



STAFF REPORT

TO: Chairman and Board Members
FROM: Jeff Tissier, Chief Financial Officer
DATE: May 3, 2012
SUBJECT: **Request for Adoption of Resolution #186 To Substitute Liquidity Facilities from JP Morgan Bank N.A. And Wells Fargo Bank N.A.: A Resolution Approving Certain Reimbursement Agreements, Certain Letters of Credit, Certain Fee Letters, Certain Bank Notes, an Amended and Restated 2006A Dealer Agreement, an Amended And Restated 2006B Dealer Agreement, an Amended And Restated 2006A Issuing and Paying Agent Agreement, an Amended And Restated 2006B Issuing and Paying Agent Agreement, and an Offering Memorandum Relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A and Series 2006B and other matters relating thereto**

Recommendation

Staff recommends that the TMWA Board approve by resolution and execute the new Liquidity Facilities (Reimbursement Agreements) with Wells Fargo Bank N.A. and JP Morgan Chase Bank N.A. (the banks) to replace Lloyds TSB as Liquidity Provider.

Background

TMWA entered into a Liquidity Facility in the amount of \$87,101,370 with Lloyds TSB, a European bank, in August of 2006. This facility provides credit support for TMWA's Tax-Exempt Commercial Paper Program (TECP). TMWA's TECP enjoys the highest short term investment rating with the benefit of extremely low interest rates, currently under 0.30%, on \$79.4 million of outstanding TECP. The annual fee charged for this credit support amounts to 0.65% of \$87,101,325 or \$570,000 a year.

Lloyds TSB notified TMWA that it would not be providing any credit support in North America and is winding down this business. Lloyds TSB is also under short term credit review by major credit rating agencies with potential negative consequences. Remarketing of TMWA's TECP has been challenging with maturities extending seven days on a regular basis. Normally staff would recommend waiting until the current Lloyds TSB's Liquidity Facility expires in August but due to the aforementioned concerns, staff recommends entering into the new Liquidity Facilities on June 8, 2012.

Approximately 20 banks were approached to propose on providing liquidity support to TMWA. TMWA received only two responses, each of which is providing one half of the original liquidity support provided by Lloyds TSB. These two responses are essentially syndicated to provide the

original support, in effect providing one response to TMWA's Request for Proposal (RFP). This situation is reflective of a challenging credit environment that continues to persist since the beginning of the financial crisis over four years ago. The terms of each Liquidity Facility are the same. Each bank will provide for \$43,550,685 of liquidity support at 0.80% or approximately \$350,000 per bank per year. The Dealer Agreements and Issuing and Paying Agent Agreements have been updated for the new Liquidity Facilities and these agreements need to be executed also.

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

RESOLUTION NO. 186

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

WHEREAS, the Truckee Meadows Water Authority (the “Authority”) was duly organized and is operating in accordance with the provisions of the “Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks, County of Washoe” dated December 4, 2000, as amended and restated as of February 3, 2010 (the “TMWA Cooperative Agreement”), entered into pursuant to the provisions of Nevada Revised Statutes 277.080 to 277.180, inclusive, as amended (the “Authority Act”); and

WHEREAS, the Board of Directors (the “Board”) of the Authority, in Washoe County, Nevada, has the authority to issue revenue bonds, notes and other obligations and incur liabilities for the purposes of acquiring constructing, improving and equipping water facilities within the TMWA water system (the “Project”) in accordance with the TMWA Cooperative Agreement and the Authority’s capital improvement plan and refinancing or refunding obligations previously issued by the Authority; and

WHEREAS, the Authority is a body corporate and politic, a joint powers authority, and a political subdivision of the State of Nevada (the “State”), and the Authority and its Board are organized and operating under the Authority Act and all laws supplemental thereto; and

WHEREAS, the Board has previously adopted Resolution No. 100 on July 19, 2006 (as amended by Resolution No. 170 adopted on January 19, 2011, the “Commercial Paper Resolution”), authorizing, among other matters, commercial paper notes designated as “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, in order to secure the payment when due of the principal of and interest on each of the Notes, the Authority and Lloyds TSB Bank plc, acting through its New York Branch (“Lloyds”), have previously entered into that certain Amended and Restated Reimbursement Agreement, dated as of May 1, 2010 (the “Lloyds Reimbursement Agreement”), pursuant to which Lloyds issued that certain Irrevocable Transferable Letter of Credit No. NYSB2010046 dated May 21, 2010 (the “Lloyds Letter of Credit”); and

WHEREAS, the Lloyds Letter of Credit is scheduled to expire on August 16, 2012, and the Authority desires to replace the Lloyds Letter of Credit with an “Alternate Letter of Credit” (as defined in the Commercial Paper Resolution) prior to such expiration date in the manner permitted by the Commercial Paper Resolution; and

WHEREAS, there has been presented at this meeting the form of a Reimbursement Agreement, dated as of June 1, 2012 (the “JPMorgan Reimbursement Agreement”), between the Authority and JPMorgan Chase Bank, National Association (“JPMorgan”), pursuant to which JPMorgan would issue its irrevocable transferable direct-pay letter of credit to secure the payment when due of the principal of and interest on each of the 2006A Notes (the “JPMorgan Letter of Credit”); and

WHEREAS, there has been presented at this meeting the form of a Reimbursement Agreement, dated as of June 1, 2012 (the “Wells Fargo Reimbursement Agreement”), between the Authority and Wells Fargo Bank, National Association (“Wells Fargo”), pursuant to which Wells Fargo would issue its irrevocable transferable direct-pay letter of credit to secure the payment when due of the principal of and interest on the 2006B Notes (the “Wells Fargo Letter of Credit”); and

WHEREAS, in order to facilitate the issuance of the 2006A Notes, the Authority and U.S. Bank National Association have previously entered into that certain 2006A Issuing and Paying Agent Agreement, dated as of August 1, 2006, as amended by a First Amendment to 2006A Issuing and Paying Agent Agreement, dated as of January 19, 2011 (collectively, the “2006A Issuing and Paying Agent Agreement”); and

WHEREAS, there has been presented at this meeting the form of an Amended and Restated 2006A Issuing and Paying Agent Agreement (the “Amended and Restated 2006A Issuing and Paying Agent Agreement”), which amends and restates the 2006A Issuing and Paying Agent Agreement for the purpose of referencing the JPMorgan Reimbursement Agreement, the JPMorgan Letter of Credit and making certain other requested revisions; and

WHEREAS, in order to facilitate the issuance of the 2006B Notes, the Authority and U.S. Bank National Association have previously entered into that certain 2006B Issuing and Paying Agent Agreement, dated as of August 1, 2006, as amended by a First Amendment to 2006B Issuing and Paying Agent Agreement, dated as of January 19, 2011 (collectively, the “2006B Issuing and Paying Agent Agreement”); and

WHEREAS, there has been presented at this meeting the form of an Amended and Restated 2006B Issuing and Paying Agent Agreement (the “Amended and Restated 2006B Issuing and Paying Agent Agreement”), which amends and restates the 2006B Issuing and Paying Agent Agreement for the purpose of referencing the Wells Fargo Reimbursement Agreement, the Wells Fargo Letter of Credit and making certain other requested revisions; and

WHEREAS, in order to provide for the offering and sale of the 2006A Notes, the Authority and J.P. Morgan Securities LLC, as successor to Bear, Sterns & Co. Inc., have previously entered into that certain 2006A Dealer Agreement, dated as of August 1, 2006 (the “2006A Dealer Agreement”); and

WHEREAS, there has been presented at this meeting the form of an Amended and Restated 2006A Dealer Agreement (the “Amended and Restated 2006A Dealer Agreement”), which amends and restates the 2006A Dealer Agreement for the purpose of referencing the JPMorgan Reimbursement Agreement, the JPMorgan Letter of Credit and making certain other requested revisions; and

WHEREAS, in order to provide for the offering and sale of the 2006B Notes, the Authority and Goldman, Sachs & Co. have previously entered into that certain 2006B Dealer Agreement, dated as of August 1, 2006 (the “2006B Dealer Agreement”); and

WHEREAS, there has been presented at this meeting the form of an Amended and Restated 2006B Dealer Agreement (the “Amended and Restated 2006B Dealer Agreement”), which amends and restates the 2006B Dealer Agreement for the purpose of referencing the Wells Fargo Reimbursement Agreement, the Wells Fargo Letter of Credit and making certain other requested revisions; and

WHEREAS, there has been presented at this meeting the form of an Offering Memorandum relating to the Notes and, in particular, the JPMorgan Reimbursement Agreement, the JPMorgan Letter of Credit, the Wells Fargo Reimbursement Agreement, and the Wells Fargo Letter of Credit (the “Offering Memorandum”); and

WHEREAS, the Board desires to approve the form, terms, and provisions of the JPMorgan Reimbursement Agreement, together with the Bank Note attached as Exhibit B thereto which secures the Authority’s payments thereunder, the Fee Letter relating to the JPMorgan Reimbursement Agreement, the JPMorgan Letter of Credit, the Wells Fargo Reimbursement Agreement, together with the Bank Note attached as Exhibit B thereto which secures the Authority’s payments thereunder, the Fee Letter relating to the Wells Fargo Reimbursement Agreement, the Wells Fargo Letter of Credit, the Amended and Restated 2006A Issuing and Paying Agent Agreement, the Amended and Restated 2006B Issuing and Paying Agent Agreement, the Amended and Restated 2006A Dealer Agreement, the Amended and Restated 2006B Dealer Agreement, and the Offering Memorandum (collectively, the “Documents”), as well as approve certain other matters relating to the Notes.

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

Section 1. Short Title. This resolution shall be known as the, and may be cited by the short title, “2012 Commercial Paper Notes Document Approval Resolution” (the “Resolution”).

Section 2. Approval of Documents. The Documents are hereby approved in substantially the forms presented at this meeting and as are on file with the Authority, with such changes as may be designated by the General Manager of the Authority (the “TMWA Manager”) and which are not inconsistent with the provisions of this Resolution. The signature of an Authorized Officer (as hereinafter defined) on a Document shall be conclusive evidence of the Authority’s approval thereof.

Section 3. Ratification and Approval of Prior Actions. All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board or the officers or agents of the Authority relating to (i) the substitution of the Lloyds Reimbursement and the Lloyds Letter of Credit, including the delivery of any notices or consents required by the Commercial Paper Resolution or the Lloyds Reimbursement Agreement in connection therewith, and (ii) the Documents is hereby ratified, approved and confirmed.

Section 4. Delegated Powers. Each of the Chairman, Secretary, Treasurer, TMWA Manager, Chief Financial Officer and other officers of the Authority (each, an “Authorized Officer”) is hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation: (i) the execution and delivery of the Documents, as applicable; (ii) the execution and delivery of such closing certificates and such other documents as may be reasonably required in connection with the execution and delivery of the Documents and the replacement of the Lloyds Reimbursement Agreement and the Lloyds Letter of Credit, in such forms and with such terms as are not inconsistent herewith and as are approved by the TMWA Manager; and (iii) the updating, from time to time, as may be required by the Dealer Agreements (as defined in the Commercial Paper Resolution) or otherwise, of the Offering Memorandum with such information and in such form as is so required and is approved by the TMWA Manager.

Section 5. Governing Law. This Resolution shall be construed and governed in accordance with the laws of the State of Nevada.

Section 6. Repealer. All bylaws, orders, and other instruments, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any bylaw, order, or other instrument, or part thereof, heretofore repealed.

Section 7. Severability. If any section, subsection, paragraph, clause, or other provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause, or other provision shall not affect any of the remaining provisions of this Resolution.

Section 8. Execution of Resolution. This Resolution, immediately on its final passage and adoption, shall be recorded in the official records of the Authority kept for that

purpose, shall be executed by the signature of the Chairman, shall be attested by the Secretary, and the seal of the Authority shall be affixed thereto.

Section 9. Effective Date. This Resolution shall be in effect upon its adoption.

PASSED, APPROVED AND ADOPTED BY AT LEAST A MAJORITY OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY ON THIS MAY 17, 2012.

Chairman

(SEAL)

Attest:

Secretary

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

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

1. The foregoing pages constitute a true, correct, complete and compared copy of the "2012 Commercial Paper Notes Document Approval Resolution," introduced, passed and adopted at a meeting of the Board held on May 17, 2012.

2. The original of the 2012 Commercial Paper Notes Document Approval Resolution has been approved and authenticated by the signatures of the Chairman of the Board and myself as Secretary, and sealed with the seal of the Authority, and has been recorded in the minute book of the Board kept for that purpose in the Authority's office, which record has been duly signed by such officers and properly sealed.

3. At least a majority of the Directors voted on the passage of the 2012 Commercial Paper Notes Document Approval Resolution as follows:

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

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

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

7. No other proceedings were adopted and no other action was taken or considered at such meeting pertaining to the 2012 Commercial Paper Notes Document Approval Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Truckee Meadows Water Authority, on this May 19, 2012.

Secretary

(SEAL)

EXHIBIT A

(Attach Notice of Meeting)

DRAFT - 5/7/12

**OFFERING MEMORANDUM DATED MAY __, 2012
(This Offering Memorandum supersedes the
Offering Memorandum dated January 19, 2011)**

**NOT A NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: S&P: [TO COME]
Moody's: [TO COME]
Fitch: [TO COME]**

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 the replacement of the Prior Letter of Credit (defined herein) with two new Letters of Credit (as 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 of each series 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 of the same series, to reimburse the applicable Bank (defined herein) for Advances under the related 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 applicable series of Notes.

The Notes constitute special, limited obligations of the Authority. Effective June 8, 2012, the principal and interest on the 2006A Notes is payable from draws made on an irrevocable direct pay letter of credit (the "2006A Letter of Credit") issued by JPMorgan Chase Bank, National Association and the principal and interest on the 2006B Notes is payable from draws made on an irrevocable direct pay letter of credit (the "2006B Letter of Credit") issued by Wells Fargo Bank, National Association ("Wells Fargo"). See "THE CREDIT AGREEMENTS." The 2006A Letter of Credit does not support payment of the 2006B Notes and the 2006B Letter of Credit does not support payment of the 2006A Notes.

Each Letter of Credit has a stated expiration date of June __, 2014 (unless earlier terminated or extended as described herein). The Authority covenants to maintain in effect at all times the Letters 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 Banks. 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 each series of the Notes should look solely to the financial strength of the applicable Bank for repayment of the Notes and should assume that the Letters of Credit are 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 replacement of the Prior Letter of Credit and also has acted as special counsel to the Authority in connection with this Offering Memorandum. Certain legal matters will be passed upon for the Banks by their counsel, Chapman and Cutler LLP.

**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 are issued pursuant to a resolution originally adopted by the Board of Directors of the Authority (the "Board") on July 19, 2006, as amended by adoption of the First Supplemental Resolution on January 19, 2011 (as amended from time to time, the "Resolution" or the "Commercial Paper Resolution"). Unless otherwise defined herein, capitalized terms used in this Offering Memorandum are defined in Appendix 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 has previously issued an Offering Memorandum dated August 10, 2006, and an Offering Memorandum dated January 19, 2011, with respect to the Notes. **This Offering Memorandum dated May __, 2012, replaces the prior offering memoranda and investors should not rely upon either of the prior offering memoranda in making a decision to purchase the Notes.**

The Authority

The Authority is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement (as amended, the "TMWA Cooperative Agreement") among the City of Reno, Nevada ("Reno"), the City of Sparks, Nevada ("Sparks") and Washoe County, Nevada (the "County"), to own and operate a water system (the "Water System"). 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 each of the Letters of Credit (as more fully described in "The Letters of Credit" below) is \$43,550,68. 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 Banks (defined below) increase the Stated Amount available under the Letters 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 combined Stated Amount of the Letters of Credit.

