁽²⁾
Sun Valley Water GID	613,051	\$1,169,318	1.3%
City of Reno	262,900	895,149	1.0%
Washoe County School District	281,880	843,548	0.9%
Washoe County	166,341	500,413	0.5%
City of Sparks	137,884	471,955	0.5%
Nevada Properties (Peppermill Casino)	174,416	441,686	0.5%
GSR Holdings, LLC	219,515	407,345	0.4%
University of Nevada Reno	153,134	387,555	0.4%
Somerset HOA	109,268	375,384	0.4%
Sparks LLC Nugget	112,997	297,456	0.3%
Total	2,231,386	\$5,789,809	6.2%

(1) May represent multiple services per customer.

(2) Based on total revenues from water sales of \$92,687,260 in fiscal year 2017.

Source: The Authority.

Authority Rates and Charges

General. The Authority sets rates and charges for water service by resolution. The Authority's most current schedule of rates and charges for both metered and unmetered service was effective May 2017 and represented a 3% increase from the previous rate schedule which was in effect since February 2014. The Board also approved an additional 3% rate increase effective May 2018. Finally, the Board will also have the option of implementing 2.5% increases in 2019, 2020 and 2021, if necessary. The Authority reserves the right to increase rates and charges at any time pursuant to applicable law.

The rates and charges applicable to former customers of the Water Utility have been preserved by the Authority and are subject to adjustment commensurate with adjustments to Authority customer rates. The rates and charges of former STMGID customers will also be preserved by the Authority until the date such customers sell their property, at which time the new owner of such property will be subject to the Authority's rates for continued service. Notwithstanding the foregoing, all former STMGID customers are subject to proportionate adjustments commensurate with adjustments to Authority rates, and will migrate to Authority rates beginning in the year 2035.

Rate Structure for Authority. The Authority's current rates include charges for both metered and unmetered service. Unmetered service is only available to multi-unit residential and small unit properties where meters have not yet been installed. Metered residential and general customers pay a monthly charge based upon meter size plus a commodity charge based on water usage. The commodity charge increases for higher usage levels in order to encourage conservation and allocate capacity costs.

The monthly meter charge imposed by the Authority for all meter sizes up to 6” in size is identical for all rate classes and is as follows:

3/4”	\$19.10
1”	21.01
1.5”	23.90
2”	27.71
3”	31.52
4”	36.26
6”	42.02

The monthly meter charge imposed by the Authority differs among rate classes and is described below:

TMWA Residential Metered Water Service Customer Charge (RMWS) – per month

Tier 1 Charge - 0 to 6,000 gallons	\$1.77 per 1,000 gallons
Tier 2 Charge - 6,001 to 25,000 gallons	2.86 per 1,000 gallons
Tier 3 Charge – Greater than 25,000 gallons	3.35 per 1,000 gallons

TMWA Multi Unit Residential Metered Service (MMWS) – per month

Tier 1 Charge – First 4,000 gallons	\$1.77 per 1,000 gallons
Tier 2 Charge – All excess gallons	\$2.86 per 1,000 gallons

TMWA Metered Irrigation Service (MIS) – per month

Off-Peak 10/01-05/31	\$2.86
Off-Peak 06/01-09/30	3.47

TMWA General Metered Water Service (GMWS) – per month

Tier 1 Charge - Max gallons varies by meter size	\$1.77 per 1,000 gallons
Tier 2 Charge - Max gallons varies by meter size	2.86 per 1,000 gallons
Tier 3 Charge - Max gallons varies by meter size	3.35 per 1,000 gallons

Rate Structure for Former Water Utility Customers. As previously described, the Authority has maintained the Water Utility’s water rates for premises receiving water service from, and located within, the former service area of the Water Utility. Such rates include charges for both metered and unmetered service. Metered residential and general customers pay a monthly charge based upon meter size plus a commodity charge based on water usage. Unmetered residential customers pay a flat charge per month based upon the size of the service connection; however, such customers are required to convert to metered service once a meter is installed. The commodity charge increases for higher usage levels in order to encourage conservation and allocate capacity costs.

The material portion of the Authority’s current rate structure for former Water Utility customers is set forth below:

Residential Metered Water Service (RMWD) small and large service – per month

3/4"	\$17.95
1"	23.09
1.5"	33.03
2"	44.04
3"	70.92
4"	103.87
6"	189.37

Small residential service (RMWD1)

Tier 1 - 0 to 6,999 gallons	\$2.70 per 1,000 gallons
Tier 2 - 7,000 to 20,999 gallons	3.37 per 1,000 gallons
Tier 3 - 21,000 to 40,999 gallons	4.05 per 1,000 gallons
Tier 4 – Greater than 41,0000	5.41 per 1,000 gallons

Large residential service (RMWD2)

Tier 1 - 0 to 28,999 gallons	\$2.70 per 1,000 gallons
Tier 2 – 29,000 to 150,999 gallons	3.37 per 1,000 gallons
Tier 3 – 151,000 to 600,999 gallons	4.05 per 1,000 gallons
Tier 4 – Greater than 601,000 gallons	5.41 per 1,000 gallons

Rate Structure for Former STMGID Customers. As previously described, the rates and charges of former STMGID customers will be preserved by the Authority until the earlier of the date such customers sell their property to a third party or the year 2035, at which time the new owner of such property will be subject to the Authority's rates for continued service. Such rates include charges for both metered and unmetered service. Such rates are lower than the comparable rates for the Authority and the former Water Utility because STMGID has no outstanding debt. Unmetered residential customers pay a flat charge of \$46.26 per month (only approximately 140 connections). Metered residential and general customers pay a monthly charge based upon meter size plus a commodity charge based on water usage. The commodity charge increases for higher usage levels in order to encourage conservation and allocate capacity costs.

The material portion of the Authority's current rate structure for former STMGID customers is set forth below:

Residential Metered Water Service (RMWG) – per month

3/4"	\$ 9.77
1"	11.96
1.5"	16.96
Tier 1 - 0 to 6,000 gallons	\$1.40 per 1,000 gallons
Tier 2 - 6,001 to 20,000 gallons	1.85 per 1,000 gallons
Tier 3 - 20,001 to 40,000 gallons	2.28 per 1,000 gallons
Tier 4 - 40,001 to 65,000 gallons	2.66 per 1,000 gallons
Tier 5 - Greater than 65,000 gallons	2.81 per 1,000 gallons

Other Charges. The Authority's rate structures also include provisions for the collection of a right-of-way toll of not to exceed 5% within the incorporated areas of Reno and

Sparks. The right-of-way toll is collected on behalf of each city in an amount determined by the city and is paid directly to each city. The rate structures also provide for a regional water management fee collected on behalf of and payable to the County in the amount of 1.5%. The Authority also imposes late charges in the amount of 5% of any amount in arrears from previous billings. Notwithstanding the foregoing, former Water Utility customers residing within the jurisdictions of Reno and Sparks were not subject to a right-of-way toll. Consequently, the Authority agreed to phase in the right-of-way toll for such customers over a five-year period in a manner that results in tolls increasing by one percent each year in January, beginning January 2016. As of January 2018, former Water Utility customers are paying 3%, and by January 2020, such customers will be paying the full 5% right-of-way toll.

The Authority also imposes several system development charges that are contributed for the expansion and construction of new Water System Capacity. The main system development charges are comprised of Supply/Treatment and Storage Facility Charges for providing new or expanded service to existing or new properties and an Area Facility Charge that is based on the location of the property. All of these charges are based on the estimated maximum day demand of the project in gallons per minute. The Authority also has implemented oversizing fees, various service fees for inspection and engineering, water meter retrofit fees and will-serve commitment fees. While these charges are updated from time to time by action of the Board of Directors, the Authority currently does not anticipate imposing any additional tap fees or other connection fees in the foreseeable future.

Water Metering Program. All commercial and industrial customers of the Water System, as well as residential customers residing in housing built since 1988 are required to be billed based upon metered water use. The Authority has nearly completed a water meter retrofit program to install meters on the few remaining unmetered properties. As of April 1, 2018, the Authority estimated that approximately 143 multi-unit flat rate and 110 small unit flat rate services require meter installation. The Authority is currently evaluating the feasibility and necessity of metering these remaining services as the cost of these specific meter installations is generally much higher than previous installations. The program is fully funded over time through an arrangement with residential and commercial developers which are required to place money (currently \$1,830 per acre-foot when surface water rights are purchased from TMWA or dedicated for a will-serve) into a fund dedicated for the water meter retrofit program.

Billing and Collection Procedures

The Authority bills each service monthly based on meter readings (or, in certain limited cases, estimated usage). Bills are due and payable within 21 days of the date of issuance. Any bills paid later than that date are considered past due. Past due services are eligible to have water service disconnected for nonpayment.

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History of Revenues, Expenses and Changes in Net Assets - Authority

Set forth in the following table is a comparative statement of the Authority's revenues, expenses and changes in net assets for the fiscal years ending June 30, 2013 through 2017. The information in this table should be read together with the Authority's audited financial statements for the fiscal years ended June 30, 2017 and 2016, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information." The fiscal year 2015 information includes the results of the Water Utility consolidation that was effective December 31, 2014, which was treated for accounting purposes as a transfer of operations, as well as the results of STMGID for the entire fiscal year, which was treated as merger for accounting purposes.

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History of Revenues, Expenses and Changes in Net Position

	Fiscal Year ended June 30,				
	<u>2013</u>	<u>2014</u>	<u>2015⁽⁴⁾</u>	<u>2016</u>	<u>2017</u>
Operating Revenues					
Charges for water sales	\$79,911,614	\$79,190,417	\$86,186,698	\$87,534,332	\$92,687,260
Hydroelectric sales	3,557,965	3,045,147	1,366,786	1,175,195	1,788,934
Other operating sales	<u>2,107,528</u>	<u>2,079,826</u>	<u>2,475,832</u>	<u>3,219,416</u>	<u>2,791,989</u>
Total Operating Revenues	<u>85,577,107</u>	<u>84,315,390</u>	<u>90,029,316</u>	<u>91,928,943</u>	<u>97,268,183</u>
Operating Expenses					
Salaries and wages	12,007,022	11,855,796	13,763,006	16,541,811	17,257,014
Employee benefits	5,045,922	5,127,921	5,271,735	6,364,279	9,047,279
Services and supplies	<u>20,048,245</u>	<u>19,305,945</u>	<u>23,180,670</u>	<u>25,575,227</u>	<u>23,980,864</u>
Total Operating Expenses before Depreciation	37,101,189	36,289,662	42,215,411	48,481,317	50,285,157
Depreciation	<u>22,517,885</u>	<u>23,028,198</u>	<u>27,899,449</u>	<u>32,134,190</u>	<u>32,169,578</u>
Total Operating Expenses	<u>59,619,074</u>	<u>59,317,860</u>	<u>70,114,860</u>	<u>80,615,507</u>	<u>82,454,735</u>
Operating Income (Loss)	<u>25,958,033</u>	<u>24,997,530</u>	<u>19,914,456</u>	<u>11,313,436</u>	<u>14,813,448</u>
Nonoperating Revenues (Expenses)					
Grants	--	--	--	--	--
Investment earnings	2,007,375	2,051,156	2,127,009	6,737,745	7,209,113
Net increase (decrease) in fair value of investments	(17,119)	(13,139)	15,970	80,042	(342,257)
Gain on refunding	--	--	--	--	--
Gain (Loss) on disposal of assets	(21,463)	(136,300)	(653,698)	6,460,373	(155,722)
Amortization of bond/note issuance costs	(852,069)	(936,664)	(1,004,685)	(1,219,746)	(1,183,526)
Interest expense	(21,791,975)	(21,282,412)	(21,281,117)	(21,549,864)	(16,968,911)
Other non-operating revenue	163,057	180,000	300,000	--	--
Other non-operating expense	<u>(163,057)</u>	<u>(248,980)</u>	<u>(3,029,859)</u>	<u>--</u>	<u>(243,000)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,675,251)</u>	<u>(20,386,339)</u>	<u>(23,526,380)</u>	<u>(9,491,450)</u>	<u>(11,684,303)</u>
Income (Loss) before Capital Contributions	<u>5,282,782</u>	<u>4,611,191</u>	<u>(3,611,924)</u>	<u>1,821,986</u>	<u>3,129,145</u>
Capital Contributions					
Grants	208,227	343,628	276,260	224,138	1,226,863
Water meter retrofit program	174,698	479,488	1,013,896	482,081	341,074
Developer infrastructure contributions	702,699	1,723,023	2,703,092	8,454,980	10,797,854
Developer will-serve (water right) contributions (net of refunds) ⁽¹⁾	201,871	1,529,129	1,864,446	4,363,692	7,950,666
Developer capital contributions-other ⁽¹⁾	469,732	410,447	1,588,158	2,473,163	6,062,247
Developer facility charges (net of refunds) ⁽¹⁾	1,047,715	963,660	2,494,434	2,931,940	5,116,956
Contributions from others ⁽¹⁾	<u>142,662</u>	<u>66,829</u>	<u>9,698,535</u>	<u>356,200</u>	<u>11,855,511</u>
Net Capital Contributions	<u>2,947,604</u>	<u>5,516,204</u>	<u>19,638,821</u>	<u>19,286,194</u>	<u>43,351,171</u>
Special Item					
Washoe County Water Utility Transfer of Operations ⁽²⁾	--	--	231,516,024	--	--
Change in Net Position	8,230,386	10,127,395	\$247,542,921	21,108,180	46,480,316
Net Position, Beginning of Year⁽³⁾	<u>293,205,237</u>	<u>301,435,623</u>	<u>316,331,213</u>	<u>563,874,134</u>	<u>584,982,314</u>
Net Position, End of Year	<u>\$301,435,623</u>	<u>\$311,563,018</u>	<u>\$563,874,134</u>	<u>\$584,982,314</u>	<u>\$631,462,630</u>

**Footnotes on following page.

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- (1) Developer will serve contributions and developer facility charges have increased substantially over the past five years due to increased residential construction activity in the Reno-Sparks metropolitan area and in Washoe County. Contributions from others reflect the transfer of insurance proceeds from NV Energy as a result of a partial settlement with its insurers covering the Farad Facilities that was destroyed in the 1997 flood. Other settlement proceeds are being sought by NV Energy and the Authority has a beneficial interest in any future settlements.
 - (2) This special item reflects the effect on net position of the transfer of the Water Utility accounting balances to the Authority.
 - (3) The change in beginning net position in fiscal year 2015 reflects the restatement of net position as a result of merging STMGID into the Authority.
 - (4) The fiscal year 2015 information includes the results of the Water Utility consolidation that was effective December 31, 2014, which was treated for accounting purposes as a transfer of operations, as well as the results of STMGID for the entire fiscal year, which was treated as merger for accounting purposes.

Source: Derived from the Authority's audited financial statements for the years ended June 30, 2013 through 2017.

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Budget Summary and Comparison

Budget Summary and Comparison. Set forth in the table below is a comparison of the Authority's fiscal year 2017 third augmented budget compared to actual (audited) results for 2017, its fiscal year 2018 first augmented budget and actual (unaudited) results for fiscal year 2018 through December 31, 2017.

Budget Summary and Comparison

	2017 Aug. Budget	2017 Actual	Variance	2018 Aug. Budget	Unaudited 2018 Actual (through 12/31/17)
Operating Revenues					
Charges from water sales	\$91,196,093	\$92,687,260	\$1,491,167	\$94,303,278	\$58,467,387
Hydroelectric sales	1,755,890	1,788,934	33,044	2,990,391	1,937,694
Other operating sales	2,471,500	2,791,989	320,489	3,131,500	1,778,341
Total Operating Revenues	95,423,483	97,268,183	1,844,700	100,425,169	62,183,422
Operating Expenses					
Salaries and wages	18,319,615	17,257,014	(1,062,601)	19,024,704	9,301,042
Employee benefits	8,736,336	9,047,279	310,943	9,303,274	4,208,741
Services and supplies	25,730,715	23,980,864	(1,749,851)	28,312,357	12,019,921
Total Operating Expenses before Depreciation	52,786,666	50,285,157	(2,501,509)	56,640,335	25,529,704
Depreciation	33,247,620	32,169,578	(1,078,042)	34,061,148	17,030,751
Total Operating Expenses	86,034,286	82,454,735	(3,579,551)	90,701,483	42,560,455
Operating Income	9,389,197	14,813,448	5,424,251	9,723,686	19,622,967
Nonoperating Revenues (Expenses)					
Investment earnings ⁽¹⁾	2,231,304	7,209,113	4,977,809	1,342,692	921,265
Net (decrease) in fair value of investments	--	(342,257)	(342,257)	--	(312,289)
Gain (loss) on disposal of assets	--	(155,722)	(155,722)	--	20,764
Bond issue costs and amort of bond insurance	(474,444)	(1,183,526)	(709,082)	(468,624)	(238,340)
Interest expense	(16,930,176) ⁽²⁾	(16,968,911)	(38,735)	(13,394,016)	(5,561,145)
Other non-operating expense	--	(243,000)	(243,000)	--	--
Total Nonoperating Revenues (Expenses)	(15,173,316)	(11,684,303)	(3,489,013)	(12,519,948)	(5,169,745)
Income (Loss) before Capital Contributions	(5,784,119)	3,129,145	8,913,264	(2,796,262)	14,453,222
Capital Contributions					
Grants	1,191,168	1,226,863	35,695	200,004	19,377
Water meter retrofit program	450,000	341,074	(108,926)	781,488	859,077
Developer infrastructure contributions ⁽³⁾	--	10,797,854	10,797,854	--	--
Developer will-serve contributions (net of refunds)	8,189,633	7,950,666	(238,967)	5,034,744	2,505,776
Developer capital contributions-other	5,328,086	6,062,247	734,161	4,345,296	2,911,868
Developer facility charges (net of refunds)	4,509,144	5,116,956	607,812	4,826,436	3,015,271
Contributions from others	11,805,511	11,855,511	50,000	--	39,345
Net Capital Contributions	31,473,542	43,351,171	11,877,629	15,187,968	9,350,714
Change in Net Position	25,689,423	46,480,316	20,790,893	12,391,706	23,803,936

⁽¹⁾ In fiscal year 2017, the Authority received approximately \$5.1 million in compensation for the termination of forward delivery agreements related to the Operation and Maintenance Reserve Fund and a reserve fund securing prior Authority indebtedness.

⁽²⁾ Interest expense has decreased due to amortization changes resulting from the issuance of certain of the Bonds.

- (3) Developer infrastructure contributions are fixed assets built by developers and contributed to the Authority. The Authority does not rely on these asset contributions for financial stability.

Source: Derived from the Authority's 2017 third augmented budget, the Authority's 2017 audited financial statements, the Authority's 2018 first augmented budget and the Authority's 2018 financial statements through December 31, 2017 (unaudited).

2019 Budget. A tentative budget for fiscal year 2019 was presented to the Authority's Board of Directors on March 21, 2018. The Board had no significant issues with the tentative budget and is scheduled to vote on the budget at its May 23, 2018 Board meeting. Operating revenues are projected at \$106.8 million and reflect a 3% rate increase effective the first billing cycle in May, 2018. Operating expenses before depreciation are projected at \$59.5 million, with net operating income after depreciation estimated at \$13.5 million. Change in net position is projected at \$18.2 million. Cash balances are expected to be \$174.1 million at the end of fiscal year 2019, of which \$121.4 million is expected to be unrestricted.

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TAX MATTERS

Federal Tax Matters

Original Opinion. The Notes initially were issued on August 16, 2006. In the opinion of Bond Counsel rendered on August 16, 2006, assuming continuous compliance with certain covenants described below, interest on the Notes is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to August 16, 2006 (the date of original delivery of the Notes) (the “Tax Code”), and interest on the Notes is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below.

No Updated Bond Counsel Opinion. No updated Bond Counsel opinion has been obtained in connection with this Offering Memorandum or the substitution of the Prior Letter of Credit with the Letter of Credit and Bond Counsel has not taken any steps to verify whether or not interest on the Notes is presently exempt from federal income taxation.

General Considerations. Notwithstanding the foregoing, investors should be aware of the following information.

The Tax Code imposes several requirements which must be met with respect to the Notes in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Notes. These requirements include: (a) limitations as to the use of proceeds of the Notes; (b) limitations on the extent to which proceeds of the Notes may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Notes above the yield on the Notes to be paid to the United States Treasury. The Authority has covenanted and represented in the Resolution that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Notes from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under federal income tax laws in effect when the Notes are delivered. Bond Counsel’s opinion as to the exclusion of interest on the from gross income and alternative minimum taxable income (to the extent described above) was rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Notes to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel’s opinion also was rendered in reliance upon certifications of the Authority and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of

a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the Notes.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Notes. Owners of the Notes should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Notes made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Bond Counsel's opinion relates only to the exclusion of interest on the Notes from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Notes. Owners of the Notes should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Notes. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Notes, the exclusion of interest on the Notes from gross income or alternative minimum taxable income or both from the date of issuance of the Notes or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Notes. Owners of the Notes are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, the market value of the Notes may be adversely affected. Under current audit procedures the Service will treat the Authority as the taxpayer and the Note owners may have no right to participate in such procedures. The Authority has covenanted in the Resolution not to take any action that would cause the interest on the Notes to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the Authority, the Financial Advisors, the Dealer, Bond Counsel or Special Counsel is responsible for paying or reimbursing any Note holder with respect to any audit or litigation costs relating to the Notes.

State Tax Exemption

In the opinion of Bond Counsel, the Notes, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

LEGAL MATTERS

Litigation

According to the Authority's general counsel, there is no litigation or controversy of any nature now pending, or to the knowledge of counsel, threatened, (i) restraining or enjoining the issuance, sale, execution or delivery of the Notes or the acquisition of the Project; or (ii) in any way contesting or affecting the validity of the Notes or any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or securities provided for the payment of the Notes, or the corporate existence or the powers of the Authority.

Legal Opinions

The original legal opinion of Sherman & Howard L.L.C., formerly Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, Reno, Nevada, as to the validity and enforceability of the Notes was made available to the Dealer at the time of original delivery of the Notes. See Appendix D - FORM OF ORIGINAL APPROVING OPINION OF BOND COUNSEL. Sherman & Howard L.L.C. also has acted as bond counsel in connection with the substitution of the Prior Letter of Credit and as special counsel to the Authority in connection with preparation of this Offering Memorandum. Certain legal matters will be passed upon for the Bank by its counsel, Chapman and Cutler LLP.

INDEPENDENT AUDITORS

The audited basic financial statements of the Authority as of and for the years ended June 30, 2017 and 2016, and the report rendered thereon by Eide Bailly LLP, Reno, Nevada, have been included herein as Appendix A.

The Authority's audited financial statements, including the auditors report thereon, are public documents and pursuant to State law, no consent from the auditors is required to be obtained prior to inclusion of the audited financial statements in this Offering Memorandum. Since the date of its report, Eide Bailly LLP has not been engaged to perform and has not performed any procedures on the financial statements addressed in that report and also has not performed any procedures relating to this Offering Memorandum.

RATINGS

Fitch Ratings Inc. ("Fitch") has assigned the Notes the rating shown on the cover page of this Offering Memorandum. The Authority has applied to S&P Global Ratings ("S&P"), for a rating on the Notes and expects to receive each rating prior to the issuance of the Notes on May 15, 2018. S&P Global Ratings ("S&P") has assigned the Notes the rating shown on the cover page of this Offering Memorandum. An explanation of the significance of the rating given

by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041. An explanation of the significance of the ratings given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004.

Such ratings reflect only the views of such rating agencies, and there is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Notes. The Authority has not undertaken any responsibility to bring to the attention of the owners of the Notes any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc. and PFM Financial Advisors LLC are serving as financial advisors to the Authority in connection with the Notes. Contact information for the Financial Advisors is found in "INTRODUCTION--Additional Information." The Financial Advisors have not audited, authenticated or otherwise verified the information set forth in the Offering Memorandum, or any other related information available to the Authority, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisors respecting accuracy and completeness of this Offering Memorandum or any other matter related to this Offering Memorandum.

THE DEALER

General. Goldman, Sachs & Co. has been appointed the Dealer for the Notes pursuant to the Dealer Agreement. The Dealer may resign, or be removed by the Authority, upon the terms and conditions set forth in the Dealer Agreement. In consideration of the services to be performed by the Dealer under the Dealer Agreement, the Authority agrees to pay to the Dealer quarterly, a fee based upon the average balance of Notes outstanding during that quarter for which the Dealer was responsible. *The Dealer is under no obligation to purchase Notes for their own accounts.*

Contact information for the Dealer is as follows:

Goldman, Sachs & Co.
200 West Street
New York, NY 10282
Attention: Municipal Money Market Desk
Telephone: (212) 902-6633
Facsimile: (212) 428-3132

In the Credit Agreement, the Authority agrees that it will not, without the prior written consent of the Bank, appoint or permit the appointment of a successor Dealer and that it will at all times maintain one or more Dealer. The Authority shall cause the Dealer (and the Issuing and Paying Agent) to market, issue, and deliver, as applicable, Notes bearing interest at a rate up to the maximum rate authorized for the Notes, which the Dealer reasonably believe will result in the Commercial Paper Notes being sold to investors. If the Dealer fails to market Notes for a Refunding for a period of 30 consecutive days, then the Authority agrees in the Credit

Agreement, at the written request of the Bank, to cause the Dealer to be replaced with a Dealer reasonably satisfactory to the Bank.

OFFERING MEMORANDUM CERTIFICATION

The undersigned official of the Authority hereby confirms that the execution and delivery of this Offering Memorandum and its use in connection with the offering and sale of the Notes have been duly authorized by the Board.

TRUCKEE MEADOWS WATER AUTHORITY

By: /s/ Michele Sullivan
Chief Financial Officer

APPENDIX A

**AUDITED BASIC FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2017**

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following summary describes certain provisions of the Resolution and is qualified in its entirety by reference to the document itself for a full statement of its provisions. Investors should obtain and review a copy of the entire Resolution in order to ascertain the full provisions of the Resolution. Copies of the Resolution may be obtained from the sources listed in "INTRODUCTION--Additional Information."

Certain Definitions

As used in the Resolution, the following terms shall have the following meanings unless the context clearly requires otherwise. Unless otherwise defined in the Resolution, the terms used in the Resolution shall have the same meanings as in the Credit Agreement.

"Alternate Letter of Credit" means a letter of credit provided pursuant to the provisions of the Resolution. See "SECURITY AND SOURCE OF PAYMENT FOR THE NOTES--The Letter of Credit and Alternate Letter of Credit" in this Offering Memorandum.

"Authorized Representative" means the TMWA Manager or Chief Financial Officer of the Authority, or any other person designated by the Chief Financial Officer or TMWA Manager and authorized by law to complete and deliver Issuance Requests, who has been identified in a Certificate of the Authority delivered to the Issuing and Paying Agent and whose signature has likewise been certified to the Issuing and Paying Agent.

"Available Amount" means the amount available to be drawn under the Letter of Credit to pay principal of or interest on the Notes and defined as the "Stated Amount" in the Letter of Credit, as such amount may be increased or reduced pursuant to the terms of the Letter of Credit.

"Bank" means The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, as successor to Lloyds TSB Bank plc, acting through its New York Branch, and any successors pursuant to the Credit Agreement, and any other entity to which the obligations relating to the Letter of Credit is assigned with the approval of the Authority pursuant to the Credit Agreement.

Effective May , 2018, "Bank" will mean Wells Fargo Bank National Association.

"Bond Resolutions" means for purpose of this Offering Memorandum, the resolutions of the Board authorizing the Bonds and each series of Bonds issued with a lien on the Net Revenues on a parity with the Bonds.

Since the Resolution was originally adopted, the Authority has adopted resolutions authorizing its Water Revenue Refunding Bonds, Series 2015A (the "2015A Bonds"), Water Revenue Refunding Bonds, Series 2016 (the "2016 Bonds"), Water Revenue Refunding Bonds, Series 2017 (the "2017 Bonds") and Water Revenue Refunding Bonds, Series 2018, expected to be issued on May 15, 2018 (the "2018 Bonds"). The 2015A Bonds, the 2016 Bonds, the 2017 Bonds and the 2018 Bonds were (or are expected to be) issued with a parity lien

on the Net Revenues and accordingly, the resolutions authorizing the issuance of the 2015A Bonds, the 2016 Bonds, the 2017 Bonds and the 2018 Bonds are included in the definition of “Bond Resolutions” as used in this Offering Memorandum.

“Bonds” means for purposes of this Offering Memorandum, the 2015A Bonds, the 2016 Bonds, the 2017 Bonds, the 2018 Bonds and securities issued with a lien on the Net Revenues on a parity with the 2015A Bonds, the 2016 Bonds, the 2017 Bonds and the 2018 Bonds. Since the Resolution was originally adopted, the Authority has refunded, paid and discharged certain of the bonds originally included in the definition of “Bonds”; accordingly, such bonds have been excluded from of the definition of “Bonds” for purposes of this Offering Memorandum.

“Business Day” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (iv) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed and (v) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which demands for payment are to be presented under the Letter of Credit.

