



TO: Chairman and Board Members
FROM: Jeff Tissier, Chief Financial Officer
DATE: January 11, 2011
SUBJECT: **Request for Board approval of Resolution No. 170 amending and supplementing the 2006 Commercial Paper Resolution relating to TMWA's Water Revenue Commercial Paper Notes, Series 2006A and 2006B, to allow such notes to be issued for refunding**

Recommendation

Staff recommends the Truckee Meadows Water Authority (TMWA) Board adopt an amended resolution authorizing the issuance of TMWA's Water Revenue Commercial Paper Notes Series 2006A and Series 2006B to allow such notes to be issued for refunding (refinancing) purposes.

Purpose

The purpose for this amendment is to allow for the refunding of a callable maturity of the original acquisition bonds. Specifically, TMWA has targeted the callable 2012 maturity of the 2001-A Revenue Bonds to obtain a one year net savings of approximately \$400,000 for fiscal year 2012. TMWA is required to provide a 30-60 day notice of redemption and plans to refund (refinance) the 2012 maturity on July 1, 2011. TMWA plans to reserve related monthly debt service transfers to the bond trustee and redeem the outstanding commercial paper used for such purpose by July of 2012.

Summary - A resolution amending and supplementing the 2006 Commercial Paper Resolution relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A and Series 2006B to allow such notes to be issued for refunding purposes and other matters relating thereto.

RESOLUTION NO. 170

A RESOLUTION AMENDING AND SUPPLEMENTING THE 2006 COMMERCIAL PAPER RESOLUTION RELATING TO THE AUTHORITY'S WATER REVENUE COMMERCIAL PAPER NOTES, SERIES 2006A AND SERIES 2006B TO ALLOW SUCH NOTES TO BE ISSUED FOR REFUNDING PURPOSES.

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 and restated as of February 3, 2010 (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, 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 quasi-municipal corporation, 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, cited therein by the title "2006 Commercial Paper Resolution," authorizing, among other matters, commercial paper notes designated as "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A" (the "2006A Notes") and "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B" (the "2006B Notes" and, collectively with the 2006A Notes, the "Notes"), for the purpose of providing funds for the Project and for the purpose of refunding, paying and discharging outstanding Notes; and

WHEREAS, the 2006 Commercial Paper Resolution permits the adoption of a resolution supplementing, modifying or amending the 2006 Commercial Paper Resolution so long as such supplemental resolution is authorized by and permitted under the 2006 Commercial Paper Resolution; and

WHEREAS, the Board desires to amend the provisions of the 2006 Commercial Paper Resolution and the documents related to the issuance of the Notes to allow such Notes to be issued for the purpose of refinancing or refunding obligations previously issued by the Authority other than the Notes.

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

ARTICLE I.

SHORT TITLE; DEFINITIONS; APPLICABILITY; CONSTRUCTION

SECTION 1.1 Title. This First Supplemental Resolution shall be known and may be cited as the “First Supplemental Resolution to 2006 Commercial Paper Resolution.”

SECTION 1.2 Definitions. Unless otherwise defined herein, the terms used in this First Supplemental Resolution shall have the same meanings as in the 2006 Commercial Paper Resolution or the Credit Agreement. Certain terms used in this First Supplemental Resolution are defined parenthetically herein. In addition, unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this First Supplemental Resolution and of any other Supplemental Resolution and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

A. “First Amendment to Issuing and Paying Agent Agreement” or “First Amendment to Issuing and Paying Agent Agreements” means either separately or together, as the context may require, the First Amendment to 2006A Issuing and Paying Agent Agreement and the First Amendment to 2006B Issuing and Paying Agent Agreement, each between the Authority and the Issuing and Paying Agent, amending and supplementing each Issuing and Paying Agent Agreement.

B. “First Supplemental Resolution” means this resolution, as from time to time amended or supplemented in accordance with the terms hereof and of the 2006 Commercial Paper Resolution.

C. “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.”

SECTION 1.3 Applicability of 2006 Commercial Paper Resolution. This First Supplemental Resolution shall be a “Supplemental Resolution” as defined in and for the purposes set forth in the 2006 Commercial Paper Resolution. Except as otherwise provided in this First Supplemental Resolution, the provisions of the 2006 Commercial Paper Resolution, as amended by this First Supplemental Resolution, govern the Notes.

SECTION 1.4 Construction. This First Supplemental Resolution, except where the context by clear implication herein otherwise requires, shall be construed as follows:

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

B. Words indicating gender include both genders, and when the sense so indicates, words of the neuter gender refer to any gender.

C. Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs of this First Supplemental Resolution so numbered or otherwise so designated.

D. The titles applied to articles, sections, subsections, paragraphs and subparagraphs in this First Supplemental Resolution are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope of any provisions of this First Supplemental Resolution.

E. The words “herein,” “hereof,” “hereby,” hereunder” and other words of similar import refer to this First Supplemental Resolution as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II.

AUTHORIZATION

SECTION 2.1 Authorization and Effectiveness of First Supplemental Resolution. Pursuant to Article VII of the 2006 Commercial Paper Resolution, the Authority is authorized to adopt this First Supplemental Resolution to make the amendments to the 2006 Commercial Paper Resolution set forth herein, 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, has been filed with the Authority.

SECTION 2.2 Statutory Authority for First Supplemental Resolution. This First Supplemental Resolution is adopted pursuant to the provisions of the Bond Act, the TMWA Cooperative Agreement and the Authority Act. 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 Bond Act, the TMWA Cooperative Agreement and the Authority Act.

SECTION 2.3 First Supplemental Resolution to Constitute Contract. This First Supplemental Resolution shall constitute a contract between the Authority and the Holders from time to time of the Notes.

SECTION 2.4 Declaration of Public Interest and Necessity. The Authority has determined, in accordance with the provisions of the Bond Act, the TMWA Cooperative Agreement and the Authority Act, that the public interest and necessity require the carrying out of the objects and purposes of the Authority Act and the TMWA Cooperative Agreement, by the acquisition and construction of the Project and the financing of Refinancing Projects through the issuance of the Notes. The Refundings are hereby declared necessary to decelerate or otherwise modify payment of the Notes and the interest thereon, in accordance with NRS 350.684. The Refinancing Projects are hereby declared necessary to (i) accelerate, decelerate or otherwise modify the payment of the obligations being refinanced or refunded, (ii) reduce interest costs or effect other economies, or (iii) modify or eliminate restrictive contractual limitations appertaining to the issuance of additional bonds, otherwise concerning the obligations being refinanced or refunded, or otherwise relating to any facilities appertaining thereto, or any combination thereof, in accordance with NRS 350.684.

ARTICLE III.

SUPPLEMENTAL PROVISIONS

SECTION 3.1 Definitions.

A. Section 1.2 of the 2006 Commercial Paper Resolution is hereby amended by the addition of the following definitions:

“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.

“Escrow Account” means each special account created pursuant to the provisions hereof 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.”

“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.

B. The definition of “Cost of the Project” in Section 1.2 of the 2006 Commercial Paper Resolution is hereby amended by: (i) deleting “and” at the end of clause (11) thereof, (ii) deleting the period at the end of clause (12) thereof and replacing it with “; and”, and (iii) adding the following clause (13):

“(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.”

C. The definition of “Issuance Request” in Section 1.2 of the 2006 Commercial Paper Resolution is hereby replaced with the following definition:

“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 of the applicable series.

SECTION 3.2 Authorization of Notes.

A. The last sentence of subsection A of Section 2.4 of the 2006 Commercial Paper Resolution is hereby amended to read as follows:

Notes issued to refund, pay and discharge the principal of Notes issued hereunder or for the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations may be issued without regard to such limitation, but the maximum principal amount of the Notes that may be Outstanding at any one time is \$160,000,000.

B. The second sentence of subsection B of Section 2.4 of the 2006 Commercial Paper Resolution is hereby amended to read as follows:

Proceeds of the Notes may be used to pay maturing Notes, to reimburse the Bank for Advances used to pay maturing Notes, or for the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations.

SECTION 3.3 Escrow Account. Article III of the 2006 Commercial Paper Resolution is hereby amended by the addition of the following Section 3.7:

SECTION 3.7 Establishment and Application of 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 this Section 3.7; 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.

A. 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.

B. 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 hereafter determine.

C. 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.

D. If an Issuance Request provides that a Refinancing Project shall be effected, the Authority hereby elects to redeem or pay the Refinanced Obligations on the applicable redemption or payment date at a price or prices set forth in such Issuance Request.

E. The Authority authorizes any required call for prior redemption of the Refinanced Obligations on a redemption date, at the required price and any premium, as set forth in each Escrow Agreement and the applicable

Issuance Request, and in accordance with the instrument authorizing the Refinanced Obligations.

F. Any required notice of defeasance or prior redemption of any Refinanced Obligations shall be given in the name of and on behalf of the Authority by the registrar, paying agent or trustee of the Refinanced Obligations as set forth in the instrument authorizing such Refinanced Obligations or, if permitted by the instrument authorizing such Refinanced Obligations, by the Escrow Bank in accordance with the terms of the applicable Escrow Agreement and the instrument authorizing such Refinanced Obligations.

SECTION 3.4 Investment. Section 4.4 of the 2006 Commercial Paper Resolution is hereby amended by the addition of the following sentence at the end thereof:

Notwithstanding the foregoing provisions of this Section 4.4, 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.

SECTION 3.5 Issuance Request. The form of Issuance Request attached as Exhibit B to the 2006 Commercial Paper Resolution is hereby replaced with the form of Issuance Request attached as Exhibit B to this First Supplemental Resolution.

ARTICLE IV.