The Letters of Credit

General. Effective June 8, 2012, the Authority will replace the current letter of credit (the "Prior Letter of Credit"), which was provided by Lloyds TSB Bank plc, acting through its New York Branch, with two separate letters of credit.

Effective June 8, 2012, the principal and interest on the 2006A Notes is payable from draws made on an irrevocable direct pay letter of credit (the "2006A Letter of Credit") issued by JPMorgan Chase Bank, National Association ("JPMorgan" or the "2006A Bank") and the principal and interest on the 2006B Notes is payable from draws made on an irrevocable direct pay letter of credit (the "2006B Letter of Credit") issued by Wells Fargo Bank, National Association ("Wells Fargo" or the "2006B Bank" and, together with the 2006A Bank, the "Banks"). *The 2006A Letter of Credit does not secure the 2006B Notes and the 2006B Letter of Credit does not secure the 2006A Notes.* The terms of the 2006A Letter of Credit and the 2006B Letter of Credit (together, the "Letters of Credit") are substantially similar.

Amounts Available under Each Letter of Credit. Each Letter of Credit enables the Issuing and Paying Agent to draw an amount equal to the principal amount of the applicable series of Notes Outstanding plus interest on all such Notes to their respective maturity dates at a maximum rate of 12% per annum for a period of 270 days. Each Letter of Credit has a maximum amount of \$43,550,685 (hereinafter, as reduced or reinstated from time to time in accordance with the provisions thereof, the "Stated Amount"), of which an amount not exceeding \$40,000,000 may be drawn upon by the Issuing and Paying Agent to pay the unpaid principal amount of the applicable series of Notes on their stated maturity dates, and an amount not exceeding \$3,550,685 may be drawn upon by the Issuing and Paying Agent with respect to payment of interest accrued and unpaid on the applicable series of Notes on their stated maturity dates. The Letters of Credit currently are scheduled to expire on June __, 2014, unless terminated sooner or extended pursuant to their terms. See "SECURITY AND SOURCE OF PAYMENT FOR THE NOTES--The Letters of Credit and Alternate Letter of Credit - The Letters of Credit."

Reimbursement Obligations. The Authority will enter into a separate Reimbursement Agreement dated as of June 1, 2012, with each of the Banks (each a "Credit Agreement" or a "Reimbursement Agreement" and together, the "Credit Agreements" or the "Reimbursement Agreements"). The terms of each of the Reimbursement Agreements are substantially similar.

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."

Pursuant to each Reimbursement Agreement, the Authority is obligated to repay the applicable Bank for Drawings and other obligations, 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 Banks is set forth in Appendix D - THE BANKS. The information in Appendix D has been provided by the Banks 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 each series of the Notes should look solely to the financial strength of the applicable Bank for repayment of those Notes and should assume that the applicable Letter of Credit is the sole credit support for the related Notes.**

Purpose

Proceeds of the Notes of each series 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 of the same series, to reimburse the applicable Bank (defined herein) for Advances under the related 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 applicable series of 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 applicable Letter of Credit and, if a 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 a 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 of the applicable series 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 applicable*

Bank for repayment of the related series of 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) \$430,880,000 aggregate principal amount of outstanding Authority bonds (the "Bonds"), and (ii) \$[] 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"). **[What is the expected closing on the 2012 SRF Loan?]** 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 replacement of the Prior Letter of Credit.*** Nonetheless, investors should be aware of the information in "TAX MATTERS."

The Notes, their transfer, and the income therefrom are free and exempt from taxation by the State of Nevada or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of the NRS. See "TAX MATTERS--State Tax Exemption."

No Continuing Disclosure

The sale of the Notes is exempt from the continuing disclosure provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule").

Professionals

Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the replacement of the letter of credit and also has acted as special counsel to the Authority in connection with preparation of this Offering Memorandum. Hobbs, Ong & Associates, Inc., Las Vegas, Nevada, and Public Financial Management, Inc., Los Angeles, California, 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 Banks. 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) Amended and Restated Dealer Agreements dated as of June 1, 2012 (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 Banks; a full review of the entire Offering Memorandum should be made by potential investors. Brief descriptions of the Notes, the Resolution, the Credit Agreements, the Letters of Credit and the Banks are included in this Offering Memorandum. All references herein to the Notes, the Resolution, the Letters of Credit, the Credit Agreements 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.
601 S. Figueroa Street, Suite 4500
Los Angeles, California 90017
Telephone: (213) 489-4075.

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 applicable Letter of Credit for the amount of maturing principal and interest then due. If the applicable Bank fails, for any reason, to honor a Drawing in full, payment of the related Notes shall be made from whatever amount of the Drawing is paid by the applicable Bank, pro-rata to the principal of and interest on all Notes of the applicable series then coming due, and the balance due shall be paid from other sources described in the Resolution and each Issuing and Paying Agent Agreement (defined herein), 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 Amended and Restated Issuing and Paying Agent Agreement for each series of the Notes, dated as of June 1, 2012 (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 the Banks (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

General. 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 Stated 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 Issuing and Paying Agent has received a Stop-Issuance Instruction which is not rescinded or a Final Drawing Notice from the applicable Bank (see "THE CREDIT AGREEMENT"); or

(6) the Issuing and Paying Agent shall have actual knowledge that an Event of Default under the Resolution shall have occurred and is continuing; or

(7) the Issuing and Paying Agent shall have received notice that the Opinion of Bond Counsel delivered regarding the validity of the Notes and the exclusion of interest on the Notes from the gross income of the Holders thereof for federal income tax purposes has been or is being withdrawn, which notice shall be delivered by such Bond Counsel.

Stop-Issuance Instructions; Final Drawing Notice. Notes may be issued from time to time prior to the Letter of Credit Expiration Date in accordance with the Credit Agreements and the Resolution so long as (i) the Issuing and Paying Agent is not in receipt of a Stop-Issuance Instruction, and not rescinded and (ii) the Issuing and Paying Agent is not in receipt of the Final Drawing Notice. The Bank may deliver a Stop-Issuance Instruction or a Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. See "THE CREDIT AGREEMENTS--Events of Default." A Stop-Issuance Instruction or the Final Drawing Notice shall be effective when received by the Issuing and Paying Agent; provided, however, that a Stop-Issuance Instruction or the Final Drawing Notice received by the Issuing and Paying Agent after 11:00 A.M. New York time, on any day on which Commercial Paper Notes are being issued shall be effective on the next succeeding day.

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 2012-2016. 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 of the same series (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 applicable series of 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 of a series will be paid primarily from Drawings under the applicable Letter of Credit and, if the applicable 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 in 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 each series of the Notes will be paid from Drawings under the related Letter of Credit.

In the Resolution, the Authority covenants that it will maintain in effect at all times the Letters of Credit or Alternate Letters of Credit that enable the Issuing and Paying Agent to draw thereunder an amount equal to the principal amount of the applicable series of Notes Outstanding plus interest on all Outstanding Notes of a series to their respective maturity dates at a maximum rate of 12% per annum for a period of 270 days.

Any Alternate Letter of Credit shall have a term of at least 270 days or until at least three Business Days after the last maturing Note of the applicable series; and shall not cause the Authority to violate its covenant described above. Following the substitution of the Alternate Letter of Credit for one or both of the Letters 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 the definition of "Available Amount" in Appendix A) 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 of the applicable series 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 of the applicable series 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 of the applicable series. 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 applicable series of 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 Letters of Credit. Each of the Banks 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 \$43,550,685 (as reduced or reinstated from time to time), which may be drawn upon by the Issuing and Paying Agent commencing June 8, 2012, to pay the unpaid principal amount of the related series 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 was due on the applicable series of Notes, provided that, in accordance with the terms of each Letter of Credit, the applicable Bank is not obligated to honor any Drawing prior to June 8, 2012, and provided further that the Bank is not obligated to honor such Drawings until the date due of the applicable Notes. Each Letter of Credit is intended to apply only to the payment of the principal amount of the related series of Notes and interest thereon on their respective maturity dates.

The Letters 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) June __, 2014 (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, (iv) the date when the Letter of Credit is surrendered to the Bank for cancellation, or (v) the earlier of (a) the 15th calendar day after the date on which the Issuing and Paying Agent receives the Final Drawing Notice, and (b) the date on which the Drawing resulting from the delivery of the Final Drawing Notice is honored. All Drawings under the Letter of Credit shall be paid from immediately available funds of the Bank.

Upon receipt by the Bank of a reduction certificate in the form required by the Letter of Credit, at least five Business Days prior to the date specified in such certificate for the permanent reduction of the Stated Amount, the Stated Amount shall be permanently reduced to the amounts set forth therein.

After any Drawing (except in the case of a Drawing resulting from the delivery of a Final Drawing Notice), the Stated Amount will be automatically and immediately reinstated by and to the extent of amounts received by the Bank of reimbursement by the Authority of any amounts of such Drawing 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 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 Agreements. In order to issue additional Senior Lien Obligations, the Authority also must satisfy certain conditions set forth in the Credit Agreements. Definitions of capitalized terms used in this section may be found in "THE CREDIT AGREEMENTS" below.

Revenue Test. In the Credit Agreements, the Authority agrees that it will not issue Additional Debt payable from or secured by a lien on Net Revenues on a parity basis with or senior to the lien on such Net Revenues securing the Notes (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Drawing) unless at the time of issuance of such Additional Debt the Authority provides to the Bank a written certificate (including supporting calculations) of an Authorized Representative of the Authority stating that:

(1) based upon reasonable assumptions, projected Gross Revenues will be sufficient to satisfy the rate maintenance covenant set forth in the resolutions authorizing the Authority Debt through the maturity date of such Additional Debt; and

(2) the projected Net Revenues for each of the first five Fiscal Years immediately succeeding the last Fiscal Year in which any interest on such Additional Debt is capitalized will be at least equal to 110% of the Annual Debt Service with respect to all outstanding Senior Lien Obligations, Parity Debt, the Notes and Credit Agreement Obligations calculated as if the full authorized amount of such Additional Debt were then outstanding.

Determining Annual Debt Service. For the purposes of determining Annual Debt Service, (A) interest payable on the Commercial Paper Notes shall be deemed to be 110% of the Index which was most recently published in The Bond Buyer, and (B) interest payable on other Authority Debt which bears interest at a rate other than a long term fixed rate shall be deemed to be the greater of (i) the actual amount of interest paid thereon during such 12 month period (or if such Authority Debt was not outstanding during the entire 12 month period, the amount of interest that would have been paid thereon if the rate or rates of interest thereon were equal to the rate applicable to similar variable rate indebtedness for such 12 month period), or (ii) the amount of interest that would have been paid thereon if the interest rate was 110% of the Index which was most recently published in The Bond Buyer and (C) the amount of principal due on the Notes (or other similar obligations with maturities of less than one year or for which more than 25% of the principal amount of such obligations mature in one Fiscal Year) during such twelve (12) month period shall be deemed to be the amount that would be due in that Fiscal Year if the indebtedness represented by those obligations were amortized over a period of thirty (30) years (or such shorter period ending on the date the program pursuant to which such obligations were issued terminates) from the date the obligation was first issued (for a purpose other than paying principal on a prior issue of commercial paper) at an interest rate equal to 110% of the Index which was most recently published in The Bond Buyer. For purposes of the foregoing Additional Debt Test, the Authority may treat its actual or projected unencumbered ending fund balance for a Fiscal Year as a portion of the Net Revenues in the succeeding Fiscal Year to the extent such unencumbered ending fund balance (i) may legally be used for such payments and (ii) consists of cash and investments described in NRS 350.658, 350.659 and 355.170.

For purposes of paragraphs (1) and (2) under “Revenue Test” above, in estimating Net Revenues, the 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 Bank Rate on any Advance).

In addition, the Credit Agreements allow 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 AGREEMENTS

The following is a brief description of certain provisions of each 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 Agreements are available from the sources listed in "INTRODUCTION--Additional Information."

Reimbursement Agreements Generally

The payment of the principal of and accrued interest on the 2006A Notes (also referred to in this section as the "2006A Commercial Paper Notes") at their respective maturity dates is supported by an Amended and Restated Irrevocable Transferable Direct-Pay Letter of Credit (No. _____) dated June __, 2014. The 2006A Commercial Paper Notes will be issued by the Issuing and Paying Agent pursuant to the terms and provisions of the 2006B Reimbursement Agreement.

The payment of the principal of and accrued interest on the 2006B Notes (also referred to in this section as the "2006B Commercial Paper Notes," and together with the 2006A Commercial Paper Notes, the "Commercial Paper Notes") at their respective maturity dates is supported by an Amended and Restated Irrevocable Transferable Direct-Pay Letter of Credit (No. _____) dated June __, 2014. The 2006B Commercial Paper Notes will be issued by the Issuing and Paying Agent pursuant to the terms and provisions of the 2006B Reimbursement Agreement.

The following discussions summarizes certain provisions of each Reimbursement Agreement; the terms of the Reimbursement Agreements are substantially similar. Reference is made to the applicable Reimbursement Agreement for the complete provisions thereof.

Events of Default

"Events of Default" under each 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; (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; or (iii) any other Obligation (other than the principal of or interest on any Drawing or any Advance) and such failure shall continue for three (3) Business Days;

(b) any representation, warranty or statement made by or on behalf of the Authority in the 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 any documents, certificate or statement of the Authority (including unaudited financial reports, budgets, projections and cash flows of the Authority) furnished to the Bank by or on behalf of the Authority in connection with the transactions contemplated by the applicable Reimbursement Agreement are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the Authority fails to perform or observe certain terms, covenants or agreements contained in the 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 30 days after the earlier to occur of (A) the Bank has provided written notice thereof to the Authority, or (B) the Authority has actual knowledge of such failure to perform;

(d) the Authority shall (i) default in any payment of any obligation (other than the Commercial Paper Notes, the Drawings or the Advances) secured by a charge, lien or encumbrance on the Net Revenues with a priority of payment from Net Revenues that is senior to, or on a parity with, the Commercial Paper Notes, the Drawings or the Advances, including, without limitation, Senior Lien Obligations ("Secured Debt"), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of the 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;

(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) one or more final judgments or orders for the payment of money in excess of \$5,000,000 in the aggregate (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Authority and such judgment or order shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of ninety (90) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any obligation secured by a lien, charge or encumbrance upon the Net Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the Authority seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the Authority seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the Authority's property, or the Authority shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in 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 long-term unenhanced 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.

(j) the Authority shall dissolve or its existence shall have been terminated; or

(k) Any "event of default" shall have occurred under any Bank Agreement supporting any Senior Lien Obligations, commercial paper notes or other Parity Debt of the Authority.

Remedies

Upon the occurrence of any Event of Default, the applicable 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 thereby 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 related Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount (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) reduce the Stated Amount of the Letter of Credit to the principal amount of Commercial Paper Notes Outstanding (and, if applicable, interest on the Notes to their stated maturity dates), instruct the Obligor and the Issuing and Paying Agent to immediately cease issuing, delivering and selling additional Notes, instruct the Issuing and Paying Agent to make a final drawing under the Letter of Credit in accordance with its terms, by delivering a Final Drawing Notice (the effect of which shall be to cause the Letter of Credit Expiration Date to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

(d) pursue any rights and remedies it may have under the 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

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

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 applicable Letter of Credit will constitute the primary security for the payment of the principal and interest on the related series of Notes. Therefore, the Owners of the Notes will be required to look to the applicable Bank for security and will be dependent upon the applicable Bank to honor draws under the applicable 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 either Bank, or the occurrence of some other event precluding either Bank from honoring its obligations to make payments as stated in its Letter of Credit, that the financial resources of the Authority will be the only source of payment on the Notes. There can be no assurance that the financial resources of the Authority would be sufficient to pay the principal and interest on the Notes in that event. *The Notes are being offered solely on the basis of the financial strength of the Banks. 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 Banks may reduce the Stated Amount of the applicable 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 Banks

Enforcement of remedies provided in each Credit Agreement with respect to payments to be made by the applicable Bank under the applicable Letter of Credit (or in the Resolution) may be limited by insolvency, bankruptcy or other laws relating to creditors' rights generally. Further, the security provided by a Letter of Credit for the payment of the principal of and interest on the related Notes may be impaired in the event of a deterioration of the financial condition of the applicable Bank. The obligation of either Bank to honor draws under the applicable Letter of Credit represents a general unsecured claim against the assets of that Bank. The obligation of the Banks to honor draws under the Letters 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 either Bank will be able to meet its obligations under its Letter of Credit.