“Calculation Agent Agreement” means each agreement between the Authority and a calculation agent regarding the monitoring of the yield of investments in an Escrow Account and the yield of Notes issued to finance a Refinancing Project.

“Certificate, Statement, Request, Requisition or Order of the Authority” mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative thereof. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Chief Financial Officer” means the de jure or de facto Chief Financial Officer of the Authority, designated as such by the Authority (but if there is no Chief Financial Officer of the Authority, Chief Financial Officer means the TMWA Manager), and means the de jure or de facto assistant Chief Financial Officer or acting Chief Financial Officer, if any, of the Authority whenever the Chief Financial Officer is unable to act in such capacity, or the successor of the Chief Financial Officer in functions, if any. The Chief Financial Officer is the “chief financial officer” of the Authority for purposes of Chapter 350 of NRS.

“Cities” means the City of Reno and the City of Sparks, in the County and the State, and constituting political subdivisions thereof and bodies politic and corporate, or any successor municipal corporations.

“Code” or “Tax Code” means the Internal Revenue Code of 1986, as amended.

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

- (1) Preliminary expenses advanced by the Authority or any Member from funds available for use therefor, or any other source, including any interfund loan of the Authority, or advanced with the approval of the Authority from funds available therefore or from any other source by the State, the Federal government, or from any other source, or any combinations thereof, with the approval of the Board;
- (2) The costs of making surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;
- (3) The costs of premiums on builders' risk insurance and performance bonds, or a reasonably allocable share thereof;
- (4) The costs of appraising, printing, estimates, advice, services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help or other agents or employees;
- (5) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Project, the filing or recordation of instruments, the taking of options, the issuance of the Notes and any other securities relating to the Project, and bank fees and expenses;
- (6) The costs of contingencies;
- (7) The costs of the capitalization with the proceeds of the Notes or other securities relating to the Project of any Operation and Maintenance Expenses appertaining to the Project and of any interest on the Notes or other securities relating to the Project for any period not exceeding the period estimated by the Board to effect the Project plus one year, of any discount on the Notes or such other securities, and of any reserves for the payment of the principal of and interest on the Notes or such other securities, of any replacement expenses, and of any other cost of the issuance of the Notes or such other securities;
- (8) The costs of amending any resolution or other instrument authorizing the issuance of or otherwise appertaining to outstanding bonds or other securities of the Authority;
- (9) The costs of funding any medium-term obligations, construction loans and other temporary loans of not exceeding ten years appertaining to the Project and of the incidental expenses incurred in connection with such loans;
- (10) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;
- (11) The costs of demolishing, removing or relocating any buildings, structures or other facilities on land acquired for the Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;
- (12) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board including rebates to the United States under Section 148 of the Code; and

(13) All or any part designated by the Board of the cost of the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations, which cost may include all or any part of the incidental costs pertaining to a Refinancing Project.

“Credit Agreement” means, effective May [REDACTED], 2018, the Reimbursement Agreement, dated as of May 1, 2018, entered into by the Authority with the Bank relating to the 2006B Letter of Credit and the 2006B Notes (as defined in the body of this Offering Memorandum).

“Credit Agreement Obligations” means all obligations of the Authority owed to the Bank pursuant to the Credit Agreement, including without limitation, repayment obligations on Advances.

“Dealer” or “Dealers” means for the 2006B Notes, Goldman Sachs & Co. or any successor or assigns permitted under the Dealer Agreement, or any other dealer for the Notes which is appointed by the Authority and has entered into a Dealer Agreement.

“Dealer Agreement” or “Dealer Agreements” means either separately or together, as the context may require, the Dealer Agreement between the Authority and the Dealer, and any and all modifications, alterations, amendments and supplements thereto, or any other Dealer Agreement entered into by the Authority, and any other Dealer or Dealers with respect to the Notes.

“Escrow Account” means each special account created pursuant to the provisions of the Resolution and held by an Escrow Bank for the purpose of refunding, paying and discharging Refinanced Obligations.

“Escrow Agreement” means each agreement between the Authority and an Escrow Bank regarding the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations.

“Escrow Bank” means a “trust bank,” as defined in the Bond Act, located within or without the State and having a capital and surplus, however denominated, of not less than \$10,000,000.

“First Supplemental Resolution” means the resolution introduced, passed and adopted at a meeting of the Board held on January 19, 2011 and cited therein by the title “First Supplemental Resolution to 2006 Commercial Paper Resolution.”

“Event of Default” means any of the events specified in the Resolution. See “Events of Default and Remedies” below.

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

“Fitch” means Fitch, Inc. and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority.

“Gross Revenues” means all income and revenues received or accrued under generally accepted accounting principles derived directly or indirectly by the Authority from the water and other goods and services provided by, or from the operation and use of and otherwise pertaining to, the TMWA Water System, including, without limitation, all rates, fees, and other charges for the use of the TMWA Water System, or for any service rendered by the Authority in the operation thereof, or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the TMWA Water System, or otherwise, and includes all revenues received by the Authority from the TMWA Water System, including, without limitation, all fees, rates, and other charges for the use of the TMWA Water System, or for any service rendered by the Authority in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the TMWA Water System, except to the extent any such moneys shall be received as payments for the use of the TMWA Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. “Gross Revenues” shall also include:

- (1) all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues;
- (2) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in the Bond Resolutions.

“Immediate Notice” means notice by telephone, telex, telecopier or electronic mail, to such address as the addressee shall have directed in writing or such other means of electronic communications (including, without limitation, the U.S. Bank Securities Processing Automated Notes System Online) as the Person required to give an Immediate Notice and the recipients of such Immediate Notice have agreed to in writing.

“Issuance Request” means a request (in substantially the form set forth in Exhibit B to the First Supplemental Resolution) made by the Authority, acting through an Authorized Representative, to the Issuing and Paying Agent for the authentication and delivery of a Note or Notes.

“Issuing and Paying Agent” or “Registrar” means U.S. Bank National Association or any successor or assigns permitted under the Issuing and Paying Agent Agreement or any other Issuing and Paying Agent which is appointed by the Authority with the consent of the Bank and has entered into an Issuing and Paying Agent Agreement. “Principal Office” of the Issuing and Paying Agent means the office thereof designated in writing to the Authority and the Chief Financial Officer.

“Issuing and Paying Agent Agreement” means the 2006B Issuing and Paying Agent Agreement, between the Authority and the Issuing and Paying Agent, and any and all

modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the Authority and an Issuing and Paying Agent with respect to the Notes.

“Letter of Credit” means, as of the date of execution and delivery of the Resolution, the Letter of Credit to be provided by the Bank pursuant to the Credit Agreement as such Letter of Credit may be amended from time to time, or any Alternate Letter of Credit issued as a substitute therefor.

“Letter of Credit Expiration Date” has the same meaning as the term “Termination Date” provided in the Credit Agreement.

“Letter of Credit Reimbursement Account” means the account by that name established by the Issuing and Paying Agent pursuant to the Issuing and Paying Agent Agreement.

“Member” means the Cities and the County and any other entity that may hereafter become a member of the Authority.

“Moody’s” means Moody’s Investors Service, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Net Revenues” means the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the TMWA Water System (or any other facilities in connection with which the defined term is used).

“Note Construction Account” means the “Commercial Paper Note Construction Account, Series 2006” created in the Resolution. See “Note Construction Account” below.

“Note Interest Account” means the account by that name established in the Revenue Fund pursuant to the Resolution. See “Application of Note Interest Account and Note Principal Account” below.

“Note Payment Account” means the account by that name established by the Issuing and Paying Agent pursuant to the Issuing and Paying Agent Agreement.

“Note Principal Account” means the account by that name established in the Revenue Fund pursuant to the Resolution. See “Application of Note Interest Account and Note Principal Account” below.

“Operation and Maintenance Expenses” or any phrase of similar import, means all reasonable and necessary current expenses of the Authority, paid or accrued under generally accepted accounting principles, of operating, maintaining, and repairing the TMWA Water System or any other designated facilities in connection with which such term is used; and the term includes, without limitation:

(1) Engineering, auditing, reporting, legal, planning and other overhead expenses relating to the administration, operation, and maintenance of the TMWA Water System;

(2) Fidelity bond and property and liability insurance premiums pertaining to the TMWA Water System, or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the TMWA Water System;

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

(4) Any general taxes, assessments, excise taxes, or other charges which may be lawfully imposed on the Authority, the TMWA Water System, revenues therefrom, or the Authority's income from or operations of any properties under its control and pertaining to the TMWA Water System, or any privilege in connection with the TMWA Water System or its operation;

(5) The reasonable charges of a trustee, paying agent, registrar, issuing and paying agent and any other depository bank pertaining to the Bonds, the Notes and any other securities payable from Net Revenues or otherwise pertaining to the TMWA Water System;

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

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

(8) Any costs of utility services furnished to the TMWA Water System;

(9) Any lawful refunds of any Gross Revenues;

(10) The cost of funding any amount due the United States as rebate payments under Section 148(f) of the Code, and the cost of calculating and verifying the amount of such rebate payments; and

(11) All other administrative, general, and commercial expenses pertaining to the TMWA Water System; but

(a) Excluding any allowance for depreciation or amortization;

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

(c) Excluding any reserves for major capital replacements, other than normal (noncapital) repairs;

(d) Excluding any reserves for operation, maintenance, or repair of the TMWA Water System;

(e) Excluding any allowance for the redemption of any bond or other security evidencing a loan or other obligation, or the payment of any interest thereon, or any prior redemption premium due in connection therewith;

(f) Excluding any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the TMWA Water System, or otherwise; and

(g) Excluding any liabilities imposed on the Authority for any ground of legal liability not based on contract, including, without limitation, negligence in the operation of the TMWA Water System.

“Opinion of Bond Counsel” means a written opinion of a law firm of national standing in the field of public finance selected by the Authority.

“Outstanding” when used as of any particular time with reference to Notes, means (subject to the provisions of the Resolution excepting Notes owned by the Authority) all Notes theretofore, or thereupon being, authenticated and delivered by the Issuing and Paying Agent under the Resolution except (1) Notes theretofore cancelled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; (2) Notes with respect to which all liability of the Authority shall have been discharged in accordance with the provisions described in “Defeasance” below; and (3) Notes for the transfer or exchange of or in lieu of or in substitution for which other Notes shall have been authenticated and delivered by the Issuing and Paying Agent pursuant to the Resolution.

“Owner” or “Holder” or “Noteholder” or “Noteowner” whenever used with respect to a Note, means the person in whose name such Note is registered or, if registered to bearer, the bearer of such Note.

“Parity Debt” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or pursuant to any interest rate swap agreement having a lien on, or being payable from, and having the same priority right on Net Revenues as the Notes and the Credit Agreement Obligations and therefore payable on a parity with the Notes (whether or not any Notes are outstanding).

“Person” means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Project” means the acquisition, construction, improvement and equipment of water facilities within the TMWA Water System financed wholly or in part with the proceeds of the Notes.

“Rebate Account” means the Water Revenue Commercial Paper Notes, Series 2006 Rebate Account, created in the Resolution. See “Flow of Funds--Allocation of Revenues” below.

“Refinanced Obligations” means any evidence of borrowing that is issued by the Authority, whether general or special obligations, including, without limitation, bonds, notes, debentures, warrants and certificates.

“Refinancing Project” means the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations financed wholly or in part with a portion of the proceeds of the Notes.

“Refundings” means the issuance from time to time of such commercial paper notes by the Chief Financial Officer or TMWA Manager and the incurrence of Advances and for the purpose of providing liquidity for the payment of outstanding Notes as the same become due and payable pursuant to the provisions of the Resolution.

“Revenue Fund” means the Revenue Fund created in the Bond Resolutions.

“Senior Lien Obligations” means for purposes of this Offering Memorandum, the Bonds, the 2005 SRF Bond, 2009 SRF Bond, the 2010 SRF Bond, the 2014 SRF Bonds, the 2015 SRF Bond and any other obligations hereafter issued having a lien on the Net Revenues superior to the lien of the Notes.

Since the Resolution was originally adopted, the Authority has adopted resolutions authorizing its Water Revenue Bond, Series 2009A (the “2009 SRF Bond”), its Water Revenue Bond, Series 2010A (the “2010 SRF Bond”), its Truckee Meadows Water Authority, Water Revenue Bond, Series 2014 (the “2014 SRF Bond”), and its Truckee Meadows Water Authority, Nevada, Water Revenue Bond, Series 2015B (the “2015 SRF Bond”); therefore, the 2009 SRF Bond, the 2010 SRF Bond, the 2014 SRF Bond and the 2015 SRF Bond are included in the definition of “Senior Lien Obligations” as used in this Offering Memorandum.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Supplemental Resolution” means any resolution hereafter duly executed and delivered, supplementing, modifying or amending the Resolution, but only if and to the extent that such Supplemental Resolution is specifically authorized under the Resolution. See “Amendment of the Resolution” below. The First Supplemental Resolution adopted on January 19, 2011, constitutes a Supplemental Resolution.

“TMWA Manager” means the de jure or de facto General Manager of the Authority and any deputy manager designated by the TMWA Manager for purposes of the Resolution, and means any de jure or de facto deputy director or acting TMWA Manager, if any, of the Authority whenever the TMWA Manager is absent or is unable to act in such capacity, or the TMWA Manager’s successor in functions, if any. The TMWA Manager is the “chief administrative officer” of the Authority for the purposes of Chapter 350 of NRS.

“TMWA Water System” means the water facilities described in the TMWA Asset Purchase Agreement, and consisting of all properties, real, personal, mixed or otherwise,

now owned or hereafter acquired by the Authority through purchase, construction or otherwise, and used in connection with such system of the Authority, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the County, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

“2005 SRF Bond” means the “Truckee Meadows Water Authority, Nevada Water Revenue Bond, Series 2005.”

Since the original adoption of the Resolution, the Authority also has issued the 2009 SRF Bond, the 2010 SRF Bond, the 2014 SRF Bond and the 2015 SRF Bond, each of which have a lien on the Net Revenues that is on a parity with the lien thereon of the 2005 SRF Bond.

“2006 Commercial Paper Resolution” means Resolution No. 100 introduced, passed and adopted at a meeting of the Board held on July 19, 2006, and cited therein by the title “2006 Commercial Paper Resolution.”

Pledge of Revenues; Receipt and Deposit of Revenues

The Notes and any Credit Agreement Obligations are special obligations of the Authority payable from the Net Revenues with liens on the Net Revenues ranking on a parity of payment each with the other and with the Parity Debt. The principal of and interest on the Notes shall be paid from Drawings under the Letter of Credit and, if the Bank fails to honor a Drawing, from the sources specified in the Resolution and in the Issuing and Paying Agent Agreement. The Bank shall be reimbursed for such Drawings from the proceeds of refunding Notes and from Net Revenues (which are used to reimburse the Bank for Drawings after the payment from such revenues of the annual debt service requirements and any sinking fund and reserve fund requirements of any Senior Lien Obligation) deposited into the Letter of Credit Reimbursement Account. The proceeds of all obligations issued by the Authority to refund the Notes, all Net Revenues, all amounts (including proceeds of the Notes) held by the Authority under the Resolution (except for amounts held in the Rebate Account) and all amounts held by the Issuing and Paying Agent under the Resolution and under the Issuing and Paying Agent Agreement are hereby pledged to secure the payment of the principal of and interest on the Notes and Credit Agreement Obligations in accordance with their terms, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. Said pledge shall constitute a lien on the Net Revenues and amounts in such funds and shall be valid and binding from and after delivery by the Issuing and Paying Agent of the Notes, without any physical delivery of such Net Revenues and amounts or further act.

In the event that the Net Revenues are insufficient to pay all amounts due under all Senior Lien Obligations, the Notes, all Parity Debt and Credit Agreement Obligations, such moneys shall be allocated first to the payment of amounts due under all such Senior Lien Obligations, and second, on a parity basis, to the payment of amounts due under (i) the Notes, (ii) the Parity Debt and (iii) the Credit Agreement Obligations. The Owners of the Notes shall have an equal priority right with the holders of other Notes and of Parity Debt and to the Credit

Agreement Obligations to the Net Revenues and the Net Revenues are hereby pledged to the payment of Notes without priority or distinction of one over the others.

Out of Net Revenues there shall be applied, as described in “Flow of Funds” below, all sums required for the payment of the principal of and interest on the Notes. The pledge of Net Revenues in the Resolution made shall be irrevocable until all of the Notes are no longer outstanding.

The lien of the Notes and the Credit Agreement Obligations on the Net Revenues is junior to the lien of the Senior Lien Obligations on the Net Revenues.

Flow of Funds

Deposit of Gross Revenues. All Gross Revenues, upon receipt by the Authority, shall be promptly deposited to the credit of the Revenue Fund, heretofore created in the Bond Resolutions. Amounts in the Revenue Fund shall be applied, first to Operation and Maintenance Expenses as provided in the Bond Resolutions; second to the payment of the principal of, and interest on, reserve requirements for, and any rebate obligations under Section 148 of the Code for the Bonds as provided in the Bond Resolutions; third to the payment of the principal of, and interest on, reserve requirements for, and any rebate obligations under Section 148 of the Code for, the 2005 SRF Bond and any obligations hereafter issued on a parity with the 2005 SRF Bond, as provided in the resolutions authorizing the issuance of the 2005 SRF Bond and any other obligations hereafter issued on a parity with the 2005 SRF Bond; and fourth, the Net Revenues shall be disbursed, allocated and applied for the uses and purposes described in “Allocation of Revenues” below.

Allocation of Revenues. So long as any Notes or Credit Agreement Obligations are Outstanding, the Authority shall set aside, when received, from the balance of the moneys in the Revenue Fund (after making the payments required to be made as stated in the prior paragraph) into the following respective accounts, each of which (other than the Rebate Account) the Authority shall establish and maintain for the benefit of the Bank and the Owners of the Notes) in the following amounts, in the following order of priority:

Payment of Note Interest and Principal, Rebate and Credit Agreement Obligations. First, the following transfers shall be made:

- (1) Note Interest Account. The Authority shall allocate to the Note Interest Account on or before each interest payment date for the Notes, an amount equal to the interest on the Notes which shall become due on such interest payment date; provided, that Net Revenues are required to be allocated to the Note Interest Account only to the extent that the sum of (i) the amount contained therein including any amount transferred from the Note Construction Account to the Note Interest Account to pay interest on such interest payment date plus (ii) the amount of interest thereon scheduled by the Authority to be paid from Notes to be issued on such principal payment date as shown in an Issuance Request, is less than the amount of interest on the Notes which is due on that interest payment date.

(2) Note Principal Account. The Authority shall allocate to the Note Principal Account on or before each maturity date for Notes an amount equal to the principal amount of any Notes which shall become due on such date; provided, that Net Revenues are required to be allocated to the Note Principal Account only to the extent that the sum of (i) the amount contained therein plus (ii) the amount of principal thereon scheduled by the Authority to be paid from Notes to be issued on such principal payment date as shown in an Issuance Request, is less than the amount of principal of the Notes which is due on that principal payment date.

(3) Rebate Account. The Authority shall allocate to the Rebate Account hereby created the amount necessary, together with other amounts therein, to satisfy the Authority's obligations under Section 148(f) of the Code with respect to the Notes. See "THE NOTES--Tax Covenant" in this Offering Memorandum.

(4) Parity Requirements. The Authority shall allocate to the appropriate debt service, reserve and rebate accounts created for Parity Debt the amounts required to be deposited therein by the instruments authorizing the issuance of those Parity Debt.

(5) Credit Agreement Obligations. The Authority shall pay any Credit Agreement Obligations to the Bank under the Credit Agreement.

In the event that Net Revenues remaining after making the payments required to be made in connection with the Senior Lien Obligations as described in "Deposit of Gross Revenues" above are not sufficient to make all required payments described in paragraphs (1) through (5) above, so long as any Notes are Outstanding or any Credit Agreement Obligations are Outstanding, the Authority shall make such payments on a parity basis.

Other. Second, after the transfers describe above have been made, the remaining balance in the Revenue Fund shall be applied by the Authority as provided in the Bond Resolutions.

Note Construction Account

General. The Resolution creates the "Commercial Paper Note Construction Account, Series 2006" (the "Note Construction Account") to be established and maintained by the Authority as a separate account. The Chief Financial Officer or TMWA Manager may establish such subaccounts in the Note Construction Account as are necessary or desirable to carry out the requirements of the Resolution or any supplemental resolution. Moneys in the Note Construction Account shall be applied only to pay Costs of the Project except as otherwise properly provided in the Resolution.

Prevention of Note/Credit Agreement Default. The Chief Financial Officer shall use any Note proceeds credited to the Note Construction Account, without further order or warrant, (i) make any payments that are owed under the Credit Agreement as the same become due whenever and to the extent moneys otherwise available therefor are insufficient for that purpose, and, (ii) if the Bank fails, for any reason, to honor a Drawing necessary to make

payment of the principal of and interest on the Notes when due, to pay such principal and interest to the extent necessary to prevent a default with respect to the Notes, unless in each case such Note proceeds shall be needed to defray obligations accrued and to accrue under any contracts then existing and relating to the Project. The Chief Financial Officer or TMWA Manager shall promptly notify the Board of any such use.

Escrow Account

If an Issuance Request provides that all or a portion of the principal amount of any Notes shall be issued for the purpose of financing a Refinancing Project, the Refinancing Project shall be effected and an Escrow Account established with an Escrow Bank in accordance with the provisions of the Resolution; provided, however, that no Escrow Account shall be required for Refinanced Obligations to the extent those Refinanced Obligations are paid, cancelled and discharged with proceeds of Notes on the date such Notes are issued.

Each Escrow Account shall be maintained at an Escrow Bank by the Authority 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 Refinanced Obligations, both accrued and not accrued, as the same becomes due up to and including the redemption or payment date for the Refinanced Obligations; and to redeem or pay on such date (as set forth in the Escrow Agreement) the Refinanced Obligations in accordance with the instrument authorizing such Refinanced Obligations.

Moneys shall be withdrawn by the applicable Escrow Bank from the applicable Escrow Account in sufficient amounts and at such times to permit the payment without default of interest due in connection with the Refinanced Obligations in respect of which such Escrow Account was established, and in accordance with the provisions of the applicable Escrow Agreement. Any moneys remaining in an Escrow Account after provision shall have been made for the redemption or payment in full of the applicable Refinanced Obligations shall be applied to any lawful purpose of the Authority as the Board may determine.

If for any reason the amount in an Escrow Account shall at any time be insufficient for its purpose, the Authority shall forthwith, from 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 Refinanced Obligations.

Application of Note Interest Account and Note Principal Account

All amounts in the Note Interest Account shall be used for the purpose of (i) reimbursing the Bank for a Drawing made for the purpose of paying interest on the Notes and (ii) paying interest on the Notes to the extent that a Drawing is not honored in full. Such funds shall be transferred to the Issuing and Paying Agent by 2:00 p.m. (New York time) on the date interest on the Notes is due and shall be deposited into the Letter of Credit Reimbursement Account.

All amounts in the Note Principal Account shall be used for the purpose of (i) reimbursing the Bank for a Drawing made for the purpose of paying the principal of the Notes

and (ii) paying the principal of the Notes to the extent a Drawing is not honored in full. Such funds shall be transferred to the Issuing and Paying Agent by 2:00 p.m. (New York time) on or before the date principal on the Notes is due and shall be deposited into the Letter of Credit Reimbursement Account.

Investment of Funds

All moneys held in the Note Construction Account, Revenue Fund, Note Interest Account, Note Principal Account or Rebate Account pursuant to the Resolution shall be promptly deposited or invested by the Chief Financial Officer or TMWA Manager as permitted by law. Such deposits or investments need not be kept separate from other bank deposits or investments of moneys of the Authority. All income from the deposit or investment of moneys in such accounts shall be credited to the respective account. Notwithstanding the foregoing, the deposits and investments in each Escrow Account and any income therefrom shall be administered and accounted for in accordance with the corresponding Escrow Agreement.

Pursuant to Section 350.658 of the Bond Act, and except as may otherwise be required for deposit into the Rebate Account, any gain from any investment and any reinvestment of any moneys accounted for in a fund or account pursuant to the Resolution shall be deposited promptly upon the receipt of such gain at any time or from time to time into that fund or account.

Covenants of the Authority

In the Resolution, the Authority makes the following covenants (among others) for the benefit of the Owners of the Notes:

Punctual Payment. The Authority will punctually pay or cause to be paid the principal of and interest on all the Notes, in strict conformity with the terms of the Notes and of the Resolution, according to the true intent and meaning thereof, and the Credit Agreement Obligations, according to the true intent and meaning thereof, but in each case only out of Net Revenues and other amounts pledged under the Resolution, as provided in the Resolution.

Extension of Payment of Notes. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Notes or the time of payment of any Notes or claims for interest by the purchase or funding of such Notes or claims for interest or by any other arrangement and in case the maturity of any of the Notes or the time of payment of any such claims for interest shall be extended, such Notes or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefits of the Resolution, except subject to the prior payment in full of the principal of all of the Notes then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue debt for the purpose of refunding any Outstanding Notes, and such issuance shall not be deemed to constitute an extension of maturity of Notes.

Further Assurances. The Authority will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Resolution and for the better assuring and confirming unto the owners of the Notes of the rights and benefits provided in the Resolution.

Against Encumbrances. The Authority will not create or permit the creation of any pledge, lien, charge or other encumbrance upon the Net Revenues and other assets pledged under the Resolution while any of the Notes are Outstanding, except for issuing additional Senior Lien Obligations and except for issuing additional Notes secured by the pledge created by the Resolution and except as otherwise permitted in the Resolution and in the Credit Agreement while it is in effect. The Authority may issue Notes secured by the Net Revenues and such other assets only as permitted in Section 3.1 of the Resolution. See “THE NOTES--Method of Note Issuance” in this Offering Memorandum.

Subject to the limitations of the Credit Agreement while it is in effect, (a) nothing in the Resolution prevents the Authority from issuing additional Senior Lien Obligations and Parity Debt and (b) nothing in the Resolution shall prevent the Authority from issuing obligations secured by a pledge of Net Revenues which are junior and subordinate to the payment of the principal and reserve requirements, if any, of and interest on the Notes and all Parity Debt and which junior and subordinate obligations are payable as to principal and reserve requirements, if any, and interest out of Net Revenues received by the Authority only after the prior payment of all amounts then required to be paid for principal and reserve requirements, if any, of and interest on all Senior Lien Obligations, the Notes and all Parity Debt as the same become due and payable.

Accounting Records and Financial Statements. The Authority will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Net Revenues. Such books of record and account shall be available for inspection by the Bank at reasonable hours and under reasonable circumstances.

Collection of Gross Revenues. The Authority shall promptly collect the Gross Revenues pursuant to the Bond Resolutions.

The Authority covenants that it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Bond Resolutions, which would reduce the amount of or timing of receipt of Net Revenues to the material detriment of the holders of the Notes or the Bank or would otherwise materially and adversely affect the rights of holders of the Notes or the Bank.

Reserve Account. The Authority may, at its option for any Fiscal Year elect to fund a reserve account (the “Reserve Account”) for payment of the Notes and Credit Agreement Obligations. If funded, the Reserve Account shall be held by the Issuing and Paying Agent, pursuant to the Issuing and Paying Agent Agreement, and the Reserve Account shall be funded in an amount equal to (or investments with a market value at the beginning of such Fiscal Year equal to) 10% of the initial Available Amount (as defined in the Credit Agreement). Subject to limitation contained in the Credit Agreement, the Authority may elect to terminate the Reserve Account for any subsequent Fiscal Year in the manner and with the effect specified in the Issuing and Paying Agent Agreement. The Reserve Account shall be invested and maintained as provided in the Issuing and Paying Agent Agreement.

Maintenance of Issuing and Paying Agent. The Authority will at all times maintain an Issuing and Paying Agent for the Notes.

Appointment of Dealer. The Authority covenants and agrees to take all reasonable steps necessary to assure that, at all times, there shall be one or more Dealers for the Notes, and to that end shall from time to time enter into one or more Dealer Agreements with such Dealers, providing for the services specified in such Dealer Agreements to be performed by such Dealers, in connection with the offering, sale and issuance of Notes

Certain Provisions Relating to the Registrar and Issuing and Paying Agent

If the Registrar or Issuing and Paying Agent initially appointed under the Resolution shall resign, or if the Board, on behalf of and in the name of the Authority, shall reasonably determine that the Registrar or Issuing and Paying Agent has become incapable of performing its duties under the Resolution, the Board, on behalf of and in the name of the Authority, may, with the consent of Bank (such consent to not be unreasonably withheld), upon notice mailed to each Owner of any Notes Outstanding at his address last shown on the registration records and the Dealers, appoint a successor Registrar or Issuing and Paying Agent, or both. No resignation or dismissal of the Registrar or Issuing and Paying Agent may take effect until a successor is appointed and has accepted such appointment. Every such successor Registrar or Issuing and Paying Agent shall be a commercial bank with corporate trust powers. It shall not be required that the same institution serve as both Registrar and Issuing and Paying Agent under the Resolution, but the Board shall have the right to have the same institution serve as both Registrar and Issuing and Paying Agent under the Resolution.