MISCELLANEOUS

SECTION 4.1 Successor is Deemed Included in All References to Predecessor. Whenever in this First Supplemental Resolution the Authority is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this First Supplemental Resolution contained by or on behalf of the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 4.2 Limitation of Rights to Authority, Issuing and Paying Agent, Bank and Noteholders. Nothing in this First Supplemental Resolution expressed or implied is intended or shall be construed to give to any person other than the Authority, the Issuing and Paying Agent, the Bank and the Owners of the Notes, any legal or equitable right, remedy or claim under or in respect of this First Supplemental Resolution or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Issuing and Paying Agent, the Bank and the Owners of the Notes.

SECTION 4.3 Severability of Invalid Provisions. If any one or more of the provisions contained in this First Supplemental Resolution shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be

deemed severable from the remaining provisions contained in this First Supplemental Resolution and such invalidity, illegality or unenforceability shall not affect any other provision of this First Supplemental Resolution, and this First Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein; provided, however, that if any of the provisions of Section 3.3 of this First Supplemental Resolution shall be held to be invalid, illegal or unenforceable in any respect, then such Section shall be deemed severable in whole and not in part from the remaining provisions contained in this First Supplemental Resolution. The Authority hereby declares that it would have adopted this First Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this First Supplemental Resolution may be held illegal, invalid or unenforceable.

SECTION 4.4 Governing Law. This First Supplemental Resolution shall be construed and governed in accordance with the laws of the State.

SECTION 4.5 Delegated Powers. The officers of the Authority are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this First Supplemental Resolution, including, without limitation:

A. The execution of such certificates as may be reasonably required by the Issuing and Paying Agent, the Dealers or the Bank relating to this First Supplemental Resolution;

B. The preparation, assembly and dissemination of financial and other information concerning the Authority and the Notes, including the Offering Memorandum in substantially the form on file with the Secretary of the Board, with such changes therein as are not inconsistent herewith and are approved by the Chief Financial Officer or the TMWA Manager;

C. The updating, from time to time, as required by the Dealer Agreements, of the Offering Memorandum with such information and in such form as are so required and are approved by the Chief Financial Officer or the TMWA Manager;

D. The execution and delivery of the First Amendment to Issuing and Paying Agent Agreements in substantially the forms now on file with the Authority, which execution and delivery are hereby authorized;

E. The completion, execution and delivery of any Escrow Agreements and any Calculation Agent Agreements required in connection with a Refinancing Project in substantially the forms now on file with the Authority, with such changes therein as are not inconsistent herewith and are approved by the Chief Financial Officer or the TMWA Manager, which completion, execution and delivery are hereby authorized; and

F. The completion, execution and delivery of such certificates or other documents as are required in connection with a Refinancing Project, with such terms and in such forms as are not inconsistent herewith and as are approved by the Chief

Financial Officer or the TMWA Manager, which completion, execution and delivery are hereby authorized.

SECTION 4.6 Resolution Irrepealable. This First Supplemental 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 2006 Commercial Paper Resolution.

SECTION 4.7 Repealer. All resolutions, bylaws and orders, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any resolution, bylaw or order, or part hereof, heretofore repealed.

SECTION 4.8 Effective Date. As provided in subsection A of Section 7.1 of the 2006 Commercial Paper Resolution, this First Supplemental Resolution shall be 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, has been filed with the Authority.

PASSED, APPROVED AND ADOPTED BY AT LEAST A MAJORITY OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY ON THIS JANUARY 19, 2011.

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 together with the Exhibits appended thereto constitute a true, correct, complete and compared copy of the "First Supplemental Resolution to 2006 Commercial Paper Resolution," introduced, passed and adopted at a meeting of the Board held on January 19, 2011.

2. The original of the First Supplemental Resolution to 2006 Commercial Paper 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 First Supplemental Resolution to 2006 Commercial Paper Resolution as follows:

Those Voting Aye: Dave Aiazzi
John Breternitz
Mike Carrigan
Robert A. Cashell, Sr.
Michael C. Cate
Robert Larkin
Geno Martini

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 Section 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 mailing a copy of the notice to each member of the Board,

(b) By posting a copy of the notice 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, the Authority's website, 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
- (ii) Reno City Hall
One E. First Street
Reno, Nevada
- (iii) Sparks City Hall
431 Prater Way
Sparks, Nevada
- (iv) Sparks Justice Court
630 Greenbrae
Sparks, Nevada
- (v) Washoe County Administration Complex
1001 E. Ninth Street
Reno, Nevada

(c) By mailing 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 amendments to the 2006 Commercial Paper Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Truckee Meadows Water Authority, on this January 19, 2011.

Secretary

(SEAL)

EXHIBIT A

(Attach Notice of Meeting)

EXHIBIT B

(Form of Issuance Request)

**ISSUANCE REQUEST OF THE
TRUCKEE MEADOWS WATER AUTHORITY**

The undersigned Authorized Representative of the Truckee Meadows Water Authority (the "Authority"), hereby certifies as follows with respect to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, [Series 2006A] [Series 2006B] (the "Notes") pursuant to Section 3.1 of the Resolution of the Authority, adopted on July 19, 2006, as amended and supplemented (the "Resolution"), authorizing the Notes (capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Resolution):

1. Notes are hereby authorized and requested to be issued on _____, 20__ (the "Issuance Date") pursuant to this Issuance Request in the following principal amounts and for the following purposes:

- A. For deposit to the Note Construction Account to pay the Cost of the Project: \$ _____
- B. For deposit to the Letter of Credit Reimbursement Account to reimburse the Bank for Advances or Bank Loans: \$ _____
- C. [For deposit to an Escrow Account / For payment to _____] to pay the cost of the Refinancing Project: \$ _____

In respect of this issuance of Notes for a Refinancing Project:

- (i) The Refinanced Obligations are [insert description of refunded obligations].
- (ii) The Refinanced Obligations will be [paid/redeemed] at a price equal to _____.
- (iii) The Refinanced Obligations will be [paid/called for prior redemption] on _____, 20__.

2. All action on the part of the Authority necessary for the valid issuance of the Notes to be issued has been taken and has not been rescinded or revoked.

3. The maturity date or dates and interest rate on the Notes shall be as specified by _____ (a "Dealer") on or before 1:00 p.m. New York time on the Issuance Date and confirmed by the TMWA Manager or Chief Financial Officer as soon as practicable after receipt of the terms and conditions from the Dealer, but no later than 1:15 p.m. New York time on such date, but:

- A. the interest rate shall not exceed the lesser of (i) 3 percentage points per annum above the 25-Bond Revenue Index most recently published before such confirmation or (ii) 12% per annum; and
- B. The maturity date must not be later than the earliest of (i) 270 days from the issue date, (ii) 5 days prior to the Letter of Credit Expiration Date (as defined in the Resolution), or (iii) July 1, 2036.

4. All provisions of the State of Nevada for the valid issuance of the Notes have been complied with.

5. All provisions of federal law necessary for the valid issuance of the Notes and necessary to provide that interest thereon is excludable from gross income for purposes of federal income taxes have been complied with. Interest on the Notes is excludable from gross income for purposes of federal income taxes purposes and is exempt from alternative minimum taxable income except to the extent specified in the opinion of Bond Counsel delivered in connection with said Notes.

6. Such Notes in the hands of the holders thereof will be valid and binding obligations of the Authority according to their terms.

7. As of the date hereof, no Event of Default under Section 6.1 of the Resolution has occurred and is continuing; and as of the date hereof the Authority has not received a notice of the occurrence of Suspension Event, Termination Event or No-Issuance Event under the Credit Agreement (as defined in the Resolution) excluding any withdrawn or revoked notice.

8. As of the date hereof, the Authority is in compliance with the covenants set forth in Article V of the Resolution, including without limitation, the tax covenants contained in Section 5.8 of the Resolution.

9. Delivery of the Notes hereby requested will not result in the delivery of Notes in violation of the provisions of Section 2.8(A)(1) or (2) of the Resolution.

10. [Check if the following paragraph applies.]

[] Reference is made to the Tax Certificate of the Authority dated _____, 20__ (the "Tax Certificate") relating to the Notes. Of the proceeds of indebtedness to be incurred upon issuance of the Notes described in this Issuance Request, Section _____ of such Tax Certificate applies to the amounts set forth in Section 1.A. above which constitutes new money indebtedness, Section _____ of such Tax Certificate applies to the amount set forth in Section 1.B. above which constitutes refunding indebtedness in connection with the payment or refunding of Notes, and Section _____ of such Tax Certificate applies to the amount set forth in Section 1.C. above which constitutes refunding indebtedness in connection with the payment or refunding of Refinanced Obligations. The execution and delivery of this Issuance Request constitutes the certifications provided in Section _____ of the Tax Certificate.

11. [Check if the following paragraph applies.]

[] The Notes issued pursuant to this Issuance Request are refunding Notes and are being issued one or more, but less than 30, days prior to the maturity date of the Notes being paid with the proceeds thereof. On the basis of the facts, estimates, and circumstances in existence on the date hereof, including the advice of the Dealers, the Authority reasonably expects to realize a net interest cost saving by issuance of advance refunding Notes as opposed to the issuance of refunding Notes on such date of maturity of the Notes being paid with such proceeds. The Notes issued pursuant to this Issuance Request meet all of the conditions and limitations set forth in Section _____ of the Tax Certificate.

Dated: _____, 20__

Authorized Representative

OFFERING MEMORANDUM DATED JANUARY __, 2011
 (This Offering Memorandum supersedes the Offering Memorandum dated August 10, 2006)

NOT A NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: S&P: A-1+
Moody's: P-1
Fitch: F1+

*In the opinion of 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 this Offering Memorandum or the amendment of the Commercial Paper Resolution (described herein).***

\$160,000,000 (Maximum Aggregate Principal Amount)
TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE COMMERCIAL PAPER NOTES
SERIES 2006A AND 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 the Bank for Advances under the Letter of Credit, 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. The principal and interest on the Notes is payable from draws made on an irrevocable direct pay letter of credit (the "Letter of Credit") issued by Lloyds TSB Bank plc, acting through its New York Branch (the "Bank").