The initial ratings on the Notes are based upon the issuance of the Letters of Credit by the Banks. See "RATINGS." It is possible that the current rating of either Bank could be downgraded, and such lower rating could affect the market price or liquidity of the related series of Notes.

Performance by Issuing and Paying Agent

Performance by each Bank of its obligations under the applicable Letter of Credit is subject to the satisfaction of certain conditions by the Issuing and Paying Agent as set forth in each 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 Letters 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 Letters of Credit.

Inability to Obtain Alternate Letter of Credit

Each Letter of Credit expires on June __, 2014. No assurances can be given that the Authority will be able to extend either 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 replacement of the prior letter of credit with the Letters of Credit and Bond Counsel has not taken any steps to verify whether or not interest on the Notes is presently exempt from federal income taxation.

General Considerations. Notwithstanding the foregoing, investors should be aware of the following information.

The Tax Code imposes several requirements which must be met with respect to the Notes in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Notes. These requirements include: (a) limitations as to the use of proceeds of the Notes; (b) limitations on the extent to which proceeds of the Notes may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Notes above the yield on the Notes to be paid to the United States Treasury. The Authority has covenanted and represented in the Resolution that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Notes from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under federal income tax laws in effect when the Notes are delivered. Bond Counsel's opinion as to the exclusion of interest on the from gross income and alternative minimum taxable income (to the extent described above) was rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Notes to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel's opinion also was rendered in reliance upon certifications of the Authority and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income

for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the Notes.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Notes. Owners of the Notes should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Notes made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Bond Counsel's opinion relates only to the exclusion of interest on the Notes from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Notes. Owners of the Notes should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Notes. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Notes, the exclusion of interest on the Notes from gross income or alternative minimum taxable income or both from the date of issuance of the Notes or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Notes. Owners of the Notes are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, the market value of the Notes may be adversely affected. Under current audit procedures the Service will treat the Authority as the taxpayer and the Note owners may have no right to participate in such procedures. The Authority has covenanted in the Resolution not to take any action that would cause the interest on the Notes to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the Authority, the Financial Advisors, the Dealers, 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

[TO BE VERIFIED] 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 bond counsel in connect with the replacement of the Prior Letter of Credit and as special counsel to the Authority in connection with preparation of this Offering Memorandum. Certain legal matters will be passed upon for the Banks by their counsel, Chapman and Cutler LLP.

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 Banks. A downgrading of the ratings of either Bank or any Alternate Bank could result in a downgrading of the ratings on the related series of 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
Public Finance Short Term Trading
383 Madison Avenue, 8th Floor
New York, NY 10179
Attention: Peter McCarthy
Telephone: (212) 834-7224
Facsimile: (917) 456-3541
E-mail:

public_Finance_Short_Term_Trading@jpmorgan.com

Goldman, Sachs & Co.
85 Broad Street, 29th Floor
New York, NY 10004
Attention: Municipal Money Market Desk
Telephone: (212) 902-6633
Facsimile: (212) 428-3132

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.

Effective June 18, 2012, "Bank" will mean JPMorgan Chase Bank, National Association, acting as the 2006A Bank and Wells Fargo, National Association, acting as the 2006B Bank.

"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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change

in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Issuing and Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Issuing and Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Authority or the Registrar and Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

APPENDIX 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 replacement of the Prior Letter of Credit and Bond Counsel has not taken any steps to verify whether or not interest on the Notes is presently exempt from federal income taxation.

August 16, 2006

Truckee Meadows Water Authority, Nevada
1355 Capital Boulevard
Reno, Nevada 89502

**\$160,000,000 (Maximum)
Truckee Meadows Water Authority, Nevada
Water Revenue Commercial Paper Notes
Series 2006A and Series 2006B**

Ladies and Gentlemen:

We have acted as bond counsel to the Truckee Meadows Water Authority, Nevada (the "Authority") in connection with the issuance of its registered commercial paper notes designated as the "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A" and the "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B" (together, the "Notes") in the maximum combined aggregate principal amount of \$160,000,000 pursuant to an authorizing resolution of the Board of Directors of the Authority adopted on July 19, 2006 (the "Resolution"). In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Nevada (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Resolution.

Regarding questions of fact material to our opinions, we have relied upon the certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, and assuming there are no changes in applicable law after the date hereof and assuming continuous compliance with the covenants and the continued accuracy of the representations contained in the Authority's certified proceedings, other certifications furnished to us, and in the Issuance Request, in the form attached to the Resolution, delivered by the Authority on each date Notes are issued, it is our opinion as bond counsel that:

1. The Notes are valid and binding, special, limited obligations of the Authority payable solely from the Net Revenues and from funds and accounts pledged therefor under the Resolution.

2. The Resolution has been duly adopted by the Authority and constitutes a valid and binding obligation of the Authority.

3. The Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Notes, which lien is subordinate and junior to the lien thereon of Senior Lien Obligations now or hereafter outstanding and is on a parity with the lien thereon of the Parity Debt now or hereafter outstanding. Except as described in this paragraph, we express no opinion regarding the priority of the lien on Net Revenues or on funds and accounts created by the Resolution.

4. Interest on the Notes is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and interest on the Notes is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

5. Under laws of the State in effect as of the date hereof, the Notes, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the Authority pursuant to the Notes and the Resolution are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

We understand that Lloyds TSB Bank plc, acting through its New York Branch, has issued an irrevocable transferable direct-pay letter of credit relating to the Notes. We express no opinion as to the validity or enforceability of such letter of credit or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Offering Memorandum dated August 10, 2006 relating to the Notes or any other statements made in connection with any sale of the Notes or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership of the Notes, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

THE BANKS

The information in this Appendix has been provided solely by the respective Banks for inclusion in this Offering Memorandum. This information has not been verified independently by the Authority or the Dealers. The Authority and the Dealers make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

JPMorgan Chase Bank, National Association

[TO COME]

Wells Fargo Bank, National Association

The 2006B Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The 2006B Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

Effective at 11:59 p.m. on December 31, 2008, Wells Fargo acquired Wachovia Corporation and its subsidiaries in a stock-for-stock merger transaction. Information about this merger has been included in filings made by Wells Fargo with the Securities and Exchange Commission ("SEC"). Copies of these filings are available free of charge on the SEC's website at www.sec.gov. or by writing to Wells Fargo's Corporate Secretary at the address given below.

Each quarter, the 2006B Bank files with the FDIC financial reports entitled "Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices," commonly referred to as the "Call Reports." The 2006B Bank's Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports contain the most recently filed quarterly reports of the 2006B Bank, which include the 2006B Bank's total consolidated assets, total domestic and foreign deposits, and total equity capital. These Call Reports, as well as the Call Reports filed by the 2006B Bank with the FDIC after the date of this Offering Memorandum, may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>, or by writing to the Wells Fargo Corporate Secretary's Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The 2006B Letter of Credit will be solely an obligation of the 2006B Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the 2006B Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Letter of Credit will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from the 2006B Bank, and is furnished solely to provide limited

introductory information regarding the 2006B Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the 2006B Bank since the date hereof.

V441481.1

REIMBURSEMENT AGREEMENT

Dated as of June 1, 2012

by and between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

Relating to:

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

REIMBURSEMENT AGREEMENT

(This Table of Contents is not a part of this
Reimbursement Agreement and is only
for convenience of reference)

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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of June 1, 2012 (together with any amendments or supplements hereto, this "*Agreement*"), is made by and between the TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the "*Authority*"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the "*Bank*").

WITNESSETH:

WHEREAS, the Authority was duly organized and is operating in accordance with the provisions of the "Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks and County of Washoe," dated December 4, 2000, as amended and supplemented to date and as may be further amended and supplemented in accordance with the terms hereof and thereof (the "*TMWA Cooperative Agreement*") entered into pursuant to the provisions of Nevada Revised Statutes ("*NRS*") 277.080 to 277.180, inclusive, as amended (the "*Authority Act*"); and

WHEREAS, the Board of Directors (the "*Board*") of the Authority, in Washoe County, Nevada (the "*County*" and the "*State*" respectively) has the authority to issue revenue bonds, notes and other obligations and incur liabilities for the purpose of acquiring, constructing, improving and equipping capital projects in accordance with the TMWA Cooperative Agreement and the Authority's capital improvement plan (the "*Project*"); and

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

WHEREAS, pursuant to the Local Government Securities Law and all laws amendatory thereof (the "*Bond Act*"), cited as NRS 350.500 through 350.720, and all laws supplemental thereto, the Authority has the power to issue its revenue commercial paper notes, which constitute special obligations of the Authority; and

WHEREAS, the Board has authorized the issuance of the Authority's Water Revenue Commercial Paper Notes, Series 2006A (the "*Commercial Paper Notes*") and the Authority's Water Revenue Commercial Paper Notes, Series 2006B (the "*2006B Commercial Paper Notes*") pursuant to the terms of that certain 2006 Commercial Paper Resolution adopted by the Authority on July 19, 2006, as amended (the "*Resolution*"), in an aggregate principal amount not to exceed \$160,000,000; and

WHEREAS, in order to accomplish the issuance, sale and delivery from time to time of the Commercial Paper Notes, (i) the Authority and U.S. Bank National Association, as issuing and paying agent (the "*Issuing and Paying Agent*") entered into that certain 2006A Issuing and Paying Agent Agreement, dated as of August 1, 2006, as amended, supplemented or amended and restated from time to time in accordance with the terms hereof and thereof (the "*Issuing and Paying Agent Agreement*"), and (ii) the Authority and J.P. Morgan Securities LLC (the "*Dealer*") entered into that certain Series 2006A Dealer Agreement dated as of August 1, 2006,

as amended, supplemented or amended and restated from time to time in accordance with the terms hereof and thereof (the "*Dealer Agreement*") by and between the Authority and the Dealer.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Authority and the Bank agree as follows:

**ARTICLE I
DEFINITIONS**

Section 1.1. Definitions. As used in this Agreement:

"*Additional Debt*" - means Authority Debt payable from the Net Revenues.

"*Advance*" - has the meaning set forth in Section 2.3(a) hereof.

"*Agreement*" - has the meaning set forth in the introductory paragraph hereof.

"*Alternate Facility*" - has the meaning set forth in the Resolution.

"*Amortization Period*" has the meaning set forth in Section 2.3(a) hereof.

"*Authority*" - has the meaning set forth in the introductory paragraph hereof.

"*Authority Act*" - has the meaning set forth in the recitals hereof.

"*Authority Debt*" - means with respect to the Authority, all Debt payable from or secured by a lien on the Net Revenues that would be classified as a liability in accordance with generally accepted accounting principles.

"*Authorized Representative*" - has the meaning set forth in the Resolution.

"*Bank*" - has the meaning set forth in the introductory paragraph hereof.

"*Bank Note*" - has the meaning set forth in Section 2.3(d) hereof.

"*Bank Rate*" - means the rate of interest per annum with respect to any Advance (a) for any day commencing on the date such Advance is made up to and including the ninetieth (90th) day next succeeding the date such Advance is made, equal to the Base Rate from time to time in effect, (b) for any day commencing on or after the ninety-first (91st) day next succeeding the date such Advance is made up to and including the one hundred eightieth (180th) day next succeeding the date such Advance is made, equal to the sum of the Base Rate from time to time in effect *plus* one percent (1.00%) and (c) for any day commencing on or after the one hundred eighty-first (181st) day next succeeding the date such Advance is made, equal to the sum of the Base Rate from time to time in effect *plus* two percent (2.00%); *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any

notice given with respect thereto) and during the continuance of such Event of Default, “Bank Rate” shall mean the Default Rate; and *provided further* that, at no time shall the Bank Rate be less than the highest rate of interest on any outstanding Commercial Paper Notes.

“*Base Rate*” - means, for any day, the highest of (a) the Prime Rate plus one and one-half of one percent (1.50%), (b) the Federal Funds Rate *plus* two percent (2.00%) per annum and (c) seven percent and one-half of one percent (7.50%) per annum.

“*Board*” - has the meaning set forth in the recitals hereof.

“*Bond Act*” - has the meaning set forth in the recitals hereof.

“*Bond Counsel*” - means Swendseid & Stern, a member in Sherman & Howard L.L.C. or another nationally recognized Bond Counsel selected by the Authority.

“*Bond Requirements*” - has the meaning set forth in the Bond Resolution.

“*Bond Resolution*” - means, collectively, the resolutions of the Board authorizing the Outstanding Bonds and each series of bonds hereafter issued with a lien on the Net Revenues on a parity with any of the Outstanding Bonds.

“*Business Day*” - means any day other than (a) a Saturday, Sunday, or other day on which commercial banks located in the States of New York or Nevada are authorized or required by law or executive order to close, (b) a day on which the New York Stock Exchange is closed, (c) a day on which commercial banks are authorized or required by law or executive order to be closed in the city in which Drawings under the Letter of Credit are to be presented.

“*Closing Date*” - means June 8, 2012, which, subject to the satisfaction of the conditions precedent set forth in Section 3.1 hereof, is the date on which the Letter of Credit shall be issued by the Bank.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or any successor provision or provisions in that Code or any successor Federal tax code, and any regulations (including final, temporary and proposed regulations) under any such provision.

“*Commercial Paper Notes*” - has the meaning set forth in the recitals hereof.

“*Commercial Paper Program*” - means the issuance from time to time of the Commercial Paper Notes pursuant to the Resolution.

“*Comparable Bond Year*” - has the meaning set forth in the Bond Resolution.

“*Controlled Group*” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Authority, or any subsidiary or affiliate, are treated as a single employer under Section 414 of the Code.

“County” - has the meaning set forth in the recitals hereof.

“Dealer” - has the meaning set forth in the recitals hereof.

“Dealer Agreement” - has the meaning set forth in the recitals hereof.

“Debt” - means, with respect to the Authority, at any date and without duplication, (i) all obligations of the Authority for borrowed money, and all obligations of the Authority evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (ii) all direct or contingent obligations of the Authority arising under letters of credit, bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (iii) capital lease obligations, (iv) all obligations of the Authority to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered and other personnel expenses), (v) all indebtedness of others secured by a lien on any asset of the Authority, whether or not such indebtedness is assumed by the Authority, (vi) all indebtedness of others guaranteed by, or secured by any of the revenues or assets of, the Authority and (vii) payment obligations of the Authority under any Swap Contract.

“Default” - means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Default Rate” - means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect *plus* three percent (3.00%).

“Drawing” - has the meaning set forth in the Letter of Credit.

“Drinking Water State Revolving Fund Loans” - means (i) the Truckee Meadows Water Authority, Water Revenue Bond, Series 2005, (ii) Truckee Meadows Water Authority, Water Revenue Bonds, Series 2009A and (iii) Truckee Meadows Water Authority, Water Revenue Bonds, Series 2010A, and each similar loan, series of bonds or other obligation hereafter issued under or pursuant to the Nevada Drinking Water State Revolving Fund with a lien on the Net Revenue on a party with any of the bonds referenced in this definition.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules and regulations from time to time promulgated thereunder, or any successor statute.