Any corporation or association into which the Registrar or Issuing and Paying Agent may be converted or merged, or with which they may be consolidated, or to which it may sell or transfer its 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 it is a party, shall be and become the successor Registrar or Issuing and Paying Agent under the 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 the Resolution to the contrary notwithstanding.

Events of Default and Remedies

Events of Default. The following events shall be Events of Default pursuant to the Resolution:

(a) default in the due and punctual payment of the principal of any Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable;

(c) if the Authority shall fail to observe or perform any covenant, condition, agreement or provision in the Resolution on its part to be observed or performed, other than as referred to in subsection (a) or (b) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Bank or the Owners of not less than 66% in principal amount of the Notes; except that, if such failure can be remedied but not within such sixty (60) day period and if the Authority has taken

all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Bank.

Remedies. In case one or more Events of Default shall occur, then and in every such case the Owner of any Note at the time outstanding shall be entitled to proceed to protect and enforce such Owner's rights by such appropriate judicial proceeding as such Owner shall deem most effectual to protect and enforce any such right, whether by mandamus or other suit or proceeding at law or in equity, for the specific performance of any covenant or agreement contained in the Resolution, or in aid of the exercise of any power granted in the Resolution, or to enforce any other legal or equitable right vested in the Owners of Notes by the Resolution or the Notes or by law. The provisions of the Resolution shall be a contract with each and every owner of Notes, and the duties of the Authority and of the Chief Financial Officer and TMWA Manager shall be enforceable by any Owner by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Termination of Proceedings. In case any proceedings taken by any one or more Noteholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Noteholders, then in every such case the Authority and the Noteholders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Resolution, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Chief Financial Officer, the TMWA Manager and the Noteholders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners of the Notes in the Resolution is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Resolution or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Owner of the Notes to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Resolution to the Owners of the Notes may be exercised from time to time and as often as may be deemed expedient.

Control of Remedies and Waivers by Bank. Anything in the Resolution to the contrary notwithstanding, the Bank shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Authority, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Resolution with respect to the Notes, including, without limitation, the right to approve all waivers of any Event of Default with respect to the Notes, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and provided further that no Event of Default may be waived unless the Letter of Credit provided by the Bank shall have been reinstated, and no remedy or right may be exercised under the Resolution and no Event of Default may be waived with respect to the Notes without the prior written consent of the Bank. The rights of the Bank

described in this paragraph shall be in lieu of any rights granted to the Owners of the Notes under the Resolution.

Amendment of the Resolution

Amendments Requiring Consent of Bank and/or Owners. The Resolution and the rights and obligations of the Authority and the Owners of the Notes may be modified or amended from time to time and at any time by a Supplemental Resolution, which the Authority may adopt at any time but which shall become effective when (i) the written consent of the Bank, if the Credit Agreement is then in effect or if amounts are due and owing under the Credit Agreement, and there is no current default by the Bank in making payments under the Letter of Credit, or (ii) the written consent of the Owners of a majority in aggregate principal amount of the Notes then Outstanding, if the Credit Agreement is not in effect and no amounts are due and owing under the Credit Agreement, or if the Bank is then in default in making payments under the Letter of Credit, shall have been filed with the Authority; provided that if such modification or amendment will, by its terms, not take effect so long as any Notes of any particular maturity remain Outstanding, the consent of the Owners of such Notes shall not be required and such Notes shall not be deemed to be Outstanding for the purpose of any calculation of Notes Outstanding for purposes of this section; and provided further that any Notes issued after a modification has been adopted shall be deemed to have consented thereto, if so provided in the resolution adopting the modification.

No such modification or amendment shall (a) extend the fixed maturity of any Note, or reduce the amount of principal thereof, or extend the time of payment provided for any Note, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Note so affected, or (b) reduce the aforesaid percentage of principal the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Resolution prior to or on a parity with the lien created by the Resolution other than permitted in the Resolution, or deprive the Owners of the Notes of the lien created by the Resolution on such Net Revenues and other assets (in each case, except as expressly provided in the Resolution), without the consent of the Owners of all of the Notes then Outstanding adversely affected thereby. It shall not be necessary for the consent of the Noteholders to approve the particular form of any Supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Amendments Not Requiring Consent. The Resolution and the rights and obligations of the Authority and of the Owners of the Notes may also be modified or amended from time to time (subject to the provisions of the Credit Agreement) by a Supplemental Resolution, which the Authority may adopt without the consent of any Noteholders but only to the extent permitted by law and only for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the Authority in the Resolution contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Notes (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Resolution;

(2) to make provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Resolution;

(3) to modify, amend or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939, as amended or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners of the Notes;

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Parity Debt with such interest rate, payment, maturity and other terms as the Authority may deem desirable subject to the provisions described in “Covenants of the Authority--Against Encumbrances” below;

(5) to make modifications or adjustments necessary, appropriate or desirable to accommodate credit enhancements and liquidity facilities, provided that no such provision shall materially and adversely affect the interests of the Owners of the Notes; and

(6) for any other purpose that does not materially and adversely affect the interests of the Owners of the Notes, including, without limitation, to provide for changes requested by Moody’s, Standard & Poor’s or Fitch in order to obtain or maintain a credit rating for the Notes.

Effect of Supplemental Resolution. From and after the time any Supplemental Resolution becomes effective pursuant to the Resolution, the Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Resolution of the Authority, the Bank and all Owners of Notes Outstanding shall thereafter be determined, exercised and enforced under the Resolution subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of the Resolution for any and all purposes.

Amendment of Particular Notes. The provisions of this Article shall not prevent any Noteholder from accepting any amendment as to the particular Notes held by him, provided that due notation thereof is made on such Notes.

Defeasance

Discharge of Resolution. The Notes or a portion thereof may be paid by the Authority in any of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Outstanding Notes, as and when the same become due and payable;

(b) by depositing with an escrow agent or other fiduciary, in trust, at or before maturity, money or Federal Securities in the necessary amount (as described in “Deposit of Money or Securities” below) to pay such Outstanding Notes; or

(c) by delivering to the Issuing and Paying Agent, for cancellation by it, such Outstanding Notes.

If the Authority shall pay all Notes which are Outstanding and also pay or cause to be paid all other sums payable under the Resolution by the Authority to the Owner of the Notes and to the Bank, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Issuing and Paying Agent, signifying the intention of the Authority to discharge all such indebtedness and the Resolution), and notwithstanding that any Notes shall not have been surrendered for payment, the Resolution and the pledge of Net Revenues and other assets made under the Resolution and all covenants, agreements and other obligations of the Authority under the Resolution shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the Authority, the Issuing and Paying Agent shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Issuing and Paying Agent shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by them pursuant to the Resolution which, as evidenced by a verification report, upon which the Issuing and Paying Agent may conclusively rely, from a firm of independent certified public accountants, or other firm acceptable to the Issuing and Paying Agent, are not required for the payment of Notes not theretofore surrendered for such payment.

Discharge of Liability on Notes. Upon the deposit with the escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as described in “Deposit of Money or Securities” below) to pay any Outstanding Note, then all liability of the Authority in respect of such Note shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and interest on the Notes, and the Authority shall remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to the provisions described in “Payment of Notes After Discharge of Resolution” below, and the continuing duties of the Issuing and Paying Agent under the Resolution including, without limitation, the provisions of Section 2.9 (Transfer of Notes) with respect to the Issuing and Paying Agent.

The Authority may at any time surrender to the Issuing and Paying Agent for cancellation by it any Notes previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Notes, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities. Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay any Notes, the money or securities so to be deposited or held may include money or securities held by the Issuing and Paying Agent in the funds and accounts established pursuant to the Resolution and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Notes and all unpaid interest thereon to maturity; or

(b) Federal Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Authority, provide money sufficient to pay the principal of and all unpaid interest to maturity, on the Notes to be paid, as such principal and interest become due;

provided, however, that no such opinion shall be required and a Certificate of the Authority shall suffice in lieu thereof if the Federal Securities to be deposited shall mature within ninety (90) days of the date of such deposit and if the Authority shall have delivered to the Issuing and Paying Agent a Certificate to the effect that the Authority will provide such additional funds as are necessary to pay all unpaid interest to maturity on the Notes to be paid should such Federal Securities be insufficient; *provided*, in each case, that the escrow agent or other fiduciary shall have been irrevocably instructed (by the terms of the Resolution or by Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Notes.

Payment of Notes After Discharge of Resolution. Any moneys held by the Issuing and Paying Agent in trust for the payment of the principal of, or interest on, any Notes and remaining unclaimed for one (1) year after the principal of all of the Notes has become due and payable, if such moneys were so held at such date, or one (1) year after the date of deposit of such moneys if deposited after said date when all of the Notes became due and payable, shall, upon Request of the Authority, be repaid to the Authority free from the trusts created by the Resolution, and all liability of the Issuing and Paying Agent with respect to such moneys shall thereupon cease. All moneys held by or on behalf of the Issuing and Paying Agent for the payment of principal of or interest on Notes shall be held in trust for the account of the Owners thereof and the Issuing and Paying Agent shall not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the Authority) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the Authority and shall be deposited monthly by the Chief Financial Officer or TMWA Manager.

Resolution Irrepealable

After any of the Notes are issued, the Resolution shall constitute an irrevocable contract between the Authority and the registered owners of the Notes and shall be and shall remain irrepealable until the Notes, as to all principal and interest, shall be fully paid, canceled and discharged, as provided in the Resolution.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Unless otherwise required by Cede & Co., the initial registered owner of the Notes, the Notes shall be evidenced by a single Master Note, in the form set forth in Exhibit A to the Resolution, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC

and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Issuing and Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Issuing and Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Authority or the Registrar and Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF ORIGINAL APPROVING OPINION OF BOND COUNSEL

NOTE: This opinion was delivered in connection with the initial issuance of Notes on August 16, 2006. As described in "TAX MATTERS," no updated Bond Counsel opinion has been obtained in connection with the replacement of the Prior Letter of Credit and Bond Counsel has not taken any steps to verify whether or not interest on the Notes is presently exempt from federal income taxation.

August 16, 2006

Truckee Meadows Water Authority, Nevada
1355 Capital Boulevard
Reno, Nevada 89502

\$160,000,000 (Maximum)
Truckee Meadows Water Authority, Nevada
Water Revenue Commercial Paper Notes
Series 2006A and Series 2006B

Ladies and Gentlemen:

We have acted as bond counsel to the Truckee Meadows Water Authority, Nevada (the "Authority") in connection with the issuance of its registered commercial paper notes designated as the "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A" and the "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B" (together, the "Notes") in the maximum combined aggregate principal amount of \$160,000,000 pursuant to an authorizing resolution of the Board of Directors of the Authority adopted on July 19, 2006 (the "Resolution"). In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Nevada (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Resolution.

Regarding questions of fact material to our opinions, we have relied upon the certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, and assuming there are no changes in applicable law after the date hereof and assuming continuous compliance with the covenants and the continued accuracy of the representations contained in the Authority's certified proceedings, other certifications furnished to us, and in the Issuance Request, in the form attached to the Resolution, delivered by the Authority on each date Notes are issued, it is our opinion as bond counsel that:

1. The Notes are valid and binding, special, limited obligations of the Authority payable solely from the Net Revenues and from funds and accounts pledged therefor under the Resolution.

2. The Resolution has been duly adopted by the Authority and constitutes a valid and binding obligation of the Authority.

3. The Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Notes, which lien is subordinate and junior to the lien thereon of Senior Lien Obligations now or hereafter outstanding and is on a parity with the lien thereon of the Parity Debt now or hereafter outstanding. Except as described in this paragraph, we express no opinion regarding the priority of the lien on Net Revenues or on funds and accounts created by the Resolution.

4. Interest on the Notes is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and interest on the Notes is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

5. Under laws of the State in effect as of the date hereof, the Notes, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the Authority pursuant to the Notes and the Resolution are subject to the application of equitable principles, 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 America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

We understand that Lloyds TSB Bank plc, acting through its New York Branch, has issued an irrevocable transferable direct-pay letter of credit relating to the Notes. We express no opinion as to the validity or enforceability of such letter of credit or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Offering Memorandum dated August 10, 2006 relating to the Notes or any other statements made in connection with any sale of the Notes or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership of the Notes, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

THE BANK

The information in this Appendix has been provided solely by the Bank for inclusion in this Offering Memorandum. This information has not been verified independently by the Authority or the Dealer. The Authority and the Dealer make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

**CERTAIN INFORMATION CONCERNING
WELLS FARGO BANK NATIONAL ASSOCIATION**

[To be provided by Wells Fargo Bank National Association/Chapman and Cutler LLP]

APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the County. It is intended only to provide prospective investors with general information regarding the Authority's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The Authority makes no representation as to the accuracy or completeness of data obtained from parties other than the Authority.

Population and Age Distribution

Population. The table below sets forth the population growth of the County and the State since 1970. Between 2000 and 2017, the County's population increased 33.1% and the State's population increased 49.4% over the same time period.

<u>Population</u>				
Year	Washoe County	Percent Change	State	Percent Change
1970	121,068	--	488,738	--
1980	193,623	59.9%	800,493	63.8%
1990	254,667	31.5	1,201,833	50.1
2000	339,486	33.3	1,998,257	66.3
2010	421,407	24.1	2,700,551	35.1
2011	421,593	0.0	2,721,794	0.8
2012	427,704	1.4	2,750,217	1.0
2013	432,324	1.1	2,800,967	1.8
2014	436,797	1.0	2,843,301	1.5
2015	441,946	1.2	2,897,584	1.9
2016	448,316	1.4	2,953,375	1.9
2017	451,923	0.8	2,986,656	0.8

Sources: United States Department of Commerce, Bureau of Census (1970-2010 as of April 1st), and State of Nevada Department of Taxation, Population Statistics and Reports (2011-2017 estimates as of July 1st).

Age Distribution. The following table sets forth a projected comparative age distribution profile for the County, the State and the nation as of January 1, 2018.

Age Distribution

Age	Washoe County	State of Nevada	United States
0-17	21.9%	22.7%	22.6%
18-24	8.9	8.8	9.7
25-34	14.5	14.0	13.4
35-44	12.4	13.4	12.6
45-54	12.7	13.2	12.9
55-64	13.2	12.4	12.9
65-74	10.5	9.7	9.4
75 and Older	5.9	5.9	6.5

Source: EA and Claritas, © 2018 by Environics Analytics (EA).

Income

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income Estimates⁽¹⁾

Year	Washoe County	State of Nevada	United States
2014	\$43,623	\$42,480	\$43,715
2015	43,766	44,110	45,448
2016	48,459	46,230	46,738
2017	48,320	47,914	48,043
2018	54,436	50,009	50,620

(1) The difference between consecutive years is not an estimate of change from one year to the next; separate combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Sources: © The Nielsen Company, *SiteReports*, 2014-2017, and EA and Claritas, © 2018 Environics Analytics (EA).

Percent of Households by Effective Buying Income Groups – 2017 Estimates

Effective Buying Income Group	Washoe County Households	State of Nevada Households	United States Households
Under \$24,999	19.4%	21.1%	22.3%
\$25,000 - 49,999	26.5	28.9	27.1
\$50,000 - 74,999	20.8	21.3	19.6
\$75,000 - 99,999	15.1	14.1	14.3
\$100,000 - 124,999	7.4	6.3	6.0
\$125,000 - 149,999	3.7	3.1	3.7
\$150,000 or More	7.1	5.2	7.0

Source: EA and Claritas, © 2018 by Environics Analytics (EA).

The following table sets forth the annual per capita personal income levels for the residents of the County, the State and the nation. Per capita personal income levels in the County have consistently exceeded state levels during the period shown.

Per Capita Personal Income

Year ⁽¹⁾	Washoe County	State of Nevada	United States
2012	\$42,734	\$39,178	\$44,267
2013	43,046	38,885	44,462
2014	44,778	40,490	46,414
2015	47,584	41,889	48,112
2016	49,711	43,567	49,246

(1) County figures posted November 2017; state and national figures posted September 2017. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The Washoe County average annual labor force summary as prepared by the State's Department of Employment Training and Rehabilitation ("DETR") is as follows:

Average Annual Labor Force Summary
Washoe County, Nevada

Calendar Year	2013	2014	2015	2016	2017
TOTAL LABOR FORCE	221,534	222,830	226,083	230,356	233,563
Unemployment	20,892	16,888	14,201	11,505	9,597
Unemployment Rate ⁽¹⁾	9.4%	7.6%	6.3%	5.0%	4.1%
Total Employment	200,642	205,942	211,882	218,851	223,965

(1) The U.S. unemployment rates for the years 2013-2017 were 7.4%, 6.2%, 5.3%, 4.9%, and 4.4%, respectively.

Sources: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation; and U.S. Bureau of Labor, Bureau of Labor Statistics.

The following table indicates the number of persons employed, by type of employment, in non-agricultural industrial employment in the Reno MSA, Nevada (Washoe and Storey Counties).

Establishment Based Industrial Employment
Reno MSA, Nevada⁽¹⁾
(Estimates in Thousands)

Calendar Year	2013	2014	2015	2016	2017
Natural Resources and Mining	0.3	0.2	0.2	0.2	0.3
Construction	10.0	11.6	13.0	14.6	16.8
Manufacturing	12.2	12.7	13.0	14.0	17.1
Trade (Wholesale and Retail)	30.5	31.0	31.8	32.2	33.0
Transportation, Warehousing and Utilities	13.2	14.6	16.1	18.0	19.3
Information	2.0	2.0	2.1	2.1	2.2
Financial Activities	9.5	9.5	10.0	10.4	10.5
Professional and Business Services	26.5	27.2	28.6	30.1	30.9
Education and Health Services	22.7	23.5	24.3	25.4	26.1
Leisure and Hospitality (casinos excluded)	19.9	20.6	21.6	22.6	23.6
Casino Hotels	14.7	14.7	14.5	14.4	14.2
Other Services	5.9	6.0	5.9	5.9	6.3
Government	<u>28.7</u>	<u>28.9</u>	<u>29.2</u>	<u>29.9</u>	<u>30.6</u>
TOTAL ALL INDUSTRIES ⁽²⁾	<u>196.0</u>	<u>202.5</u>	<u>210.3</u>	<u>220.1</u>	<u>231.0</u>

(1) Reno, NV Metropolitan Statistical Area consists of two counties: Storey and Washoe.

(2) Totals may not add due to rounding. All numbers are subject to periodic revision and are non-seasonally adjusted.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The table below lists the largest fifteen employers in the County. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the County.

Largest Employers - Washoe County, Nevada
As of 3rd Quarter - 2017

Employer	Employees	Industry
Washoe County School District	7,500-7,999	Public education
University of Nevada - Reno	4,500-4,999	University
Renown Regional Medical Center	3,000-3,499	Hospital
Washoe County	2,500-2,999	Local government
Grand Sierra Resort and Casino	2,000-2,499	Casino hotel
Peppermill Hotel Casino - Reno	2,000-2,499	Casino hotel
Silver Legacy Resort Casino	2,000-2,499	Casino hotel
St. Mary's Regional Medical Center	1,500-1,999	Hospital
International Game Technology	1,500-1,999	Manufacturing
Atlantis Casino Resort	1,500-1,999	Casino hotel
Nugget Casino Resort	1,000-1,499	Casino hotel
VA Sierra Nevada Health Care System	1,000-1,499	Hospital
City of Reno	1,000-1,499	Local government
United Parcel Service	1,000-1,499	Courier
Eldorado Hotel & Casino	900-999	Casino hotel

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table sets forth the firm employment size breakdown for the County.

Size Class of Industries⁽¹⁾
Washoe County, Nevada
(Non-Government Worksites)

CALENDAR YEAR	2 nd Qtr. 2017	2 nd Qtr. 2016	Percent Change 2016/2017	Employment Totals 2 nd Qtr. 2017
TOTAL NUMBER OF WORKSITES	14,369	14,688	(2.2)%	187,989
Less Than 10 Employees	10,627	11,104	(4.3)%	29,423
10-19 Employees	1,848	1,780	3.8	25,146
20-49 Employees	1,258	1,210	4.0	37,776
50-99 Employees	366	338	8.3	24,652
100-249 Employees	205	188	9.0	30,480
250-499 Employees	41	44	(6.8)	13,735
500-999 Employees	14	14	0.0	8,187
1000+ Employees	10	10	0.0	18,590

(1) Subject to revisions.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Retail Sales

Reno and Sparks are the center of a retail trade area that extends 300 miles eastward to Elko and Eureka, Nevada, 274 miles south to Goldfield, Nevada; Bishop and other Inyo County points in California, 100 miles west and northwest to Quincy, Westwood, Susanville, Truckee, Donner Summit and Lake Tahoe areas of California, and north 247 miles to Lakeview, Oregon. The following table sets forth a history of taxable sales in the County.

Taxable Sales in the County

Fiscal Year ⁽¹⁾	Washoe County Total	Percent Change	State Total	Percent Change
2013	\$5,824,726,136	--	\$45,203,408,413	--
2014	6,370,684,534	9.4%	47,440,345,167	4.9%
2015	6,817,588,648	7.0	50,347,535,591	6.1
2016	7,550,466,734	10.7	52,788,295,421	4.8
2017	7,989,009,111	5.8	56,547,741,530	7.1
Jul-Dec 2016	\$4,162,542,019	--	\$28,171,724,178	--
Jul-Dec 2017	4,381,662,641	5.3%	29,371,428,242	4.3%

⁽¹⁾ Fiscal year runs from July 1 to the following June 30.

Source: State of Nevada, Department of Taxation.

Construction

The following table sets forth a history of the number of building permits issued in Reno, Sparks and the unincorporated County, and their valuations.

Building Permits (Value Amounts in Thousands)

Calendar Year	City of Reno		City of Sparks		Unincorporated Washoe County		Total Washoe County	
	Permits	Value	Permits	Value	Permits	Value	Permits	Value
2011	5,570	\$255,160	2,078	\$ 92,320	1,502	\$ 68,417	9,150	\$ 415,897
2012	5,454	279,716	2,415	103,146	1,457	103,724	9,326	486,586
2013	6,670	417,313	2,451	140,404	1,597	144,750	10,718	702,467
2014	7,504	662,120	2,818	127,405	1,734	258,498	12,056	1,048,023
2015	8,859	683,068	4,107	232,268	2,119	230,791	15,085	1,146,127
2016	8,837	920,191	3,536	205,134	1,890	266,437	14,263	1,391,762
2017 ⁽¹⁾	9,546	905,258	4,079	477,641	[]	261,459	[]	1,644,358

⁽¹⁾ For Washoe County, data on the number of Building Permits issued in calendar year 2017 is currently unavailable.

Sources: Cities of Reno and Sparks Building Departments, and Washoe County Building Department.

Gaming

The economy of the State is heavily dependent upon a tourist industry based on legalized casino gambling. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State.

The County's gross taxable 2017 gaming revenue represents 7.3% of the State's total 2017 gaming revenue. The following table presents a five-year record of gross taxable gaming revenues and total gaming taxes collected on a State-wide basis and in the County.

<u>Gross Taxable Gaming Revenue and Total Gaming Taxes⁽¹⁾</u>						
Washoe County, Nevada						
Fiscal Year Ended	Gross Taxable Gaming Revenue ⁽²⁾		Percent Change	Gaming Collection ⁽³⁾		Percent Change
June 30	State Total	County Total	County	State Total	County Total	County
2013	\$10,208,528,371	\$743,348,616	--	\$892,106,457	\$61,641,555	--
2014	10,208,187,598	742,981,367	(0.05)%	912,371,316	61,093,103	(0.89)%
2015	10,511,495,144	765,119,036	2.98	909,857,085	61,900,579	1.32
2016	10,612,521,986	787,285,353	2.90	876,040,147	63,546,194	2.66
2017	10,964,359,982	805,553,225	2.32	874,777,727	64,328,725	1.23
Jul 16 – Jan 17	\$ 6,354,952,659	\$476,071,776	--	\$464,692,776	\$35,966,028	--
Jul 17 – Jan 18	6,644,319,375	504,385,579	5.95%	450,266,165	37,439,723	4.10%

(1) The figures shown are subject to adjustments due to amended tax filings, fines and penalties.

(2) The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).

(3) Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada, Gaming Control Board.

Convention Activity

The convention business is also an important factor in the area's economy. The Reno-Sparks Convention & Visitors Authority ("RSCVA") operates the Convention Center, the National Bowling Stadium (which is owned by the City of Reno and managed by RSCVA pursuant to an operating agreement), the Wildcreek Golf Course, the Livestock Events Center and the Reno Events Center. RSCVA owns the Incline Village Visitors Center, which is managed solely by private non-profit corporations. The Convention Center currently has 460,000 square feet of enclosed exhibition space and meeting rooms (approximately 381,000 square feet of exhibit space and 79,000 square feet of meeting rooms) plus 55,000 square feet of multi-purpose and pre-function space. The Reno Livestock Events Center primarily hosts equestrian-livestock events. The main buildings include the 60,000 square-foot Main Arena, the Exhibit Hall and the Livestock Pavilion, facilities for livestock, an outdoor Rodeo Arena, a Cutting Arena, 660 horse stalls, several warm-up areas, and parking facilities. The Reno Events

Center is a 118,000 square-foot building, including approximately 55,000 square feet of multipurpose space for concerts, sporting events, large dinners or small conventions and trade shows and approximately 5,000 square feet of flexible space for up to 10 meeting rooms/suites. In addition to the above, area hotels currently offer convention and meeting space.

Historical RSCVA Convention Facility Usage and Attendance

Fiscal Year	<u>Convention Center</u>		<u>Livestock Events Center</u>		<u>National Bowling Stadium⁽¹⁾</u>		<u>Reno Events Center</u>	
	<u>Number of Events⁽²⁾</u>	<u>Estimated Attendance</u>	<u>Number of Events</u>	<u>Estimated Attendance</u>	<u>Number of Events</u>	<u>Estimated Attendance</u>	<u>Number of Events</u>	<u>Estimated Attendance</u>
2013	102	422,042	100	282,357	80	190,791	56	147,489
2014	94	311,235	80	300,000	78	172,717	52	126,979
2015	97	278,213	70	302,413	93	75,684	49	100,015
2016	102	190,007	71	283,174	83	156,932	55	176,402
2017	110	277,959	75	315,350	112	40,313	54	157,800

(1) In each year, the National Bowling Stadium hosted national tournaments -- large events covering approximately four months.

(2) Includes all show activity (conventions, trade shows, public consumer shows, concerts and meetings).

Source: Reno-Sparks Convention and Visitors Authority.

Transportation

The Reno/Sparks area is located at a transportation crossroads. Interstate 80, which runs east-west, and U.S. 395, running north-south, provide adequate routes for trucking and personal transportation. The Union Pacific Railroad operates major rail lines through the County and offers connections to other major rail networks, providing both freight and Amtrak passenger service. Intermodal yards and container freight facilities are located in Sparks. Over 65 motor freight companies serve the Reno/Sparks market and there are approximately 25 licensed common carriers with terminals in Reno/Sparks.

The Reno-Tahoe International Airport (the "Airport") is a medium hub airport owned and operated by the Reno-Tahoe Airport Authority (the "Airport Authority"). The geographical area served by the Airport primarily encompasses the seven Nevada counties of Churchill, Douglas, Humboldt, Lyon, Pershing, Storey, and Washoe and the major cities of Reno, Sparks, and Carson City. The total air trade area for the Airport also includes the Lake Tahoe area and several communities in northeastern California. The Airport generates \$2 billion per year for the region according to an economic impact study released by the University of Nevada's College of Business in February 2012. In addition to the revenue, the study states that the Airport and the Reno-Stead Airport, a general aviation facility, generate 22,138 jobs in the state, making the airports a major economic driver for the region. Accordingly, the Airport Authority continues to plan and accommodate airport facility needs.

For calendar year 2017, the Airport served a total of 4,015,305 passengers, an increase of 10.0% over 2016. The rise in passenger traffic can be attributed to new flights and an increased seat capacity on certain routes. In addition, a growing regional economy is attracting more travelers to the region. The Airport also reported handling a total of 152,145,268 pounds of air cargo, a decrease of 2.7% compared to the best year recorded in 2016. The growth in industrial development areas such as the Tahoe-Reno Industrial Center continues to spur cargo growth in Northern Nevada.