Lloyds TSB

The Letter of Credit has a stated expiration date of August 16, 2012 (unless earlier terminated or extended as described herein). The Authority covenants to maintain in effect at all times the Letter of Credit or an Alternate Letter 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 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." *The Notes are being offered solely on the basis of the financial strength of the Bank. The Notes are not being offered on the financial strength of the Authority and limited information about the Authority is provided in this Offering Memorandum. The information provided about the Authority in this Offering Memorandum is not detailed enough to allow Owners to make a determination as to the financial strength of the Authority. Owners of the Notes should look solely to the financial strength of the Bank for repayment of the Notes and should assume that the Letter of Credit is the sole credit support 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."

Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the amendment of the Commercial Paper Resolution (defined and described herein) and also has acted as special counsel to the Authority in connection with this Offering Memorandum.

J.P. Morgan
Dealer for the 2006A Notes

Goldman, Sachs & Co.
Dealer for the 2006B 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 Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Dealers do 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

\$160,000,000 (Maximum Aggregate Principal Amount)
TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE COMMERCIAL PAPER NOTES
SERIES 2006A AND 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 Water Revenue Commercial Paper Notes Series 2006A (the “2006A Notes”) and Water Revenue Commercial Paper Notes Series 2006B (the “2006B Notes,” and collectively with the 2006A Notes, the “Notes”). The Notes will be 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 (the “Resolution” or the “Commercial Paper Resolution”). Unless otherwise defined herein, capitalized terms used in this Offering Memorandum are defined in Appendix A 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 previously issued an Offering Memorandum dated August 10, 2006, with respect to the Notes. However, this Offering Memorandum dated January __, 2011, replaces the prior offering memorandum in its entirety, and investors should not rely upon the prior offering memorandum in making a decision to purchase the Notes.

Amendment of the Resolution. On January 19, 2011, the Board adopted the First Supplemental Resolution as an amendment to the original resolution authorizing issuance of the Notes in order to authorize the issuance of Notes for one or more Refinancing Projects. “Refinancing Project” is defined to mean the refunding, payment, discharge, redemption or defeasance of Refinanced Obligations (defined below), in whole or in part, with a portion of the proceeds of the Notes.

“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.

The Authority

The Authority is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement (as amended, the “TMWA 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”) that was purchased from Sierra Pacific Power Company in 2001. The Authority also develops, manages and maintains supplies of water for the benefit of the Truckee Meadows communities.

The Authority is governed by a seven-member Board consisting of three Directors appointed by Reno, two directors appointed by Sparks and two directors appointed by the County. Pursuant to the Cooperative Agreement, the Authority is authorized to issue revenue bonds, notes and other obligations to provide sufficient funds to achieve its purposes.

Pursuant to the Cooperative Agreement, the geographic boundary of the Authority coincides with the boundaries of the Regional Water Planning Commission established pursuant to State law (which generally encompasses the entire County, except certain areas in the vicinity of Lake Tahoe). Notwithstanding its geographic boundaries, the Authority’s retail service area (the “Retail Service Area”) was originally established pursuant to a 1996 agreement entered into with the County in accordance with NRS 540A.300. Generally described, the current Retail Service Area includes all areas within the Authority’s geographic boundaries, except areas already served by the County or other existing water purveyors. The Retail Service Area may change in the future pursuant to 2007 legislation authorizing the Western Regional Water Commission to establish service territories for future customers (subject to approval of the Authority and other public purveyors) or the consummation of operating agreements or mergers among public purveyors.

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 authorizes the issuance of up to \$160,000,000 aggregate principal amount of Notes. However, the Authority expects that approximately \$80,000,000 aggregate principal amount of Notes will be outstanding at any one time. As a result, the Stated Amount of the Letter of Credit (as more fully described in “Letter of Credit” below) is \$87,101,370. If the Authority determines to issue more that \$80,000,000 at any one time pursuant to the Resolution authorization, it will be required to request that the Bank (defined below) increase the Stated Amount available under the Letter of Credit or obtain a new letter of credit. The Authority cannot issue 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.

Letter of Credit

In connection with the original issuance of the Notes on August 16, 2006, Lloyds TSB Bank plc, acting through its New York Branch (the “Bank”) delivered an irrevocable direct-

pay letter of credit to the Issuing and Paying Agent. On May 21, 2010, the Bank extended the term of the letter of credit and issued an Amended and Restated Letter of Credit (the “Letter of Credit”) to the Issuing and Paying Agent. The Letter of Credit enables the Issuing and Paying Agent to draw an amount equal to the principal amount of 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. The Letter of Credit has a maximum amount of \$87,101,370 (hereinafter, as reduced or reinstated from time to time in accordance with the provisions thereof, the “Stated Amount”), of which an amount not exceeding \$80,000,000 may be drawn upon by the Issuing and Paying Agent to pay the unpaid principal amount of Notes on their stated maturity dates, and an amount not exceeding \$7,101,370 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 August 16, 2012, 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.”

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.”

The Authority is obligated to repay the Bank for Drawings and other obligations under the Amended and Restated Reimbursement Agreement dated as of May 1, 2010, by and between the Authority and the Bank (the “Credit Agreement” or the “Reimbursement Agreement”), including without limitation, repayment obligations on Advances (collectively, the “Credit Agreement Obligations”). The repayment obligations under the Reimbursement Agreement are secured by a third lien on certain Net Revenues (defined herein) of the Authority; that lien is on a parity with the lien thereon of the Notes and subordinate to certain outstanding Authority bonds as described in the Reimbursement Agreement. See “THE CREDIT AGREEMENT” and “SECURITY AND SOURCE OF PAYMENT FOR THE NOTES.”

Certain information about the Bank is set forth in Appendix D - THE BANK. The information in Appendix D has been provided by the Bank for inclusion in this Offering Memorandum.

The Notes are being offered solely on the basis of the financial strength of the Bank. The Notes are not being offered on the financial strength of the Authority and limited information about the Authority is provided in this Offering Memorandum. The information provided about the Authority in this Offering Memorandum is not detailed enough to allow Owners to make a determination as to the financial strength of the Authority. Owners of the Notes should look solely to the financial strength of the Bank for repayment of the Notes and should assume that the Letter of Credit is the sole credit support for the Notes.

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 Advances under the Letter of Credit, 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.”

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 Dealers (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). 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.

Security

General. The Notes constitute special, limited obligations of the Authority. The principal and interest on the Notes will be paid primarily from Drawings under the Letter of Credit and, 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 each 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 A - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION. The Notes do not constitute an obligation of Reno, Sparks, the County or the State.**

Reimbursement of Credit Agreement Obligations. The Bank will be reimbursed for all Drawings and paid for other Credit Agreement Obligations 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.” *The Owners of the Notes should look to the financial strength of the Bank for repayment of the Notes. The information provided about the Authority in this Offering Memorandum is not detailed enough to allow Owners to make a determination as to the financial strength of the Authority.*

Lien Priority. The Authority's obligation to reimburse the Bank pursuant to the Credit Agreement has 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) \$452,075,000 aggregate principal amount of outstanding Authority bonds (the "Bonds"), and (ii) \$14,464,417 maximum aggregate principal amount of loans from the State's Drinking Water State Revolving Loan Fund (the "DWSRF loans") (collectively with the Bonds, the "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.

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 amendment of the Commercial Paper Resolution.*** 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

Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the amendment of the Commercial Paper Resolution 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 Public Financial Management, Inc., Seattle, Washington, have acted as the financial advisors to the Authority (the "Financial Advisors"). See "FINANCIAL ADVISORS." 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, Chicago, Illinois, is acting as counsel to the Bank. J.P. Morgan Securities LLC and Goldman, Sachs & Co. have been appointed as the dealers (collectively, the "Dealers") for the 2006A Notes and the 2006B Notes, respectively, pursuant to separate (but substantially similar) Dealer Agreements dated as of August 1, 2006 (each, a "Dealer

Agreement” and collectively, the “Dealer Agreements”) with the Authority. See “THE DEALERS.”

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 from the Authority and the Financial Advisors as 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) 834-8000

Hobbs, Ong & Associates, Inc.
3900 Paradise Road, Suite 152
Las Vegas, Nevada 89169
Telephone: (702) 733-7223

Public Financial Management, Inc.
719 Second Avenue, Suite 801
Seattle, Washington 98104
Telephone: (206) 264-8900.

THE NOTES

General

The Notes are authorized to be issued in two series. The maximum aggregate principal amount of Notes that may be issued is \$160,000,000. Notes issued to refund, pay and discharge the principal of 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 Notes that may be Outstanding at any one time is \$160,000,000.

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 Dealers 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). The Notes are not subject to redemption prior to the maturity date specified in the Issuance Request (defined in Appendix A). 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 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 each Issuing and Paying Agent Agreement, as applicable. The principal of and the 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 Issuing and Paying Agent Agreement for each series of the Notes, dated as of August 1, 2006, as amended by a First Amendment to Issuing and Paying Agent Agreement dated as of January 19, 2011 (collectively, 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 Dealers and causes such Notes to be delivered to or upon the order of the Dealers. The Issuing and Paying Agent, as the beneficiary of the Credit Agreement, also receives the proceeds of Drawings under the Credit Agreement. See “THE CREDIT AGREEMENT.”

In the Reimbursement 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 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 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. 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

A Note may be issued only upon the written request of the Authority to the Issuing and Paying Agent and the Dealers in the form of an Issuance Request. The Authority shall consult with the Dealers 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 Dealers are 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 if, among other things:

- (1) such delivery would result in the aggregate principal amount of Outstanding Notes being in excess of \$160,000,000; 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 Available Amount; 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 Dealers' 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 Bank, has delivered to the Authority and the Issuing and Paying Agent a Stop-Issuance Instruction, and such instruction shall not have been withdrawn or revoked by 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.