“Event of Default” - has the meaning set forth in Section 6.1 hereof.

“Existing Letter of Credit” - means the Amended and Restated Irrevocable Transferable Direct-Pay Letter of Credit dated May 21, 2010 issued by Lloyds TSB Bank plc, acting through its New York Branch pursuant to the Existing Reimbursement Agreement in support of the Commercial Paper Notes and the Series 2006B Commercial Paper Notes.

“Existing Reimbursement Agreement” - means that certain Amended and Restated Reimbursement Agreement dated as of May 1, 2010, by and between the Authority and Lloyd’s TSB Bank plc, acting through its New York Branch.

“Federal Funds Rate” - means for any day the rate of interest per annum as determined by the Bank at which overnight Federal Funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the Authority on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be deemed conclusive and binding on the Authority absent manifest error.

“Fee Letter” means that certain Fee Letter, dated the Closing Date, between the Authority and the Bank, as the same may be amended, modified or supplemented from time to time by written instrument executed by the Bank and the Authority, the terms of which are incorporated herein by reference.

“Final Drawing Notice” has the meaning set forth in the Letter of Credit.

“Fiscal Year” - means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period designated by the Authority as its fiscal year.

“Fitch” - means Fitch, Inc., and its successors and assigns.

“GAAP” - means generally accepted accounting principles in the United States as in effect from time to time, applied by the Authority on a basis consistent with the Authority’s most recent financial statements furnished to the Bank pursuant to Section 3.1(viii) hereof.

“Governmental Authority” means any national, supranational, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasigovernmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, department, commission, bureau, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“Gross Revenues” - has the meaning set forth in the Bond Resolution.

“Issuing and Paying Agent” - has the meaning set forth in the recitals hereof.

“Issuing and Paying Agent Agreement” - has the meaning set forth in the recitals hereof.

“Letter of Credit” - means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the Authority in favor of the Issuing and Paying Agent supporting the Commercial Paper Notes, in the form of Appendix I hereto with appropriate insertions.

“Letter of Credit Expiration Date” - means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire, as the same may be extended pursuant to the terms thereof. The initial Letter of Credit Expiration Date is June 6, 2014.

“Letter of Credit Fees” - has the meaning set forth in the Fee Letter.

“Lien” - on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“Material Adverse Effect” - means the occurrence of any event or change which results in a material and adverse change in the business, condition (financial or otherwise) or operations of the Authority or which materially and adversely affects (a) the enforceability of this Agreement, the Bank Note, the Fee Letter or any of the other Related Documents, (b) the ability of the Authority to perform its obligations hereunder or thereunder or (c) the rights, security, interest or remedies available to the Bank under this Agreement or the other Related Documents.

“Maximum Commercial Paper Interest Rate” - means the maximum tax-exempt rate on the Commercial Paper Notes as provided in the Resolution. As of the Closing Date, the maximum tax-exempt rate on the Commercial Paper Notes is twelve (12%) per annum.

“Maximum Rate” - means the lesser of (i) the maximum non-usurious lawful rate of interest permitted by applicable law and (ii) 25% per annum.

“Moody’s” - means Moody’s Investors Service, Inc., and its successors and assigns.

“Net Revenues” - has the meaning set forth in the Resolution.

“Notes” - means the Commercial Paper Notes and the Bank Note.

“NRS” - means the Nevada Revised Statutes.

“Obligations” - means the Reimbursement Obligations (which includes amounts owing to the Bank evidenced by the Bank Note), the Letter of Credit Fees, the obligations of the Authority to pay all fees, charges and expenses payable hereunder, under the Fee Letter and under the Bank Note, and all other payment obligations of the Authority owed to the Bank arising under or in relation to this Agreement, the Fee Letter and the Bank Note.

“Offering Memorandum” - means the Offering Memorandum dated _____, 2012, relating to the Commercial Paper Notes, and any supplements and amendments thereto.

“Operation and Maintenance Expenses” - has the meaning set forth in the Bond Resolution.

“Original Stated Amount” - has the meaning set forth in Section 2.1 hereof.

“Other Debt Document” has the meaning set forth in Section 5.1(k) hereof.

“Other Taxes” - has the meaning set forth in Section 2.13(a) hereof.

“Outstanding Bonds” - means the Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2006 the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2007, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2010 and each series of bonds hereafter issued with a lien on the Net Revenues on a parity with any of such bonds.

“Parity Debt” - has the meaning set forth in the Resolution.

“Participant” - has the meaning set forth in Section 7.3(b) hereof.

“Payment Office” - means JPMorgan Chase Bank, National Association, at ABA #021-000-021 Account #_____ Ref: Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A, Letter of Credit Number CPCS-388162, or such other office as the Bank may designate from time to time.

“Person” - means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“Plan” -- means, with respect to the Authority and each subsidiary at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group of which the Authority or such subsidiary is a part, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group of which the Authority or such subsidiary is a part is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“Prime Rate” - means the rate of interest announced by the Bank from time to time as its prime commercial rate or equivalent in the United States, as in effect on such day for United States dollar loans, with any change in the Prime Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate. The Prime Rate is a reference rate only, and the Bank may make loans from time to time at interest rates above, equal to or below the Prime Rate.

“Project” - has the meaning set forth in the recitals hereof.

“Public Offering” - means an offering of securities through an underwriter to the general public.

“Qualified Surety Bond” - has the meaning set forth in the Bond Resolution.

“Rating Agencies” - means Fitch, Moody’s and S&P.

“Reduction Fee” - has the meaning set forth in the Fee Letter.

“Refunding” - has the meaning set forth in the Resolution.

“Reimbursement Obligations” - means any and all obligations of the Authority to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Advance, including in each instance all interest accrued thereon (which obligations are evidenced and secured by the Bank Note).

“Related Documents” - means this Agreement, the Letter of Credit, the Bank Note, the Dealer Agreement, the Bond Resolution, the Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Resolution and any documents related thereto.

“Resolution” - has the meaning set forth in the recitals hereof.

“Senior Lien Obligations” - has the meaning set forth in the Resolution.

“Series 2006B - Commercial Paper Notes” - has the meaning set forth in the recitals hereof.

“S&P” - means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and assigns.

“State” - means the State of Nevada.

“Stated Amount” - means, (i) as of the Closing Date, \$43,550,685, of which \$40,000,000 may be drawn to pay the principal of the Commercial Paper Notes, and of which \$3,550,685 may be drawn to pay interest due on the Commercial Paper Notes, computed at a rate of 12% per annum, calculated on the basis of a year of 365 days, for a period of 270 days, and (ii) for any day thereafter, the maximum amount which by the terms of the Letter of Credit is available to be drawn under the Letter of Credit as of such date.

“Stop-Issuance Instruction” - means the written instruction, in the form attached hereto as Exhibit A, given by the Bank to the Authority and the Issuing and Paying Agent pursuant to Section 6.2(b) hereof.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or

bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Taxes*” - has the meaning set forth in Section 2.13(a) hereof.

“*Termination Fee*” - has the meaning set forth in the Fee Letter.

“*Term Loan Commencement Date*” - means, subject to the satisfaction of the conditions precedent set forth in Section 3.2 hereof, the earlier to occur of (i) the Letter of Credit Expiration Date and (ii) in respect of an Advance, the one hundred eighty-first (181st) day following the date on which the Bank made such Advance to the Authority.

“*Termination Date*” - has the meaning set forth in the Letter of Credit.

“*TMWA Cooperative Agreement*” - has the meaning set forth in the recitals hereof.

“*TMWA Water System*” - has the meaning set forth in the Resolution.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Resolution or the Issuing and Paying Agent Agreement, as applicable. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE II LETTER OF CREDIT

Section 2.1. Issuance of Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of \$43,550,685 (the “*Original Stated Amount*”), which is the sum of (i) the total aggregate principal amount of \$40,000,000, which may be drawn to pay the principal of the Commercial Paper Notes, plus (ii) interest thereon at the rate of twelve percent (12%) per annum for a period of two hundred

seventy (270) days on the basis of a 365 day year (\$3,550,685), which may be drawn to pay the interest due on the Commercial Paper Notes.

Section 2.2. Letter of Credit Drawings. The Issuing and Paying Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. The Authority hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Authority hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.3. Reimbursement of Certain Drawings Under the Letter of Credit; Mandatory Prepayment; Interest. (a) If the conditions precedent contained in Section 3.2 hereof are satisfied at the time of payment by the Bank of any Drawing, each Drawing made under the Letter of Credit shall constitute an advance (“Advance”) to the Authority. The Authority promises to reimburse the Bank for each Advance on the earliest to occur of (i) the date on which the Letter of Credit is replaced by an Alternate Facility pursuant to the terms of the Resolution, (ii) if the conditions precedent set forth in Section 3.2 hereof are not satisfied on the related Term Loan Commencement Date, on such Term Loan Commencement Date, (iii) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Letter of Credit Expiration Date), including as a result of the occurrence of an Event of Default and (iv) the end of the term of the Commercial Paper Program in respect of the Commercial Paper Notes as determined in accordance with the Resolution. Subject to Section 2.10 hereof, the Authority also promises to pay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect which shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first such date to occur after the making of the related Advance), and on the date that the final principal installment of such Advance is payable as herein provided. Unless otherwise paid in full on one of the dates provided above, and if the conditions precedent set forth in Section 3.2 heretofore are satisfied on the Term Loan Commencement Date, the principal amount of each Advance shall be payable by the Authority in semi-annual installments (“Semi-Annual Principal Payments”) commencing on the Term Loan Commencement Date, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance being due and payable on the third anniversary of the date of the related Advance was made (the period commencing on the date the first principal installment is initially payable and ending on the date that the final principal installment of such Advance is payable as herein provided is herein referred to as the “Amortization Period”). Each Semi-Annual Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Semi-Annual Principal Payments over the applicable Amortization Period.

(b) Any Advance may be prepaid in whole or in part on the day such Advance is made. Any Advance created pursuant to paragraph (a) above may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day’s prior written notice.

(c) Upon the Bank’s receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment.

(d) All Reimbursement Obligations shall be made against and evidenced by the Authority's promissory note payable to the order of the Bank in the principal amount of such Reimbursement Obligations, such note to be executed and delivered to the Bank on the Closing Date in the form of Exhibit B attached hereto with appropriate insertions (the "*Bank Note*"). All Reimbursement Obligations incurred by the Authority and all payments and prepayments on the account of the principal of and interest on each Reimbursement Obligation shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by the Authority hereunder and under the Bank Note. The Bank may, but shall not be required to, complete the schedule attached to its Bank Note to reflect the making and status of Drawings and Advances thereunder, *provided* that the failure to make or any error in making any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of the Authority to repay any Reimbursement Obligations. The Authority shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.3 and 2.4 hereof.

Section 2.4. Reimbursement of Drawings Other Than Drawings Creating Advances Under the Letter of Credit. The Authority agrees to reimburse the Bank for the full amount of any Drawing (but only if the conditions precedent contained in Section 3.2 hereof are not satisfied on the date of payment by the Bank of such Drawing) immediately upon payment by the Bank of each such Drawing and on the date of each such payment. If the Authority does not make such reimbursement on such date, such Reimbursement Obligation shall bear interest at the Default Rate and shall be payable on demand.

Section 2.5. Fees. The Authority hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees, expenses and other amounts provided for therein, at the times and in the amounts set forth in the Fee Letter. Without limiting the generality of the foregoing, in the event that the Letter of Credit is terminated or the Stated Amount is reduced and is not subject to reinstatement, the Authority shall pay to the Bank the Termination Fee and/or Reduction Fee, if any, at the times and in the amounts set forth in and as required by the Fee Letter. The terms and provisions of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All references to amounts or obligations due hereunder or in this Agreement shall be deemed to include all amounts and obligations (including without limitation fees and expenses) under the Fee Letter. All fees paid under this Agreement and the Fee Letter shall be fully earned when due and nonrefundable when paid.

Section 2.6. Method of Payment; Etc. All payments to be made by the Authority under this Agreement shall be made at the Payment Office of the Bank not later than 3:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. Any payment received by the Bank after 3:00 p.m., New York City time, shall be deemed to have been received by the Bank on the next Business Day.

Section 2.7. Substitute Letter of Credit; Reduction of Stated Amount. (a) The Authority agrees not to replace or terminate the Letter of Credit except upon (i) the payment by the Authority to the Bank of any and all fees associated therewith as set forth in the Fee Letter, (ii)

the payment to the Bank of all fees, expenses and other amounts due and owing hereunder and under the Fee Letter to and including the date of termination of the Letter of Credit, (iii) the payment to the Bank of all Reimbursement Obligations (including, without limitation any unpaid Drawings or outstanding Advances) and (iv) the Authority providing the Bank with thirty (30) days' prior written notice of its intent to replace or terminate the Letter of Credit; *provided* that all payments to the Bank referred to in clauses (i), (ii) and (iii) above shall be made with immediately available funds.

(b) *Reduction Fees.* Notwithstanding the foregoing and anything set forth herein to the contrary, the Authority agrees not to permanently reduce the Original Stated Amount of the Letter of Credit except in accordance with the terms of the Related Documents and upon the payment of any and all fees associated therewith as set forth in the Fee Letter.

Section 2.8. Computation of Interest and Fees. Fees payable hereunder and under the Fee Letter shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of interest payable by the Authority under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 2.9. Payment Due on Non-Business Day To Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.10. Late Payments. If the principal amount of any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate.

Section 2.11. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.12. Extension of Letter of Credit Expiration Date. If the Authority on any date not more than one hundred fifty (150) days prior to the Letter of Credit Expiration Date, submits to the Bank a written request for an extension of the Letter of Credit Expiration Date for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within forty-five (45) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank. If such an extension request is accepted by the Bank in its absolute discretion, the then current Letter of Credit Expiration Date shall be extended to the date agreed to by the Authority and the Bank.

Section 2.13. Net of Taxes, Etc.

(a) *Taxes.* Any and all payments to the Bank by the Authority hereunder or under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, including taxes imposed on or measured by the net income or capital of the Bank by the State with respect to any State income taxes solely as a result of the Bank issuing the Letter of Credit or executing and delivering this Agreement, but excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the Authority shall be required by law to withhold or deduct any Taxes from or in respect of any sum payable hereunder or under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Authority shall make any payment under this Section 2.13 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Authority an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Authority with respect to such Taxes. In addition, the Authority agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America, the State of New York, the State or any other taxing jurisdiction from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement or the Fee Letter or the issuance of the Letter of Credit (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the Authority within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by the Authority to the Bank hereunder; *provided* that the Bank's failure to send such notice shall not relieve the Authority of its obligation to pay such amounts hereunder.

(b) *Indemnity.* The Authority shall, to the fullest extent permitted by law and subject to the provisions hereof, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that the Authority shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the Authority of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided* that the Bank's failure to notify the Authority promptly of such assertion shall not relieve the Authority of its obligation under this

Section 2.13. Payments by the Authority pursuant to this indemnification shall be made within 60 days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the Authority any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Authority pursuant to this Section 2.13 received by the Bank for Taxes or Other Taxes that were paid by the Authority pursuant to this Section 2.13. Additionally, the Bank agrees to consider any written request (and, to respond to such written request in writing within fifteen (15) days of the date of receipt of such written request) from the Authority to contest, with the cooperation and at the expense of the Authority, any such Taxes or Other Taxes which the Bank or the Authority reasonably believes not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the Authority, the Authority shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) *Bank Representation.* The Bank does not expect to be subject to any Taxes or Other Taxes, directly or indirectly, imposed, assessed, levied or collected by or for the account of any Governmental Authority as a result of the execution or delivery of this Agreement or the issuance of the Letter of Credit.