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Andy Gebhardt, Operations and Water Quality Director
Marlene Olsen and Cammy Elquist LoRé, GoodStanding
DATE: April 9, 2018
SUBJECT: **Presentation on proposed Conservation, Communication and Outreach Plan for 2018, discussion, and possible direction to staff**

Report Highlights:

- *This plan combines all outreach activities of TMWA into one comprehensive communication plan (Summer Campaign, Water Leadership, and General/Internal Communications) and identifies all TMWA stakeholders. It anticipates all forms of communication: multimedia advertising, news coverage, direct customer messages in bills, social media, digital media, and website content.*
- *With water storage at capacity this year, a standard summer conservation plan will be in effect, according to the Water Resource Plan, with particular focus and emphasis on smart water use. See Smart About Water Summer Campaign Brief on page 9.*
- *The long-term goal of this Strategic Communications Plan is to establish high levels of regional water system and water resource management knowledge among all stakeholders.*

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TMWA Strategic Communications Plan

Summer 2018 - Spring 2019

Overview

Through an effective combination of regional governance, community ownership and operational expertise, TMWA plays a primary leadership role for the management of water resources in the Truckee Meadows. Although the recognition has served TMWA well, this strategic communications plan seeks to more intently fill this role by working collaboratively with other agencies on water management topics and issues. Through this dedicated focus, TMWA is committing to a communication strategy that provides needed education, elevates local stewardship, and encourages organizational collaborations that will enrich our community's knowledge of its water supply and our region's water resource management.

The 'Smart About Water' Framework

In 2017 the **Smart About Water** (SAW) communication framework was introduced with a summer campaign, fall event (*Smart About Water Day*), and winter exhibits that continue to circulate and that will serve as an educational message bridge into the 2018 summer campaign.

This year, message positioning within the SAW framework continues to focus on perceived issues identified in public research projects such as community growth, safeguards to our supply via the Truckee River Operating Agreement (TROA), and long-term water resource management. Accordingly, the long-term goal of this activity is to establish high levels of regional water-management knowledge among civic, political, and public stakeholders.

With continued education, stewardship and collaboration, four outreach focus areas have been identified. Each have tailored "Smart About Water" messaging to support, promote, and reinforce.

Outreach Focus

Smart About Water - Messaging Objectives

Leadership Network

To further inform the region's leaders, civic organizations, and engaged citizen groups about TMWA's water resource management and infrastructure stewardship from a community-level perspective

Conservation

To encourage smart water use that aligns with the region's demand-side projections at a user-level perspective





Employee Core

To ensure that workforce members are informed about water issues and recognized for their roles, their dedication, and the ownership applied as TMWA team members

Customers-as-Consumers

To make sure that customers know about the factors that may affect their bill statements, water rates, water service, or water quality

Annual Overview of Communication Tactics by Season

Engagement Tactics and Outreach Focus Areas		Core	Customer	Conserve	Leaders
	Advertising campaign: <i>Smart About Water</i>	√	√	√	√
	Electronic distributions: <i>From the Source</i> Employee newsletter (monthly) <i>Quality.Delivered.</i> Customer e-newsletter (quarterly) Social Media Posts Facebook (weekly)	√	√ √	√ √	√
	Info guide: Create onboarding guide and/or briefing for local candidates with information on TMWA and regional water resource management.				√
	Bill inserts / envelope backers: Monthly distribution will add an employee-focused <i>Snapshots of Service</i> info-element (# of service calls, etc.)	√	√	√	
	Workshops & tours: Sprinkler upkeep, landscape/garden tours		√	√	
	Owned event: <i>Smart About Water</i> community event		√	√	√
	Electronic distributions: Newsletters and social media	√	√	√	√
	Info guide: Update new employee onboarding and continued training with customer FAQs and resource management information	√			
	Program: Begin quarterly <i>Employee Recognition Program</i> (e.g. award a person from each department for going above and beyond in <i>mission-oriented</i> service)	√			
	Bill inserts/envelope backers: Monthly distribution will add an employee-focused <i>Snapshots of Service</i> info element (# of service calls, etc.)	√	√	√	
	Workshops & tours: Winterization, Chalk Bluff Plant tour, hydro plants		√	√	√
	Exhibit: <i>Smart About Water</i> year-in-review exhibits placed in high-traffic public areas		√		√
	Electronic distributions: Newsletters and social media	√	√	√	√
	Program: Establish media partnership for conservation educational programs			√	√
	Bill inserts / envelope backers: Monthly distribution will add an employee-focused <i>Snapshots of Service</i> info-element (# of service calls, etc.)	√	√	√	
	Program: <i>Employee Recognition Program</i>	√			
	Civic presentations: Topics include water supply outlook, infrastructure projects		√	√	√
	Electronic distributions: Newsletters and social media	√	√	√	√
	Workshops & tours: Irrigation, landscape, drip systems, Glendale tour		√	√	√
	Community events: Earth Day			√	
	Info guides: Updates of employee training and elected officials guides	√			√
	Bill inserts / envelope backers: Monthly distribution will add an employee-focused <i>Snapshots of Service</i> info-element (# of service calls, etc.)	√	√	√	
	Program: <i>Employee Recognition Program</i>	√			

Tactics and Messaging: Leadership Network

Partners ■ Gov't Agencies ■ Elected Officials ■ Civic and Professional Orgs ■ Schools

Further inform regional leaders, civic organizations, and engaged citizen groups about TMWA's water resource management and infrastructure stewardship from a community-level perspective.

Tactics and Deployment Examples

- **Paid advertising:** Include a creative brief for the 2018 Summer Campaign with "Smart About Water" messaging from a community resource management perspective.
- **Group presentations:** Demonstrate more complex topics or important seasonal updates to civic and professional groups.
- **Direct outreach:** When needed, information is sent direct to leaders in the community.
- **Owned events:** Leverage events such as Smart About Water Day in the fall and a potential smaller spring start-up event to educate the community.
- **Educational exhibits:** Display an annual recap of activity within the plan framework and overarching commentary.
- **Partnership coordination:** Engage with key community partners to distribute messaging and materials on partner-owned channels.
- **Elected official info guide:** Provide up-to-date information about TMWA such as customer service area, planned capital improvements, rate payer comparisons, conservation programs, water resource management strategies, drought contingency plans, and other relevant aspects.
- **Elected official tours:** Provide tours of water treatment facilities and hydroelectric generation plants.

Message Points to Reinforce

1. **TROA and drought contingency:** Plan for the worst (climate change) and TMWA is prepared to provide consistency in service.
2. **Growth and conservation:** As the service area expands, conservation helps the overall conjunctive-use strategy (e.g. delivering surface water to places previously more reliant on groundwater, letting aquifers recharge and allowing for more longer-term storage options.)
3. **Long-term planning:** Solid choices and negotiations of past community and utility leaders/leaders have made possible present-day water resource management strategies.

Media Frequency

Monthly Features	Quarterly or Seasonal Features	One-Time Feature
Newsletter	Paid summer campaign Group presentations Educational exhibits Events	Media publicity As-needed direct communication

Tactics and Messaging: Conservation

Residential Customers ■ Commercial Customers

Encourage smart water use (from a user-level ecology perspective) that aligns with the region's water resource projections.

Tactics and Deployment Examples

- **Paid advertising:** Include a creative brief for the 2018 Summer Campaign, with "Smart About Water" messaging from an individual user perspective.
- **Owned channels:** Use to raise awareness about events, videos, tours, workshops and programs.
- **Owned events:** Produce informative events such as Smart About Water Day in the fall, spring workshops, and tours.
- **Community events:** Create interactive opportunities at appropriate large community events (e.g., Earth Day).
- **Partner program:** Consider a community organization and media partnership to educate the public about conservation programs.
- **Publicity leverage:** Invite a media or high-profile personality to fix something in their home by using one of TMWA's videos.

Message points to reinforce

1. **Smart water use is commonplace:** Regardless of record snow years or "Miracle March" months, smart water use is not a seasonal phenomenon: it's "how we roll."
2. **Smart water use is our expression of stewardship:** Celebrate how the community continually has stepped up over the years.
3. **TMWA conservation programs help customers stay resourceful:** There's always something to learn about or fix within the home to make it water efficient.

Media Frequency

Monthly Features	Quarterly or Seasonal Features	One-Time Feature
Social media Bill Inserts/envelope backers Partner program—TBD	Paid summer campaign Workshops and tours Owned events Community events YouTube channel	Media publicity—TBD

Tactics and Messaging: Customers-As-Consumers

Residential Customers ■ Commercial Customers

Ensure that customers know about factors that may affect their bill statements, water service, or water quality.

Tactics and Deployment Examples

- **Owned events:** Ensure that billing and water quality information are available at owned public events. Inform customers regarding infrastructure status and needed forthcoming investments.
- **Owned channels—bill inserts:** Use to communicate details of planned infrastructure projects and educate on programs and tactics that can help customers conserve and save. Provide link access to water quality reports.
- **Owned channels—e-newsletters:** Use to communicate details on infrastructure projects, supply updates, and events. Educate on programs and tactics that can help customers conserve and save. Inform customers regarding infrastructure status and needed forthcoming investments. Provide link access to water quality reports.
- **Owned channels—social media:** Use to inform customers about workshops, tours, infrastructure projects, and employee highlights. Leverage digital format to provide helpful links to water quality update map and reports.
- **Direct email or phone call:** Use to update customers on unplanned water service interruptions and/or upgrades.

Message Points to Reinforce

1. **System upkeep is a normal part of any utility operation.** As in any system with moving parts, regular maintenance and infrastructure investment normally keep everything running smoothly. Sometimes, temperatures or unexpected forces can cause unexpected breakdowns.
2. **TMWA crews ready 24/7, 365 days a year.** Our teams get there as soon as possible after we are notified of problems and will work until all customers have water service restored.
3. **Water quality through diligence.** Reinforce TMWA's diligence in delivering high-quality water (i.e., 1,000 tests per month).

Media Frequency

Monthly Features	Quarterly or Seasonal Features	As Needed Feature
Bill inserts	E-newsletters	Social media
Envelope backer	Events	Direct email or phone call
Bill copy messages		New customer packets

Tactics and Messaging: Employee Core

Staff ■ Management ■ Bargaining Leaders

Ensure that the workforce is informed about water issues and is recognized for their roles, their dedication, and the ownership applied as a team member of TMWA.

Tactics and Deployment Examples

- **Owned channels:** Give monthly, casual recognition of those who are excelling in their performance or coming upon key professional milestones. Feature in *From the Source* employee newsletter and system wide-emails.
- **Recognition Program:** Formalize quarterly organization-wide recognition of employees who go above and beyond for *Quality. Delivered.*
- **Internal operational materials:** Ensure that on-boarding and training materials include common community concerns for Customers-As-Consumers; Resource Conservation; Water Resource Management.
- **Owned channels:** Include information on employee service levels in a stylized info bite (## service calls, ## breaks fixed, etc.). Feature in *external* newsletters or envelope backers.

Message Points to Reinforce

1. **TMWA's employees directly contribute to our community's quality of life.** TMWA's employee base provides the 24/7 dedication and grit that dependably delivers high-quality water to homes and businesses around the Truckee Meadows.
2. **TMWA's workforce has a solid legacy of doing the right thing.** TMWA's employees (current and past) know that the region is a special place to live and that work done over the years has helped ensure it stays this way through innovative solutions, foresight, and prudent investments.
3. **TMWA's workforce skillset is robust.** From engineers to scientists to maintenance and machinery technicians, TMWA's work force has the right skills to get the job done.

Media Frequency

Monthly Features	Quarterly or Seasonal Features	One-Time Feature
Internal newsletters Customer billing	Paid Summer Campaign Employee recognition	Video interviews Media publicity

The 2018 Summer Campaign

Employee Core ■ Conversation ■ Water Leadership

"Smart About Water" Key Themes and Facts

The campaign weaves together messages from each outreach focus area with recurring themes:

- **Water supplies are sufficient.** Reassure the community that our supplies are sufficient in accordance with the Water Resource Plan and reinforce the resiliency of our water system.
- **Conservation is timeless.** With successful assigned-day watering since the mid-1980s, community stewardship helps our system respond to extreme weather realities. Our established conservation programs further empower customers to keep home systems efficient and water bills low.
- **Growth is in sight.** Considering growth projections, increased water demand, and snowpack fluctuation, water resource management is an important part of TMWA operations. Leveraging TROA storage and conjunctive use strategies together offers a solid approach for serving the region.
- **Reinforce 'Smart About Water' facts.** Watering days & times, water-quality testing, drought planning, reserves stored, hydroelectric benefits, growth/water rights, and key infrastructure projects.

Deliverable Formats and Channels: *Print, Radio, TV, Social, Web, Distributed Collateral*

The campaign will rotate a series of ads to reach our target audiences: Web formats will be most varied, followed by print, radio, and TV. Distributed collateral will be unique to each format (e.g., monthly bill stuffer copy, e-newsletter). The media buy will integrate paid space and sponsorships with added value requirements for each buy (addl. space, website content, on-air contests, etc.).

Target Audiences: *Customers 25+, Community Leader Network*

In addition to traditional advertising, we will continually refine demographic targeting for our online ad buy. Channels may include news websites, high-impact local news videos, geo-tagged search engine advertising, and online activity categories via social media.

Tone: *Neighborly, responsive, unassuming, collaborative, capable, prudent*

We have established high levels of trust with our customers, not only through consistent levels of service over the years, but also through a proactive, responsive approach to managing customer relationships. The direct connection of water to residents' quality of life is important and an underlying tenet of stakeholder expectations and interaction. We will build on the Smart About Water Facts campaign and creative from 2017.

Timing of Campaign Deliverables

Conservation exhibits: May 30–July 2

Paid space: May 28–September 14

Bill stuffers/envelope backers: May, June, July, August, September

E-Newsletter: July

TMWA Internal and External Stakeholders Map and Matrix

The Stakeholder Map below is a categorized list of TMWA’s stakeholder community. This graphic, subject to change over time, is intended to reasonably and comprehensively represent the internal and external stakeholders we serve, affect, and interact with. The blue dividing line is meant to bring additional context to “Critical Affiliation” stakeholder groups (above the line) and “Relative Affiliation” stakeholder groups (below the line).

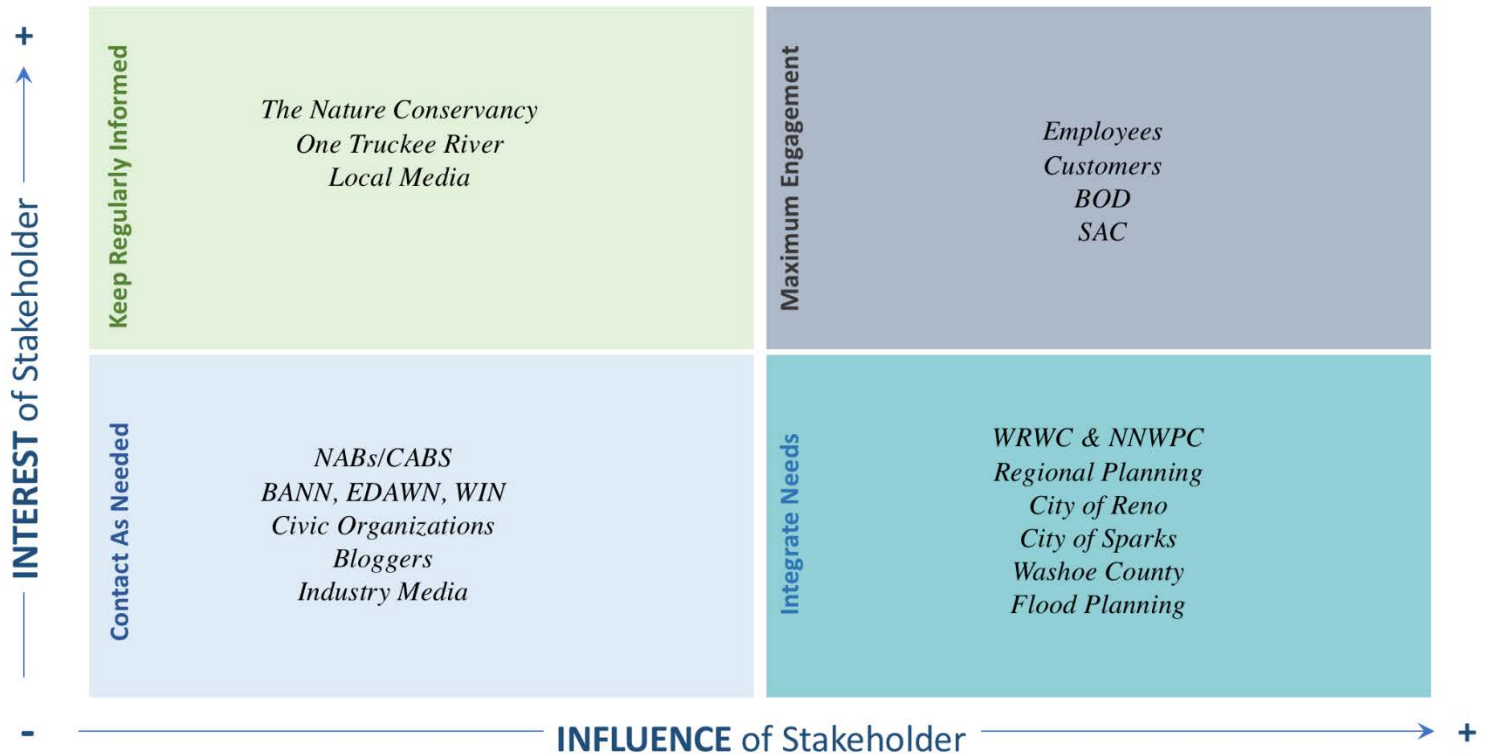


This map is a visual guide to comprehensively assess and prioritize audiences and their requirements of TMWA, as water communication needs shift with the seasons and years. The context of water-year realities, demand-side expansions, infrastructure updates, TMWA operations, and community sentiment will help guide how this map applies to our communication needs. A communications plan to address all *critical and relative affiliation* stakeholder groups on this graphic would certainly exceed the time, funds, and energy available nor would it be necessary to try. Therefore, we will instead update a Prioritization Matrix to help guide engagement strategies.

Prioritization Matrix of Key Stakeholder Audiences for 2018

In the context of the 2018 Communication Plan, the following matrix identifies key stakeholder groups that will help TMWA assign outreach prioritization that are important to stay closely connected to for establishing high levels of regional water-management knowledge among civic, political, and public stakeholders.

These stakeholder groups below may be partners in community events, presentations, or audiences of paid campaigns, or focus groups for other public relations efforts.



For example, beyond paid campaigns and direct mail outreach, we will continue to employ the following types of tactics to stay engaged with high-priority stakeholder groups:

- We will invite WRWC, NNWPC, the Nature Conservancy, and similar partners to display and present during the October Smart About Water Day.
- We will continue to present spring water-year updates to our SAC and local NABs/CABs.
- The General Manager will continue to prioritize direct correspondence with SAC and BOD members regarding TMWA's community outreach events.
- Local media is and will continue to be an ongoing relationship.

In 2018, we will employ similar and expanded levels of inclusion to explore ways to include and/or integrate our priority stakeholders into TMWA's activities.

Overview of TMWA's Marketing Channels

The following are TMWA's current inventory of controlled marketing channels, in order of distribution frequency. Content structure will be adjusted to accommodate tactical shifts in communication objectives or in the way the public utilizes the channel itself.

TMWA Facebook Page

Audience: Community
 Frequency: Weekdays
 Distribution: Facebook
 Content: + Links to educational or informational content
 + Links to workshop information and signup pages
 + Promotion of TMWA and community partner events
 + Employee highlights

From the Source Newsletter

Audience: Employee
 Frequency: Monthly
 Distribution: Email
 Content: + Updates from Board of Directors meeting
 + Spotlight from a mid-level-manager perspective on interesting projects or service calls
 + Employee milestones section to announce upcoming retirements, promotions, or other types of recognition warranted

Quality.Delivered Newsletter

Audience: Customers
 Frequency: Monthly
 Distribution: In billing statements and online
 Content: + Updates from Board of Directors meeting
 + Features Employee *Snapshots In Service*
 + Updates on snowpack and water storage
 + Notices about upcoming workshops
 + Updates on Water Quality Reports
 + Updates on large-scale projects and improvements
 + Tips on conservation and lowering bills
 + In-depth topic education and/or analysis when needed
 + Pertinent community news or partner announcements
 + Contact information, hours, and planned holiday closures

Bill Envelope Backers

Audience: Customers

Frequency: Monthly

Distribution: With bill statements

Content: + Quick spotlight on key topics

+ Reinforcing call-to-action when needed (e.g. Start of 3x per week watering)

YouTube Channel

Audience: Community

Frequency: Topic-dependent

Distribution: Social media, newsletters, TMWA websites

Video Content: + Do-it-yourself home water system projects

+ Spotlight on major infrastructure accomplishments

+ In-depth analysis on key topics or relevant historical perspectives

'Smart About Water' Website

Audience: Community

Frequency: Updated with Summer Campaign

Distribution: n/a

Content: + A quick-consumption complement to information featured on TMWA.com

+ Home of "Smart Facts" for summer campaign

-> Water quality

-> Water system

-> River operations (TROA)

-> Water use

-> Assorted fun facts



STAFF REPORT

TO: Board of Directors
FROM: Mark Foree, General Manager
DATE: April 9, 2018
SUBJECT: General Manager's Report

Attached please find the written reports from the Management team including the Operations Report (*Attachment A*), the Water Resource and the Annexation Activity Report (*Attachment B*), and the Customer Services Report (*Attachment C*).

Included in your agenda packet are press clippings from March 15, 2018 through April 11, 2018. Also, two *Tell the Board Submissions* were received: 1) by a customer complaint regarding a water leak on their property. Staff visited the customer numerous times to address the issue and found two leaks, one on the customer side of the meter and one on TMWA's side. TMWA's crew repaired the leak on TMWA's side of the meter; and 2) a customer expressing their desire that TMWA not sell the Farad property and to ensure it remains a public park. Another letter was received from two renters in Reno expressing their concern with multiple issues related to increasing rental rates and fiscal responsibility within the City of Reno.

Water Project Review Update: Meetings regarding changes to NAC regulations are ongoing.

Positions from which employees have retired and their last day worked in FY 2018 thus far are:

Treatment & Water Quality Manager	September 29, 2017
Water Plant Operator III	January 31, 2018
Senior New Business Engineer	April 6, 2018



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
BY: Bill Hauck, Senior Hydrologist
DATE: April 09, 2018
SUBJECT: April 2018 Operations Report

Summary

- Snowpack got a tremendous boost during the month of March
- This salvaged the winter of 2017-2018 which started out exceptionally dry (Dec-Feb)
- All Truckee River reservoirs including Lake Tahoe will fill once again this year
- Projecting normal Truckee River flows for the remainder of 2018 and beyond
- TMWA is positioned extremely well and the water supply outlook is once again excellent
- Hydro revenue for March 2018 was \$316,452

(A) Water Supply

- **River Flows** - Truckee River flows at the CA/NV state line were approximately 4,700 cubic feet per second (CFS) this morning. River flows are still elevated because of a significant winter storm event that dropped several inches or more of rainfall in the watershed over the weekend.
- **Reservoir Storage** - The elevation of Lake Tahoe is currently 6228.77 feet. This is 0.33 feet below its legal maximum storage elevation of 6229.10 feet. In addition to Donner and Independence lakes, all federally-owned and operated reservoirs are still at their respective wintertime operating elevations. Storage values as of 4/09 are as follows:

Reservoir	Current Storage (Acre-Feet)	% of Capacity (Percent)
Tahoe	704,000	95%
Boca	32,040	78%
Donner	6,455	68%
Independence	14,197	81%
Prosser	12,900	43%
Stampede	209,770	93%

Besides the storage in Donner and Independence lakes, TMWA has approximately 10,175 acre-feet of water stored between Boca and Stampede Reservoirs under the terms of TROA. TMWA's combined back-up reservoir storage between Donner and Independence lakes and TROA is approximately 29,600 acre-feet as of this morning.

- **Snowpack** - The official NRCS snowpack surveys in both the Lake Tahoe and Truckee River basins ended up at 75% of normal. This is quite amazing considering that the months of December, January, and February were exceptionally dry. By mid-February, Sierra snowpack was close to record-low levels and most experts were ready to write the winter of 2017-2018 off. But the month of March came in like a lion bringing several major winter storms to the Sierra and twice the amount of precipitation normally seen, boosting snowpack levels two to three times where they were at the start of the month and changing the projected gloomy streamflow runoff forecast to something just about average.
- **Outlook** - The exceptionally dry winter of 2017-2018 was salvaged by the month of March which brought precipitation in excess of 200% of normal to the Sierra, boosting snowpack levels two to three times where they were at the end of February. This was a significant turn-around for our water supply. While the official NRCS snowpack numbers for the year will go down as below-average, the runoff forecast is bright with just about normal springtime streamflow projected for the Truckee River. With normal runoff once again and full reservoir storage upstream (two years back to back) this region is positioned extremely well from a water supply perspective for 2018 and beyond.

(B) Water Production

Demand - Customer demands are still at wintertime lows but are beginning to climb upward with the onset of warmer weather. Consumption averaged 37 MGD last week and recharge averaged 2 MGD. Surface water made up approximately 95% of TMWA's raw water supply and groundwater the other 5% from production wells located throughout TMWA's service territory.

(C) Hydro Production

Generation - Average Truckee River flow at Farad (CA/NV state line) for the month of March was approximately 1,050 CFS. All three of TMWA's hydro-power plants were on-line and 100% available during the month. Statistics for the month are as follows:

Hydro Plant	Days On-Line	Generation (Megawatt hours)	Revenue (Dollars)	Revenue (Dollars/Day)
Fleish	31	1,598	\$ 115,812	\$ 3,736
Verdi	31	1,556	\$ 111,767	\$ 3,605
Washoe	31	1,224	\$ 88,873	\$ 2,867
Totals	93	4,378	\$ 316,452	\$ 10,208



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Manager, Water Resources
DATE: 11 April 2018
SUBJECT: **Report Water Resources and Annexation Activity**

RULE 7

Rule 7 water resource purchases and will-serve commitment sales against purchased water resources through this reporting period:

Beginning Balance	5,331.13 AF
Purchases of water rights	0.00 AF
Refunds	0.00 AF
Sales	— 88.26 AF
Adjustments	0.00 AF
Ending Balance	5,242.87 AF

Price per acre foot at report date: \$7,600

WATER SERVICE AREA ANNEXATIONS

There have been no annexations since the date of the last report.



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Marci Westlake, Manager Customer Service
DATE: April 18, 2018
SUBJECT: **March Customer Service Report**

The following is a summary of Customer Service activity for March 2018

Ombudsman

Customer called and has been having problems making payments through the Interactive Voice Response (IVR). TMWA researched the issue and resolved it.

Customer called and requested a TMWA representative speak at an AARP presentation. Request passed to Sonia Folsom.

Customer called regarding our March insert letting us know that it was wrong and not representative of the current snowpack. March insert was created and sent before the March storms that significantly increased the snowpack.

Communications

Customer outreach in March included:

- Chuck Swegles presented to the Davidson Academy about public water usage and 2 people attended.
- Brent Eisert and Kelli Cecil had a presentation for Northern Nevada Electrical Training Center for hydro generation and electrical at the Verdi Hydro Plant and 20 people attended.
- John Enloe was at the Reno City Council meeting for Ward 5 NAB Presentation regarding Truckee Meadows water issues and 10 people attended.
- Chuck Swegles and Lauren Kunin had an Irrigation System Startup Workshop and 10 people attended.
- Joe Stokes gave a tour about water treatment to the UA Local 350 Apprenticeship program to 16 people.

Conservation (January 1 – March 31)

- 3 Water Watcher Contacts
- 270 Water Usage Reviews

Customer Calls – March

- 7,420 phone calls handled
- Average handling time – 4 minutes, 10 seconds per call
- Average speed of answer – 17 seconds per call

Billing – March

- 127,333 bills issued
- 6 (<.1%) corrected bills
- 16,586 (13.0%) customers have signed up for paperless billing to date.

Service Orders –March (% is rounded)

- 6,815 service orders taken
- 3,602 (53%) move-ins / move-outs
- 602 (9%) cut-out-for-non-payment and cut-in after receiving payments, including deposits and checks for tamper
- 847 (13%) zero consumption meter checks
- 306 (5%) re-read meters
- 587 (8%) new meter sets and meter/register/ERT exchanges and equipment checks
- 335 (5%) problems / emergencies, including cut-out for customer repairs, dirty water, no water, leaks, pressure complaints, safety issues, installing water meter blankets, etc.
- 82 (1%) high-bill complaints / audit and water usage review requests
- 454 (6%) various other service orders

Remittance – March

- 26,777 mailed-in payments
- 26,380 electronic payments
- 31,168 payments via RapidPay (EFT)
- 16,733 one-time bank account payments
- 6,361 credit card payments
- 3,257 store payments
- 1,972 payments via drop box or at front desk

Collections –March

- 11,948 accounts received a late charge
- Mailed 7,602 10-day delinquent notices, 5.9% of accounts
- Mailed 966 48-hour delinquent notices, 0.7% of accounts

- 138 accounts eligible for disconnect
- 142 accounts actually disconnected (including accounts that had been disconnected for non-payment that presented NSF checks for their reconnection)
- 0.06% write-off to revenue

Meter Statistics – Fiscal Year to March 31

- 0 meter retrofits completed
- 1,052 meter exchanges completed
- 1,607 new business meter sets completed
- 124,422 meters currently installed



TMWA Board Meeting

Wednesday, April 18, 2018

Press Clippings

March 15, 2018 – April 11, 2018



Ask Joe: What's happening with the old River Inn property?

by Joe Hart



river inn.jpg

AA

Reno, NEV. —

Thursday's Ask Joe question: Kim Toulouse asks what's being done to clean up the old River Inn in on West Fourth Street?