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 2011-2015. 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 (including the refunding of the Notes or other Authority obligations) and to pay the costs of issuing the Notes.

Tax Covenant

In the Resolution, the Authority covenants for the benefit of the owners of such Notes that it will not take any action or omit to take any action with respect to such Notes, the proceeds thereof, any other funds of the Authority or any facilities financed or refinanced with the proceeds of such Notes if such action or omission (i) would cause the interest on such 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 such 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 such 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 of each series shall be evidenced by a single Master Note, in the form set forth in Exhibit A to the Resolution. See “Appendix B - 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 B hereto) of the Notes as further described in Appendix B 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 and, 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 Resolution and each 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 A - 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 an Alternate Letter of Credit that enables 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.

An 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 (defined in Appendix A) of the acceptance of such Alternate Letter of Credit or the assignment by any 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 Appendix A for a more detailed definition) to the Dealers 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 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 any Bank pursuant to clause (a) of the preceding sentence, the Authority shall deliver to the Issuing and Paying Agent and the Dealers 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 Amended and Restated Letter of Credit in favor of the Issuing and Paying Agent in the Stated Amount of \$87,101,370 (as reduced or reinstated from time to time), which may be drawn upon by the Issuing and Paying Agent commencing May 21, 2010, to pay the unpaid principal amount of Notes on their stated maturity date, together with accrued and unpaid interest thereon. Drawings (as defined in the Credit Agreement) shall be made on or prior to the date any sum is 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 21, 2010, and provided further that the Bank is not obligated to honor such Drawings until the date due of such Notes. The Letter of Credit is intended to apply only to the payment of the principal amount of the Notes and interest thereon on their respective maturity dates.

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) August 16, 2012 (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, which when added to all other Drawings honored under the Letter of Credit which were not subject to reinstatement as provided therein, in the aggregate equals the Stated Amount on the date of issuance of the Letter of Credit as adjusted pursuant to the terms and conditions of the Letter of Credit, (iii) the Bank's receipt of a certificate signed by a duly authorized officer of the Authority in the forms required by the Letter of Credit requesting a termination due to obtaining an Alternate Letter of Credit or a termination when no Notes are Outstanding, or (iv) the date when the Letter of Credit is surrendered to the Bank for cancellation. 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, the Stated Amount shall be permanently reduced to the amounts set forth therein.

After any Drawing, 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 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 District has received notice from the Bank (in substantially the form required by the Letter of Credit) that an Event of Default under the Reimbursement Agreement has occurred and is continuing. See "THE CREDIT AGREEMENT" below.

Reimbursement of Credit Agreement Obligations

The Bank shall be reimbursed for all Drawings from the proceeds of refunding Notes and from Net Revenues (defined below) deposited into the Letter of Credit Reimbursement Account. The Credit Agreement Obligations also 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 A.

The Authority’s obligation to reimburse the Bank pursuant to the Credit Agreement has 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 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.

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 Applicable Rate on any Drawing) unless at the time of issuance of such Additional Debt the Authority provides to the Bank a written certificate 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 3% per annum plus 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 3% per annum plus 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 3% per annum plus 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 Finance Director 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 Applicable 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."

Reimbursement Agreement Generally

The payment of the principal of and accrued interest on the Notes (also referred to in this section as the "Commercial Paper Notes") at their respective maturity dates is supported by an Amended and Restated Irrevocable Transferable Direct-Pay Letter of Credit (No. NYSB2010046) dated May 21, 2010. The Commercial Paper Notes will be issued by the Issuing and Paying Agent pursuant to the terms and provisions of the Reimbursement Agreement. The following summarizes certain provisions of the Reimbursement Agreement, to which reference is made for the complete provisions thereof.

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) of the Reimbursement Agreement such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(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 Agreements) 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 (as defined in the 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) pursue any rights and remedies it may have under the Reimbursement Agreement, the Letter of Credit, the Bank Note, each Dealer Agreement, the Bond Resolutions (defined below), each Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Resolution and any documents related thereto (the "Related Documents"); or

(d) pursue any other action available at law or in equity.

Events of Default

“Events of Default” under the Reimbursement 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; or (ii) any principal of or interest on any Commercial Paper Note for any reason other than the failure of the Bank to perform its obligations under the Reimbursement Agreement;

(b) any representation, warranty or statement made by or on behalf of the Authority in the Reimbursement 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 the documents, certificates or statements 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, when taken as a whole, 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 Reimbursement Agreement or (ii) the Authority fails to perform or observe any other term, covenant or agreement contained in the Reimbursement 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 60 days after written notice thereof to the Authority;

(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; or

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of the Reimbursement 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 Reimbursement 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 Reimbursement Agreement or the rights and remedies of the Bank, is not a valid and binding agreement of the Authority or (ii) the Authority shall contest the validity or enforceability of the Reimbursement 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 Reimbursement Agreement or the rights and remedies of the Bank, or shall seek an adjudication that the Reimbursement 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 Reimbursement Agreement or the rights and remedies of the Bank, is not valid and binding on the Authority; or

(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 Reimbursement 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 the Related Documents to which the Authority is a party;

(g) a final judgment or order for the payment of money in excess of \$5,000,000 (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 clause (ii) and the same shall remain undismissed; (v) there shall be commenced against the Authority 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 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; or

(i) any of Fitch, Moody's or S&P shall have downgraded its rating of any Senior 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.

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. Based upon that requirement, no financial information as to the creditworthiness of the Authority is included in this Offering Memorandum. 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 the 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. *The Notes are being offered solely on the basis of the financial strength of the Bank. The Notes are not being offered on the financial strength of the Authority and limited information about the Authority is provided in this Offering Memorandum. The information provided about the Authority in this Offering Memorandum is not detailed enough to allow Holders to make a determination as to the financial strength of the Authority.*

As described in “THE CREDIT AGREEMENT--Remedies,” upon the occurrence of an event of default under Reimbursement Agreement, the Bank may reduce the Stated Amount of the Letter of Credit to an amount equal to the principal of the then-Outstanding Notes (plus interest thereon) 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 the 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.

The initial ratings on the Notes are based upon the issuance of the Letter of Credit by the Bank. See “RATINGS.” It is possible that the current rating could be downgraded, and such lower rating could affect the market price or liquidity of the Notes.

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 August 16, 2012. No assurances can be given that the Authority will be able to extend 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.

Forward-Looking Statements

This Offering Memorandum 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.

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 amendment of the Resolution 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, 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 Initial Purchaser, 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 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 Dealers at the time of original delivery of the Notes. See Appendix C - FORM OF ORIGINAL APPROVING OPINION OF BOND COUNSEL. Swendseid & Stern, a member in Sherman & Howard L.L.C. also has acted as special counsel to the Authority in connection with preparation of this Offering Memorandum.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings Inc. ("Fitch") have assigned the Notes the Ratings shown on the cover page of this Offering Memorandum. *The ratings on the Notes are based solely upon the ratings of the Bank. A downgrading of the ratings of the Bank or any Alternate Bank could result in a downgrading of the ratings on the Notes.* An explanation of the significance of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Public Financial Management, Inc. 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 DEALERS

J.P. Morgan Securities LLC and Goldman, Sachs & Co. have been appointed the Dealers for the Notes pursuant to the Dealer Agreements. The Dealers may resign, or be removed by the District, upon the terms and conditions set forth in the Dealer Agreements. In consideration of the services to be performed by the Dealers under the Dealer Agreements, the Authority agrees to pay to the Dealers quarterly, a fee based upon the average balance of Notes outstanding during that quarter for which the Dealer was responsible. *The Dealers are under no obligation to purchase Notes for their own accounts.*

Contact information for the Dealers is as follows:

J.P. Morgan Securities LLC
383 Madison Avenue, Floor 08
New York, New York 10179
Phone: (212) 834-7224
Fax: (917) 456-3541
Attention: Short Term Municipal Desk

Goldman, Sachs & Co.
85 Broad Street, 26th Floor
New York, New York 10004
Phone: (212) 902-6633
Fax: (212) 346-4209
Attention: Municipal Money Market Desk

In the Reimbursement 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 Dealers. The Authority shall cause the Dealers (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 Dealers reasonably believe will result in the Commercial Paper Notes being sold to investors. If any Dealer fails to market Notes for a Refunding for a period of 30 consecutive days, then the Authority agrees in the Reimbursement Agreement, at the written request of the Bank, to cause the applicable 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/ Jeffrey Tissier
Chief Financial Officer

APPENDIX A

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 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.

“Bond Resolutions” means 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 2001 Bonds, the 2005 Bonds and the 2006 Bonds.

Since the Resolution was originally adopted, the Authority also has adopted resolutions authorizing its Water Revenue Refunding Bonds, Series 2007 (the “2007 Bonds”) and Water Revenue Refunding Bonds, Series 2010 (the “2010 Bonds”); the 2007 Bonds and the 2010 Bonds were issued with a parity lien on the Net Revenues and accordingly, the resolutions authorizing the issuance of the 2007 Bonds and the 2010 Bonds are included in the definition of “Bond Resolutions” as used in this Offering Memorandum.

“Bonds” means the 2001 Bonds, the 2005 Bonds, the 2006 Bonds and securities issued with a lien on the Net Revenues on a parity with the 2001 Bonds, the 2005 Bonds and the

2006 Bonds. As used in this Offering Memorandum, the term “Bonds” also includes the 2007 Bonds and the 2010 Bonds.

“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 the Amended and Restated Reimbursement Agreement, dated as of May 1, 2010, by and between the Authority and the Bank (which replaced the original Reimbursement Agreement, dated as of August 1, 2006, by and between the Authority and the Bank), pursuant to which the Bank issued the Letter of Credit, as such agreement may be amended or supplemented from time to time in accordance with the terms

thereof and any similar agreement entered into by the Authority in connection with an Alternate Letter of Credit.