(e) *Survival of Obligations.* The obligations of the Authority under this Section 2.13 shall survive the termination of this Agreement.

Section 2.14. Increased Costs. (a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), regardless of the date enacted, adopted or issued, or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall (i) change the basis of taxation of payments to the Bank of any amounts payable hereunder or under the Fee Letter (except for taxes on the overall net income of the Bank or such Participant), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or the Letter of Credit or assets held by, or deposit with or for the account of, the Bank or such Participant or (iii) impose on the Bank or such Participant any other condition regarding this Agreement or the Letter of Credit, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank of making or maintaining its obligations hereunder or maintaining the Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank or

such Participant hereunder or under the Fee Letter, then, the Authority shall pay to the Bank or such Participant, at such time and in such amount as is set forth in paragraph (c) of this Section 2.14, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or such Participant allocates capital resources to its commitments, including its obligations under lines of credit) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the Bank's or such Participant's policies with respect to capital adequacy) then, the Authority shall pay to the Bank or such Participant, at such time and in such amount as is set forth in Section 2.14(c), such additional amount or amounts as will compensate the Bank or such Participant for such cost of maintaining such increased capital or such reduction the rate of return on the Bank's or such Participant's capital.

(c) All payments of amounts referred to in Section 2.14(a) and (b) shall be due sixty (60) days following the Authority's receipt of written notice thereof. Interest on the sums due as described in Section 2.14(a) and (b), and in the preceding sentence, shall begin to accrue from the date which is 60 days following the Authority's receipt of notice thereof and shall otherwise be payable in accordance with Section 2.6 hereof; *provided*, that from and after the required date of payment, interest shall begin to accrue on such obligations at a rate per annum equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in Section 2.14(a) or (b) setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Authority and shall be deemed *prima facie* correct as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate.

(d) Notwithstanding anything contained in paragraphs (a), (b) or (c) of this Section 2.14, the Authority shall have no liability to the Bank for any increased costs, increased capital or reduction in rate of return to the extent incurred by or imposed on the Bank more than one hundred eighty (180) days prior to the date the above-described written notice is given to the Authority with respect thereto (the "*Cut-Off Date*"), except where (A) the Bank had no actual knowledge of the action resulting in such increased costs, increased capital or reduction in rate of return, as applicable, as of the Cut-Off Date or (B) such increased costs, increased capital or reduction in rate of return apply to the Bank retroactively to a date prior to the Cut-Off Date.

(e) No participant or other transferee of the Bank's rights shall be entitled to receive any greater payment under this section than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Authority's prior written consent.

Section 2.15. Reserved.

Section 2.16. Maximum Rate; Payment of Fee. If the rate of interest payable hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof and (ii) the Maximum Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the Authority shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the date all Obligations are payable hereunder following the termination of the Letter of Credit, in consideration for the limitation of the rate of interest otherwise payable hereunder, the Authority shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 2.17. Commercial Paper Notes Operations.

(a) *Issuance Generally.* The Authority will permit Commercial Paper Notes to be issued, and authorize the Issuing and Paying Agent to issue Commercial Paper Notes, only in accordance with the terms of the Resolution and this Agreement.

(b) *Stop-Issuance Instructions; Final Drawing Notice.* Commercial Paper Notes may be issued from time to time prior to the Letter of Credit Expiration Date in accordance herewith and with the Resolution so long as (i) the Issuing and Paying Agent is not in receipt of a Stop-Issuance Instruction, and not rescinded and (ii) the Issuing and Paying Agent is not in receipt of the Final Drawing Notice. The Bank may deliver a Stop-Issuance Instruction or a Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. A Stop-Issuance Instruction or the Final Drawing Notice shall be effective when received by the Issuing and Paying Agent; *provided, however*, that a Stop-Issuance Instruction or the Final Drawing Notice received by the Issuing and Paying Agent after 11:00 A.M. New York time, on any day

on which Commercial Paper Notes are being issued shall be effective on the next succeeding day. A Stop-Issuance Instruction or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Stop-Issuance Instruction or the Final Drawing Notice in writing shall not render such Stop-Issuance Instruction or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Stop-Issuance Instruction or the Final Drawing Notice to the Authority and the Dealer promptly following delivery thereof to the Issuing and Paying Agent, but the failure to furnish any such copy shall not render ineffective such Stop-Issuance Instruction or the Final Drawing Notice.

ARTICLE III CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to Issuance of the Letter of Credit. As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the Authority shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank's counsel, Chapman and Cutler LLP (hereinafter, "*Bank's Counsel*"):

(i) *Approvals.* The Bank shall have received a counterpart of this Agreement and the Fee Letter duly executed by the Authority and the Bank and copies of all action taken by the Authority approving the execution and delivery by the Authority of this Agreement, the Fee Letter and the Bank Note, in each case, certified by an authorized official of the Authority as complete and correct as of the date hereof.

(ii) *Incumbency of Authority Officials.* The Bank shall have received an incumbency certificate of the Authority in respect of each of the officials who is authorized to (i) sign this Agreement, the Fee Letter and the Bank Note on behalf of the Authority and (ii) take actions for the Authority under this Agreement, the Bank Note and the other Related Documents with respect to the Commercial Paper Notes.

(iii) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date to the effect that (A) this Agreement, the Fee Letter and the Bank Note shall have been duly authorized, executed and delivered by the Authority and are the valid and binding obligations of the Authority enforceable in accordance with their terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the Authority and equitable principles relating to or affecting creditors' rights generally from time to time, (B) the execution and delivery by the Authority of this Agreement, the Fee Letter and the Bank Note does not violate the constitution or laws of the State; (C) the Board on behalf of the Authority has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery, and performance by the Authority of this Agreement, the Fee Letter and the Bank Note and (D) the lien on the Net Revenues securing the Obligations is a legal valid, binding and irrevocable lien in favor of the Bank on a parity with the lien thereon for the benefit of the Commercial Paper Notes, the Series 2006B Commercial Paper Notes and the Parity Debt and any

additional commercial paper notes and Parity Debt hereafter issued, and subject to the lien thereon for the benefit of the Senior Lien Obligations and any additional Senior Lien Obligations hereafter issued.

(iv) *Bank Note.* The Bank shall have received an executed Bank Note payable to the Bank.

(v) *Issuing and Paying Agent; Dealers.* The Dealers and the Issuing and Paying Agent shall have been appointed. The Bank shall have received certified copies of the Issuing and Paying Agent Agreement and the Dealer Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect.

(vi) *Resolution.* The Bank shall have received a certified copy of the Resolution including any amendments or supplements thereto, if any, which have been adopted as of the Closing Date, authorizing the issuance of the Commercial Paper Notes, all certified by the Secretary of the Board as being in full force and effect.

(vii) *No Default, Etc.* (A) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the Authority of this Agreement and the Bank Note, (B) the representations and warranties made by the Authority in Articles IV hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date (except to the extent the same expressly relate to an earlier date), (C) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2011, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect, (D) no material litigation is ongoing with respect to the Authority or any of its property which would be reasonably likely to result in a Material Adverse Effect and (E) the Bank shall have received a certificate, given and made as of the Closing Date, from the Authority to the foregoing effect.

(viii) *Financial Information.* The Bank shall have received copies of (A) the Authority's audited financial statements, for the Fiscal Year ended June 30, 2011; and (B) the investment policy of the Authority.

(ix) *Legality; Material Adverse Change.* The Bank shall have determined (in its sole discretion) that (A) neither the making of any Drawings or Advances nor the consummation of any of the transactions contemplated by the Resolution, the Commercial Paper Notes, the Bank Note or this Agreement will violate any law, rule, guideline or regulation applicable to the Authority, the Bank or this Agreement and (B) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2011, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect.

(x) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses referred to in Section 7.6 hereof.

(xi) *Bank Note.* The Bank shall have received written evidence satisfactory to the Bank that (a) a CUSIP number has been obtained and reserved from Standard & Poor's CUSIP Service for the Bank Note and (b) the Bank Note shall have been assigned a rating of at least "BBB-" by Fitch.

(xii) *Ratings of Notes.* The Bank shall have received written evidence satisfactory to the Bank that the Commercial Paper Notes have been assigned at least two of the following short-term debt ratings: "A-1" by S&P, "VMIG1" by Moody's or "F1+" by Fitch.

(xiii) *Existing Facility.* The Bank shall have received satisfactory evidence that the Existing Letter of Credit shall have been cancelled and that all obligations owed under the Existing Reimbursement Agreement shall have been paid in full.

(xiv) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or the Bank's Counsel shall have reasonably requested.

Section 3.2. Conditions Precedent to Advances. Following any payment by the Bank under the Letter of Credit pursuant to a Drawing, an Advance shall be made available to the Authority *only if* on the date of payment of such Drawing by the Bank (a) the representations and warranties contained in Article IV of this Agreement are true and correct in all material respects as of such date (except to the extent that they expressly relate to an earlier date); and (b) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the Authority shall have previously advised the Bank in writing that the above statements are no longer true, the Authority shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement, the Authority represents and warrants to the Bank as follows:

Section 4.1. Organization, Powers, Etc. The Authority: (i) is validly organized and existing under and by virtue of the laws of the State of Nevada, (ii) has full power and authority to own its properties and carry on its business as now conducted, (iii) has or had, as applicable, full power and authority to execute (or adopt, if applicable), deliver and perform its obligations under this Agreement and the Related Documents, to borrow hereunder and to execute, deliver and perform its obligations under the Commercial Paper Notes and (iv) has or had, as applicable,

full power and authority to grant the lien and pledge of the Net Revenues securing the Obligations in favor of the Bank.

Section 4.2. Authorization, Absence of Conflicts, Etc. The execution (or adoption, if applicable), delivery and performance of this Agreement and the Related Documents and the execution, delivery and performance of the Commercial Paper Notes: (i) have or had, as applicable, been duly authorized by the Authority, (ii) did not, do not and will not, to any material extent, conflict with, or result in violation of any applicable provision of law, including the Authority Act, or any order, rule or regulation of any court or other agency of government, and (iii) did not, do not and will not, to any material extent, conflict with, result in a violation of or constitute a default under, the Resolution or any other resolution, agreement or instrument to which the Authority is a party or by which the Authority or any of its property is bound.

Section 4.3. Governmental Consent or Approval. The execution, delivery and performance of this Agreement and the Related Documents and the execution, delivery and performance of the Commercial Paper Notes did not, do not and will not require registration with, or the consent or approval of, or any other action by, any Federal, state or other governmental authority or regulatory body other than those which have been made or given and are in full force and effect; provided that no representation is made as to any blue sky or securities law of any jurisdiction.

Section 4.4. Binding Obligations. This Agreement and the Related Documents are, and the Commercial Paper Notes, when executed and delivered, will be, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against the Authority.

Section 4.5. No Public Vote or Referendum. To the best knowledge of the Authority, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way have a Material Adverse Effect.

Section 4.6. No Defaults. The Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in the Resolution or any other resolution, agreement or instrument to which it is a party which would have a Material Adverse Effect on the ability of the Authority to perform its obligations hereunder or under the Related Documents or which would materially adversely affect the enforceability hereof.

Section 4.7. Litigation. There is no action or investigation pending or, to the knowledge of the Authority, threatened against the Authority before any court or administrative agency which questions the validity of the Authority Act, the Bond Act, or the validity of any proceeding taken by the Authority in connection with the execution and delivery of this Agreement, the Related Documents, or the Commercial Paper Notes or wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of this Agreement, the Related Documents or the Commercial Paper Notes. There is no action pending or to the knowledge of the Authority, threatened, which questions the validity of the Authority

Act or the Net Revenues nor is there any pending initiative or referendum qualified for the ballot which would seek to amend, annul, modify or replace the Authority Act or to diminish or reallocate the Net Revenues.

Section 4.8. Financial Condition. All of the Authority's financial statements to date and all financial statements relating to the Gross Revenues to date, copies of which have been furnished to the Bank, have been prepared in conformity with generally accepted accounting principles (except as noted therein). All of such financial statements accurately present, in all material respects, the financial condition of the Authority, including the Net Revenues as of the dates thereof, and other than as disclosed to the Bank, there has been no material adverse change in the business or affairs of the Authority or of the Net Revenues since the date the last such report was so furnished.

Section 4.9. Incorporation of Representations and Warranties by Reference. The Authority hereby makes to the Bank the same representations and warranties made by the Authority in each Related Document to which the Authority is a party, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. Except as permitted by Section 5.2(c) hereof, no amendment to such representations and warranties or defined terms made pursuant to any Related Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

Section 4.10. Environmental Matters. To the best knowledge of the Authority, the operations of the Authority are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action would have a Material Adverse Effect.

Section 4.11. Authority for Issuance; Interest Rate Limitation. The Authority has entered into this Agreement so that the Letter of Credit will provide credit enhancement with respect to the Commercial Paper Notes and under the authority provided by the Authority Act and the Bond Act. Pursuant to NRS 350.5835, the interest rates payable under this Agreement are limited only by the terms specified in this Agreement.

Section 4.12. Security. This Agreement and the Resolution create for the benefit of the Bank with respect to the Authority's obligations owed to the Bank hereunder (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate owed on any Advances) the legally valid, binding and irrevocable lien on and pledge of (a) the proceeds of all obligations issued by the Authority to refund any outstanding Advances and (b) Net Revenues, without any further filing, registering, recording, publication or other action, subject to the provisions of the Resolution, with an equal priority lien on such moneys with the holders of the Commercial Paper Notes and Parity Debt, subject to any applicable bankruptcy,

insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against the Authority. Except as provided in Section 5.2(d) hereof, nothing herein shall limit the right of the Authority to issue additional Senior Lien Obligations, Parity Debt, Drinking Water State Revolving Fund Loans or obligations junior to the Notes and Parity Debt.

Section 4.13. Offering Memoranda. (a) The information contained in any offering memorandum or commercial paper memorandum furnished to prospective purchasers of the Commercial Paper Notes as of the Closing Date and as of date on which it is furnished to prospective purchasers of the Commercial Paper Notes (excluding information provided by the Bank, the Dealers and the Depository Trust Company as to which no representation is made) did not or will not contain any untrue statement of a material fact or fail to include any statement of a material fact concerning the Authority necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of the Closing Date, the Bank acknowledged that the limited information regarding the Authority in the Offering Memorandum was not intended by the Authority to represent all pertinent information regarding the Authority's creditworthiness or its ability to reimburse the Bank for amounts due under this Agreement. The Bank acknowledges that: (i) it had and has performed its own financial analysis with regard to the Authority and its ability to reimburse the Bank for amounts due under this Agreement, and (ii) it had not and has not relied upon the information contained in the Offering Memorandum in evaluating the creditworthiness of the Authority in connection with its decision to issue the Letter of Credit; *provided, however*, that to the extent that the Bank has relied on certain information provided to them by the Authority that is also contained in the Offering Memorandum, nothing contained herein shall limit any action that the Bank might have against the Authority with respect to such information.

(b) The Bank hereby covenants to provide the Authority updated, disclosure information for inclusion in periodically updated offering documents with respect to the Notes, if available, upon the request of the Authority.

Section 4.14. Legislation. No legislation has been enacted which in any way materially adversely affects or which prohibited or prohibits, as applicable (i) the issuance or delivery of the Commercial Paper Notes, (ii) the adoption of the Resolution, (iii) the execution and delivery of this Agreement or any of the Related Documents to which the Authority is a party, (iv) the creation, organization or existence of the Authority or the titles to office of any officers of the Authority, or (v) the power of the Authority to carry out its obligations under this Agreement or any of the Related Documents to which the Authority is a party.