Here's what I found out:

The River Inn has been empty for as long as I can remember. Back in the 1920 s the property was known as Lawton Hot Springs. Then in the 70's it was renamed the River Inn. It was purchased for a couple of million dollars by a California developer in 1979 but after that the history gets a little murky. More big plans surfaced in the early 1980's but those plans fell through as apparently some of the partners involved either didn't get along or didn't pay their bills.

There have been some plans since then but nothing more than that so the building continues to sit empty. The property is still owned by that California development group and it is used by police on occasion for SWAT training but that's about it. It is now fenced off and there are no current code enforcement violations.

So that's the history and that's pretty much the current story as well. The River Inn sits on land that has been annexed by the city so it is now within Reno city limits. It is definitely in the flood zone sitting so close to the Truckee River and also the Union Pacific railroad tracks run right along the front of the property so those could be obstacles to any future development. The city is hoping as our housing market heats up someone will come along and decide to do something with that property. But there is nothing in the pipeline right now.

Thanks to Kim for sending in that question and to Alex Woodley with the city of Reno for digging up some of that information for us!

It might flood around Reno and Tahoe. Here's where to get sandbags

Reno Gazette-Journal Published 7:01 a.m. PT March 21, 2018 | Updated 7:05 a.m. PT March 21, 2018



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(Photo: JASON BEAN/RGJ, RENO GAZETTE-JOURNAL-USA TODAY NETWORK)
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Several days of rain are forecast, which could bring flooding. Reno-Tahoe communities offer sandbags to residents.

These locations supply bags and sand. Shovels are available at some, but bring your own just in case.

RGJ Investigates: [Reno knew Lemmon Valley would flood, allowed development anyway](#)

More: [Another wave of rain, snow on the way to Reno-Tahoe](#)

WASHOE COUNTY

For non-emergency stormwater help, dial 311 from any phone. Non-emergencies include rising water on a road, water in your home or if water is keeping you out of your home.

The following [locations will have sandbags available](#):

- * Truckee Meadows fire station #223 at 130 Nectar St., Lemmon Valley
- * Lemmon Drive and Pompe Way intersection, Lemmon Valley
- * Blue Heron Circle and Warrior Lane intersection, Belli Ranch
- * Truckee Meadows fire station #30 at 3905 Old Highway 395, Washoe Valley
- * Truckee Meadows fire station #16 at 1240 Eastlake Blvd., Washoe Valley
- * Washoe County Operations Yard, 3101 Longley Lane, Reno
- * Highland Ranch Parkway, 1 mile west of Pyramid Highway, Sparks
- * Andrew Lane and Paddlewheel Lane intersection, Pleasant Valley

TRUCKEE

- * Fire Station 92, 11473 Donner Pass Road
- * US Forest Service parking lot, 10811 Stockrest Springs Lane

LYON COUNTY

- * 56 Red Rock Rd, Mound House (fire station)
- * Dayton Toll Rd, Silver City at the Y of State Route 341 and State Route 342
- * 200 Lakes Blvd, Dayton (front gate)
- * 460 Dayton Valley Rd, Dayton (fire station)
- * 404 Keystone Ave, Mark Twain (utilities building)
- * 8105 U.S. 50, Stagecoach (community center at Cheyenne Tr.)
- * Animal Services, U.S. 50, Silver Springs

SOUTH LAKE TAHOE

Residents can fill bags from 7:30 a.m. to 4 p.m. Monday through Friday. Bags, sand and shovels are provided at two locations:

- * South Lake Tahoe public works yard, 1160 Rufus Allen Blvd.

- * South Lake Tahoe fire station #3 at 2101 Lake Tahoe Blvd.

Thirteen months after a record winter flooded Swan Lake in Lemmon Valley, homes remain surrounded by water. Jason Bean and Anjeanette Damon/RGJ

Committee to Vote on Ballot Question's Flood Control Language

March 15, 2018 Carla O'Day



Image: Truckee River Flood Management Project.

A flood control committee is expected to request Washoe County commissioners approve a question for November's general election ballot that would ask voters for an increase in property taxes to pay for flood management projects.

The Truckee River Flood Control Project Needs Committee asked its staff on Thursday to clarify the question's language and make more interpretable to the public before commissioners review it.

General counsel Michael Wolz said he'd tweak the language and have the Washoe County District Attorney's office review it before bringing it back to the committee on March 29 for a vote.

If approved, voters can expect to see an increase of 2.16 cents per \$100 of assessed property valuation. The tax would be effective up to 30 years from issuance of bonds and would terminate when bonds are retired, according to the committee.



Flood waters in Lemmon Valley. Image: Washoe County.

This property tax increase will raise about \$400 million, which could potentially secure an additional \$182 million in federal funding.

Anticipated uses of the funds are as follows:

- Final engineering, design, and permitting of the flood protection project
- Construction of levees and flood walls along the Truckee River
- Widening of the Truckee River Channel at the Vista Narrows
- Terracing and environmental restoration along the Truckee River
- The elevation of homes within the home elevation project boundaries
- Downstream mitigation project planning, design, and construction

The need for this project was illustrated by the 1997 flood that caused damage in excess of \$1 billion, which the committee said is the equivalent of annual damages estimated to range from \$22 to \$52 million.

RELATED: County Approves Medical Cannabis Dispensary for Spanish Springs

Committee chairman Bob LaRiviere said the question needs to be more more readable and layman-friendly. The first sentence should ask voters if they'd support a property tax increase if they knew a \$400 million project was going to happen, he said.

"It was my understanding we were going to set the stage for an introduction of, 'Would you pass this if...' All of a sudden, you jump into this (bureaucratic jargon)," LaRiviere said. "(If I'm an average member of the public) I don't know anything about this. I don't know what the project is. I don't know how much it would cost."

Committee consultant John Sherman said such details were provided in the exp

LaRiviere said people may or may not take the time to read an explanation.

"My understanding was that we were going to put that preamble in (the question). Is that correct?" LaRiviere asked. "Don't you want to capture them on the question?"

Fellow committee member Marge Frandsen agreed.

"As a person who's participated in writing pros or cons to ballot questions in the past, I can tell you you're absolutely right," Frandsen said. "Very few people read the explanation."

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Lake Tahoe snowpack doubles in March — and more on the way



Claire Cudahy
March 21, 2018

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Claire Cudahy / Tahoe Daily Tribune |

The snowpack in the Tahoe Basin more than doubled thanks to a series of storms during March. As the Tahoe Basin prepares for another winter storm, this month appears to have the makings of a "Miracle March."

On March 1, snowpack in the Tahoe Basin was around 28 percent of the median water content, according to the Natural Resources Conservation Service (NRCS).

After weathering several storms — including one last week that brought more than 4 feet of snow in 48 hours to some Lake Tahoe ski resorts — the percentage has jumped to 63 percent of the median as of March 20.

"It's more than doubled," said Jeff Anderson, NRCS hydrologist. "We've seen a great recovery, not quite up to the 1991 standards of a Miracle March, but certainly headed in that direction, and with another big storm coming we could reach that level."

The term "Miracle March" was coined in 1991 during what was on course to be the driest winter on record following a seven-year drought.

According to Tribune archives, ski resorts were preparing to pack up shop when a series of snowstorm starting on March 1, 1991 delivered 50 inches of snow, and it kept coming for the rest of the month.

RECOMMENDED STORIES FOR YOU

[South Lake Tahoe Polar Plunge rescheduled](#)



[Close competition marks final USASA slopestyle event at Sierra](#)

Snowpack went from 17 percent of normal on March 1 up to 79 percent on April 1.

"Before we started getting those smaller storms toward the end of February our snow levels were very similar to '91 in the Tahoe Basin," explained Anderson. "We're going from basically some of the lowest on record for those dates, so it's been a great March and there is more to come. Hopefully it comes as snow not rain."

As of Tuesday, the lake level was at 6,228.26 feet, 5.26 feet over its natural rim and 0.84 feet from the maximum legal limit.

A winter storm watch is in effect for the greater Lake Tahoe area from Wednesday afternoon through late Thursday night above 7,000 feet, according to the National Weather Service.

Total accumulation of 2 – 3 feet is anticipated mainly above 7,500 feet, with possible localized amounts of 4 feet near the crest. Six to 12 inches may fall down to 7,000 feet.

TMWA to Help Fund Water Innovation Campus

March 21, 2018 Carla O'Day



Funds for the new Nevada Water Innovation Campus and dollars to support pilot testing operations at local reclamation facilities were approved Wednesday by the Truckee Meadows Water Authority (TMWA) board.

The Nevada Water Innovation Campus will get \$25,000 annually the next 3 years from the utility, along with a one-time payment of \$97,707 for work at the South Truckee Meadows Water Reclamation Facility and the Reno/Stead Water Reclamation Facility.

John Enloe, TMWA director of natural resources, planning and management, said the seed money will help the University of Nevada, Reno get the innovation campus started.

"The innovation campus has been working with the Regional Effluent Management Team, helping us with the advanced water treatment pilot studies and so forth," Enloe said. "I want to make it clear that all the entities are funding different pieces of this effort."

Enhancing community awareness and consumer understanding about water issues, educating the next generation of water professionals, and creating a local water research activity hub are among objectives of the water innovation campus.

Washoe County, Reno, Sparks and the Western Regional Water Commission also plan to help fund the innovation campus, which will also study the feasibility of expanding water recycling locally.

Money going toward the reclamation plants will assist Washoe County, Reno, and TMWA staff with the assembly, start-up, and optimization of advanced water treatment technologies. A regional indirect potable reuse feasibility study is part of the plan.

Work at the reclamation facilities will include the following:

- Assisting undergraduate and graduate students in optimizing the conventional filtration and Ozone-Biological-Activated-Carbon (O3-BAC) treatment processes
- Installing and trouble-shooting instrumentation, and assisting to create, conduct and oversee all analytical protocols
- Evaluating energy consumption for the proposed treatment unit processes compared to reverse-osmosis based systems
- Assisting with procurement of treatment equipment and assembly of a research trailer, housing ultra-violet disinfection, granular activated carbon, and chlorine dioxide treatment equipment in preparation of relocating the advanced water treatment technologies to Reno-Stead facility next year
- Assisting with the development and creation of educational components within the research trailer, including visual and hands-on displays to enhance public education and engagement



Truckee Meadows Water Authority Board Vice Chair, County Commissioner Vaughn Hartung.

Washoe County Commissioner Vaughn Hartung said there's no way to determine what the water supply will be like years, or even decades, from now. Working with the innovation campus is the best path forward, he said.

"This gives us the opportunity to have resiliency in our system, instead of treating water to a very low standard and hoping it percolates into the ground or evaporates, or we get rid of it in the river and hope our loads aren't too high," Hartung said. "We're actually coming to a point where we can reuse that water in our system."

Only on RGJ: Eldorado 'conducting feasibility study' on small water park in downtown Reno

[Mike Higdon](#), mhigdon@rgj.com Published 4:56 p.m. PT March 20, 2018 | Updated 8:59 p.m. PT March 20, 2018



(Photo: City of Reno)
CONNECTTWEETLINKEDINCOMMENTEMAILMORE

Eldorado Resorts Inc. applied for a [special use permit](#) to build a 1.95-acre water park northwest of the Circus Circus. The block is currently a flat parking lot between the Saint Mary's Regional Medical Center and the Circus Circus' parking garages.

"We are currently conducting a feasibility study of a water park for our Reno Tri-Properties to determine the future potential of such a project," Anthony Carano, chief operating officer at Eldorado Resorts, told the RGJ.

Carano said they are constantly looking for new ways to enhance the guest experience at the properties. The water park is in early speculative stages, which includes soliciting feedback from the city of Reno's planning department.

Special use permits traditionally go through the planning department for feedback and approval, then the city of Reno Planning Commission provides feedback and approval.

Any stage in the process can cause plans to be sent back to the developer for changes, cost additional money for the developer and be denied or appealed by planners, elected officials or the public. If anyone appeals the approval, it can be sent to Reno City Council.

More: Eldorado Resorts agrees to sell two casinos in Pennsylvania and Mississippi

Related: Large student housing project planned for downtown Reno across from Circus Circus

"This application is requesting a Special Use Permit for development of an indoor-outdoor pool and water slide park," according to the planning application. "The waterpark will be physically connected to the Circus Circus hotel-casino by a pedestrian skyway that crosses Sixth Street. The development will serve as a new gateway into downtown Reno and showcase an amenity that is unique to an urban environment."

The application describes the venue as an all-ages water park with and adult-only pool with bar. Water slides and shallow pools will be the main features along with outdoor seating and entertainment.

Customers would be expected to use one of the three parking garages dedicated to Circus Circus, according to the application.

Carano had no timeline for the water park or additional comments on its feasibility so far.

Mike Higdon is the city life reporter at the RGJ and can be found on Instagram [@MillennialMike](#), on Facebook at Mike Higdon, Reno Life and on Twitter [@MikeHigdon](#).

Correction March 20 at 9 p.m.: The process explaining special use permits was corrected to reflect the steps required for approval.

Tahoe's 'Miracle March' sequel falls slightly short of 1991 original

[Benjamin Spillman](#), bspillman@rgj.com Published 11:59 a.m. PT March 27, 2018

Northstar California Resort saw a generous dump of snow Thursday night and into Friday, making for a mid-March powder day. Reno Gazette Journal



(Photo: Provided by Kirkwood Mountain Resort)
CONNECTTWEETLINKEDINCOMMENTEMAILMORE

Tahoe's drastic, late-season snowpack recovery was the weather equivalent to the TV show "Fuller House," a sequel that fueled nostalgia for the early 1990s but didn't quite measure up to the original.

From March 1 through Sunday snowpack in the Lake Tahoe area grew from 25 to 73 percent of the median peak for the basin, an increase of 48 percentage points.

The recovery was enough to push the season's snow totals from dismal to respectable and conjure memories of the "Miracle March," of 1991.

But by the numbers it fell slightly short of matching that legendary period.

In 1991 the basin snowpack was at 15 percent of median on March 1 and by the end of March 25 it had reached 74 percent, a difference of 59 percentage points and nine points greater than the current season.

In terms of water volume, storms from March 1 through Sunday added 10.6 inches of water to the snowpack on average at stations across the Tahoe Basin. In March of 1991 that number was 12.3.

The story was similar throughout northwestern Nevada.

Across the Tahoe, Truckee, Carson and Walker river basins the March snowpack as a percent of normal shot upward by an average of 48 percentage points.

In 1991 through the same dates the snowpack increased 56 percentage points on average across those basins.

That makes 2018, on average, 8 percentage points less miraculous than 1991. With a few days left in March and no snow forecast, the snowpack gain for the month could decrease slightly.

Still, the winters of 1991 and 2018 were remarkably similar.

Skiers and snowboarders suffered through historic or near-historic lack of snow from late December well into February before things turned around later than anyone expected.

"It is amazing how closely these two years have tracked," said Jeff Anderson, a hydrologist for the Natural Resources Conservation Service, which operates the automated Snotel measuring stations. "It is almost like there was a replay button, we'll just do 1991 again this year."

Through Monday, this year was the fifth biggest March on record in the Tahoe Basin in terms of snowpack growth.

The four Marches ahead of 2018 on the list, excluding 1991, weren't dubbed "miracles" because it was already snowy when they started so the region didn't need an improbable snowpack increase to reverse a historically dry winter in the waning weeks.

And even though 2018 fell short of 1991 it was enough for some to declare it miraculous.

"I think it is safe to officially call it a Miracle March," said Chad Blanchard, the federal water master in Reno.

Blanchard's job includes monitoring water levels in Lake Tahoe, the Truckee River and associated reservoirs such as Boca and Stampede.

The system is the source of water for Reno and the Truckee Meadows, which means it's a shared source of water for drinking, farming, species preservation and recreation.

"It has been an incredible turnaround," Blanchard said. "A week and a half ago it didn't look like we were filling anything. Now it appears we will be able to fill every reservoir."

Although the late-season storms delivered a welcomed shot of snow it's important to note that, unlike winter of 2016-17, the region is likely to enter the spring with less snowpack than normal.

The snow-deficit relative to what's considered average is evident on the western side of the Sierra Nevada in California.

Monitoring stations there show the Northern Sierra and Trinity sector at 47 percent of normal, the Central Sierra at 65 percent of normal and the Southern Sierra at 56 percent of normal through Monday.

While those numbers aren't as impressive as last winter's haul, they're a huge improvement over the beginning of the month.

On March 1 the Northern Sierra was at 20 percent of normal, the Central Sierra was at 26 percent and the Southern Sierra was at 22 percent, according to the California Department of Water Resources.

"We've been emphasizing this March has been really great and important, but April 1 is likely going to end up in a drought category," said Dan McEvoy, a climatologist at the Western Regional Climate Center. "Don't overlook that."

University of Nevada posts 104 acres of farmland for sale, starts bidding at \$20M

[Mike Higdon](#), mhigdon@rgj.com Published 7:04 p.m. PT March 26, 2018 | Updated 10:00 a.m. PT March 27, 2018



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(Photo: JASON BEAN/RGJ, RENO GAZETTE-JOURNAL-USA TODAY NETWORK)
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This story was updated with additional information 10 a.m. March 27

A 104-acre parcel of land at Mill Street and McCarran Boulevard has been put up for sale by the University of Nevada, Reno for a minimum bid of \$20 million.

The land is part of University of Nevada, Reno's 915-acre Main Station Farm. The sale of these parcels is approximately 16 percent of the Main Station Farm's total acreage. The parcel is zoned for planned unit development, which allows for housing, recreation, commercial centers and industrial parks, all within a contained development.

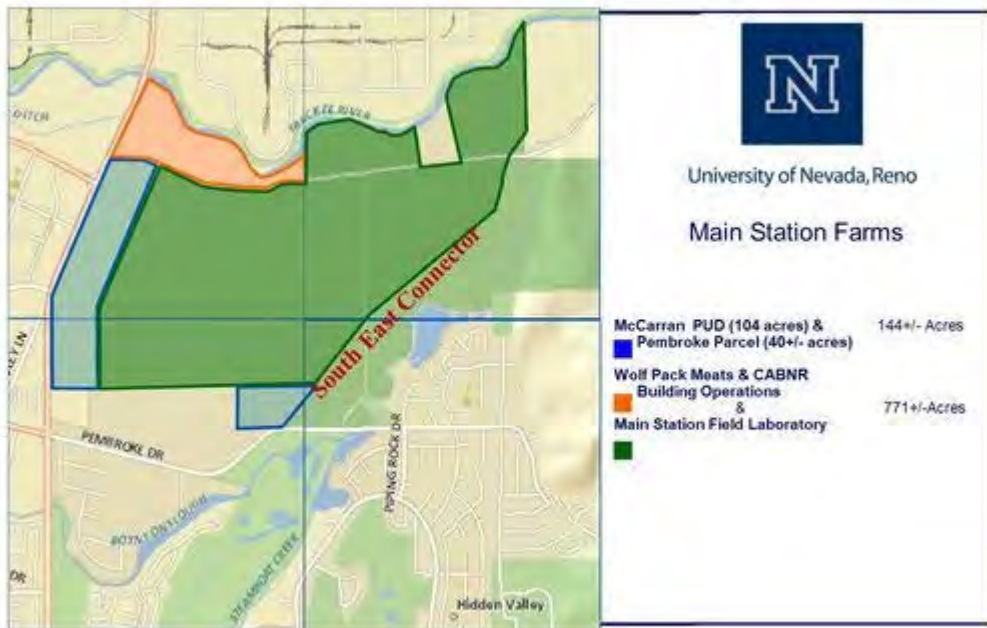
Revenue from the sale will be used for capital improvement projects meant to benefit students, research and community outreach, according to the university. The more than 700 remaining acres will be preserved and protected for long-term agriculture research and education.

"We are planning to liquidate these assets to provide funds to renovate critical research lab spaces to be more competitive for research grants," Marc Johnson, president of the University of Nevada, Reno, said in a press release.

The sale of the 104-acre parcel is being done through requests for proposals from any interested parties. Proposals are due by 2 p.m. April 5.

Since 2014, the university has funded renovation projects by liquidating assets as it pursues its priority for achievement of its Carnegie Research University (R-1 classification) goal.

The 104-acre McCarran parcel was annexed into the city of Reno in 2011, was rezoned to a planned unit development designation by the Reno City Council in March 2013. The rezoning was contested by community members, leading to several public hearings and a town hall meetings.



The map shows the portion of the University of Nevada, Reno's Main Station Farm up for sale. The 104-acre portion immediately abuts McCarran Boulevard. The remainder of 700 acres of the farm will stay with the university. (Photo: University of Nevada, Reno)

Proposals are also being sought for the purchase of 40-acre parcel at the far southeastern end of the Farm adjacent to Pembroke Drive and the Southeast Connector road, which is currently under construction.

The university owns more than 12,000 acres around Nevada used for agriculture research, such as animal genetics, cattle health and performance, control and eradication of noxious weeds, alternative agriculture, rangeland management, alternative fuel sources, applied research and demonstration in hoop-house, greenhouse and organic farming in dry climates, and an experimental vineyard.

TMFPD firefighters rescue 8 deer trapped in Verdi powerhouse

by News 4-Fox 11 Digital Staff

Thursday, March 29th 2018



[VIEW PHOTO GALLERY](#)
4 photos

Courtesy TMFPD.png

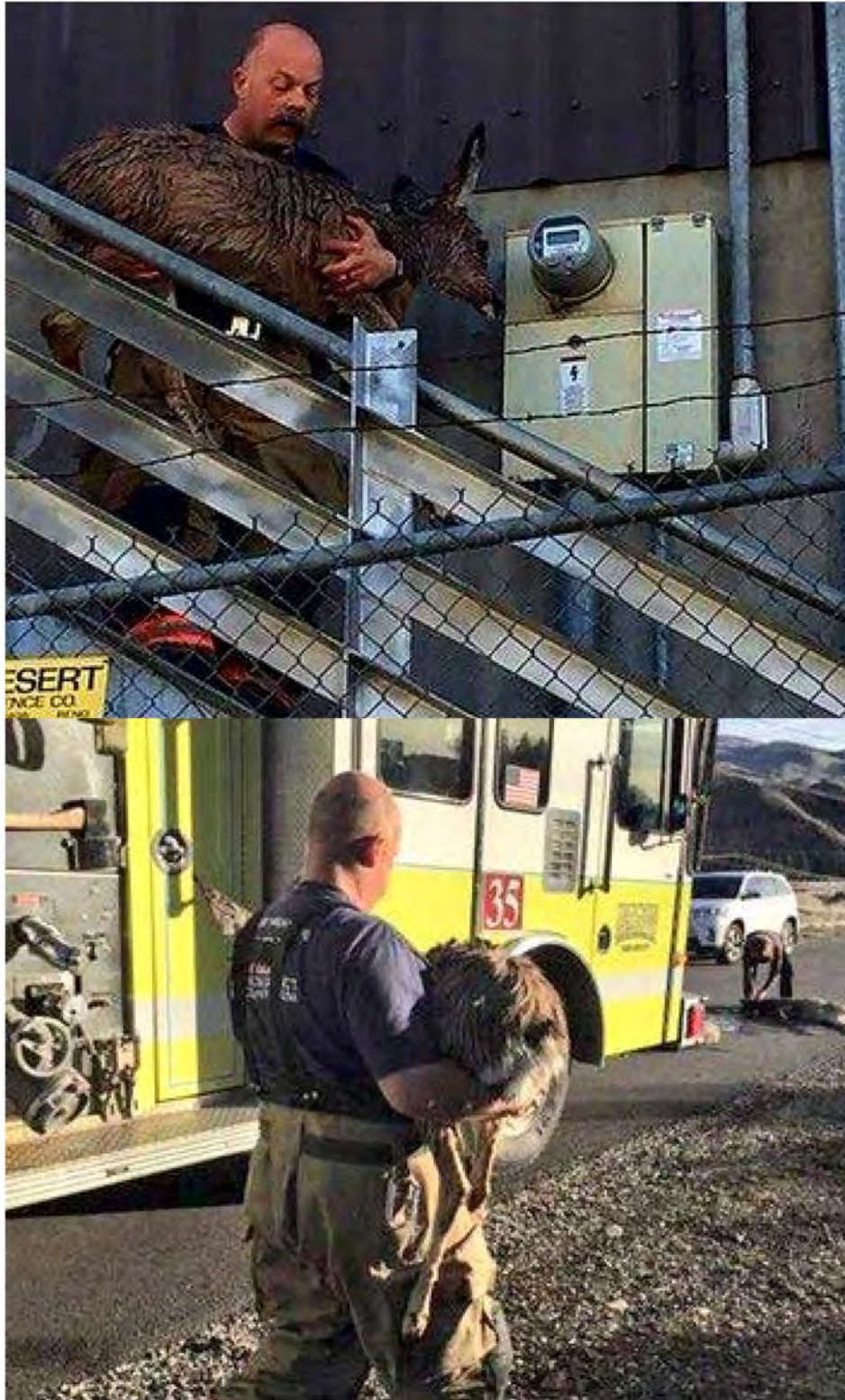
VERDI, Nev. (News 4 & Fox 11) — Eight trapped deer were rescued from a powerhouse in Verdi by Truckee Meadows Fire Protection crews on Thursday, March 29.

According to a tweet from TMFPD, crews were dispatched for deer caught in a Bridge Street canal in Verdi.

After forcing entry into a powerhouse, crews found 10 trapped deer, including eight suffering from hypothermia and two that died in the water.

Nevada Department of Wildlife and Washoe County Animal Control said they are releasing the deer once they have recovered.

Truckee Meadows Water Authority and NV Energy also assisted in the rescue.





From Facebook

[**Truckee Meadows Fire**](#)@TMFPD

Crews dispatched for deer caught in Bridge Street canal in Verdi today. Crews forced entry to powerhouse door finding 10 deer trapped. 8 suffering hypothermia, sadly 2 perished in water. Thank you [@TMWA](#), [@NVEnergy](#), [@washoecounty](#) Animal Control, NDOW, citizens for the [#teamwork](#)!

[9:07 AM - Mar 29, 2018](#)

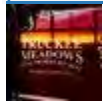


[**Truckee Meadows Fire**](#)@TMFPD

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pic.twitter.com/Aq0VvFsVS6



[**Truckee Meadows Fire**](#)@TMFPD

NDOW and [@washoecounty](#) Animal Control are releasing the deer once they have recovered. Several have already jumped away with a lot of spring in their step, pun intended!

[9:09 AM - Mar 29, 2018](#)

○ 1**Possible Property Tax Increase for Flood Project to go on Ballot**

Posted: Mar 29, 2018 6:40 PM PDT Updated: Mar 30, 2018 7:27 AM PDT
By Arianna Bennett



Right now, there's no funding source to pay for that, so the Nevada legislature passed a bill in the 2017 session recommending this property tax increase and authorizing a ballot measure to vote on it in 2018.

"This would help fund the entire project," Truckee River Flood Management Authority Executive Director Jay Aldean said. "We would need another 15 percent in order to be able to build the project the way that we've envisioned."

The idea is to prevent another flood like the one in 1997, which devastated Downtown Reno. The project would build new levees and flood walls, acquire flood-prone properties and stop development there, replace bridges, and restore animal habitats.

The Truckee River Flood Control Project Needs Committee voted unanimously Thursday to ask voters to approve an increase of 2.48 cents per \$100 of a home's assessed value. This tax increase would cost a homeowner about an extra \$26 a year for a home worth 300 thousand dollars.

The measure would also enact an extra fee for homes that sit in the flood plain, and will directly benefit from the improvements.

Aldean said he knows tax increases are unpopular, but thinks this one is necessary.

"In all fairness, a community that doesn't come together to fix the problems that we have is a community that will never be great," Aldean said.

The tax increase would end once the bonds to fund the project are paid off, which they think should take about 30 years.

Now the issue goes to the Washoe County Commission for official approval of the language of the ballot measure. The commission could approve it as is, or make changes to the language, but officials say regardless, voters will be deciding on the issue in November.

Crews Rescue Deer Trapped in Powerhouse in Verdi; Two Deer Die

Posted: Mar 29, 2018 9:31 AM PDT <em class="wnDate">Thursday, March 29, 2018 12:31 PM EDTUpdated: Mar 29, 2018 2:24 PM PDT <em class="wnDate">Thursday, March 29, 2018 5:24 PM EDT

Truckee Meadows Fire Protection District crews say they rescued 10 deer that got swept down a canal and then got trapped inside a hydroelectric plant in Verdi on Thursday morning.

Crews say when they arrived on scene on Bridge Street, they found eight deer suffering from hypothermia.