“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 2006A Notes, J.P. Morgan Securities LLC (as successor to Bear, Stearns & Co. Inc.) and for the 2006B Notes, Goldman Sachs & Co. or, in either case, any successor or assigns permitted under the Dealer Agreements, or any other dealer for the Notes (or either series of 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 each of the Dealers, respectively, 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 (or either series thereof).

“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 of the applicable series.

“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 either separately or together as the context may require, the 2006A Issuing and Paying Agent Agreement, between the Authority and the Issuing and Paying Agent, and 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 a series of 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 the Bonds and the 2005 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 also has adopted resolutions authorizing its Water Revenue Bond, Series 2009A (the “2009 SRF Bond”) and its Water Revenue Bond, Series 2010A (the “2010 SRF Bond”); the 2009 SRF Bond and the 2010 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.

“2001 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Bonds, Series 2001A.”

“2005 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A.”

“2005 SRF Bond” means the “Truckee Meadows Water Authority, Nevada Water Revenue Bond, Series 2005” in the maximum principal amount of \$9,270,659.

Since the original adoption of the Resolution, the Authority also has issued the 2009 SRF Bond and the 2010 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 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2006.”

“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 Agreements 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 Dealers. 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 each series of 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 B

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 of each series 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

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 C

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 amendment of the Resolution 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 D

THE BANK

The following information has been provided by the Bank for inclusion in this Offering Memorandum. The Authority makes no representation as to the accuracy or completeness of any of the information set forth in this Appendix.

The Lloyds TSB Bank Group

Lloyds TSB Bank plc (the “Bank”) is a wholly-owned subsidiary of Lloyds Banking Group plc (“Lloyds Group”). The Bank and its subsidiaries comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

Availability of Public Information

The Bank will provide, upon request, to each person to whom this Offering Memorandum is delivered, a copy of the most recently available (i) Annual Report and Accounts of the Bank and Lloyds Group (ii) Annual Report on Form 20F of Lloyds Group. Written requests should be directed to the Bank at 1095 Avenue of the Americas, 34th Floor, New York, New York 10036; Attention: Structured Finance. Additional information (including full copies of each such Report and Accounts) is available from the Lloyds Group web site at <http://www.investorrelations.lloydsbankinggroup.com>.

**FIRST AMENDMENT
TO
2006A 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 January 19, 2011

Relating to the:

Truckee Meadows Water Authority, Nevada
Water Revenue
Commercial Paper Notes, Series 2006A

**FIRST AMENDMENT TO
2006A ISSUING AND PAYING AGENT AGREEMENT**

This **FIRST AMENDMENT TO 2006A ISSUING AND PAYING AGENT AGREEMENT** (this “First Amendment”) is dated as of January 19, 2011 and is 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 (the “Issuing and Paying Agent”), and amends and supplements the 2006A Issuing and Paying Agent Agreement (the “Original Agreement”) dated as of August 1, 2006 between the Authority and the Issuing and Paying Agent.

WHEREAS, the Authority has offered, sold and issued its Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A (the “Notes”) under and pursuant to the provisions of the 2006 Commercial Paper Resolution adopted on July 19, 2006 (the “Original Resolution”); and

WHEREAS, in order to facilitate the issuance and sale of the Notes, the Authority and the Issuing and Paying Agent entered into the Original Agreement; and

WHEREAS, the Authority has adopted a First Supplemental Resolution to 2006 Commercial Paper Resolution on January 19, 2011 (the “First Supplemental Resolution”) which allows the Notes to be issued for the purpose of refinancing or refunding obligations previously issued by the Authority other than the Notes; and

WHEREAS, the Authority and the Issuing and Paying Agent desire to enter into this First Amendment to conform the Original Agreement to the provisions of the First Supplemental Resolution and to evidence the Issuing and Paying Agent’s agreement in writing to the First Supplemental Resolution.

NOW, THEREFORE, the Authority and the Issuing and Paying Agent agree as follows:

1. **Delivery of Funds.** The last paragraph of Section 5 of the Original Agreement is hereby amended to read as follows:

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.

2. **Consent to First Supplemental Resolution.** As evidenced by its execution of this First Amendment, the Issuing and Paying Agent hereby consents and agrees to the amendments, modifications and supplements of the Original Resolution contained in the First Supplemental Resolution.

3. **Applicability of Original Agreement.** Except as otherwise provided in this First Amendment, the Original Agreement shall remain in full force and effect and be binding upon the Issuing and Paying Agent and the Authority, subject to the terms and conditions contained in the Original Agreement.

4. **Miscellaneous.**

(a) Governing Law. This First Amendment 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.

(b) Binding Effect. This First Amendment 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 Issuing and Paying Agent must be a commercial bank with trust powers.

(c) Benefit of First Amendment. This First Amendment is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

(d) Execution in Counterparts. This First Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

(e) Headings. Section headings have been inserted in this First Amendment as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this First Amendment and will not be used in the interpretation of any provisions of this First Amendment.

(f) Severability. If any provision of this First Amendment 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 First Amendment invalid, inoperative or unenforceable to any extent whatever.

IN WITNESS WHEREOF, the Authority and the Issuing and Paying Agent have caused this First Amendment 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: _____
Chairman

(Seal)

By: _____
Secretary

U.S. BANK NATIONAL ASSOCIATION
as Issuing and Paying Agent

By: _____
Authorized Officer

**FIRST AMENDMENT
TO
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 January 19, 2011

Relating to the:

Truckee Meadows Water Authority, Nevada
Water Revenue
Commercial Paper Notes, Series 2006B

**FIRST AMENDMENT TO
2006B ISSUING AND PAYING AGENT AGREEMENT**

This **FIRST AMENDMENT TO 2006B ISSUING AND PAYING AGENT AGREEMENT** (this “First Amendment”) is dated as of January 19, 2011 and is 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 (the “Issuing and Paying Agent”), and amends and supplements the 2006B Issuing and Paying Agent Agreement (the “Original Agreement”) dated as of August 1, 2006 between the Authority and the Issuing and Paying Agent.

WHEREAS, the Authority has offered, sold and issued 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 (the “Original Resolution”); and

WHEREAS, in order to facilitate the issuance and sale of the Notes, the Authority and the Issuing and Paying Agent entered into the Original Agreement; and

WHEREAS, the Authority has adopted a First Supplemental Resolution to 2006 Commercial Paper Resolution on January 19, 2011 (the “First Supplemental Resolution”) which allows the Notes to be issued for the purpose of refinancing or refunding obligations previously issued by the Authority other than the Notes; and

WHEREAS, the Authority and the Issuing and Paying Agent desire to enter into this First Amendment to conform the Original Agreement to the provisions of the First Supplemental Resolution and to evidence the Issuing and Paying Agent’s agreement in writing to the First Supplemental Resolution.

NOW, THEREFORE, the Authority and the Issuing and Paying Agent agree as follows:

1. **Delivery of Funds.** The last paragraph of Section 5 of the Original Agreement is hereby amended to read as follows:

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.

2. **Consent to First Supplemental Resolution.** As evidenced by its execution of this First Amendment, the Issuing and Paying Agent hereby consents and agrees to the amendments, modifications and supplements of the Original Resolution contained in the First Supplemental Resolution.

3. **Applicability of Original Agreement.** Except as otherwise provided in this First Amendment, the Original Agreement shall remain in full force and effect and be binding upon the Issuing and Paying Agent and the Authority, subject to the terms and conditions contained in the Original Agreement.

4. **Miscellaneous.**

(a) Governing Law. This First Amendment 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.

(b) Binding Effect. This First Amendment 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 Issuing and Paying Agent must be a commercial bank with trust powers.

(c) Benefit of First Amendment. This First Amendment is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

(d) Execution in Counterparts. This First Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

(e) Headings. Section headings have been inserted in this First Amendment as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this First Amendment and will not be used in the interpretation of any provisions of this First Amendment.

(f) Severability. If any provision of this First Amendment 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 First Amendment invalid, inoperative or unenforceable to any extent whatever.

IN WITNESS WHEREOF, the Authority and the Issuing and Paying Agent have caused this First Amendment 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: _____
Chairman

(Seal)

By: _____
Secretary

U.S. BANK NATIONAL ASSOCIATION
as Issuing and Paying Agent

By: _____
Authorized Officer

ESCROW AGREEMENT

DATED as of _____, 20__, made by and between **TRUCKEE MEADOWS WATER AUTHORITY, NEVADA** (the “Authority”) and _____ (the “Escrow Bank”), a bank having and exercising full and complete trust powers, duly organized and existing under the laws of the United States of America, being a member of the Federal Deposit Insurance Corporation and the Federal Reserve System.