Section 4.15. Provisions of Law. There is no maximum interest rate that applies to the Authority's obligations under this Agreement presently prescribed by NRS; no vote or referendum of the registered electors of the Authority is presently required by NRS in connection with the Notes or any of the Authority's obligations under the Agreement; and the Authority is not entitled to raise the defense of sovereign immunity in any actions by the Bank against the Authority not sounding in tort to enforce the provisions of this Agreement under the existing provisions of NRS.

Section 4.16. Employee Benefit Plan Compliance. The Authority has no funding liability or obligation currently due and payable with respect to any employee benefit plan which could reasonably be expected to materially and adversely affect the ability of the Authority to perform its obligations hereunder or under any other Related Document. The Authority is otherwise in compliance with the terms of any such plan in which the Authority participates to the extent any such failure to comply could reasonably be expected to result in a Material Adverse Effect. Neither the Authority nor any employee benefit plan maintained by the Authority is subject to ERISA. The Authority maintains no Plans.

Section 4.17. Margin Regulations. No portion of the proceeds of any Drawings under the Letter of Credit or Advances hereunder shall be used by the Authority (or the Issuing and Paying Agent or any other Person on behalf of the Authority) for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U or X of the Board of Governors of the Federal Reserve System or any other regulation of the Department or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Drawings or Advances and such use of proceeds.

Section 4.18. Compliance. The current collection of Gross Revenues and the management of Authority and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the Authority. The Authority is in compliance with the terms and conditions of each of the Related Documents to which it is a party, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing. The Authority is in material compliance with all laws, ordinances, orders, writs, injunctions, decrees, rules and regulations applicable to it (including, without limitation, all applicable federal, state or local environmental, health and safety statutes and regulations, and the Authority’s investment policy guidelines), except to the extent noncompliance could not reasonably be expected to have a Material Adverse Effect.

Section 4.19. Maintenance of Insurance. The Authority shall maintain, or cause to be maintained, at all times insurance on and with respect to its properties with responsible and reputable insurance companies; *provided, however,* that the Authority may maintain self-insurance for worker’s compensation and vehicle liability and, with the consent of the Bank, such other self-insurance as it deems prudent. Such insurance shall include casualty, liability and workers’ compensation and be in amounts and with deductibles and exclusions customary and reasonable for governmental entities of similar size and with similar operations as the Authority. The Authority shall, upon request of the Bank, furnish evidence of such insurance to the Bank.

ARTICLE V COVENANTS

Section 5.1. Affirmative Covenants of the Authority. Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will:

(a) *Reports and Other Information.* (i) *Notice of Default.* As promptly as practical after the chief financial officer of the Authority shall have obtained knowledge of the occurrence of an Event of Default, provide to the Bank the written statement of the Authority setting forth the details of such event and the action which the Authority proposes to take with respect thereto.

(ii) *Annual and Semi-Annual Reports.* (A) Within one hundred eighty (180) days after the end of each Fiscal Year of the Authority, provide to the Bank audited financial statements of the Authority, consisting of a balance sheet and a statement of revenues, expenditures and changes in fund balances of the Authority, including the Gross Revenues for such Fiscal Year, setting forth in comparative form the corresponding figures (if any) for the preceding Fiscal Year, all in reasonable detail, and accompanied by an unqualified opinion of Kafoury, Armstrong & Co., certified public accountants, Reno, Nevada (or another independent certified public accounting firm acceptable to the Bank (if such accounting firm is not nationally recognized and such acceptance not to be unreasonably withheld or delayed)) stating that they have been prepared in accordance with generally accepted accounting principles consistently applied together with a certificate signed by the chief financial officer of the Authority (x) demonstrating compliance with Section 5.1(i) hereof and (y) stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

(B) Within sixty (60) days after each June 30 and December 31, provide to the Bank unaudited financial statements of the Authority, consisting of a statement of net assets, a statement of revenues, expenditures and changes in net assets of the Authority, including a statement of cash flows of the Authority, including the Gross Revenues for such fiscal period, setting forth in comparative form the corresponding figures (if any) for the preceding fiscal period, all in reasonable detail, certified by the chief financial officer of the Authority.

(C) In the event the Authority is a party to any interest rate swaps or commodity swaps, as soon as available and in any event within 60 days after the end of each June 30 and December 31, a semi-annual summary with respect to (i) interest rate swaps (including, without limitation, an aggregate mark-to-market valuation of all interest rate swaps) and (ii) commodity swaps (including, without limitation, an aggregate mark-to-market valuation of all commodity swaps);

(iii) *Offering Circulars.* Within ten (10) days after the issuance of any securities by the Authority with respect to which a final official statement or other offering or disclosure document has been prepared by the Authority, (1) provide the Bank with a copy of such official statement or offering circular or (2) provide the Bank with notice that such information has been filed with EMMA and is publicly available; and (B) during any period of time the Authority is subject to continuing disclosure requirements under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, immediately following any dissemination, distribution or provision thereof to any Person, (1) provide the Bank with a copy of any reportable event notice (as described in b(5)(i)(C) of Rule 15c2-12) disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements or (2) provide the Bank with notice that such event notice has been filed with EMMA and is publicly available.

(iv) *Notice of Adverse Change.* Notify the Bank as soon as possible after the chief financial officer of the Authority acquires knowledge of the occurrence of the filing of a complaint against the Authority in any court or administrative agency, where the amount claimed is in excess of Five Million Dollars (\$5,000,000).

(v) *Budget.* As soon as available, but in any event within 30 days following the beginning of each Fiscal Year, deliver to the Bank the annual budget of the Authority.

(vi) *Other Information.* Provide to the Bank such other information respecting the business affairs, financial condition and/or operations of the Authority, as the Bank may from time to time reasonably request.

(b) *Inspections; Discussion.* Permit the Bank or its representatives, at any reasonable time during normal business hours and from time to time at the request of such Bank and at such Bank's expense (to the extent that the Authority has the legal ability to permit access thereto): to discuss the affairs, finances and accounts of the Authority with the appropriate officers of the Authority and its independent public accountants; provided that, if required by the Authority, as a condition to the Bank being permitted by the Authority to make or conduct any such visit, inspection, examination or discussion, the Bank shall certify to the Authority that the same is being made or conducted solely in order to assist the Bank in evaluating its position under the Agreement.

(c) *Preservation of Pledge.* Take any and all actions necessary or reasonably requested by any Bank to maintain the pledges and security interests described in Section 4.12 hereof.

(d) *Taxes and Liabilities.* Pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, which default could have a material adverse effect on the ability of the Authority to perform its obligations under this Agreement; provided that the Authority shall have the right to defer payment or performance of obligations to Persons other than the Bank so long as it is contesting in good faith the validity of such obligations by appropriate legal action and no final order or judgment has been entered with respect to such obligations.

(e) *Sovereign Immunity.* To the extent that the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings, on the grounds of sovereign immunity or any other similar doctrine, the Authority hereby irrevocably waives, to the full extent permitted by law, such rights to immunity for itself in respect of its contractual obligations arising under or related to this Agreement. The foregoing does not constitute consent to any claim being made on or relief or execution being granted against any revenues or assets of the Authority other than Net Revenues, and the foregoing shall never apply to any tort claims.

(f) *Liquidity.* (i) In the event that (A) the Bank shall determine not to extend the Letter of Credit Expiration Date or (B) an Event of Default shall have occurred and the Bank shall have

delivered to the Issuing and Paying Agent a Stop-Issuance Instruction or a Final Drawing Notice, the Authority shall use its commercially reasonable best efforts to obtain an Alternate Facility to replace this Agreement.

(ii) The Authority agrees that any Alternate Facility will require, as a condition to the effectiveness of the Alternate Facility, that the provider of the Alternate Facility will provide funds, on the date the Alternate Facility becomes effective, for the payment of all principal and accrued interest (at the Bank Rate) on all Reimbursement Obligations. On such date any and all amounts due hereunder and under the Resolution or the Bank Note due to the Bank shall be payable in full to the Bank.

(g) *Incorporation by Reference.* From and after the date hereof and so long as this Agreement is in effect or any obligation of the Authority hereunder remains unsatisfied, except to the extent compliance in any case or cases is waived in writing by the Bank pursuant to the terms hereof, the Authority agrees that it will, for the benefit of the Bank, comply with, abide by, and be restricted by all of the agreements, covenants, obligations and undertakings of the Authority contained in the Related Documents which any failure of the Authority to comply with or abide by would result in a material adverse effect on the rights, security and interests of the Bank, which provisions, together with the related definitions, and ancillary provisions, are hereby incorporated herein by reference, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and it will be deemed to continue in effect for the benefit of the Bank, without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, it being the intent of the parties that no such amendment, modification or waiver shall constitute an amendment, modification or waiver of the provisions thereof as incorporated herein.

(h) *Corporate Existence, Etc.* The Authority will maintain its corporate existence. The Authority will preserve and keep in force and effect all licenses, permits, franchises and qualifications necessary to the proper conduct of its business. The Authority will continue to engage in a business of the same general type as now conducted by it.

(i) *Rate Maintenance Covenant.* The Authority will maintain a schedule of rates, fees and other charges for water and other goods and services provided by the TMWA Water System so that the amount of the Gross Revenues in each Fiscal Year equals at least the sum of: (i) the amount of Gross Revenues required to pay Operation and Maintenance Expenses for such Fiscal Year; plus (ii) the greater of (A) 1.25 times the Bond Requirements for the Comparable Bond Year of the Outstanding Bonds; or (B) all other amounts payable from the Gross Revenues and pertaining to the TMWA Water System, including, without limitation, debt service on any Drinking Water State Revolving Fund Loans, any parity or subordinate securities, Operation and Maintenance reserves, capital reserves, any obligations under an agreement between the Authority and the provider of a Qualified Surety Bond, Obligations hereunder and any obligations under an agreement between the Authority and any credit or liquidity provider supporting bonds, commercial paper or other indebtedness of the Authority and prior deficiencies pertaining to any account relating to Gross Revenues.

(j) *Maintenance of Ratings.* The Authority covenants and agrees that it shall at all times maintain (i) at least two unenhanced long-term ratings from any of Fitch, Moody's or S&P on its Senior Lien Obligations, (ii) at least two short-term ratings on the Commercial Paper Notes by any Rating Agency, and (iii) at least one long-term rating of at least Investment Grade for the Bank Note from any Rating Agency. The Authority covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Senior Lien Obligations from any of Fitch, Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement.

(k) *Credit Facilities.* (i) In the event that the Authority shall, directly or indirectly, enter into or otherwise consent to any Other Debt Document, which such Other Debt Document (or amendment thereto) provides such Person with more restrictive covenants, additional or different events of default, greater rights and remedies and/or acceleration rights than are provided to the Bank in this Agreement (collectively, the "*Additional Rights*"), then, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (each such event referred to herein as a "*potential default*") (without regard to a waiver of such potential default or event of default) under such Other Debt Document (or amendment thereto) caused by such Additional Rights, such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights; *provided, however*, that such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights only from and after the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Other Debt Document caused by the Additional Rights or a failure by the Authority to comply with such Additional Rights. The Authority shall promptly, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Other Debt Document caused by such Additional Rights or a failure by the Authority to comply with such Additional Rights, enter into an amendment to this Agreement to include such Additional Rights, *provided* that the Bank shall maintain the benefit of such Additional Rights even if the Authority fails to provide such amendment.

(ii) In the event that the Authority shall enter into or otherwise consent to any Other Debt Document, which such Other Debt Document provides for any term or provision which permits any outstanding advance, loan or drawing to be amortized or repaid over a period shorter than the Amortization Period set forth in Section 2.3(a) hereof (or preferential payment frequency) (a "*Preferential Amortization Period*"), this Agreement shall automatically be deemed to be amended such that the Amortization Period set forth in Section 2.3(a) hereof shall be such Preferential Amortization Period. Upon the occurrence of the conditions set forth in the immediately preceding sentence, the Authority shall promptly enter into an amendment to this Agreement such that the Amortization Period equals such Preferential Amortization Period, *provided* that the Amortization Period shall equal the Preferential Amortization Period regardless of whether this Agreement is amended.

(iii) For purposes of this Section 5.1(k), “*Other Debt Document*” means any letter of credit reimbursement agreement, standby bond purchase agreement, liquidity agreement, direct bond purchase agreement or other similar agreement or instrument (or any amendment, supplement or modification thereto) executed and delivered after the Closing Date between the Authority and a bank or similar financial institution under which the party to that Other Debt Document (other than the Authority) undertakes to purchase Additional Debt of the Authority (provided that for purposes of this Section 5.1(k) only, purchases of Additional Debt shall not include purchases made in a Public Offering of Additional Debt), make loans or extend credit or liquidity to the Authority, that is payable from and secured by the Net Revenues and that has the same lien priority as the Authority’s Obligations under this Agreement, or a subordinate lien priority on Net Revenues. “*Other Debt Document*” does not include loans or extensions of credit the repayment obligation of the Authority with respect to which shall be payable as Operation and Maintenance Expenses and not secured by a Lien on Net Revenues on a parity with or subordinate to the Lien on Net Revenues securing the Obligations owed to the Bank hereunder.

(l) *Operation and Maintenance of TMWA Water System.* The Authority will operate, maintain and preserve the TMWA Water System in good repair and working order in conformity with standards customarily followed for municipal water systems of like size and character. The Authority will from time to time make necessary and proper repairs, renewals, replacements and substitutions to the properties of the TMWA Water System, so that business carried on in connection with the TMWA Water System shall and can be conducted in an efficient and economical manner, and will operate the TMWA Water System in an efficient and economical manner. The Authority shall not use the TMWA Water System to conduct any business other than that which is lawfully permitted.

(m) *Further Assurances.* The Authority agrees to do such further acts and things and to execute and deliver to the Bank such additional assignments, agreements, powers and instruments as the Bank may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement and the Fee Letter or to better assure and confirm to the Bank its rights, powers and remedies hereunder and under the Related Documents.

Section 5.2. Negative Covenants of the Authority. Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will not:

(a) *Compliance with Acts, Etc.* Violate any laws, rules, regulations, or governmental orders to which it is subject, which violation will materially and adversely affecting its financial condition.

(b) *Amendments.* Without the written consent of Bank, (i) consent or agree to any rescission of or amendment to the Authority Act which would reduce the amount of the Net Revenues or which would materially impair or materially adversely affect the rights of the Authority to the Net Revenues or the security of the Bank (it being understood that only the Legislature of the State, not the Authority, has the power to rescind or amend the Authority Act);

or (ii) agree to any amendment, supplement or modification to the Resolution such that payments to holders of Commercial Paper Notes are impaired or reduced or the priority of the obligations of the Authority to the Bank hereunder is adversely affected in any way; or (iii) agree to any amendment of the Resolution whatsoever which will materially and adversely affect any right, security or interest of the Bank.

(c) *Amendments to Related Documents.* Without the prior written consent of the Bank, modify, amend, or supplement, or give any consent to any modification, amendment or supplement, or make any material waiver with respect to any of the Related Documents.

(d) *Additional Debt.* (i) Issue Additional Debt payable from or secured by a lien on Net Revenues on a parity basis with or senior to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance) unless at the time of issuance of such Additional Debt the Authority provides to the Bank a written certificate (including supporting calculations) of an Authorized Representative of the Authority stating that:

(A) based upon reasonable assumptions, projected Gross Revenues will be sufficient to satisfy the rate maintenance covenant set forth in the resolutions authorizing the Authority Debt through the maturity date of such Additional Debt and in Section 5.1(i) hereof; and

(B) the projected Net Revenues for each of the first five (5) Fiscal Years immediately succeeding the last Fiscal Year in which any interest on such Additional Debt is capitalized will be at least equal to 110% of the Annual Debt Service with respect to all outstanding Senior Lien Obligations, Parity Debt, the Notes and Obligations calculated as if the full authorized amount of such Additional Debt were then outstanding.