Two deer died in the water.

Crews with TWMA, NV Energy, Washoe County Regional Animal Services, the Nevada Department of Wildlife and several bystanders helped rescue the deer. They massaged and put blankets over the deer to help warm them up. Some of the deer had severe, deep cuts which biologists stitched up. They also gave the deer fluids intravenously.

Some of the deer have already left the area but NDOW and Washoe County will release the remaining ones once they have recovered.

Witnesses say they saw at least two dozen deer in the canal that flows into the Verdi Hydroelectric Plant but most of them escaped on their own.

Officials say they do not know how the deer got into the canal, but it is possible that they floated up to a mile before reaching the plant.



Courtesy: Truckee Meadows Fire Protection District



Courtesy: Truckee Meadows Fire Protection District



Courtesy: Truckee Meadows Fire Protection District



Courtesy: Truckee Meadows Fire Protection District



Flood Control Ballot Question Heading to Washoe County Commission

March 29, 2018 Carla O'Day



Image: Truckee River
Flood Management Project.

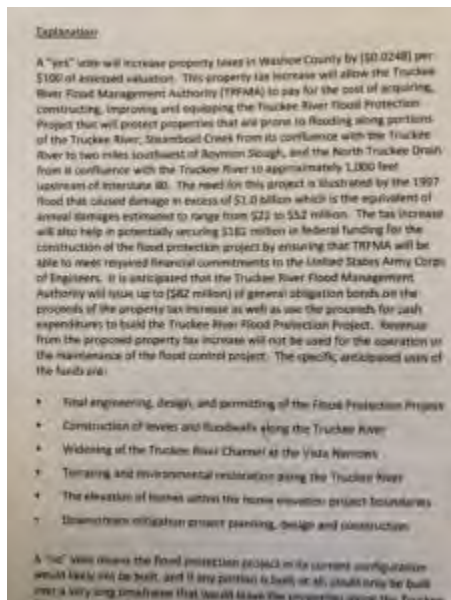
A committee approved ballot question language on Thursday that will be forwarded to Washoe County commissioners, who will decide whether to ask voters in November for a property tax increase to pay for flood management projects.

The Truckee River Flood Control Project Needs Committee estimates the increase will raise about \$400 million, which could potentially secure an additional \$182 million in federal funding.

"A 'no' vote means the flood protection project in its current configuration would likely not be built; and if any portion is built at all, could only be built over a very long timeframe that would leave the properties along the Truckee River unprotected for decades," ballot language states. "In addition, \$182 million in federal funding to assist in the construction of the project would likely be lost."

If approved, property taxes would go up by \$0.0248 per \$100 of assessed valuation. The tax would be effective when bonds are issued and would terminate when bonds are retired, according to the committee.

Committee consultant John Sherman said that equates to about \$26 per year for someone with a new \$100,000 home. However, several people suggested various valuations be included on the ballot to make amounts more interpretable for the public.



Proposed ballot language for the flood control taxation question.

Image: Carla O'Day

Committee member Scott Smith said the public often confuses market value with assessed value.

"What would we do? We have to make that clear to them," Smith said.

John Sherman, the committee's consultant, said state law requires the \$100,000 example be included in ballot language.

"There's not only the statute requirement, there's the ballot templates that came out of the Department of Taxation that are very specific about calculating the value based on a house or a new house," Sherman said. "I would suggest to you that if you want to put some other value in there, I would urge caution because then you're starting to mix up value. A voter can calculate this if they multiply."

RELATED: Committee to Vote on Ballot Question's Flood Control Language

The need for this project was illustrated by the 1997 flood that caused damage in excess of \$1 billion, which the committee said is the equivalent of annual damages estimated to range from \$22 to \$52 million.

Anticipated use of funds are as follows:

- Final engineering, design, and permitting of the flood protection project
- Construction of levees and flood walls along the Truckee River
- Widening of the Truckee River Channel at the Vista Narrows
- Terracing and environmental restoration along the Truckee River
- The elevation of homes within the home elevation project boundaries
- Downstream mitigation project planning, design, and construction

The Nevada Legislature last summer passed a bill that authorizes flood management authorities to create flood control project needs committees. Such boards can recommend taxes, fees, rates, or charges to fund the construction of a approved flood projects. They can also make recommendations for flood protection or mitigation.

How blockchain, AI and other emerging technologies could end water insecurity

Callie Stinson

Monday, April 2, 2018 - 12:30am

There could be a 40 percent gap in global water supply and demand by 2050.

The global water and sanitation crisis is not a new story. Each World Water Day, we review the sobering statistics with which we are becoming all too familiar: the expected 40 percent gap in global water supply and demand by 2050. The billions of additional dollars still needed to finance water infrastructure. The 4.5 billion people who lack access to safely managed sanitation services. The fact that water crises have ranked among the [top global risks](#) in terms of potential impact seven years in a row.

What these sorts of statistics remind us is that status quo approaches won't be enough to solve the world's water and sanitation problems. Innovating in this domain is no longer an option but a necessity. Harnessing the rapid advancements in technology and information represented by the "Fourth Industrial Revolution" (4IR) holds great promise for improving the way we manage global commons challenges, including water. But how do we turn this promise into reality?

(GreenBiz editor's note: The "revolution" encompasses breakthroughs in artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage and quantum computing.)

It will also be important to establish the right governance frameworks and policies, societal engagement and acceptance, and investment landscapes and financing models.

The World Economic Forum's [Global Water Initiative](#), in collaboration with the World Bank Water Global Practice and the Swiss Agency for Development and Cooperation, has embarked on a journey over the past year to explore this very question. By convening water policy experts, entrepreneurs and technology innovators in a series of workshops and meetings, we gained valuable insight into several areas ripe for disruption in the water sector. Encouragingly, we also discovered many solutions we need are already at our fingertips.

Here are five examples of how the 4IR could help make water insecurity a thing of the past:

1. Blockchain for improved water resource management

By providing a secure, transparent and distributed ledger to record transactions between parties, blockchain-based technology fundamentally could transform the way water resources are managed and traded.

First and foremost, harnessing this capability could enable everyone from households, industry consumers, water managers and policymakers to access the same data on water quality and quantity and make more informed decisions. Such transparency would help inform consumer decisions around when to conserve or use water. In turn, it could help prevent corrupt behavior in situations where there may be an incentive for local authorities to tamper with or withhold water quality data.

Blockchain technology also could support peer-to-peer trading of water rights in a given basin, empowering water users who have enough or are willing to share their excess resources with others in the area to do so 24/7 without relying on a centralized authority. Imagine a scenario where farmers in the same water basin could make the decision to trade their allocations based on the latest weather data, crop prices, market trends and longer-term climate trends — much of which is already accessible via their mobile devices.

This type of transparent, real-time approach to water management greatly could mitigate tensions within and across certain localities by democratizing access to information and preventing the tampering of data. [Power Ledger](#) is among the companies pioneering blockchain applications for the water sector, as is evidenced by its current work with the city of Freemantle in Australia to create a blockchain-backed trading system that leverages smart water metering data.

2. Decentralized water reuse systems

By 2050, [7.3 billion people — or nearly 70 percent of the world's population — will reside in cities \(PDF\)](#). More than 90 percent of this urban growth is projected to occur in emerging markets, where large-scale, centralized water infrastructure may not be feasible or advisable, whether due to finance constraints, governance challenges or climate variability.

Decentralized solutions can play a critical role in these settings to complement traditional approaches and expand access to safe water and sanitation services. As pointed out by Scott Bryan, president of the San Francisco-based NGO [Imagine H2O](#), "water reuse, partly driven by the falling cost and improved efficiency of membrane bioreactor technology (MBR) over the past 10 years, can become common practice in a city's built environment and industrial zones."

Innovative finance solutions and business models that leverage 4IR technologies such as the Internet of Things (IoT) and [artificial intelligence \(PDF\)](#) (AI) will prove essential in bringing these decentralized solutions to scale, thereby ensuring better health and resilience of our cities.

3. Basin-level insights to manage water risk

Situations such as the one facing South Africa's Cape Town — which appears to have just narrowly avoided a ["Day Zero"](#) scenario in which its taps would be shut off following debilitating drought and prolonged depletion of its water store — reflect a stark reality: Water basins throughout the world are facing increasing stress due to climate variability, population growth, industrial use and other drivers of water insecurity.

However, our ability today to track and mitigate water-related risks never has been greater. WWF, Conservation International, Dow, the Earth Genome and others have initiated promising approaches to monitor watershed health, for example. Satellite imagery and other forms of earth observation, combined with remote sensing, IoT, AI and other advanced technologies, could enable us to detect water basin risks earlier.

More important, these tools can enable us to quantify that risk, and then identify and implement solutions to manage it accordingly. Imagine the implications if we were able to not only predict the next 10 Cape Towns, but identify specific investment decisions that could prevent such catastrophic risk from becoming reality.

Actors such as [Microsoft](#), Orbital Insight, the Earth Genome and IBM already are leveraging some of these capabilities within and outside of the water sector, offering valuable examples of what might be possible.



Decentralized management and real-time data will be a critical role in shaping strategy for more reliable freshwater resources, and for better recycling strategies.

4. Advanced materials for producing new sources of water

In a world where only .05 percent of the earth's water is readily available for human consumption, increased demands need to be met with new sources of supply. Improvements in advanced materials will be an important part of any solution set addressing water shortages.

New forms of [graphene-based membranes](#) could revolutionize the desalination market, which has grown steadily over the past several years. Other material advancements are enabling scientists to [harvest water from air](#) more easily, without relying on humidity, a development that could prove transformational in arid, water-scarce regions.

5. Water- and sanitation-smart cities

The combination of IoT, AI and other advanced technologies can and will positively disrupt the provision and maintenance of water and sanitation services in cities. Whether retrofitting cities to become more resilient or designing basic service delivery systems to meet the needs of expanding urban areas, these technologies are generating new insights as well as economic opportunities.

For example, the [Toilet Board Coalition](#) is pioneering exciting work around "the digitization of sanitation" in places such as [Pune, India](#). Efforts to integrate sensors and Wi-Fi into toilet networks in such areas can generate valuable data and information on public health and consumer behavior, as well the quality of maintenance systems and need to optimize routes for waste collection and transport.

These are just some examples of how the 4IR is unlocking a whole new suite of solutions that can help us accelerate progress against U.N. Sustainable Development Goal 6: "Ensure access to water and sanitation for all." The opportunity before us today is to connect and scale these pockets of innovation.

This will not happen automatically. In addition to refining the technologies, it also will be important to establish the right governance frameworks and policies, societal engagement and acceptance, and investment landscapes and financing models. New forms of public-private collaboration and innovations in business models will be at the core of this challenge.

This story first appeared on:

[World Economic Forum](#)

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ENVIRONMENT & SCIENCE

Californians are back to wasting about as much water as before the drought

A coiled up hose sits next to a lawn on April 7, 2015 in Walnut Creek, California, just days after Governor Brown called for the first ever mandatory water conservation rules in the state.

[JUSTIN SULLIVAN/GETTY IMAGES](#)

[Emily Guerin](#) | April 2, 2018

Since Gov. Jerry Brown called off California's drought emergency a year ago, we Californians seem to have gotten a little lazy when it comes to water conservation.

We've started watering our lawns more often. We're not putting buckets in our showers as much. (In fact, we're taking *longer* showers.) And we don't let yellow mellow — meaning, we flush our pee instead of just letting it sit in the toilet bowl, according to Southern California residents KPCC queried for this story.

“It definitely is the messaging,” said Isaiah Leslie of Anaheim Hills, a former yellow-mellower who now flushes after every use. “If we were still in a drought, mandated by the governor, then I think we would still do it.”

All these tiny decisions to relax and use a bit more water have add up. Statewide, Californians are using 18 percent more water than at the same time in 2017 — nearly the same amount as before the drought emergency was declared. In other words, we appear to be almost back to our free-wheeling attitudes about water.



KPCC reporter Emily Guerin empties her shower bucket on the orange tree in her side yard. She no longer uses the bucket now that the drought has been called off.

[KYLE STOKES/KPCC](#)

That trend has taken on added urgency this week — the traditional end of California's rain and snow season. State water officials use the first week of

April to assess the water content in the Sierra Nevada snowpack. Runoff from melting snow provides about a third of California's freshwater for drinking and agriculture. By the end of the March, electronic sensors indicated the water content in the snowpack was less than 60 percent of average.

WHY DID GOV. BROWN DECLARE THE DROUGHT OVER IN THE FIRST PLACE?

It has to do with the historic amount of snow that fell last year in the Sierra. On April 7, 2017, the day Brown issued an executive order calling off the drought emergency, the Sierra snowpack was 164 percent of average. Lake Oroville, the state's largest reservoir, was completely full — so full that just two months earlier, Oroville dam operators were forced to use the emergency spillway for the first time in its 49-year history. The spillway eroded so much there was concern the dam could breach and flood the town of Oroville downstream. The six-year drought, which had left the Sierra Nevada nearly bare of snow in 2015, was clearly over.

DID CALLING OFF THE DROUGHT CHANGE ANYTHING ON THE GROUND?

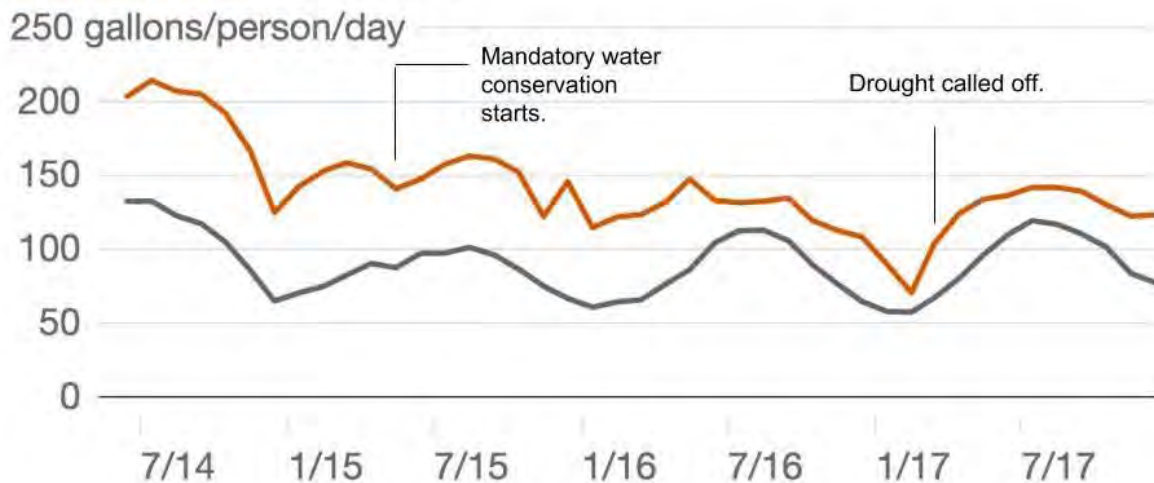
Yes! Gov. Brown's [executive order](#) put an end to mandatory water conservation in California. Since May 2015, the State Water Resources Control Board, an agency that emerged during the drought as California water cop, had been requiring every city and water district to cut its water use by a certain amount. The Water Board relaxed those rules a little bit in May 2016, when cities just had to prove they had enough water to make it through three dry years. But after April 2017, all those requirements went away.

DID WE START USING MORE WATER AFTER THE DROUGHT ENDED?

Oh yeah.

Residential water use during the drought

■ Beverly Hills ■ California



KPCC using Quartz's Chartbuilder

Data: Via State Water Resources Control Board

HOW COME?

Take a city like Palmdale, where water use rose 5 percent after the drought was called off compared to the same period in 2016. Palmdale allowed people to water their lawns more often, and backed off on enforcement.

“We wanted to maintain credibility with our customers,” said Dennis LaMoreaux, the general manager of the Palmdale Water District. “And if the state says the drought is over, and if customers don’t see a change in the rules, that kind of undermines the credibility of next time we really need them to save water.”

Other cities, like Redlands, didn't change any of its water rules, but officials suspect their customers started to slack off because they're hearing mixed messages about the need to conserve. Water use during the six months following the end of the drought was up 18 percent compared to the same period in 2016.

"We made the point to them that even though the state has declared the drought over, all the restrictions remain in place for Redlands customers," said Cecilia Grado, a water resources specialist with the city of Redlands.

But, she added, "We can't compete with the media."

WHAT DOES THE MEDIA HAVE TO DO WITH IT?

Media coverage of drought may be critically important in encouraging conservation, according to a 2017 study in *Science Advances*. Researchers at Stanford University surveyed nine daily newspapers during two droughts, looking for stories having to do with "California drought," "water conservation" and similar terms. The first drought occurred during the Great Recession and received relatively little media coverage, where as during the second, beginning in 2012, media coverage was "extraordinarily high." They found that over a two-month period, an increase in 100 drought-related articles was associated with an 11 to 18 percent reduction in water use.

But the media coverage wasn't happening in a vacuum – reporters were covering changes in rules and regulations.

“Political action was being broadcast by the media,” said Newsha Adjami, the head of Urban Water Policy at Stanford University, who co-authored the study. “And then that was impacting people’s behavior. And that was feeding back into more political action, and more media coverage.”

But since Brown called off the drought, media coverage has also dried up.

“Water issues in California have fallen off that priority list,” she said.

SHOULD WE ALL STILL BE CUTTING BACK ON WATER?

For Adjami, that depends on what we’re doing with the water we’re using.

“If people were collecting shower water to flush their toilets, I think they should take a break,” she said. “But if we’re using more water outdoors because we want to have lush lawns and green spaces, then that’s not OK. If we’re washing our cars, that’s not OK. We need to be mindful of the fact that this water comes to us through a lot of effort, and also, it’s not an infinite resource.”

For Jelena Hartman, a senior scientist at the State Water Resources Control Board, the main challenge is to get Californians to switch from an emergency conservation mindset, with shower buckets and dead grass, into a long-term, water-saving way of life.

That means replacing lawns with artificial turf or native plants, fixing leaks, ripping out old toilets and washing machines and putting in more efficient ones instead.

“As a state there is a lot of work to be done to move away from those short-term emergency conservation measures to something that can be a permanent change,” she said.

HOW CAN WE SAVE MORE WATER IN THE LONG-TERM, EVEN WHEN WE’RE NOT IN DROUGHT?

At the state level, the Water Resources Control Board is working on a proposal to [permanently ban wasteful uses of water](#) like watering your lawn until it runs into the street, washing a car without a shut-off nozzle and irrigating street medians.

There are also two bills in the state legislature, [AB 1668](#) and [SB 606](#), that would clamp down on water use in cities by forcing them to use water more wisely. The bills would set a limit of 55 gallons per person, per day, for indoor use.

But outdoor use is by far the bigger problem. More than half of all the water used in cities in California is sprinkled on lawns, flowers and ornamental trees. So the two bills would set limits on how much you can use depending on where you live. Cooler, denser cities with smaller lots and multi-family homes, like San Francisco and Santa Monica, would be required to use less water than hotter, more suburban cities with larger homes and yards like Riverside and Redlands. The State Water Board would slowly begin ratcheting up enforcement, with no fines until after the first five years of the program.

WHAT ABOUT IN MY CITY?

Some cities are still doing a lot too! Places like Los Angeles and Redlands never let up on the rules and regulations they had during the drought. Others, like Santa Monica, are passing new, even more ambitious ordinances to keep water use low. [Santa Monica's new water neutrality ordinance](#), passed three months after Gov. Brown declared the drought over, requires new developments to use the same amount of water as the building they are replacing.

Others cities are phasing in "smart meters" that read water use data in real time and allow city staff to quickly detect leaks. In Beverly Hills, water conservation manager Debby Figoni gets a list every day of the biggest water users in the city.

Looking at graphs of their water use, she can tell if they've got "continuous flow issues" like leaky pipes, a broken sprinkler or a running toilet. When she calls residents to tell them about the leak, she offers them a rebate on their bill for fixing it – but only if they agree to reduce outdoor water use first.

"So now, I've had this opportunity because of this issue to also educate them on efficient irrigation," she said. "And that's very important."

While some cities, [like Los Angeles](#), are still offering rebates to remove grass lawns, the largest source of additional rebates, the Metropolitan Water District, has dried up. The agency is voting in April whether to resume the program. However, MWD [does still offers rebates](#) on low-flow toilets, high-efficiency

washers and irrigation controllers. It may boost the amount of those incentives to encourage people to switch them out.

Take charge of your water bill with the Rachio 3 Smart Sprinkler Controller



Watering your lawn tends to be surprisingly tricky business, what with the possibility of leaks, overwatering, or under watering. Luckily, there's a smart [sprinkler](#) company hoping to ensure that's no longer the case. [Rachio](#), the company behind a smart sprinkler controller that allows you to control your watering system (and by extension, your water bill) from your smart phone, has now introduced the Rachio 3 Smart Sprinkler Controller and Wireless Flow Meter.

The latest product debut comes alongside the company's recent \$10 million Series B funding round, and promises even easier installation than its predecessors, along with 5GHz wireless compatibility, and a new long-range radio that will connect with its companion wireless flow meter. The new Rachio Wireless Flow Meter leverages Vortex technology in order to ascertain accurate water flow readings, and subsequently alerting homeowners should a leak be detected. Better still, the Flow Meter automatically shuts down water supply, thereby proactively protecting against damage and flooding in your carefully curated lawn or garden.

"Rachio is not only saving homeowners frustration, water, and money, we are helping communities conserve water on a much larger scale," said Rachio co-founder and CEO Chris Klein. "Sixty percent of residential water waste in the United States happens outdoors. Our new products empower consumers to be smarter with water, so they don't have to choose between conservation and easily maintaining a beautiful landscape."

Like the other products in the Rachio lineup, the Rachio 3 Sprinkler Control allows users to operate their sprinkler system from anywhere at anytime, all from the convenience of their smartphone. The Rachio app recommends both days and times for optimal watering based on your location, vegetation, and soil type. Thanks to Rachio Weather Intelligence, your system will automatically adjust watering needs based on local weather forecasts. And this feature doesn't just take rain into consideration — rather, the Rachio system keeps wind, freezing temperatures, and more in mind, with hopes of saving you money. Plus, Rachio works with Amazon Alexa, so you can really control your whole sprinkler system with your voice.

Rachio claims to have saved customers more than 22.7 billion gallons of water since launching in 2014, and you can begin pre-ordering their latest product beginning March 20 on the company website.

With three boater deaths on the Cheoah River in a decade, is it too dangerous?

[Karen Chávez](#), kchavez@citizen-times.com Published 1:39 p.m. ET March 9, 2018 | Updated 5:49 p.m. ET March 10, 2018



(Photo: Citizen Times)

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ROBBINSVILLE - Laura Farrell was surprised to see her friend and kayaking mentor, Maria Noakes, last Saturday at the Cheoah River's Santeetlah Dam put-in.

Noakes and her party had originally planned to paddle a different river, Farrell said.

But heavy rains had brought the Cheoah up to high-adventure level, and plenty of local boaters were taking advantage of the rare opportunity to run the river through the Nantahala National Forest.

"I was happy to see her. I got to give her a hug," Farrell said.

It was the last time she would see her friend. Noakes, 50, of Bryson City, drowned later that day in the Cheoah's churning whitewater rapids.

An expert, internationally known kayaker, Noakes was found separated from her boat just upstream from the Tapoco Lodge, said Zach Allman, an officer with the N.C. Wildlife Resources Commission, which investigates all boating accidents in the state.

MORE: [Maria Noakes' husband recounts her adventurous life](#)

Adults in her group performed CPR until paramedics arrived and transported her to the hospital in Swain County, where she was pronounced dead.

No one witnessed the accident in which Noakes became the third person to die on the Cheoah River since 2006, Allman said.

The Cheoah is one of the most technically complex rivers on the East Coast, said Heath Emmons, U.S. Forest Service natural resource specialist for the Cheoah and Tusquitee Ranger Districts.

"It is very difficult, expert water," Emmons said. "There's a limited number of experts who can do it."

Emmons said the Forest Service does all it can to restrict river use to the most experienced paddlers. Only three outfitters are permitted to offer guided trips – Nantahala Outdoor Center, which only uses the river for training, Endless River Adventures of Bryson City and Outland Adventures of Cleveland, Tennessee.



Maria Noakes, center in white helmet, with paddling friends, back row, Maria Noakes, Anna Levesque, Anne Sontheimer, and front row, Christine Vogler and Rebecca Cramer. (Photo: Courtesy Daniel Brasuell)

Paddlers going on their own must purchase a Forest Service bracelet for \$2 from authorized vendors along the river.

Last year 2,883 people floated the Cheoah, he said.

When the river is flowing from a dam release, only non-motorized, hard-bottomed canoes or kayaks, or inflatable watercraft with a minimum of four internal air chambers (rafts) are allowed. Inner tubes are prohibited, and everyone must wear a helmet and life jacket. Floating is only allowed during daylight.

Forest Service rangers have an increased presence on the Cheoah during release days to make sure people are following rules, he said.

MORE: [World champ Asheville kayaker and mom drowns in Cheoah River](#)

More: [Public memorial, fund set for Maria Noakes, who died in Cheoah River](#)

The making of a unique river

The Cheoah River - named for the Cherokee word for "otter" - in Graham County was dammed in 1928 by Alcoa Co. to create Lake Santeetlah and generate hydropower, similar to many other Western North Carolina Rivers, including the Nantahala, the Green and the Catawba.

But the original federal license did not require river flows for the Cheoah, and allowed the power company to almost entirely dewater the river in a 9-mile stretch from Santeetlah Dam to Lake Calderwood, said Kevin Colburn, national stewardship director for American Whitewater. The nonprofit works to conserve whitewater rivers and improve access.



A kayaker takes on a series of large rapids March 25, 2017 on the Cheoah River. (Photo: Citizen Times)

When the Federal Energy Regulatory Commission dam license came up for renewal, the current power company, Brookfield Renewable, worked for years with stakeholders including American Whitewater and other paddling groups, the Forest Service, the state Wildlife Commission, the U.S. Fish and Wildlife Service and river outfitters to hash out a new agreement.

In the fall of 2005, after nearly 80 years, the power company began releasing water back into the streambed to simulate natural flows, to help restore some endangered species including the Appalachian elktoe mussel and Virginia spiraea. A secondary benefit was recreational boating. The relicensing agreement is for 40 years.

There are some 19-20 releases a year, meant to mimic natural flooding from heavy rains, which have created more aquatic habitat for fish and their ilk to return home.

Biologists say it is hard to determine ecologic restoration success after only a decade, but that the reintroduction of species is going well.

At peak flow, the river produces Class IV rapids, considered high-volume whitewater that is difficult to navigate. Rivers are classified from I-V, with the lowest grade being a slow-moving stream, and class V having barely navigable rapids and waterfalls.

The Cheoah is unique in the Southeast, Emmons said.

During a release, there is a torrent of water. The usual flow is about 250 cubic feet per second, but after a dam release, the river rushes at about 1,000 cfs, he said.

There are a lot of drops and bends, rocks are obscured by water, creating hydraulics, holes and river features that weren't there previously and need to be negotiated, Emmons said. There are also trees and vegetation in the streambed that are partially submerged during releases.

On April 22, 2007, Ashley Miller, 24, of Asheville, was the first person to die on the Cheoah after dam releases began. The Appalachian State University student was on a private raft trip with a group of friends when the raft hit a hydraulic, she fell out and became trapped under a rapid.



A kayaker takes flight as she rides a rapid March 25 on the Cheoah River. The damned river has several water release days throughout the year, and whitewater enthusiasts flock to the Cheoah River on these days to ride the rapids. (Photo: Citizen Times)

Miller was described as an experienced boater who guided trips on the Gauley River in West Virginia.

Michael Lee Huggins, 64, of Hickory, died while kayaking on the river April 26, 2014. According to American Whitewater, the retired veterinarian was alone, but asked to join two other kayakers, who were in a tandem boat.

The three paddled together until a large rapid known as Bear Creek Falls, when the kayakers lost sight of Huggins. He was later found, out of his boat, with his spray skirt pinned by a log.

Is the Cheoah a dangerous river?

Boaters call it “creeky” because of its constant flow of whitewater without stretches of flat water, its many rocks and ledges.

“Most whitewater rivers in the Southeast are pool drop in nature. You get breaks in between the rapids, alternating with flat water. The flows are more continuous in nature,

resembling rivers out West more than in the Southeast,” said Leland Davis, author of the “North Carolina Rivers and Creeks” guidebook.

“It adds an added element of challenge, especially for boaters from around here who are used to a slower pace of pool drop whitewater. It is certainly a little more dangerous. There is the potential to take longer swims (when a paddler comes out of their boat). It’s also pretty shallow. In combination with swift-moving water, that can make it easier to flip over.”

But in terms of fatalities, Cheoah is not on top. Over the past 30 years, there have been at least six deaths on the Nantahala River and since 1996, there have been six deaths on the French Broad River, according to American Whitewater, which keeps tallies of river boating accidents and fatalities.