(1) **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, County of Washoe” dated December 4, 2000, as amended and restated as of February 3, 2010, entered into pursuant to the provisions of Nevada Revised Statutes 277.080 to 277.180, inclusive, as amended; and

(2) **WHEREAS**, pursuant to proceedings duly taken, the Authority has heretofore issued its “_____” (the “Series _____ Bonds”), in the original aggregate principal amount of \$_____, bearing interest from the date thereof until their respective maturities, payable on the first days of _____ and _____ in each year, and the only outstanding Series _____ Bonds bearing interest at the rates and maturing on the first day of _____ in each of the designated amounts of principal and designated years, are as follows:

<u>Year Maturing</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

and

(3) **WHEREAS**, the outstanding Series _____ Bonds maturing on and after _____ 1, 20__ are subject to redemption prior to their maturities, on and after _____ 1, 20__, in whole or in part at any time, at a price equal to the principal amount of each Series _____ Bond or portion thereof so redeemed, plus accrued interest thereon to the redemption date; and

(4) **WHEREAS**, certain of the “Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A” (the “Series 2006A Notes”) and the “Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B” (the “Series 2006B Notes” and, together with the Series 2006A Notes, the “Notes”) have been issued for the purpose of paying, together with other available moneys, the principal of, interest on, and any redemption premiums due (the “Refunded Bond Requirements”) in connection with the Series _____ Bonds maturing on and after _____ 1, 20__ (the “Refunded Bonds”), as set forth in the certified public accountant’s report attached as Exhibit 1 to this Escrow Agreement (this “Agreement”) and paying costs incidental thereto; and

(5) **WHEREAS**, the Notes were authorized to be issued by a resolution designated in Section 1.1 thereof as the “2006 Commercial Paper Resolution” adopted by the Board of Directors of the Authority on July 19, 2006 (as amended and supplemented, the “Note Resolution”); and

(6) **WHEREAS**, the Authority, by the Note Resolution, among other matters:

A. Authorized the creation of the Escrow Account (as defined below) to be maintained in the Escrow Bank;

B. Authorized the deposit in the Escrow Account of the net proceeds of the Notes (other than the portion thereof to be used to defray administrative and issuance expenses) and other moneys in an aggregate amount fully sufficient, together with the known minimum yield from the investment of such moneys in 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 (“Federal Securities”), to pay the Refunded Bond Requirements, as set forth herein (in no circumstances shall the term “Federal Securities” include money market investments even if the money market fund in which the investment is made invests only in Federal Securities);

C. Authorized the purchase of Federal Securities with such moneys credited to the Escrow Account;

D. Authorized the call for prior redemption of the Refunded Bonds on the redemption date; and

E. Authorized the completion and execution of this Agreement;

and

(7) **WHEREAS**, a copy of the Note Resolution has been delivered to the Escrow Bank and the provisions therein set forth are herein incorporated by reference as if set forth herein verbatim in full; and

(8) **WHEREAS**, the Federal Securities described in Exhibit 1 to this Agreement have appropriate maturities and yields to insure the payment, together with the initial cash (as defined below), of the Refunded Bond Requirements, as the same become due; and

(9) **WHEREAS**, a schedule of receipts from such Federal Securities and a schedule of payments and disbursements in the certified public accountant’s report attached as Exhibit 1 to this Agreement, demonstrate the sufficiency of the Federal Securities and initial cash for such purpose; and

(10) **WHEREAS**, the Escrow Bank is empowered to undertake the obligations and commitments on its part herein set forth; and

(11) **WHEREAS**, the undersigned officer of the Escrow Bank is duly authorized to execute and deliver this Agreement in the Escrow Bank’s name and on its behalf; and

(12) **WHEREAS**, the Authority is empowered to undertake the obligations and commitments on its part herein set forth; and

(13) **WHEREAS**, the undersigned officer of the Authority is duly authorized to execute and deliver this Agreement in the Authority’s name and on its behalf.

NOW, THEREFORE, THIS ESCROW AGREEMENT WITNESSETH:

That in consideration of the mutual agreements herein contained, and in order to secure the payment of the Refunded Bond Requirements, as the same become due, the parties hereto mutually undertake, promise, and agree for themselves, their respective representatives, successors, and assigns, as follows:

Section 1. Creation of Escrow.

A. Simultaneously with the delivery of the Notes, and subject to their issuance, the Authority, with \$_____ of the Note proceeds, shall purchase (to the extent not heretofore purchased) the Federal Securities described in Exhibit 1 to this Agreement (the “Initial Federal Securities”) and shall cause the Initial Federal Securities and an initial cash balance of \$_____ (the “initial cash”) to be credited to and accounted for in a separate trust account designated as the “Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006 Escrow Account” (the “Escrow Account”). Receipt of \$_____ by the Escrow Bank to be applied as provided herein is hereby acknowledged.

B. Additionally, other Federal Securities may be substituted for any Initial Federal Securities if such Initial Federal Securities are unavailable for purchase at the time of issuance of the Notes or if such substitution is required or permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and the applicable regulations thereunder, subject in any case to sufficiency demonstrations and yield proofs in a certified public accountant’s report, and subject to a favorable opinion of the Authority’s bond counsel as to the legality of any such substitution, and the continued exemption of interest on the Notes from federal income taxation (except certain alternative minimum taxes described in bond counsel’s opinion), and in any event in such a manner so as not to increase the price which the Authority pays for the initial acquisition of Federal Securities for the Escrow Account. The certified public accountant’s report must indicate that the receipts from the substitute securities are sufficient without any need for reinvestment to fully pay the principal of, interest on and any prior redemption premiums due in connection with the Refunded Bonds. Any Federal Securities temporarily substituted may be withdrawn from the Escrow Account when the Initial Federal Securities are purchased and credited to the Escrow Account. Similarly any temporary advancement of moneys to the Escrow Account to pay designated Refunded Bond Requirements, because of a failure to receive promptly the principal of and interest on any Federal Securities at their respective fixed maturity dates, or otherwise, may be repaid to the person advancing such moneys upon the receipt by the Escrow Bank of such principal and interest payments on such Federal Securities.

C. The initial cash, the proceeds of the Initial Federal Securities (and of any other Federal Securities acquired as an investment or reinvestment of moneys accounted for in the Escrow Account), and any such Federal Securities themselves (other than Federal Securities, including the Initial Federal Securities, held as book entries), shall be deposited with the Escrow Bank and credited to and accounted for in the Escrow Account. The securities and moneys accounted for therein shall be redeemed and paid out and otherwise administered by the Escrow Bank for the benefit of the Authority as provided in this Agreement and the Note Resolution.

Section 2. Purpose of Escrow.

A. The Escrow Bank shall hold the initial cash, all Federal Securities accounted for in the Escrow Account (other than Federal Securities, including the Initial Federal Securities, held as book-entries), and all moneys received from time to time as interest on and principal of such Federal Securities, in trust to secure and for the payment of the Refunded Bond Requirements, as the same become due at their respective payment, maturity or redemption dates.

B. Except as provided in paragraph B of Section 1 hereof, the Escrow Bank shall collect the principal of and interest on such Federal Securities promptly as such principal and interest become due and shall apply all money so collected to the payment of the Refunded Bond Requirements as aforesaid.

Section 3. Accounting for Escrow.

A. The moneys and the Federal Securities accounted for in the Escrow Account shall not be subject to checks drawn by the Authority or otherwise subject to its order except as otherwise provided in paragraph B of Section 1 and in Section 8 hereof.

B. The Escrow Bank, however, shall transfer from time to time from the Escrow Account to the paying agent for the Refunded Bonds, sufficient moneys to permit such paying agent to pay, without any default, the Refunded Bond Requirements, as the same become due, as provided herein and as directed by the duly authorized officers of the Authority.

C. Except as otherwise provided in paragraph B of Section 1 of this Agreement, there shall be no sale of any Federal Securities held hereunder, and no Federal Securities held hereunder and callable for prior redemption at the Authority's option shall be called at any time for prior redemption, except if necessary to avoid a default in the payment of the Refunded Bond Requirements.

Section 4. Maturities of Federal Securities.

A. Any Federal Securities shall be purchased in such manner:

(1) So that such Federal Securities may be redeemed in due season at their respective maturities to meet such Refunded Bond Requirements as the same become due, and

(2) So that any sale or prior redemption of such Federal Securities shall be unnecessary.

B. There shall be no substitution of any Federal Securities except as otherwise provided in paragraph B of Section 1 of this Agreement.

Section 5. Reinvestments. The Escrow Bank may, and at the written direction of the Authority shall, reinvest in Federal Securities any moneys (except the initial cash) received in payment of the principal of and interest on any Federal Securities accounted for in the Escrow Account, subject to the limitations of Sections 1 and 4 hereof and of the following additional limitations:

(1) Any such Federal Securities shall not be subject to redemption prior to their respective maturities at the option of their issuer.

(2) Any such Federal Securities shall mature on or prior to the date or dates when the proceeds thereof must be available for the prompt payment of the Refunded Bond Requirements, as the same become due.

(3) Under no circumstances shall any reinvestment be made under this Section if such reinvestment, alone or in combination with any other investment or reinvestment, violates the applicable provisions of Section 148 of the Tax Code, and the rules and regulations thereunder.

(4) The Escrow Bank shall make no such reinvestment under this Section unless the Authority first obtains and furnishes to the Escrow Bank a written opinion of the Authority's bond counsel to the effect that such reinvestment, as described in the opinion, complies with paragraph (3) of this Section.

Section 6. Sufficiency of Escrow. The moneys and Federal Securities accounted for in the Escrow Account shall be in an amount (or have appropriate maturities and yields to produce an amount) which at all times shall be sufficient to pay the Refunded Bond Requirements as they become due, subject to the provisions of Section 10 hereof.

Section 7. Transfers and Redemption Notice for Refunded Bond Requirements.

A. The Escrow Bank shall make such credit arrangements with and transfers to the paying agent for the Refunded Bonds, as will assure, to the extent of money in the Escrow Account properly allocable to and available therefor, the timely payment of the Refunded Bond Requirements.

B. To the extent the payment of the Refunded Bond Requirements requires the prior redemption of any Refunded Bonds, the Escrow Bank shall cause notice of such redemption to be given in the manner required by the Note Resolution and by the instrument authorizing the issuance of the Refunded Bonds.

Section 8. Termination of Escrow Account. When payment or provision for payment shall have been made with the paying agent for the Refunded Bonds so that all Refunded Bond Requirements shall be or shall have been paid in full and discharged, the Escrow Bank shall immediately pay over to the Authority the moneys, if any, then remaining in the Escrow Account and shall make forthwith a final report for the Authority to the Authority's chief financial officer (the "Chief Financial Officer"). Such moneys may be used by the Authority for any lawful purpose, subject to any limitations in the Note Resolution.