(ii) For the purposes of determining Annual Debt Service pursuant to this Section 5.2(d), (A) interest payable on the Commercial Paper Notes shall be deemed to be 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer and (B) interest payable on other Authority Debt which bears interest at a rate other than a long term fixed rate shall be deemed to be the greater of (i) the actual amount of interest paid thereon during such 12 month period (or if such Authority Debt was not outstanding during the entire 12 month period, the amount of interest that would have been paid thereon if the rate or rates of interest thereon were equal to the rate applicable to similar variable rate indebtedness for such 12 month period), or (ii) the amount of interest that would have been paid thereon if the interest rate was 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer and (C) the amount of principal due on the Commercial Paper Notes (or other similar obligations with maturities of less than one year or for which more than 25% of the principal amount of such obligations mature in one Fiscal Year) during such twelve (12) month period shall be deemed to be the amount that would be due in that Fiscal Year if the indebtedness represented by those obligations were amortized over a period of thirty (30) years (or such shorter period ending on the date the program pursuant to which such obligations were issued terminates) from the date the obligation was first issued (for a purpose other than paying principal on a prior issue of commercial paper) at an interest rate equal to 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer. For purposes of the

foregoing Additional Debt Test, the Authority may treat its actual or projected unencumbered ending fund balance for a Fiscal Year as a portion of the Net Revenues in the succeeding Fiscal Year to the extent such unencumbered net assets (i) may legally be used for such payments and (ii) consists of cash and investment described in NRS 350.658, 350.659 and 355.170.

(iii) For purposes of subsections (a)(i) and (a)(ii) above, in estimating Net Revenues, the Authorized Representative may take into account (1) Gross Revenues generated by the TMWA Water System reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges or other sources of Gross Revenues which have been approved by the Authority and will be in effect during the period for which the estimates are provided, and (3) any other increases in Gross Revenues which the Authorized Representative believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Authorized Representative shall use such assumptions as the Authorized Representative believes reasonable, taking into account (i) historical Operation and Maintenance Expenses and (ii) such other factors, including inflation and changing operations or policies of the Authority, as the Authorized Representative believes to be appropriate. The Authorized Representative shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Annual Debt Service.

(iv) For purposes of preparing the certificate or certificates described above, the Authorized Representative may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant only if audited financial statements for such Fiscal Year or period are not available; provided, however, that the chief financial officer of the Authority shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

(v) Nothing herein shall prevent the Authority from issuing Additional Debt payable from and secured by a lien on the Net Revenues which is junior and subordinate to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance). In addition, nothing herein limits the ability of the Authority to issue Additional Debt in order to refund any outstanding Authority Debt (the "*Refunding Obligations*") payable from the Net Revenues if and so long as (i) the lien on the Net Revenues securing such Additional Debt is on a parity with or junior and subordinate to the lien thereon securing the Authority Debt being refunded and, (ii) the Annual Debt Service on such Refunding Obligations shall not exceed the Annual Debt Service on the Authority Debt refunded thereby in any Fiscal year commencing in the Fiscal Year in which the Refunding Obligations are issued to the Fiscal Year ending June 30, 2036.

(e) *Mergers; Leases; Sale of Assets.* (i) The Authority will not be a party to any merger or consolidation, or enter into a contractual operating agreement with another water utility, without the prior written consent of the Bank; *provided, however,* that with respect to the proposed Authority - Washoe County Department of Water Resources merger, the Bank will endeavor to make a good faith review of any and all information provided to the Bank in

connection therewith and shall notify the Authority whether the Bank consents to such merger within forty-five (45) days of such request and receipt of all information requested by the Bank (including, without limitation, pro forma financial statements given effect to such merger). If the Bank fails to notify the Authority whether or not it consents to such merger within such forty-five (45) day period, the Bank will be deemed to have refused to consent to such merger.

(ii) The Authority shall not transfer, sell, lease or dispose of all or substantially all of the properties and facilities constituting the TMWA Water System unless either (i) the Authority receives the prior written consent of the Bank or (ii) the Authority pays to the Bank all amounts due and owing under this Agreement and the Fee Letter prior to the sale, lease or disposal of all or substantially all of the properties and facilities constituting the TMWA Water System. The Authority may not transfer any cash or cash equivalents to the City of Reno, Nevada, the City of Sparks, Nevada or to any other municipality's general fund, unless such transfer is in the ordinary course of business and the Authority receives property or services of equal or greater value in return.

(f) *Dealer; Issuing and Paying Agent.* The Authority will not, without the prior written consent of the Bank, appoint or permit the appointment of a successor Dealer or Issuing and Paying Agent. The Authority shall at all times maintain one or more Dealers and an Issuing and Paying Agent under the Related Documents. The Authority shall cause the Dealers and the Issuing and Paying Agent to market, issue, and deliver, as applicable, Commercial Paper Notes bearing interest at a rate up to the Maximum Commercial Paper Interest Rate which the Dealers reasonably believe will result in the Commercial Paper Notes being sold to investors. If any Dealer fails to market Commercial Paper Notes for a Refunding for a period of thirty (30) consecutive days, then the Authority agrees, at the written request of the Bank, to cause the applicable Dealer to be replaced with a Dealer reasonably satisfactory to the Bank. Any dealer agreement with a successor dealer shall provide that (a) such dealer may resign upon at least 60-days prior written notice to the Authority, Issuing and Paying Agent and the Bank and (b) such dealer shall use its best efforts to market Commercial Paper Notes for a Refunding bearing interest at a rate up to the Maximum Commercial Paper Interest Rate which such dealer reasonably believes will result in the Commercial Paper Notes being sold to investors.

(g) *Swap Contracts.* The Authority will not enter into any Swap Contract relating to its Debt (i) wherein any termination payments thereunder are senior to or on parity with, in terms of the lien on Net Revenues and priority of payment, the Commercial Paper Notes and the Obligations or (ii) which requires the Authority to post collateral to secure its obligations thereunder (other than a Lien on Net Revenues and except to the extent required by any law or regulation not in effect on the Closing Date), in each case, without the prior written consent of the Bank.

(h) *Income Tax Status.* The Authority shall not take any action, or omit to take any action under present or future laws, rules, regulations or official interpretations thereof, including, without limitation, making payments to the United States, restricting yield on investments, and making necessary filings, which, if taken or omitted, would cause interest on the Commercial Paper Notes to become includable in the gross income of the owners thereof for federal income tax purposes.

**ARTICLE VI
DEFAULTS**

Section 6.1. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “*Event of Default*”:

(a) the Authority fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance; (ii) any principal of or interest on any Commercial Paper Note for any reason other than the failure of the Bank to perform its obligations hereunder or (iii) any other Obligation (other than the principal of or interest on any Drawing or any Advance) and such failure shall continue for three (3) Business Days;

(b) any representation, warranty or statement made by or on behalf of the Authority herein or in any Related Document to which the Authority is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or any documents, certificate or statement of the Authority (including unaudited financial reports, budgets, projections and cash flows of the Authority) furnished to the Bank by or on behalf of the Authority in connection with the transactions contemplated hereby are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the Authority fails to perform or observe any term, covenant or agreement contained in Sections 5.1(a), 5.1(c), 5.1(f)(ii), 5.1(i), 5.1(j) and 5.2 hereof or (ii) the Authority fails to perform or observe any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 6.1(a) and this 6.1(c)(i)) and any such failure cannot be cured or, if curable, remains uncured for thirty (30) days after the earlier to occur of (A) the Bank has provided written notice thereof to the Authority or (B) the Authority has actual knowledge of such failure to perform;

(d) the Authority shall (i) default in any payment of any obligation (other than the Commercial Paper Notes, the Drawings or the Advances) secured by a charge, lien or encumbrance on the Net Revenues with a priority of payment from Net Revenues that is senior to, or on a parity with, the Commercial Paper Notes, the Drawings or the Advances, including, without limitation, Senior Lien Obligations (“*Secured Debt*”), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of this Agreement, the Resolution or any other Related Document to which the Authority is a party shall find, announce or rule that (A) any material provision of this Agreement and any other Related Document to which the Authority is a party; or (B) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not a valid and binding agreement of the Authority or (ii) the Authority shall contest the validity or enforceability of this Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or shall seek an adjudication that this Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not valid and binding on the Authority;

(f) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or any Related Document to which the Authority is a party, except for any Dealer Agreement or the Issuing and Paying Agent Agreement which has been terminated due to a substitution of a Dealer or the Issuing and Paying Agent, or any material provision thereof shall cease to be in full force or effect, or the Authority or any Person acting by or on behalf of the Authority shall deny or disaffirm the Authority's obligations under any Related Document to which the Authority is a party;

(g) one or more final judgments or orders for the payment of money in excess of \$5,000,000 in the aggregate (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Authority and such judgments or orders shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of ninety (90) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal 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 or the TMWA Water System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof; (vi) the Authority takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the Authority shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) any of Fitch, Moody's or S&P shall have downgraded its long-term unenhanced rating of any Senior Lien Obligations to below "BBB" (or its equivalent), "Baa2" (or its equivalent) or "BBB" (or its equivalent), respectively, or suspended or withdrawn its rating of the same;

(j) the Authority shall dissolve or its existence shall have been terminated; or

(k) any "event of default" shall have occurred under any Other Debt Document supporting any Senior Lien Obligations, commercial paper notes or other Parity Debt of the Authority.

Section 6.2. Remedies. Upon the occurrence of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the Authority, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority; *provided* that upon the occurrence of an Event of Default under Section 6.1(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a "Stop-Issuance Instruction" for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Commercial Paper Notes supported by the Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

(c) reduce the Stated Amount of the Letter of Credit to the principal amount of Commercial Paper Notes Outstanding (and, if applicable, interest on the Notes to their stated maturity dates), instruct the Obligor and the Issuing and Paying Agent to immediately cease issuing, delivering and selling additional Notes, instruct the Issuing and Paying Agent to make a final drawing under the Letter of Credit in accordance with

its terms, by delivering a Final Drawing Notice (the effect of which shall be to cause the Letter of Credit Expiration Date to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

- (d) pursue any rights and remedies it may have under the Related Documents;
- or
- (e) pursue any other action available at law or in equity.

**ARTICLE VII
MISCELLANEOUS**

Section 7.1. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, or consent to any departure by the Authority therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, waiver or consent shall, unless in writing and signed by the Bank, affect the rights or duties of the Bank under this Agreement or any other Related Document.

Section 7.2. Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), email, telex, facsimile transmission, or regular mail, as follows:

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

- (b) if to the Bank with respect to credit matters: JPMorgan Chase Bank, National Association
383 Madison Avenue, 8th Floor
Mail Code: NY1-M076
New York, New York 10179
Attention: Justin Wahn
Telephone: (212) 270-3813
Facsimile: (917) 456-3564
Email justin.d.wahn@jpmorgan.com
Attention: Timothy Bittel
Telephone: (212) 270-2169
Facsimile: (917) 464-9381
Email: timothy.j.bittel@jpmorgan.com;
- if to the Bank, with respect to compliance and deliverables: justin.d.wahn@jpmorgan.com;
timothy.j.bittel@jpmorgan.com;
covenant.compliance@jpmorgan.com;
fig_public_finance_credit@jpmorgan.com;
public.finance.notices@jpmchase.com
- if to the Bank, with respect to Drawings under the Letter of Credit: JPMorgan Chase Bank, National Association
300 South Riverside Plaza
Mail Code: IL1-0236
Chicago, Illinois 60606-0236
Telephone: (800) 634-1969, option 1
Facsimile: (312) 954-6163 or (312) 954-3140
Attention: Standby Letter of Credit Unit
- (d) if to the Issuing and Paying Agent: U.S. Bank National Association
100 Wall Street, 16th Floor
New York, New York 10005
Telephone: (212) 361-3838
Facsimile: (212) 509-4529
Attention: Commercial Paper Operations

(e) if to the Dealer:

J.P. Morgan Securities LLC
 Public Finance Short-Term Trading
 383 Madison Avenue, 8th Floor
 New York, New York 10179
 Telephone: (212) 834-7224
 Facsimile: (917) 456-3541
 Attention: Peter McCarthy
 Email: Public_Finance_Short_Term_Trading@
 jpmorgan.com

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and other communications shall, when delivered or telecopied, sent by facsimile transmission or mailed, be effective when deposited with the courier, telecopied, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Drawing Certificates submitted to the Bank shall not be effective until received by the Bank.

Section 7.3. Survival of Covenants; Survival of This Agreement; Successors and Assigns. (a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Drawing or Advance hereunder and shall continue in full force and effect and until all Obligations hereunder and under the Bank Note shall have been paid in full. The obligation of the Authority to reimburse the Bank pursuant to Sections 2.13, 2.14 and 7.5 hereof shall survive the payment of the Commercial Paper Notes and the termination of this Agreement. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Authority which are contained in this Agreement and the Bank Note shall inure to the benefit of the successors and assigns of the Bank. The Authority may not transfer its rights or obligations under this Agreement and the Bank Note without the prior written consent of the Bank. The Bank may transfer some or all of obligations under this Agreement and the Letter of Credit with the prior written consent of the Authority (which consent shall not be withheld unreasonably), *provided* that (i) the Authority has received written notice from at least two nationally recognized rating agencies that the transfer shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Commercial Paper Notes, and (ii) the Bank shall be responsible for all costs resulting from the transfer. The Bank may transfer its rights under this Agreement, the Bank Note and the other Related Documents without the prior written consent of the Authority; *provided* that the Bank shall be responsible for all costs resulting from such transfer; *provided*, that the Bank shall provide written notice to the Authority within fifteen (15) calendar days of the date on which the Bank assigns any of its rights under the Agreement and the Letter of Credit; *provided, further*, that the failure by the Bank to give such notice shall not invalidate assignment and the Bank shall have no liability for such failure. This Agreement and the Bank Note are made solely for the benefit of the Authority and the Bank, and no other Person (including, without limitation, the Issuing and Paying Agent, the Dealers or any holder of Commercial Paper Notes) shall have any right, benefit or interest under or because of the existence of this Agreement and the Bank Note;

provided further that the Board's and the Authority's liability to any Participant shall not in any event exceed that liability which the Board and the Authority would owe to the Bank but for such participation.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement and the Bank Note on a participating basis but not as a party to this Agreement and the Bank Note (a "*Participation*"). In the event of any such grant by the Bank of a Participation to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the Authority shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement and the Bank Note. The Authority agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement and the Bank Note as if such Participant were the Bank; *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.1 hereof.