Whitewater kayakers paddle the Cheoah River in Graham County Saturday afternoon during a water release. The nine-mile section of river between the Santeetlah Dam and Lake Claderwood, with its Class IV/IV+ rapids and its consistent gradient, make it a major whitewater sports destination in the southeast. (Photo: Citizen Times)

Most of the Nantahala River deaths were attributed to foot entrapments, in which people stand up when falling out of a boat instead of floating feet-first to the bank, said Mike Wilkins, Nantahala District Ranger based in Franklin.

Among guided rivers, the Nantahala, considered a Class III, is the most popular. Wilkins said there have been as many as 240,000 people floating the river in a year, but on average it draws 180,000-190,000 people.

Should there be changes on the Cheoah?

The Forest Service held an informal discussion with Brookfield representatives immediately after the accident.

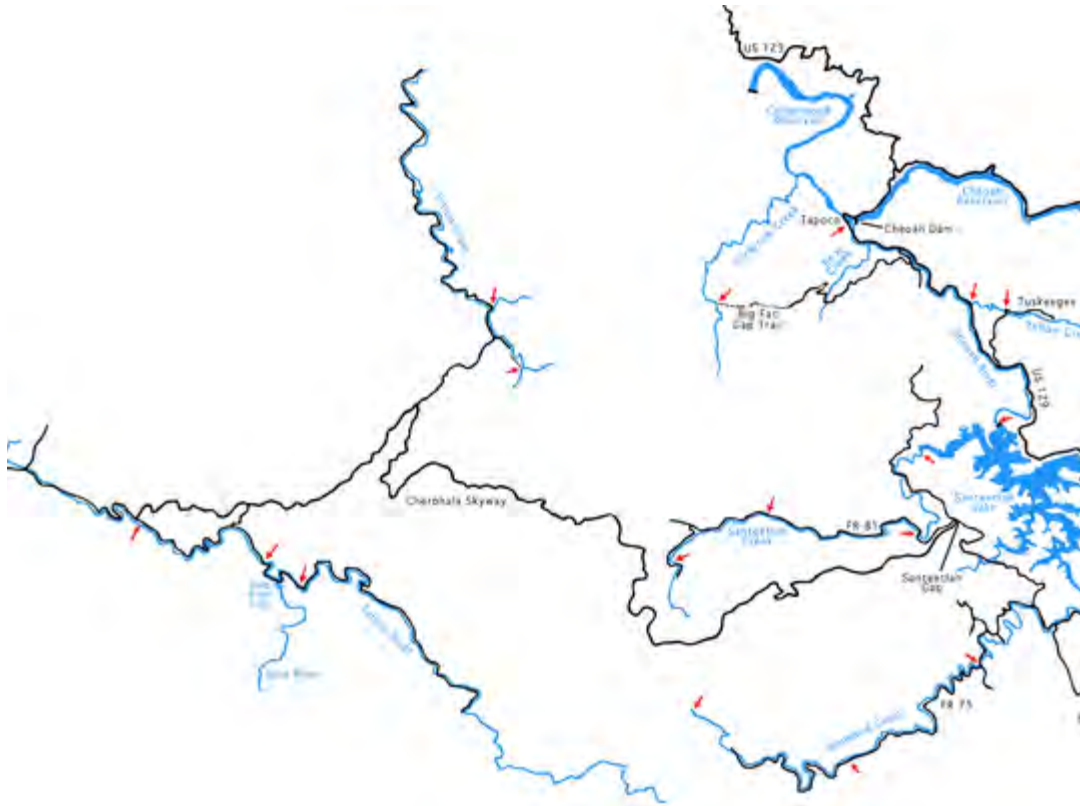
"Public safety is always our No. 1 priority and we work closely with the U.S. Forest Service on the Cheoah River to ensure proper education and safety for all, regardless of skill level, utilizing the waterway for recreation purposes," John McVaigh, Brookfield Renewable director of operations, said in a statement.

"We will look closely at the results of the investigation and at all recommendations that could reduce the likelihood of tragedies such as this one in the future."

Wilkins said he sees waterfalls as a bigger safety problem than whitewater rivers.

In 2016 alone, there were six deaths from people falling off waterfalls or drowning in waterfall pools across Western North Carolina. In 2017, there were two waterfall deaths, and one so far this year when a 37-year-old man fell to his death from Upper Catawba Falls Feb. 24 in the Pisgah National Forest.

"My guess is more people die on waterfalls than rivers. They tend not to realize the danger, whereas the paddling community, they're pretty well educated and trained and wearing safety equipment," Wilkins said.



The Cheoah River in the Graham County area of Nantahala National Forest starts at the Santeetlah Dam and flows northwest for about 9.25 miles to Calderwood Lake. (Photo: Courtesy of Leland Davis)

Most waterfall deaths occurred when people entered areas that were off limits.

Emmons said people engage in many other activities in the forest that involve risk, including creek boating on other rivers during high rain events (paddlers have been known to kayak over the 60-foot Looking Glass Falls after storms), rock climbing and backpacking in the wilderness where they can encounter a multitude of dangers, from wildlife to creek crossings.

"We don't prohibit those activities because there is a higher level of risk," Emmons said. "That's kind of how the Cheoah is. The risk is not so high that expert paddlers should be prohibited, as long as they are aware of their limitations and use the proper craft and safety equipment."



Maria Noakes, her husband, Nick Williams and their sons Matteo and Dominique. Noakes, an expert paddler, died in a kayaking accident March 3 on the Cheoah River. (Photo: Courtesy photo)

Steven Foy, general manager of Outpost Operations for the NOC, said the outfitter doesn't run guided trips on the Cheoah anymore, but does use it for guide training.

He believes boaters should still have access to the river.

"It's a gem in the Southeast and it brings a pretty decent economic impact to the area. It's a pretty popular attraction for Graham County. It's one of the things boaters look forward to each spring is Cheoah releases," Foy said.

Juliet Kastorff has operated Endless River Adventures for the past 25 years, and since 2006 has offered 12-14 guided trips a year down the Cheoah. She said her guides are considered some of the best on the East Coast.

Guests must have Class III-IV whitewater experience before taking a raft trip, and she said her guides have permission to end someone's trip if they feel the guest's skills are not up to snuff. But she said about 80 percent of Cheoah rafters are return customers.

"The Cheoah is a challenging run in the Southeast and that's why it's so outstanding. For a class IV, it is a treasure," said Kastorff, who had been friends with Noakes for 25 years.

Kastorff is devastated by the loss of her friend. But she said the accident was a fluke and it should not lead to boating restrictions on the Cheoah. She said it should, however, be a time to take a collective pause.

“What the boating community needs to be reminded of is that there is inherent risk in kayaking. And even if you know a river really well, that doesn’t make it easier. Rivers need to be respected,” Kastorff said.

“One of the problems with the Cheoah is that because it’s roadside boating (the river hugs N.C. 129), people tell their buddies. ‘If you get in trouble, you can just pull over.’ But you don’t know you’re going to get in trouble until you’re in trouble. People without experience have gotten on river.”



A kayaker paddles through the rapids under a bridge to catch up to her group on the Cheoah River. (Photo: Citizen Times)

She said that was not the case with Noakes. A native of New Zealand, Noakes competed with her home country’s Freestyle Kayak National Team. She also led expeditions on rivers around the world, taught kayaking at the Nantahala Outdoor Center and competed in local races including the Green River Race and Jerry’s Baddle.

Last year she placed fourth at the U.S. Freestyle Kayak National Championships on the Chattahoochee River in Columbus, Georgia, competing against women less than half her age.

With her husband, Nick Williams, Noakes operated Smoky Mountain Jetboats in Bryson City. Their two young sons, ages 12 and 14, are considered expert boaters, and were on the river with Noakes March 3.

Noakes was not paddling during a dam release, but on a day after heavy rains.

Kastorff said she believes Noakes would have wanted people to keep paddling, including on the Cheoah.

“The more opportunities we can give people to enjoy being outside and to challenge themselves, without endangering them, that’s living. That’s not sitting on a couch,” Kastorff said.

“Kayaking is more of a passion than a sport. People label themselves as ‘kayaker’ because of the river and the passion that people have for the river. Maria embodies that community – that love for each other, love for being on the river. It changes you. It defines life.”

When asked if he believes boating should be restricted on the Cheoah, Williams said, “Hell no. None of the paddling community or Maria’s friends or family would even contemplate that paddling the Cheoah should be limited. That freedom shouldn’t be limited.”

Cheoah Facts:

Where: Starts at Santeetlah Dam on N.C. 129 near Robbinsville, ends at Calderwood Lake

Length: 9.25 miles

Difficulty: Class IV

Name meaning: "Otter" in Cherokee

Hollywood connection: A scene from “The Fugitive” was filmed at the Calderwood Lake.

Brookfield Renewable Cheoah River high flow releases for 2018: Feb. 24, 25; March 24, 25, 26; April 14, 15, 16, 21, 22; May 12, 13, 19, 20, 26, 27; Aug. 4; Oct. 6; Nov. 3.

Information: Call the Cheoah and Tusquitee Ranger District office of the U.S. Forest Service at 828-479-6431.

Deaths on some WNC rivers:

- Catawba – Two in 1998
- Cheoah River – Three since 2007
- French Broad River – Six since 1996
- Nantahala River – Six since 1984
- Green – One in 2000, one in 2004
- Pigeon, Big East Fork – One in 2013
- Tuckasegee – One in 1989, one in 2010
- Rocky Broad – One in 2007

Source: American Whitewater

Top stories

Owner of Farad powerhouse and 103 surrounding acres on Truckee River seeking buyers

[Benjamin Spillman](#), bspillman@rgj.com Published 2:57 p.m. PT April 4, 2018 | Updated 4:07 p.m. PT April 4, 2018

Mountain views? Check. Whitewater stream? Check. Hot spring? Yup! Did we mention bike path to Lake Tahoe?

[Link to photos –scroll to bottom](#)



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Looking at Truckee River going downstream from Farad powerhouse.(Photo: Benjamin Spillman/RGJ)Buy Photo

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To people in the 30,000 vehicles that drive past daily, Farad is just a remote freeway off-ramp between Reno and Truckee.

But for anyone who's ever taken the time to poke around the area by boat, boot, or bike it's so much more.

In addition to the historic Farad powerhouse, built in 1899, there's miles of Truckee River waterfront, access to the Tahoe-Pyramid Bikeway, incredible views of the Sierra Nevada and even a hot spring.

It's enough to make outdoors lovers race to the nearest mortgage broker when they hear Farad's owners are looking to sell or lease.

"It is such a unique piece of property," said Jenny Brekhus, a member of the board of directors of the Truckee Meadows Water Authority, which owns the land and structures. "I've been really, really excited about it."

The TMWA board hasn't yet voted to put the property up for sale or sign a lease. But it did direct staff members to solicit statements of interest from potential buyers.

"The purpose is to maximize value of a once critical, but now dormant, asset while facilitating the protection of the Truckee River watershed," the request stated.

The board is expected to view the responses at its April meeting, although the meeting agenda is not yet posted.

Last year the water authority took ownership of the property from NV Energy, whose ownership dates back to 1899 when the Farad powerhouse became the first electric plant on the eastern Sierra.

But the plant has been out of service since 1996 and TMWA, the primary water provider for Reno, says resuming electrical production at the site wouldn't be worth the estimated \$30 million cost.

"We would love to rebuild it, but it doesn't make sense to our ratepayers," said Pat Nielson, TMWA's director of distribution, maintenance and generation.

Nielson recently toured the 103-acre property to point out its attributes.

Approaching from the freeway, visitors to the property reach a locked gate that keeps cars and trucks from driving near the powerhouse but allows riders and walkers to pass through.

Between the gate and the powerhouse is a large, flat grassy area next to the Truckee River.



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Hot spring at Farad, Calif. (Photo: Benjamin Spillman/RGJ)

The powerhouse itself is a tan, brick, two-story-tall structure with large windows on the sides and front and a large, steel rollup door.

Inside the 4,200-square-foot building the electrical generation hardware is still largely in place.

On the floor are two large, cylinders that house the electricity generating turbines. Also, the gauges, fuses, switches and other electrical components used to operate the plant are still in place, although they appear badly degraded.

The interior also has a hand-operated crane fixed to a trolley that runs along steel beams near the roof.

Thanks to vandals who broke windows, the inside is also covered in bird waste. Nielson said TMWA plans to hire an industrial cleaning service to clean the interior.

The structure of the building appears sound despite lacking modern seismic reinforcements.



Buy Photo

Truckee River running past Farad powerhouse. (Photo: Benjamin Spillman/RGJ)

The powerhouse is connected by penstocks to the forebay building, a 1,900-square-foot structure that's upslope from the main building and accessed by several large flights of stairs.

The forebay is where water diverted from the river arrives by flume and flows into the penstocks that deliver it to the turbines.

A walkway around the exterior of the forebay building provides a vantage point for incredible views of Sierra peaks both upstream and downstream along the river.

The area between the two buildings also has a bridge for Tahoe-Pyramid Bikeway users to cross the penstocks and fencing to prevent access to the structures.

Although the powerhouse, constructed to provide electricity to power mining on Nevada's Comstock, makes a compelling historical artifact it's not the site's only attraction.

The real estate also has great natural features.



Buy Photo

Interior of Farad powerhouse, built in 1899. (Photo: Benjamin Spillman/RGJ)

It's on a portion of the Truckee River that flows swiftly and supports trout fishing and whitewater paddling.

"It is a relatively healthy section of river, it would be nice to keep it that way," said Mickey Hazelwood, director of the Truckee River Restoration Project for The Nature Conservancy.

The bulk of the conservancy's Truckee River focus has been downstream from Sparks at McCarran Ranch and surrounding properties. But the organization is also interested in river conservation upstream of Reno in areas such as Farad.



Buy Photo

Truckee River at Farad, Calif. (Photo: Benjamin Spillman/RGJ)

“Like so many spots along the Truckee you have to allow yourself to ignore some of the infrastructure that is around it,” Hazelwood said. “It is still a respite for people and wildlife.”

It’s directly downstream from Floriston, a popular access point for whitewater kayakers for the rugged Bronco and Jaws series of rapids. Downstream from Farad is another challenging rapid area known as Deadman’s Curve. From there the river continues and eventually takes boaters to Verdi and even downtown Reno.

Noah Fraser, a kayaker from Reno, said developing safe put-in and takeout at Farad would be useful because some of the best boating on the river occurs at spots between Hirschdale and Verdi where access is limited.

“The access isn’t great,” Fraser said. “Wherever there is an exit off the interstate, that is it.”

A safe and accessible spot for boaters to get in and out of the water would also make a good spot for rafting companies to stage people and gear.



Buy Photo

Tahoe Pyramid Bikeway at Farad, Calif. (Photo: Benjamin Spillman/RGJ)

Janet Phillips, president of the Tahoe-Pyramid Bikeway, said the property would also be a good rest stop or staging area for bike trail users.

“It would provide the only rest place in the whole canyon,” Phillips said. “All the way from Truckee to Verdi there are no services, no water, no facilities.”

Nielson said TMWA intends to preserve the bikeway’s easement when the property is transferred.

In addition to the river and the grassy area near the powerhouse, the property features at least two other flat areas that are conducive to camping and a hot spring.

The spring currently feeds a pool that’s been fashioned from a waterproof tarp on ground that’s difficult to access without getting wet or muddy feet.



Buy Photo

Diversion channel from Truckee River to Farad powerhouse. (Photo: Benjamin Spillman/RGJ)

Among the respondents to TMWA's request was a statement of interest from the Truckee Donner Land Trust, a non-profit conservation and sustainable recreation non-profit.

The land trust has already conserved about 37,000 acres in the region, including at Donner and Webber lakes, Carpenter Valley and Royal Gorge.

Executive Director Perry Norris said Farad could be a good fit for the trust in part because it has already done work upstream and downstream from the location.

"We just want to buy it for conservation purposes and public access for the river," Norris said. "Then we'd get to work figuring out what we are going to do with the property."

Norris called the powerhouse building, "the gorilla in the room" for anyone with designs on acquiring and improving the property.

The list of suggested uses has included ideas as varied as brew pub, environmental education center or meeting center.

"The powerhouse, that presents some challenges," Norris said. "But it is also an opportunity to think outside the box and do something creative."

Uses will likely be limited by the environment and Nevada County land use restrictions.

The location near the river and far from municipal water and sewer makes a standard, commercial-level sewer connection a near-impossibility.

Also, the land is zoned open space which limits uses to parks and playgrounds, trails, public utilities, some tree farming and mining.

"They are really more passive uses that don't require a lot of development," said Brian Foss, planning director for Nevada County.

Other uses would require the Board of Supervisors to approve a zoning change, he said.

"I would say it would be rare in this location for a piece of property right along the river," Foss said. "The open space is probably the most appropriate, just given the site's location and what it has been used for."



Buy Photo

Interior of Farad powerhouse, built in 1899. (Photo: Benjamin Spillman/RGJ)



Buy Photo

Truckee River under Interstate 80 at Farad, Calif. (Photo: Benjamin Spillman/RGJ)

TMWA Hosts Watering and Sprinkler Workshops

April 4, 2018 [ThisIsReno](#) [Website](#) [Facebook](#) [Twitter](#) [YouTube](#) [LinkedIn](#)



Truckee Meadows Water Authority (TMWA) is offering a series of free workshops on irrigation systems, drip systems, and tree care.

Workshops are scheduled as follows:

- Sprinkler System Start-Up—Wed., April 4 and Tues., April 10
- Tree Care—Wed., May 9
- Drip System Maintenance—Thurs., May 31, and
- Sprinkler System Maintenance—Wed., June 6.

The hour-long classes start at 5:30 p.m.

TMWA's conservation specialists will present step-by-step processes to take home and use to make your yard water smart.

On Sat., April 7, TMWA customers are invited to attend the Landscape Planning & Design Workshop from 9 a.m. to noon.

Attendees will learn how to plan and design water-smart home landscaping, develop a site-analysis diagram of their yards and create a conceptual landscape plan.

The workshops are free and open to TMWA customers and will be held at TMWA's offices located at 1355 Capital Boulevard in Reno.

Space is limited and RSVPs are required for all worksh ops. RSVP to conservation@tmwa.com or call 834-8005. For the entire schedule of 2018 workshops and tours, visit: tmwa.com/meetings.

For more information about water-efficient landscaping and conservation, visit tmwa.com and tmwalandscapeguide.com.

Webber Lake Campground Opens Pristine Wilderness, History to Public

By Truckee Donner Land Trust -
April 4, 2018, 09:57:09 AM



Dawn at Webber Lake. Photo by John Peltier

SIERRA COUNTY, Calif. April 4, 2018 – Less than an hour north of the hustle and bustle of Lake Tahoe, the serene Webber Lake Campground is open to the public for the first time in many years.

Quietly sitting unnoticed for a century, spectacular forests, meadows and wildlife thrive, and surrounding peaks and ridges give the small lake a secluded feel. The 45-site campground, now owned and operated by the Truckee Donner Land Trust, offers access to hiking, fishing, paddling and cycling to those looking for a unique escape.

“Webber Lake is a really special place, and once you’ve spent a couple nights there, you’ll understand why,” said Perry Norris, executive director of the Truckee Donner Land Trust. “We’ve been eying this property for 20 years – we’d heard stories about it, but it was more on our fantasy wish list than a realistic acquisition.”

Home to threatened and endangered species, bird migration corridors and a lake stocked with fish, the 3,000-acre property has only been visited by a select few as a private campground for generations.

Calls from sandhill crane, coyote and other animals echo over the lake at dusk as sunset paints the surrounding peaks orange and purple, and at dawn as mist rises from the lake’s crystal-clear water.

It’s the perfect base camp to explore nearby Perazzo Meadows, Mt. Lola, Independence Lake, The Pacific Crest Trail, Webber Falls and Sierra Valley to the north.

And while few today are familiar with the campground, lake and adjoining Lacey Meadow, it was once a mainstay on the overland route to California during the Gold Rush. The last hotel along the historic Henness Pass wagon train route still stands on the property, one of the oldest standing buildings in Northern California dating back to 1860.

In 2012 The Truckee Donner Land Trust and its partner, The Trust for Public Land, with support from the California Wildlife Conservation Board, Sierra Nevada Conservancy, California Natural Resources Agency, and the Northern Sierra Partnership purchased the property for \$8 million from the Johnson family, who has owned the property since 1870.

"It was mostly done over their kitchen table – Perry would bring them soup," said John Svahn, stewardship director for the Land Trust. "Mr. and Mrs. Johnson wanted the property preserved and kept like it is, so in the end they turned down more lucrative offers and even made a donation to the land trust."

2018 will be the first full camping season open to the public, and reservations are recommended. Go to tdlandtrust.org/webber-lakelacey-meadows to make reservations or to learn more.

About the Truckee Donner Land Trust

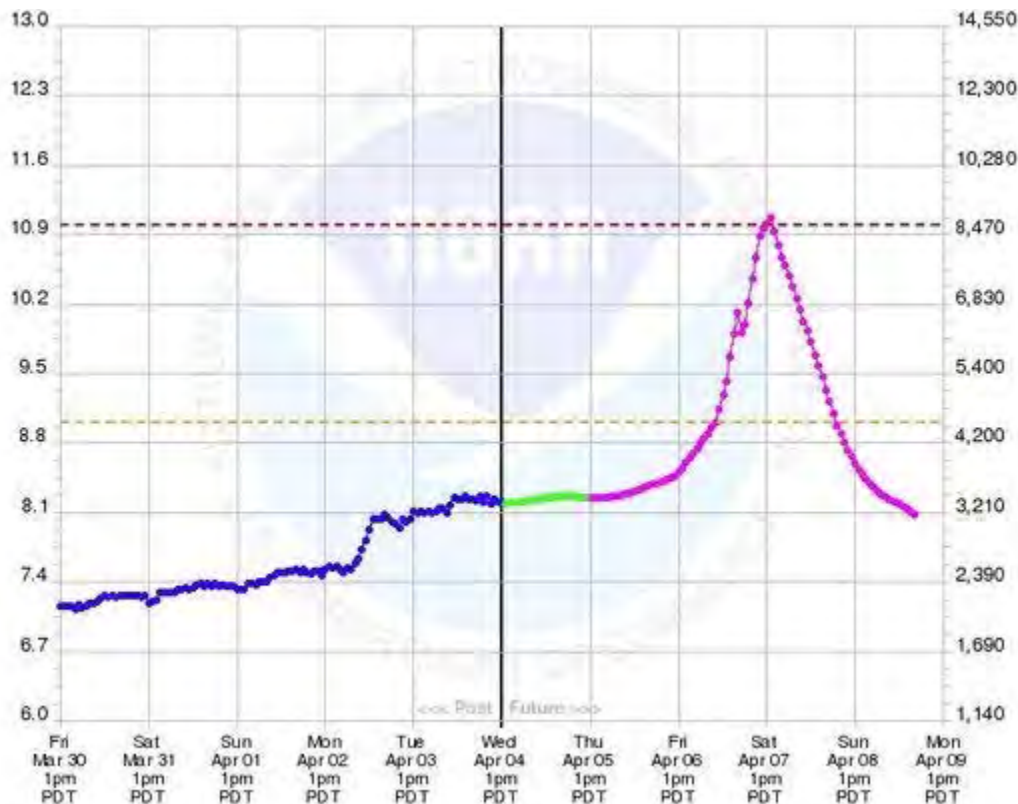
The Truckee Donner Land Trust preserves and protects scenic, historic and recreational lands with high natural resource values in the Truckee Donner region.

The Land Trust works with landowners, federal, state and local governments, and the public-at-large, to create win-win situations for private and public interests. Learn more at tdlandtrust.org.

Flooding looms as big storm locks eyes on Reno area

Marcella Corona, mcorona@rgj.com Published 2:13 p.m. PT April 4, 2018 | Updated 6:55 a.m. PT April 5, 2018

Take a look back at the flood of 2017 and compare what it looked like in January 18. Jason Bean



(Photo: noaa.gov)
CONNECTTWEETLINKEDINCOMMENTEMAILMORE

The National Weather Service has issued a flood warning for Washoe County in preparation for a powerful storm that will hit the region later this week.

A strong atmospheric river is expected to hit the Sierra on Friday and Saturday. The storm could drop heavy rain in eastern Sierra and western Nevada. Forecasters said they expect Truckee River to overflow in Reno and cause minor flooding.

Minor to moderate flooding is also expected at Vista Boulevard, flowing both into Storey and Washoe counties, forecasters said on the Weather Service website.

More: [Heads up! Huge 'atmospheric river' flowing toward Reno with lots of rain and flood potential.](#)

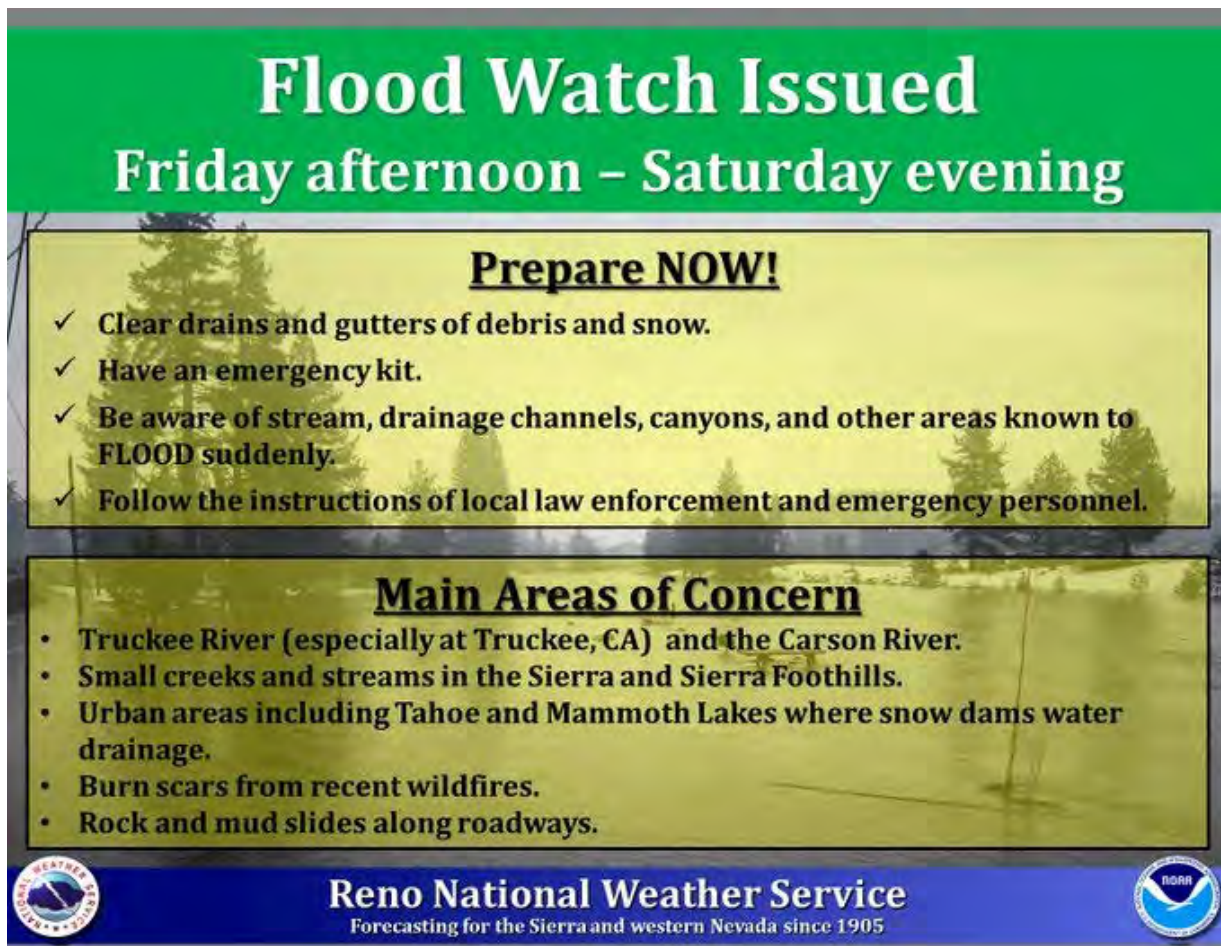
Related: RGJ investigation finds Reno knew Lemmon Valley would flood, but allowed development anyway.

Related: Here's a look 8 of the worst storms in Northern Nevada since the 1990s.

Snow levels are expected to rise over 10,000 feet during the heaviest precipitation. Heavy rain could cause rock and mudslides in steep terrain.

As of 3 p.m. Wednesday, the water reached 10.5 feet along the Truckee River at Vista Boulevard. The flood stage is 15 feet, the Weather Service said.

Forecasters expect river to rise by Saturday morning, continuing up to about 18 feet by Saturday evening. It will then fall below flood stage by early Sunday morning, forecasters said.



Flood Watch Issued



Friday afternoon – Saturday evening

Prepare NOW!

- ✓ Clear drains and gutters of debris and snow.
- ✓ Have an emergency kit.
- ✓ Be aware of stream, drainage channels, canyons, and other areas known to FLOOD suddenly.
- ✓ Follow the instructions of local law enforcement and emergency personnel.