Section 9. Fees and Costs.

A. The Escrow Bank's total fees and costs for and in carrying out the provisions of this Agreement have been fixed at \$_____, which is to be paid by the Authority directly to the Escrow Bank as payment in full of all charges of the Escrow Bank pertaining to this Agreement for services performed hereunder.

B. Such payment for services rendered and to be rendered by the Escrow Bank shall not be for deposit in the Escrow Account; the fees of and the costs incurred by the Escrow Bank shall not be deducted from such account; and the Escrow Bank shall never assert a lien against the monies and securities in the Escrow Account.

Section 10. Possible Deficiencies.

A. If at any time it shall appear to the Escrow Bank that the money and any interest on and principal of the Federal Securities in escrow allocable for such use under this Agreement, including, without limitation, the known minimum yield from the Initial Federal Securities, will not be sufficient to make any required payment of the Refunded Bond Requirements as the same becomes due, the Escrow Bank shall notify in writing the Chief Financial Officer as soon as reasonably practicable of such fact and the amount of such deficiency.

B. Thereupon the Authority shall forthwith pay to the Escrow Bank for deposit in the Escrow Account such additional moneys as may be required.

C. The Escrow Bank shall in no manner be responsible for the Authority's failure to make any such deposit.

Section 11. Status Report.

A. On or before _____ 15, 20__, and on or before each _____ 15 thereafter until such time as the Escrow Account is closed, the Escrow Bank shall submit to the Chief Financial Officer a report covering all money which the Escrow Bank shall have received and all payments which it shall have made or caused to be made hereunder.

B. The report shall indicate for which period and in which trust bank any Federal Securities (other than Federal Securities held as book-entries) and any uninvested moneys were transferred for safekeeping or any Federal Securities pledged to secure the repayment to the Authority of any uninvested moneys were placed in pledge, as permitted by Section 13.

Section 12. Character of Deposit.

A. It is recognized that title to the Federal Securities and money accounted for in the Escrow Account from time to time shall remain vested in the Authority but subject always to the prior charge and lien thereon of this Agreement and the use thereof required to be made by the provisions of this Agreement and the Note Resolution.

B. The Escrow Bank shall hold all such Federal Securities (except as they may be held as book-entries) and money in the Escrow Account as a special trust fund and account separate and wholly segregated from all other securities and funds of the Escrow Bank or deposited therein, and shall never commingle such securities or money with other securities or money. The Escrow Bank shall not have any lien or claim upon any of the Federal Securities or initial cash on deposit in the Escrow Account for any purpose.

Section 13. Securing Deposit.

A. The Escrow Bank may cause the Federal Securities accounted for in the Escrow Account to be registered in the name of the Authority for payment, if they are registrable for payment, and in such event shall obtain the necessary endorsements from the duly authorized officials of the Authority as they become due.

B. The Authority, in connection with any Federal Securities accounted for in the Escrow Account and held as book-entries, shall cooperate with the Escrow Bank and shall forthwith make arrangements with an appropriate representative of the issuer of such Federal Securities, so that the interest on and the principal of the Federal Securities shall be promptly transmitted, as the same become due from time to time, to the Escrow Bank for the benefit of the Authority.

C. All uninvested money held at any time in the Escrow Account shall be continuously secured by the deposit of Federal Securities in a principal amount and value always not less than the total amount of uninvested money in the Escrow Account:

- (1) In any branch of the Federal Reserve Bank, or
- (2) In any commercial bank which:
 - (a) Is a state or national bank or trust company, and
 - (b) Is a member of the Federal Deposit Insurance Corporation, and
 - (c) Is a member of the Federal Reserve System, and
 - (d) Has a capital and surplus of \$10,000,000.00 or more, and
 - (e) Is exercising full and complete trust powers, and

(f) Is located in the State of Nevada (the “State”) or without the State (“trust bank”), or

(3) In any branch of the Federal Reserve Bank and in one or more trust banks (or any combination thereof).

D. Such Federal Securities so held as a pledge shall be used whenever necessary to enable the paying agent for the Refunded Bonds to pay the Refunded Bond Requirements as the same become due, to the extent other moneys are not transferred or caused to be transferred for such purpose by the Escrow Bank.

E. Any Federal Securities (except as they may be held as book-entries) and any uninvested moneys accounted for in the Escrow Account may from time to time be placed by the Escrow Bank for safekeeping wholly or in part in any such trust bank, only if prior to any such transfer the Chief Financial Officer consents thereto in writing.

F. Each such trust bank holding any Federal Securities accounted for in the Escrow Account or any uninvested moneys accounted for therein, shall be furnished by the Escrow Bank with a copy of this Agreement prior to such deposit.

G. By the acceptance of such Federal Securities or such uninvested moneys each such trust bank shall be bound in the same manner as the Escrow Bank, as herein provided.

H. The Escrow Bank, however, shall remain solely responsible to the Authority:

- (1) For any investment or reinvestments of moneys pursuant to Sections 1 and 5 hereof,
- (2) For transfers of moneys and causing redemption notices to be given pursuant to Section 7 hereof,
- (3) For the termination of the Escrow Account pursuant to Section 8 hereof,
- (4) For any notification of prospective deficiencies pursuant to Section 10 hereof,
- (5) For the periodic status reports pursuant to Section 11 hereof, and
- (6) For defraying any charges of any branch of the Federal Reserve Bank or any trust bank for any deposits of Federal Securities as pledge to secure uninvested moneys, of Federal Securities in escrow, and of uninvested moneys in escrow (or any combination thereof) or for any other service relating to this Agreement or the Escrow Account.

I. Notwithstanding the liabilities of the Escrow Bank stated in paragraph H of this Section, the Escrow Bank may cause any one, all, or any combination of the duties stated in paragraph H to be performed on its behalf by any trust bank.

J. If at any time the Escrow Bank fails to account for any moneys or Federal Securities held by it or by any such trust bank in the Escrow Account, such moneys and securities shall be and remain the property of the Authority.

K. If for any reason such moneys or Federal Securities cannot be identified, all other assets of the Escrow Bank and of each such trust bank failing to account therefor shall be impressed with a trust for the amount thereof, and the Authority shall be entitled to a preferred claim upon such assets.

L. No money paid into and accounted for in the Escrow Account shall ever be considered as an asset of the Escrow Bank and neither the Escrow Bank nor any such trust bank shall have any right or title with respect thereto.

Section 14. Purchaser's Responsibility. The holders from time to time of the Notes shall in no manner be responsible for the application or disposition of the proceeds thereof or any moneys or Federal Securities accounted for in the Escrow Account. This clause shall not relieve the Escrow Bank (if it is a holder of the Notes), in its capacity as Escrow Bank, from its duties under this Agreement.

Section 15. Amendment.

A. The Notes shall be issued in reliance upon this Agreement and except as herein provided this Agreement shall be irrevocable and not subject to amendment after any of the Notes shall have been issued.

B. The provisions of this Agreement may be amended, waived or modified upon approval of the holders of all of the then outstanding Refunded Bonds. The provisions of this Agreement also may be amended, waived or modified for one or more of the following purposes:

- (1) to cure any ambiguity, or to cure, correct or supplement any formal defect or omission or inconsistent provision contained in this Agreement;
- (2) to pledge additional revenues, properties or collateral as security for the Refunded Bonds; or
- (3) to deposit additional monies or Federal Securities to the Escrow Account.

Notwithstanding any other provision hereof no amendment, modification or waiver shall be effective if it is materially prejudicial to the owners of the Refunded Bonds or affects the exclusion of the interest on the Refunded Bonds or the Notes from gross income from federal income tax purposes, unless such amendment, waiver or modification is approved by the holders of all of the then outstanding Refunded Bonds.

Section 16. Exculpatory Provisions.

A. The duties and responsibilities of the Escrow Bank are limited to those expressly and specifically stated in this Agreement.

B. The Escrow Bank shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this Agreement and made in compliance with the provisions hereof.

C. The Escrow Bank shall not have any liability for any insufficiency of funds from time to time held in the Escrow Account, except for its own negligence or willful misconduct. The Escrow Bank shall not be liable for the accuracy of any calculations provided to it by other persons as to the sufficiency of the money or Federal Securities or any substituted securities deposited with it to pay the principal, interest, or premium, if any, with respect to the Refunded Bonds, except with respect to any duties expressly required of the Escrow Bank under this Agreement.

D. The Escrow Bank shall not be personally liable or responsible for any act which it may do or omit to do hereunder, while acting with reasonable care, except for duties expressly imposed upon the Escrow Bank hereunder or as otherwise expressly provided herein.

E. Unless otherwise specifically provided in this Agreement, the Escrow Bank has no duty to determine or inquire into the happening of occurrence of any event or contingency, the Escrow Bank's sole duty hereunder being to safeguard the Federal Securities and the initial cash on deposit in the Escrow Account and to dispose of and to deliver the same in accordance with this Agreement and to perform its obligations under this Agreement. If, however, the Escrow Bank is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Bank shall be obligated, in making such determination, to exercise reasonable care and diligence, and in making such determination, the Escrow Bank shall be liable only for its own negligence or willful misconduct. The Escrow Bank may request from the Authority or any other person such reasonable additional evidence as the Escrow Bank, in its discretion, may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquires of and consult with and among others at any time.

F. The Escrow Bank shall neither be under any obligation to inquire into or be in any way responsible for the performance or nonperformance by the Authority of any of its obligations, nor shall the Escrow Bank be responsible in any manner for the recitals or statements contained in this Agreement, in the Note Resolution, in the Notes, in the Refunded Bonds or in any proceedings taken in connection therewith, such recitals and statements being made solely by the Authority.