Main Areas of Concern

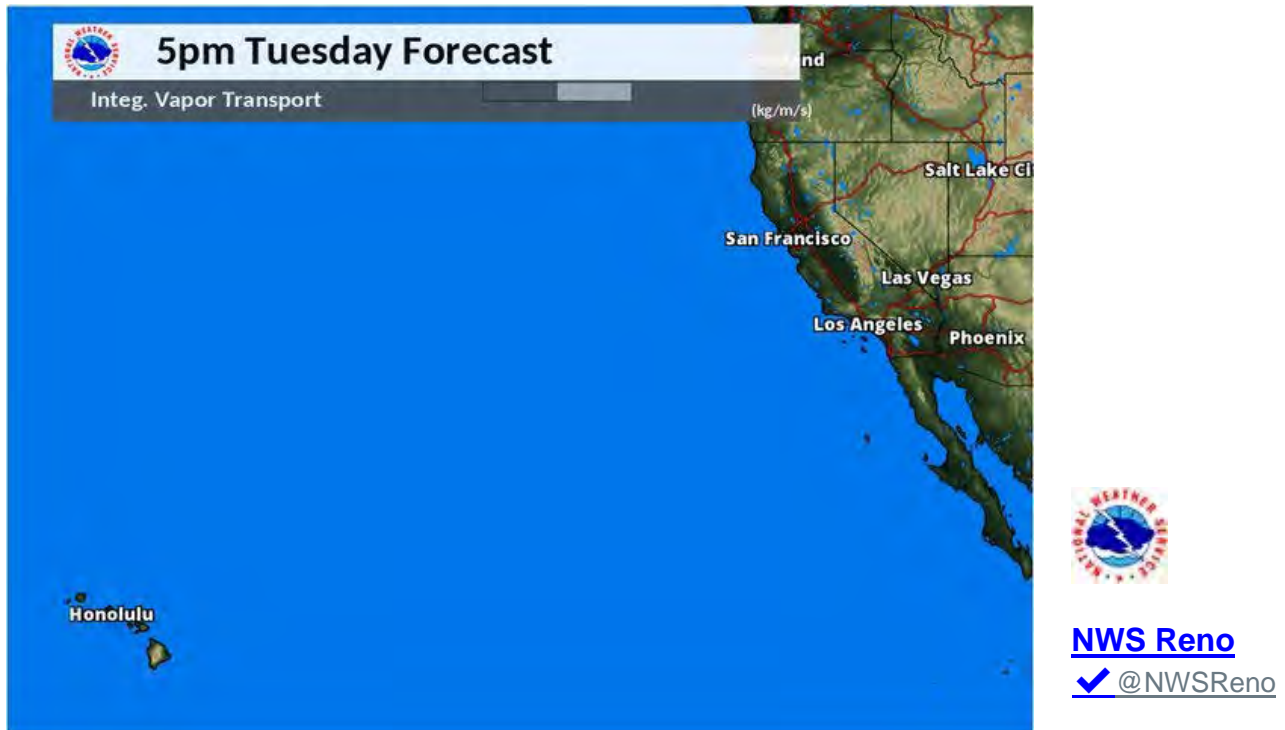
- Truckee River (especially at Truckee, CA) and the Carson River.
- Small creeks and streams in the Sierra and Sierra Foothills.
- Urban areas including Tahoe and Mammoth Lakes where snow dams water drainage.
- Burn scars from recent wildfires.
- Rock and mud slides along roadways.

 **Reno National Weather Service**
Forecasting for the Sierra and western Nevada since 1905 

A strong atmospheric river will impact the region Friday-Saturday. Significant precipitation & high snow levels will bring an enhanced flooding potential for rivers, creeks, streams and urban areas. Flood preparations should be completed by Thursday afternoon. [#CAWx](#) [#NVWx](#)
[9:58 AM - Apr 3, 2018](#)

Minor to moderate flooding is expected to affect parks, trails and agricultural areas near the river between U.S. 395 and Nixon. Roads and buildings between U.S. 395 and Vista Boulevard could also see some flooding.

"We're definitely going to have a pretty powerful storm in this region," said Scott McGuire, a meteorologist with the National Weather Service. "It's pretty quick moving, which is good. But it definitely does not take a lot to go over the point where things are handled well."



A powerful (atmospheric river) storm will bring gusty winds & significant rains to the region Friday-Saturday. The main concern is the potential for flooding along creeks, streams, rivers and in urban areas. For more details click here:
<https://goo.gl/x2qMXg> #CAWx #NVWx
12:00 PM - Apr 4, 2018

"We will definitely have some minor issues for sure. If the precipitation comes in heavier, it will put us in a more precarious situation," he said Wednesday.

Forecasters also issued a flood warning for areas along the east and west forks of the Carson River.

The areas that could be hit with minor to moderate flooding include ranch lands and pastures in Alpine and Douglas counties.

"There are some areas that are really flood-prone to begin with," he said.

Steamboat Creek will also see a pretty noticeable increase in flowing water Friday afternoon through Saturday morning.



NWS Reno
✓ @NWSReno

[3 Apr](#)

A strong atmospheric river will impact the region Friday-Saturday. Significant precipitation & high snow levels will bring an enhanced flooding potential for rivers, creeks, streams and urban areas. Flood preparations should be completed by Thursday afternoon. #CAWx #NVWx
pic.twitter.com/W78lvJlcUv

[4:48 PM - Apr 3, 2018](#)

[Twitter Ads info and privacy](#)



NWS Reno

✓ [@NWSReno](#)

[20h](#)

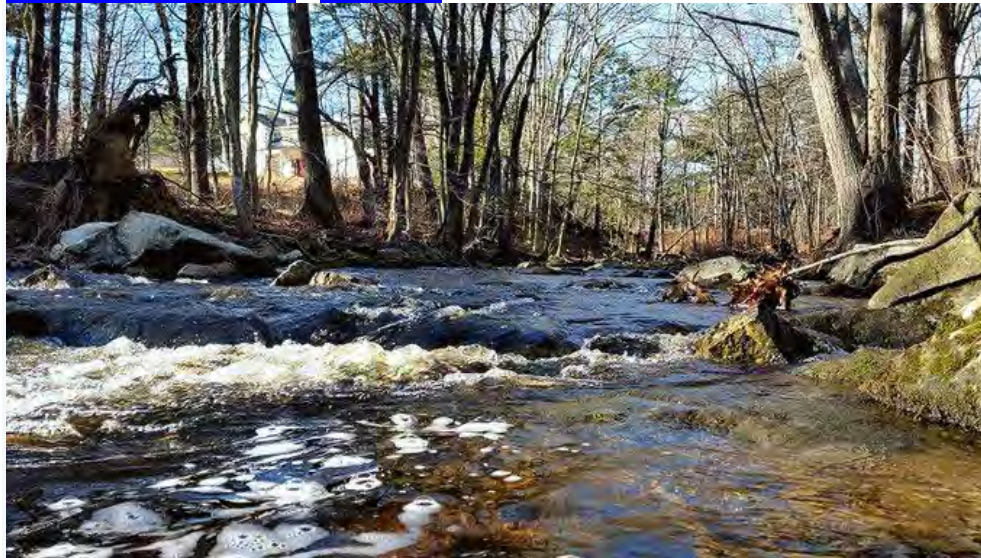
A powerful (atmospheric river) storm will bring gusty winds & significant rains to the region Friday-Saturday. The main concern is the potential for flooding along creeks, streams, rivers and in urban areas. For more details click here: <https://goo.gl/x2qMXg> #CAWx #NVWx
pic.twitter.com/54CjsrhV6A



[Lovey](#) [@lasvegaslopez](#)

Just in time for the weekend! pic.twitter.com/DZVDVhByQX

[12:37 PM - Apr 4, 2018](#) · [Reno, NV](#)



[Twitter Ads info and privacy](#)

"It should really kick in Saturday afternoon and could cause issues for people who live along that area," McGuire said.

"It won't take a lot to get us out of that comfort zone as far as that precipitation is concerned," McGuire later added. "You need to be pretty mindful and pay close attention."

Drainages should be cleared of any debris or snow. Forecasters also issued a flood watch for all other places in the Sierra and along the Sierra front, including areas near the U.S. 395 corridor.

Areas east of Sparks could experience moderate flooding.

"Most people who work down there or have business down there need to be prepared," McGuire said, adding some areas east of Sparks are also prone to flooding.

[Facebook](#)[Twitter](#)[Google+](#)[LinkedIn](#)

Photos: Flooding scenes around Reno - Sunday

[Fullscreen](#)

RENO AREA FORECAST:

Thursday: Mostly cloudy; a 40 percent chance of nighttime showers; high 65, low 45

Friday: Rain; high 57, low 48

Saturday: Rain, heavy at times; high 60, low 36

Sunday: Sunny; high 59 low 38

TAHOE AREA FORECAST:

Thursday: A 20 percent chance of showers after noon; rain likely after midnight; high 54, low 37

Friday: Rain; high 47, low 42

Saturday: Rain showers likely, heavy at times; high 50, low 27

Sunday: Sunny; high 50, low 30

Source: National Weather Service

Lake Tahoe groups support fight against invasive species

by The Associated Press



Emerald Bay, south Lake Tahoe, Nevada-California (Sinclair Broadcast Group)

AA

TRUCKEE, Calif. (AP) —

A conservation group and a coalition of municipal drinking water providers at Lake Tahoe have pitched in to try to stunt the growth of invasive aquatic plants that can degrade water quality and rob the lake of its famed clarity.

The Truckee Sun reports the Tahoe Fund and the Tahoe Water Suppliers Association recently reached their fundraising goal to buy more than 150 bottom barriers and other resources to support the Tahoe Resource Conservation District in fighting the invasive plants.

The two groups launched a fundraising effort last year to add \$52,000 to complete the bottom barriers project.

The barriers will be deployed this spring by the conservation district. The barriers are made of a plastic-like material that allows oxygen to flow through but starve the invasive plants of sunlight.

Snowiest March In Decades Fills Lake Tahoe With Enough Water For Three Years



[Trevor Nace](#), CONTRIBUTOR Opinions expressed by Forbes Contributors are their own.



Lake Tahoe

After a dismal start to winter, a "Miracle March" brought enough snow to Lake Tahoe to last for three years. In just one month the snowpack surrounding the lake went from a meager 32 percent of normal to 77 percent, a 45 percent jump in just one month.

The dumping of snow around Lake Tahoe in March is a relief to Reno residents who rely on Lake Tahoe as its water supply during dry summer months. Given the average use of water per year, the snowfall in March gives Lake Tahoe enough of a supply to last as much as 3 years of drought.

Now, water managers in Reno are expecting Lake Tahoe to be full to the brim. Just last week the lake was about a foot from the legal storage limit and the snow doesn't appear to be stopping. The lake level has risen high enough that the lake's water managers are releasing water into the Truckee River in anticipation of continued snowmelt and runoff.

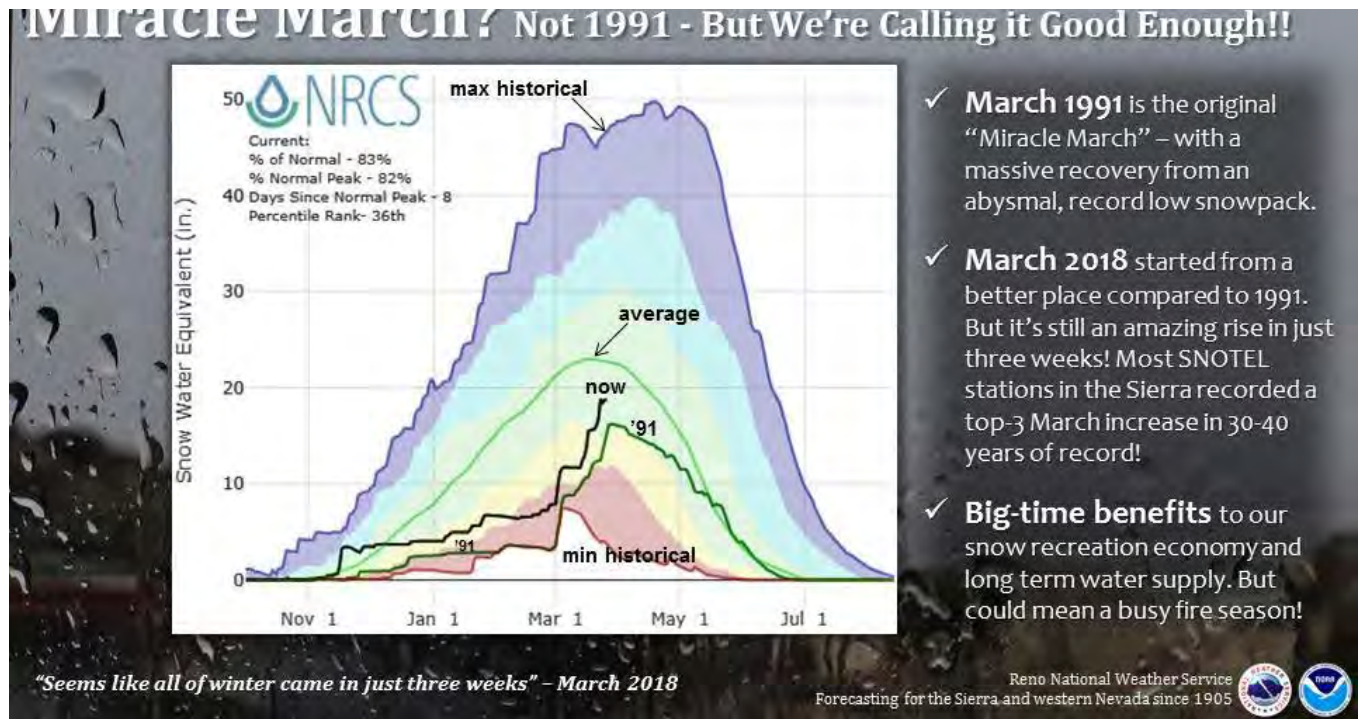
This has been the snowiest March in 27 years in the region, with only three times in Lake Tahoe's recorded history receiving more snowfall in March. The last time Lake Tahoe experienced a similar situation was in 1991 when snowpack was just 15 percent of normal at the start of March and ended the month with 70 percent.



Comparison of before and after March 2018 spring melt.

While this past month's snow dump around Tahoe Basin makes a grim situation much more bearable, you'll notice the snowpack is still lower than historical amounts. The situation is similar for the Sierra Nevada mountains, where snowpack ranges from around [70 to 80 percent of normal for this time of year](#).

The figure above, provided by [Reno's National Weather Service](#), indicates the snowmelt and precipitation at the end of February 2018 versus the end of March 2018. This is a combination of snowpack and precipitation for Tahoe City and the Sierra Nevada mountains.



Comparison of this year's snowfall versus past record years.

In the figure above you'll notice the dramatic rise in snow water equivalent in March 2018. However, we are still below what is considered average for this time of the year. While March 2018 did not break records, the speed at which a dire year turned into a "not-too-bad" year was remarkable. In just 3 weeks Lake Tahoe filled nearly to the brim and set local populations at ease for the coming years.

With Lake Tahoe supplying 75 percent of the Reno metropolitan area's water, the city watches snowpack conditions around the Tahoe Basin and the Sierra Nevada mountains closely. This year, at least, they can be thankful for a "Miracle March."

Trevor Nace is a PhD geologist, founder of [Science Trends](#), Forbes contributor, and explorer. Follow his journey [@trevornace](#).

Rescuers save a family of deer from a canal in Verdi; 2 died in the water

[Marcella Corona](#), mcorona@rgj.com

A look at potentially deadly animals in Nevada and the chances they will actually kill you. Wochit



(Photo: Provided by Washoe County Regional Animal Services)
[CONNECT](#)[TWEET](#)[LINKEDIN](#)[COMMENT](#)[EMAIL](#)[MORE](#)

A family of deer were rescued after they became trapped in a canal and were swept away toward a powerhouse in Verdi early Thursday morning.

The incident was reported at about 7:30 a.m. near the Bridge Street canal.

Crews from the Truckee Meadows Fire Protection District, Nevada Department of Wildlife and the Washoe County Regional Animal Services all assisted in the rescue.

Truckee Meadows Water Authority and NV Energy also responded to the rescue.

"We sent two officers out there," said Shyanne Schull, director of Washoe County Regional Animal Services, adding the agency opens at 8 a.m. "We had two officers in the building, and they agreed to jump in their trucks and head that way."

When rescuers arrived, they found a total of 10 deer in the water. Eight of them suffered from hypothermia, and two were found dead, Truckee Meadows Fire Protection District said in a Twitter post.

Schull said firefighters had to go into the water and pull them out.





Truckee Meadows Fire@TMFPD

Crews dispatched for deer caught in Bridge Street canal in Verdi today. Crews forced entry to powerhouse door finding 10 deer trapped. 8 suffering hypothermia, sadly 2 perished in water. Thank you @TMWA, @NVEnergy, @washoecounty Animal Control, NDOW, citizens for the #teamwork!

[9:07 AM - Mar 29, 2018](#)

15 people are talking about this

[Twitter Ads info and privacy](#)



Truckee Meadows Fire@TMFPD

[29 Mar](#)

Crews dispatched for deer caught in Bridge Street canal in Verdi today. Crews forced entry to powerhouse door finding 10 deer trapped. 8 suffering hypothermia, sadly 2 perished in water. Thank you @TMWA, @NVEnergy, @washoecounty Animal Control, NDOW, citizens for the #teamwork!

pic.twitter.com/Aq0VvFsVS6



Truckee Meadows Fire@TMFPD

NDOW and @washoecounty Animal Control are releasing the deer once they have recovered. Several have already jumped away with a lot of spring in their step, pun intended!

[9:09 AM - Mar 29, 2018](#)

See Truckee Meadows Fire's other Tweets

"Once the animals were removed from the water, we wrapped them in blankets and towels and tried to warm them up because some of them were hypothermic," Schull said.

Jack Robb, NDOW deputy director, said six deer recovered quickly and were released at the scene, while two needed additional medical care. He said rescuers had to blindfold the deer so they could relax. It took the deer about 45 minutes to warm up and then leave the area.

"We made sure that they could move properly and didn't have open wounds," Robbs said. "It was a good effort by the Truckee Meadows Fire Protection District. They were fantastic."



One lone deer stands walks along Bridge Street after it was rescued from a canal in Verdi on March 29, 2018. (Photo: Provided by Washoe County Regional Animal Services)

The deer were found in a forebay about three-quarters of a mile from where rescuers believed they entered the canal. Both Robb and Schull described the rescue as a team effort.

“The biggest issue they had was that they were really cold and stiff,” Robb said. “If the fire department hadn’t gotten there so quickly, we probably would have had 10 dead deer.”

Robb described the herd as “year-long residents that live in Verdi.” He said several residents in the area often find them roaming in their backyards.

“That’s what saved these deer,” he said. “People were out there at the right time and saw them struggling in the water.”

Robb said NDOW has previously received reports of deer stuck in the canal. Usually, it’s one or two that cross the canal. Most of the time, they’re able to make it out on their own.

But he said he couldn’t remember a time where a large group of them needed to be rescued.

“It’s not common, but it has happened in the past,” Robb said.



Rescuers wrap a herd of deer in blankets and towels after pulling them from the Bridge Street canal near a powerhouse in Verdi on March 29, 2018. (Photo: Provided by Washoe County Regional Animal Services)

“Something probably spooked these animals and that’s why they entered the canal,” he said. “They know where all the bridges are and know how to navigate the terrain. So, something different happened this morning.”

Schull said the county animal services agency has had its fair share of rescue calls.

“From time to time, we have wildlife that are injured or in precarious situations,” Schull said. “We have a fair amount of deer and wild horses, of course. They get hit often, and we respond and help and try to get them off the roadway.”

Schull recalled an incident involving a buck that rammed through a resident’s fence in the Damonte Ranch area in early December last year. The buck ended up with Christmas lights tangled around its antlers.

“There’s an interface of wildlife and people when their territory and habit are so closely intertwined with ours,” she said.

Att: Council person Naomi Duerr and County Commissioner: Bob Lacey, Oscar Delgado and Truckee Meadows Water Authority,

I'm writing to you because I live in the area which you represent in Reno Ward 2 area. I'm concerned about the Rent gouging that is going and lack of laws and regulations to protect Renters. I would like to see an anonymous hot-line for people who have no hot water or heat.

Reno has been in an emergency situation for the last year or more with huge rent hikes. Big increase of homeless people and families and seniors being taken advantage of. Rent's escalating out of control even thou minimum wage is \$8.25 and most people will never get raises or if they do would never be enough to compensate for rent rises. But I don't see the Reno City Council addressing the issue seriously. I saw a televised interview with the new City Manager we found it glib and lacking in integrity when she stated there is not one thing they could do to help. I could suggest at least 10 things and the top of the list are Rent Control or Rent stabilization.

Other thing's: FPI the management company who took over where I live are raising rents higher and most of these people are retired and can barely afford food. They also are only offering six month leases so they can keep raising leases. They are charging a whole month's rent to break a lease which would cripple most people. Most cities and states state that you can break a lease with 30 day's notice. They are guestimating what people should pay for water, sewer and trash. I have a friend who they charged \$45 one month and \$95 the next. They make them pay it with the rent saying it's part of their rent. Is that legal? I think that makes it a variable rent amount whilst on a lease which I think is illegal? I think it's also illegal to charge variable water, sewer trash amounts which are not individually metered. They are squeezing people like no tomorrow. Greed at it's worst.

Reno wages are very low compared to other urban areas. There is a lot of marketing by the Mayor about Reno being a new tech area but there are only a few high paying positons most are only \$15 an hour or less.

My rental was bought out by a company that seems to specialize in preying on elderly, low income and the poor. Social security is very low especially if you lived and worked in Reno all your life. Where are these people meant to go or

lived and worked in Reno all your life. Where are these people meant to go or do? They have bought 15 properties and counting here and no-one should have that kind of monopoly – they can manipulate the market for their gain and create a fake market. I believe they bought here because there are so few laws to protect renters. Something they saw as an opportunity to prey on renter's with-out consequences. I know the Reno real estate commission made rules about people not being about to buy so many homes or properties at a certain time to stop sleazy flippers manipulating the market here. People like that are why we never managed to buy a home as we were competing with them. Now it's happening with Apartment complexes. The rumor is the huge corporation that bought ours will be flipping it soon.

I would also like to see some fiscal responsibility. Instead of statues and pieces or art being bought and displayed for Millions all around the city. I would like to see parks and pools being fixed and help for families and Senior's. The park where I live has not been fixed or re-done for many years. But downtown has. The basic common sense things seem to be neglected.

Looking forward to your response,

Sincerely,

Lane and Rachel [REDACTED]

From: WEBSITE: Comments to the Board
To: [Folsom, Sonia](#)
Subject: New submission from Comments to the Board
Date: Monday, April 02, 2018 9:40:02 AM

Name

dudley [REDACTED]

Email

[REDACTED]

Account Number

[REDACTED]

Comments

notified of excessive water consumption. Acted immediately to repair. All kinds of hurdles with TMWA to evaluate defect and request inspection., amelioration of bill. Nothing but frustration. "Not our problem" -
??? Make an effort to have office

coordinate and listen to customer perspective of reason for leak. Be local and avoid 'city hall' perspective

From: Gebhardt, Andy
Sent: Thursday, April 12, 2018 7:35 AM
To: [REDACTED]
Subject: RE: New submission from Comments to the Board

Hello-

Thank you for your comment. I will forward it on to the TMWA Board for their consideration. Please let me know if you have any further questions.

Thank you.

Andy Gebhardt
Director Operations and Water Quality
Truckee Meadows Water Authority
1355 Capital Blvd. | Reno, NV 89502
O: (775) 834-8007, M: (775) 230-3699
agebhardt@tmwa.com | www.tmwa.com




From: WEBSITE: Comments to the Board [<mailto:info@waterforms.net>]
Sent: Wednesday, April 11, 2018 9:50 PM
To: Gebhardt, Andy <agebhardt@tmwa.com>
Subject: New submission from Comments to the Board

Name
Ron [REDACTED]
Email
[REDACTED]
Account Number
[REDACTED]
Comments
I read about TMWA's intention to sell the 103 acre Farad property. It is important that the property remain a park, protecting Truckee River's water, and that it be open to the public for nature walks, biking, and fishing. I respectfully request that the Board consider retaining the property instead of selling it. Operate it as a public park. Nevada law offers immunity to landowners who allow the public to enjoy the land for recreation. I establish a conservation easement to prevent development of this land for commercial, industrial or residential use. If this is rejected by the Board, then I ask that the property be sold to the Truckee Donner Land Trust and/or the Nature Conservancy.

Our vision is to enhance the quality of life in the Truckee Meadows by delivering exceptional, customer-focused water services.

Ron M. Aryel M.D. M.B.A.


Reno NV 89519-2122

April 11, 2018

Board of Directors
Truckee Meadows Water Authority
1355 Capital Blvd.
Reno NV 89502

Dear Members of the Board:

I am a TMWA customer (for both my home and office) and am also a Life Member of the Nature Conservancy. I am writing on a matter of concern to me, that also has been discussed by those organizations. Note that I write for myself and my family, and in this letter I do not speak for the Conservancy.

The Truckee Meadows Water Authority has announced its intention to sell the 103 acre Farad property, which sits along the Truckee River and protects the river. The property is currently accessible to the public and offers not only important wildlife habitat but recreational opportunities for the public. My understanding is that there is also a bike path there.

It is not in the public interest to allow this property to transfer to an owner who will develop it or who will fence it off and deny the public access to it. The Farad property is most appropriately a public park – that is its best use, and, given the lack of access to utilities, its only logical use.

To protect the Farad property and the Truckee River from environmental degradation and preserve public access to them, I ask that the Board consider cancelling the sale and maintaining the property as a public access park. Aside from protecting the powerhouse (to prevent injury to trespassers), the operation of the park would cost only a few thousand dollars a year and would return impressive benefits to us all. Other utility companies – Southern California

Edison, Southern California Gas, and Pacific Gas and Electric, own such properties. Canadian utilities in Alberta do something similar.

TMWA received a substantial grant from Nevada Energy when the former acquired the property, so I do not believe that cancelling the sale would harm TMWA's finances.

If, however, TMWA's Board is bound and determined to sell the Farad property, I urge the Board to sell it to the Truckee Donner Land Trust, the Nature Conservancy, or a joint venture composed of both organizations, to be set aside in perpetuity as a public park. Final disposition of the powerhouse need not delay or prevent this transaction; the powerhouse can be dismantled later with the help of fundraising. If TMWA's Board enters into an agreement to sell to the Land Trust or the Conservancy, I will assist with fundraising and will personally donate some money to this endeavor. Perhaps an inquiry to the Nevada Department of Wildlife could also be helpful.

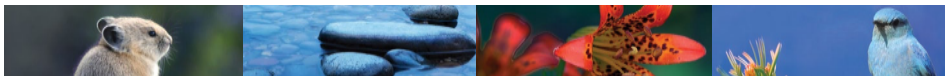
Please do not allow this valuable public resource to fall to an owner who would despoil it or fence it off for strictly private use.

Sincerely,



Ron M. Aryel, M.D., M.B.A.

CC: Truckee Donner Land Trust
Nature Conservancy
Janet Phillips



April 16, 2018

Truckee Meadows Water Authority
Board of Directors
1355 Corporate Blvd
Reno, NV 89502
Submitted c/o pnielson@tmwa.com; sfolsom@tmwa.com

RE: Discussion and Action for the Farad Property

Dear TMWA Chairman and Board Members,

The Truckee River Watershed Council strongly encourages TMWA's Board of Directors to support acquisition of the Farad Property by the Truckee Donner Land Trust (TDLT). TDLT has an exceptional history of land preservation in the Truckee River watershed for conservation, restoration, and recreation purposes. Their acquisition of the Farad property would provide lasting benefits for the Truckee River and the communities it supports.

TDLT has been working to protect the Truckee River corridor for more than a decade. Their completed projects include 25,000 acres in the Truckee River watershed, including several thousand in the canyon upstream and downstream of the Farad property

As one of the least-developed portions of the middle Truckee River, the canyon has immense biological and hydrologic value, not to mention features of historical significance. The preservation of open space in the canyon is critical to supporting these values. Moreover, the Farad property is the only place in the canyon with safe and sustainable public access.

TDLT's acquisition of the property would ensure all that these values and public access like the Tahoe-Pyramid Bikeway are maintained in perpetuity.

The Truckee River Watershed Council's goal is to complete 50 high priority restoration projects in the next 10 years. TDLT has been a key partner in accomplishing that work. We encourage you to support their acquisition of the Farad property.

Thank you for your consideration in this matter.

Sincerely,

Handwritten signatures of Lisa Wallace and Matt Freitas in blue ink.

Lisa Wallace
Executive Director

Matt Freitas
Program Manager

Cc: Perry Norris, Truckee Donner Land Trust