G. The Escrow Bank shall be entitled to rely on the opinion of attorneys nationally recognized on the subject of municipal bonds with regard to this Agreement and its performance under this Agreement.

H. Nothing in this Agreement creates any obligation or liabilities on the part of the Escrow Bank to anyone other than the Authority and the holders of the Refunded Bonds and the Notes.

Section 17. Time of Essence. Time is of the essence in the performance of the obligations from time to time imposed upon the Escrow Bank by this Agreement.

Section 18. Successors.

A. Whenever in this Agreement the Authority or the Escrow Bank is named or is referred to, such provision is deemed to include any successor of the Authority or the Escrow Bank, respectively, immediate or intermediate, whether so expressed or not.

B. All of the stipulations, obligations and agreements by or on behalf of and other provisions for the benefit of the Authority or the Escrow Bank contained in this Agreement:

(1) Shall bind and inure to the benefit of any such successor, and

(2) Shall bind and inure to the benefit of any officer, board, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law and relevant right, power or duty of the Authority or the Escrow Bank, respectively, or of its successor.

Section 19. Severability. If any section, paragraph, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Agreement.

IN WITNESS WHEREOF, TRUCKEE MEADOWS WATER AUTHORITY, NEVADA has caused this Agreement to be signed in the Authority's name by the Chief Financial Officer of the Authority, and _____ has caused this Agreement to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chief Financial Officer

By: _____
Authorized Officer

EXHIBIT 1

(Attach Certified Public Accountant's Report)

CALCULATION AGENT AGREEMENT

This Calculation Agent Agreement (this “Agreement”), is dated as of _____, 20__, by and between TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the “Authority”) and _____ (the “Calculation Agent”).

WITNESSETH:

WHEREAS, the Authority has previously issued its _____ (the “Refunded Bonds”), the proceeds of which were used to refinance certain obligations and to finance certain new money projects; and

WHEREAS, the Authority has issued, as of the date hereof, its Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A (the “Series 2006A Notes”) and its Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B (the “Series 2006B Notes” and, together with the Series 2006A Notes, the “Notes”). The Notes are being issued for the purpose of providing funds in an amount sufficient to refund and defease the Refunded Bonds, to and including their _____, 20__ call date (the “Call Date”); and

WHEREAS, pursuant to the Escrow Agreement dated as of _____, 20__ (the “Escrow Agreement”) between the Authority and _____, as escrow bank (the “Escrow Bank”), certain proceeds of the Notes, together with other amounts provided by the Authority, have been deposited to the Escrow Account (as defined in the Escrow Agreement) in order to provide moneys for the purchase of certain securities for deposit with the Escrow Bank in order to accomplish the defeasance of the Refunded Bonds; and

WHEREAS, in the Federal Tax Exemption Certificate of even date herewith (the “Tax Certificate”) (which is attached hereto as Exhibit A) relating to the Notes, the Authority has covenanted that (1) it will cause the “Yield” (as defined in the Tax Certificate) of the Notes to be calculated by the Calculation Agent as of not less than six months prior to the end of each “Computation Period” (as defined in such Tax Certificate); (2) if the lowest Yield of the Notes for any Computation Period ending on or before the Call Date (such Computation Periods shall be the Computation Periods ending on _____, 20__, _____, 20__, _____, 20__, _____, 20__, and _____, 20__, respectively) is less than the combined Yield of the investments in the Escrow Account (the “Escrow Investments”), the Authority will either deposit into the Escrow Management Fund (as defined in the Tax Certificate) zero-yielding United States Treasury Securities, State and Local Government Series (the “Zero SLGS”) purchased with revenues or other equity moneys of the Authority in sufficient amounts and with sufficient maturities such that the combined Yield of the Escrow Investments and the Zero SLGS investments does not exceed the lowest Yield of the Notes for such Computation Period; and (3) it will seek the advice of Swendseid & Stern, a member in Sherman & Howard L.L.C. (“Bond Counsel”) in complying with the foregoing provisions and furnish U.S. Bank National Association, as the issuing and paying agent for the Notes (the “Issuing and Paying Agent”), an opinion of Bond Counsel to the effect that the investment of the Escrow Investments and the Zero SLGS investments fully complies with Section 148 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”); and

WHEREAS, the Authority wishes to provide for the ongoing calculation of Yield on the Notes, and if necessary, calculation of the Yield of the Escrow Investments by the Calculation Agent in order to maintain compliance with Section 148 of the Code; and

WHEREAS, the Calculation Agent has expertise in making the kind of Yield calculations required under the Code and the Tax Certificate.

NOW, THEREFORE, the Authority and the Calculation Agent agree as follows, in order to provide for the ongoing calculation of, and if necessary, recalibration, of the Escrow Investments by the Calculation Agent:

SECTION 1. DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the words and terms defined in this Section 1 have the respective meanings given to them herein:

“Authority Reporting Date” means the date that is 5 Business Days after each Calculation Date.

“Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which the principal corporate trust office of the Escrow Bank is authorized or required by law to close.

“Calculation Date” means _____, 20__, _____, 20__, _____, 20__, _____, 20__, and _____, 20__, and any other date designated by the Authority in writing to the Calculation Agent.

“Calculation Reporting Date” means the date that is 10 Business Days after each Calculation Date.

“Closing Date” means _____, 20__.

“Escrow Account” means the account created under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement dated as of _____, 20__ between the Authority and the Escrow Bank.

“Escrow Reporting Date” means the date that is 5 Business Days after each Calculation Date.

“Notes” means 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 issued on the date hereof for the purpose of providing funds in an amount sufficient to refund and defease the Refunded Bonds. As used herein, the term “Notes” shall include the Notes issued on the date hereof and any Notes issued for the purpose of providing liquidity for the payment of such Notes as the same become due and payable.

“Refunded Bonds” means _____.

“Termination Date” means _____, 20__.

SECTION 2. CALCULATION OF NOTE YIELD DURING LIFE OF ESCROW

2.1 Notice of Cash Flows by the Authority.

Not later than each Authority Reporting Date with respect to a Calculation Date, the Authority shall provide (and, if not provided, the Calculation Agent shall specifically request) a written report (the “Authority’s Report”) to the Calculation Agent specifying, for the period from but excluding the prior Calculation Date (or the Closing Date if there is no prior Calculation Date) to and including the Calculation Date with respect to the Escrow Investments relating to such Authority Reporting Date, (i) the principal amount, issue date, and current interest rate of the Notes, (ii) the amount and date of all payments made by the Issuing and Paying Agent consisting of principal of and interest on the Notes, (iii) the then-current investments in the Escrow Account, (iv) the full details of all transactions occurring in the Escrow Account, (v) the then-current investments in the Escrow Management Fund, and (vi) the full details of all transactions occurring in the Escrow Management Fund.

2.2 Calculations by Calculation Agent; Reporting. Not later than each Calculation Reporting Date with respect to a Calculation Date, the Calculation Agent shall calculate, on the basis of the information provided by the Authority, (i) the Yield on the Notes (the “Note Yield”), and (ii) the Yield on the amounts held and to be held in the Escrow Account and in the Escrow Management Fund (the “Escrow Yield”), determined, in each case, using procedures and assumptions provided by or approved by Bond Counsel, which are to be consistent with Section 148 of the Code. The Calculation Agent shall provide written notice of the Note Yield and the Escrow Yield to the Authority within five Business Days of the Calculation Reporting Date.

SECTION 3. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties. Each party hereto represents and warrants to the other party hereto that:

(a) it is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(b) it has the power to enter into this Agreement and to consummate the transactions contemplated hereby;

(c) this Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery hereof by the other party hereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law; and

(d) its execution and delivery of this Agreement and its performance of its obligations hereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

SECTION 4. TERMINATION

(a) The Authority shall have the right to terminate this Agreement at any time by giving notice thereof to the Calculation Agent.

(b) The Calculation Agent shall have the right to terminate this Agreement upon 30 days' notice to the Authority.

SECTION 5. MISCELLANEOUS

5.1 Notices. All notices, demands or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by certified or registered mail, postage prepaid, return receipt requested, or overnight delivery service, telex, telecopy or other electronic communication to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party to all other parties:

To the Authority: Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502
Attention: Chief Financial Officer
Telephone: (775) 834-8048
Facsimile: (775) 834-8084

To the Calculation Agent: _____

Attention: _____
Telephone: _____
Facsimile: _____

Any notice, demand or other communication given in a manner prescribed in this Section shall be deemed to have been delivered on receipt.

5.2 Binding Effect; Transfer. This Agreement shall be binding upon the Authority and the Calculation Agent and upon their respective successors and permitted transferees. No party may transfer this Agreement to any other person without the prior written consent of the other party hereto.

5.3 Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, any right, remedy or claim by reason of this Agreement or any term hereof, and all terms contained herein shall be for

the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

5.4 Termination. Unless earlier terminated pursuant to Section 4 hereof, this Agreement shall terminate on the Termination Date.

5.5 Counterparts. This Agreement may be executed in one or more counterparts and when each party hereto has executed at least one counterpart, this Agreement shall become binding on all parties and such counterparts shall be deemed to be one and the same document.

5.6 Severability. If one or more provisions of this Agreement or the applicability of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the applicability of the same provisions or any of the remaining provisions to other circumstances.

5.7 Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by a written document authorized, executed and delivered by each of the parties hereto.

5.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to conflict of law principles.

5.9 Waiver of Jury Trial. Each party hereby irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Agreement. Each party (i) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that such other party would not, in the event of such a suit, action or proceeding, seek to enforce the foregoing waiver, and (ii) acknowledges that it and the other party have been induced to enter into this Agreement, by, among other things, the mutual waivers and certifications in this Section.

IN WITNESS WHEREOF, the Authority and the Calculation Agent have caused this Calculation Agent Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT A

(Attach Federal Tax Exemption Certificate for the Notes)