Section 7.4. Unconditional Obligations. The obligations of the Authority under this Agreement and the Bank Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Resolution, this Agreement and the Bank Note, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit, the Bank Note or, to the extent permitted by law, the Commercial Paper Notes, the Resolution or any other Related Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Resolution or all or any of the Related Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, the Authority, the Issuing and Paying Agent, the Dealers, or any other Person, whether in connection with this Agreement, the Bank Note, the Resolution, the Related Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank of a Drawing or an Advance against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement; and

(f) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

SECTION 7.5. LIABILITY OF BANK: INDEMNIFICATION. (a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY ASSUMES ALL RISKS OF THE ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT WITH RESPECT TO THE USE OF THE LETTER OF CREDIT AND THE USE OF PROCEEDS THEREUNDER; *PROVIDED* THAT THIS ASSUMPTION WITH RESPECT TO THE BANK IS NOT INTENDED TO AND SHALL NOT PRECLUDE THE AUTHORITY FROM PURSUING SUCH RIGHTS AND REMEDIES AS IT MAY HAVE AGAINST THE ISSUING AND PAYING AGENT UNDER ANY OTHER AGREEMENTS. NEITHER THE BANK NOR ANY OF ITS RESPECTIVE OFFICERS OR DIRECTORS SHALL BE LIABLE OR RESPONSIBLE FOR (i) THE USE OF THE LETTER OF CREDIT, THE DRAWINGS OR ADVANCES THEREUNDER, THE PROCEEDS OF THE COMMERCIAL PAPER NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE RELATED DOCUMENTS OR FOR ANY ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT OR THE DEALERS; (ii) THE VALIDITY, SUFFICIENCY, OR GENUINENESS OF ANY DOCUMENTS DETERMINED IN GOOD FAITH BY THE BANK TO BE VALID, SUFFICIENT OR GENUINE, EVEN IF SUCH DOCUMENTS SHALL, IN FACT, PROVE TO BE IN ANY OR ALL RESPECTS INVALID, FRAUDULENT, FORGED OR INSUFFICIENT; (iii) PAYMENTS BY THE BANK AGAINST PRESENTATION OF REQUESTS FOR DRAWINGS OR REQUESTS FOR WHICH THE BANK IN GOOD FAITH HAS DETERMINED TO BE VALID, SUFFICIENT OR GENUINE AND WHICH SUBSEQUENTLY ARE FOUND NOT TO COMPLY WITH THE TERMS OF THIS AGREEMENT; OR (iv) ANY OTHER CIRCUMSTANCES WHATSOEVER IN MAKING OR FAILING IN GOOD FAITH TO MAKE PAYMENT HEREUNDER; *PROVIDED* THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK FOR ANY CLAIMS, LOSSES, LIABILITIES, COSTS OR EXPENSES TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BANK.

(b) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY HEREBY INDEMNIFIES AND HOLDS HARMLESS THE BANK FROM AND AGAINST ANY AND ALL DIRECT, AS OPPOSED TO CONSEQUENTIAL, CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES (INCLUDING SPECIFICALLY REASONABLE ATTORNEYS FEES) WHICH THE BANK MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST THE BANK BY ANY PERSON WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (i) THE EXECUTION AND DELIVERY OF THIS AGREEMENT, THE LETTER OF CREDIT AND THE BANK NOTE AND THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY AND (ii) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT CONTAINED IN THE OFFERING MEMORANDUM PREPARED AND DISTRIBUTED IN CONNECTION WITH THE COMMERCIAL PAPER NOTES, OR THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT NECESSARY TO MAKE SUCH STATEMENTS IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE OR WERE MADE, NOT MISLEADING; *PROVIDED* THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK, AND THE AUTHORITY SHALL HAVE A CAUSE OF ACTION AGAINST THE BANK, FOR ANY DIRECT, AS OPPOSED TO CONSEQUENTIAL, CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, OR EXPENSES (a) TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY (1) THE BANK'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE IN DETERMINING WHETHER DOCUMENTS PRESENTED UNDER THE LETTER OF CREDIT COMPLY WITH THE TERMS OF THE LETTER OF CREDIT; OR (2) THE BANK'S WILLFUL OR GROSSLY NEGLIGENT FAILURE TO MAKE LAWFUL PAYMENT UNDER THE LETTER OF CREDIT AFTER THE PRESENTATION TO THE BANK BY THE ISSUING AND PAYING AGENT OR A SUCCESSOR ISSUING AND PAYING AGENT UNDER THE RESOLUTION OF A DRAWING STRICTLY COMPLYING WITH THE TERMS AND CONDITIONS OF THE LETTER OF CREDIT (IT

BEING UNDERSTOOD THAT IN MAKING SUCH PAYMENT THE BANK'S EXCLUSIVE RELIANCE ON THE DOCUMENTS PRESENTED TO THE BANK IN ACCORDANCE WITH THE TERMS OF THE LETTER OF CREDIT AS TO ANY AND ALL MATTERS SET FORTH THEREIN, WHETHER OR NOT ANY STATEMENT OR ANY DOCUMENT PRESENTED PURSUANT TO THE LETTER OF CREDIT PROVES TO BE FORGED, FRAUDULENT, INVALID OR INSUFFICIENT IN ANY RESPECT OR ANY STATEMENT THEREIN PROVES TO BE UNTRUE OR INACCURATE IN ANY RESPECT WHATSOEVER, SHALL NOT BE DEEMED WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF THE BANK); (b) INCURRED BY REASON OF ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT CONTAINED UNDER THE CAPTION "THE BANK" SUPPLIED BY THE BANK AS SET FORTH IN THE OFFERING MEMORANDUM OR (c) THAT THE AUTHORITY ESTABLISHES AROSE FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF THE BANK AS DETERMINED BY A COURT OF COMPETENT JURISDICTION. THE BANK IS HEREBY EXPRESSLY AUTHORIZED AND DIRECTED TO HONOR ANY DEMAND FOR PAYMENT WHICH IS MADE UNDER THE LETTER OF CREDIT WITHOUT REGARD TO, AND WITHOUT ANY DUTY ON ITS PART TO INQUIRE INTO THE EXISTENCE OF, ANY DISPUTES OR CONTROVERSIES BETWEEN THE AUTHORITY, THE DEALERS, THE ISSUING AND PAYING AGENT OR ANY OTHER PERSON OR THE RESPECTIVE RIGHTS, DUTIES OR LIABILITIES OF ANY OF THEM, OR WHETHER ANY FACTS OR OCCURRENCES REPRESENTED IN ANY OF THE DOCUMENTS PRESENTED UNDER THE LETTER OF CREDIT ARE TRUE AND CORRECT.

Section 7.6. Expenses and Taxes. The Authority will promptly pay all reasonable costs and expenses, if any, in connection with the enforcement of this Agreement and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents and any related documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, the Authority agrees to pay, after the occurrence of an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from the Authority hereunder by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings.

Section 7.7. No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement, the Letter of Credit, the Resolution and any other Related Documents, this Agreement shall control solely as between the Authority and the Bank.

Section 7.8. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement or the Bank Note shall be effective unless the same shall be in writing and signed by the parties hereto.

Section 7.9. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 7.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 7.11. Table of Contents; Headings. The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 7.12. Entire Agreement. This Agreement together with the Bank Note represents the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto.

Section 7.13. GOVERNING LAW; VENUE. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER,* THAT THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA.

(b) Each party consents to and submits to exclusive in personam jurisdiction and venue in the State of Nevada, County of Washoe, and in the Federal District Courts which are located in the City of Reno or the state and federal courts located in the State of New York. Each party asserts that it has purposefully availed itself to the state and federal courts in the State of Nevada or the State of New York and waives any objection to in personam jurisdiction on the grounds of minimum contacts, waives objection to venue, and waives any plea of forum non conveniens. This consent to and submission to jurisdiction is with regard to any action related to this Agreement, regardless of whether the Authority's or the Bank's actions took place in the State of Nevada, the State of New York or of elsewhere in the United States.

(c) To the extent it may legally do so, each Party hereby waives any right it may have to a jury trial in any action related to this Agreement.

(d) The waivers made pursuant to this Section shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 7.14. Government Regulations. The Bank hereby notifies the Authority that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into

law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Act. The Authority shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, “know your customer” and anti-money laundering rules and regulations, including the Act, and shall comply with all applicable Bank Secrecy Act (“BSA”) laws and regulations, as amended.

The Authority shall (a) ensure that no person who owns a controlling interest in or otherwise controls the Authority is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control (“OFAC”), the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the Authority or from otherwise conducting business with the Authority and (b) ensure that the proceeds of the Commercial Paper Notes shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

Section 7.15. Assignment to Federal Reserve Bank. The Bank may assign and pledge all or any portion of the obligations owing to it hereunder to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned obligations made by the Authority to the Bank in accordance with the terms of this Agreement shall satisfy the Authority’s obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the Authority and the Bank have duly executed this Agreement as of the date first above written.

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

APPENDIX I

IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

June 8, 2012
No. CPCS-388162

U.S. Bank National Association,
as Issuing and Paying Agent
100 Wall Street, 16th Floor
New York, New York 10005
Attention: Commercial Paper Operations

Ladies and Gentlemen:

1. At the request and for the account of our customer, Truckee Meadows Water Authority, Nevada (the "*Authority*"), which has or will cause the issuance of its Water Revenue Commercial Paper Notes Series 2006A Notes (the "*Commercial Paper Notes*"), JPMorgan Chase Bank, National Association (the "*Bank*"), hereby establishes in favor of U.S. Bank National Association, as issuing and paying agent acting for the benefit of the holders of the Commercial Paper Notes (the "*Issuing and Paying Agent*") pursuant to that certain Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2012 (the "*Issuing and Paying Agent Agreement*"), between the Authority and the Issuing and Paying Agent, and the 2006 Commercial Paper Resolution, adopted by the Authority on July 19, 2006, as amended on January 19, 2011 (the "*Resolution*"), pursuant to which the Commercial Paper Notes have been or will be issued from time to time, and that certain Reimbursement Agreement dated as of June 1, 2012 (the "*Reimbursement Agreement*"), between the Authority and the Bank, this Irrevocable Transferable Direct-Pay Letter of Credit (this "*Letter of Credit*") in the maximum available amount of FORTY THREE MILLION FIVE HUNDRED FIFTY THOUSAND SIX HUNDRED EIGHTY FIVE U.S. DOLLARS (\$43,550,685) (hereinafter, as reduced or reinstated from time to time in accordance with the provisions hereof, the "*Stated Amount*"), of which an amount not exceeding \$40,000,000 (as such amount may be reduced or reinstated from time to time in accordance with the provisions hereof, the "*Principal Component*") may be drawn upon by the Issuing and Paying Agent to pay the unpaid principal amount of Commercial Paper Notes on their stated maturity date, and an amount not exceeding \$3,550,685 (as such amount may be reduced or reinstated from time to time in accordance with the provisions hereof, the "*Interest Component*") may be drawn upon by the Issuing and Paying Agent with respect to payment of interest accrued and unpaid on the Commercial Paper Notes on their stated maturity date, but in no event more than an amount equal to 270 days' interest accrued and unpaid on the outstanding Commercial Paper Notes immediately preceding any Drawing (as hereinafter defined) made with respect to the Commercial Paper Notes at an assumed rate of 12% based on a year of 365 days.

2. This Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the "*Termination Date*") which is the earliest of: (i) June 6, 2014 (the "*Letter of Credit Expiration*

Date”), as such date may be extended in a Notice of Extension from the Bank to the Issuing and Paying Agent and the Authority in the form attached hereto as Annex G, (ii) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored hereunder which were not subject to reinstatement as provided herein, in the aggregate equals the Stated Amount on the date of issuance hereof as adjusted pursuant to the terms and conditions of this Letter of Credit, (iii) our receipt of a certificate signed by your duly authorized officer in the form of Annex C or D attached hereto appropriately completed, (iv) the date when you surrender this Letter of Credit to the Bank for cancellation or (v) the earlier of (a) the 15th calendar day after the date on which you receive the Final Drawing Notice (as hereinafter defined), and (b) the date on which the Drawing resulting from the delivery of the Final Drawing Notice is honored hereunder. You agree to surrender this Letter of Credit to the Bank, and not to make any Drawings, on and after the Termination Date, as such date may be extended in a Notice of Extension as provided herein. All Drawings hereunder shall be paid from immediately available funds of the Bank.

3. Funds under this Letter of Credit are available to you, commencing June 8, 2012, against your presentation of a drawing certificate in the form of (i) Annex A-1 (with respect to the payment at maturity of the principal of and interest at maturity on Commercial Paper Notes issued in accordance with the Resolution), or (ii) Annex A-2 (with respect to the payment at maturity of the principal of and interest to maturity on Commercial Paper Notes issued in accordance with the Resolution and that otherwise matures on or after the date that you receive notice from us in the form of Annex I hereto (the “*Final Drawing Notice*”), attached hereto (any such certificate being a “*Drawing*”) to the Bank by telecopier (at Telecopier Number: (312) 954-6163 or alternatively (312) 954-3140, Attention: Standby Letter of Credit Unit, or at any other office or offices or number or numbers which may be designated by the Bank by written notice delivered to you. Each Drawing so presented shall have all blanks appropriately filled in and shall be signed by a person who purports to be an authorized officer of the Issuing and Paying Agent and the aforesaid certificates shall be either in the form of a letter on the letterhead of the Issuing and Paying Agent or a communication by telecopy delivered or transmitted to us. Any telecopy pursuant to which a Drawing is made hereunder shall be promptly confirmed to us in writing.

4. The Bank hereby agrees with you that, to the extent of its liability as provided herein, all demands for payment made under and in compliance with the terms of this Letter of Credit will be duly honored upon delivery or transmission of the certificate as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If a Drawing is made hereunder at or prior to 11:30 a.m., New York City time, on a Business Day and such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made of the amount specified in immediately available funds, no later than 2:00 p.m., New York City time, on the same Business Day. If a Drawing is made by you hereunder after 11:30 a.m., New York City time, on a Business Day and *provided* that such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified, in immediately available funds, not later than 11:00 a.m., New York City time, on the next succeeding Business Day. Payment under this Letter of Credit shall be made by or on behalf of the Bank by wire transfer of immediately available funds,

to the Issuing and Paying Agent in accordance with the instructions specified by the Issuing and Paying Agent in the drawing certificate relating to a particular drawing hereunder. Such instructions (as specified by the Issuing and Paying Agent in the immediately preceding sentence) may be changed only by presentation to the Bank of a letter in form satisfactory to the Bank specifying different instructions and executed by the Issuing and Paying Agent and the Authority. As used in this Letter of Credit, "*Business Day*" shall mean any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the state of New York are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (iii) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which Drawing certificates are to be presented under this Letter of Credit.

5. Demands for payment hereunder honored by us with respect to interest on the Commercial Paper Notes shall not at the time of any Drawing exceed the Interest Component of the Stated Amount, as the Interest Component may have been reduced or reinstated by us as hereinafter provided. Demands for payment hereunder honored by us with respect to principal of the Commercial Paper Notes shall not at the time of any Drawing exceed the Principal Component of the Stated Amount, as the Principal Component may have been reduced or reinstated by us as hereinafter provided. Subject to the preceding sentences, each Drawing honored by the Bank hereunder shall *pro tanto* reduce, by the applicable amount of such Drawing, the Principal Component of the Stated Amount and the Interest Component shall be reduced by an amount equal to 270 days' accrued interest on the Principal Component of such Drawing at an assumed rate of 12% based upon a year of 365 days (the amount of such reduction of the Principal Component and the Interest Component referred to herein as the "*Reduction Amount*"). The amount available to be drawn hereunder by you shall be reduced by the Reduction Amount, except to the extent the Stated Amount has been reinstated in accordance with the provisions of paragraph 7 of this Letter of Credit.

6. Upon receipt by us of a certificate in the form of Annex B (a "*Reduction Certificate of Stated Amount*") attached hereto appropriately completed and signed by your duly authorized officer, at least five Business Days prior to the date specified in such certificate for the permanent reduction of the Stated Amount, the Stated Amount, as well as the Principal Component and the Interest Component thereof, shall be permanently reduced to the amounts set forth therein.

7. After any Drawing (except in the case of a Drawing resulting from the delivery of a Final Drawing Notice), the Stated Amount will be automatically and immediately reinstated by and to the extent of amounts received by the Bank of reimbursement by the Authority of any amounts of such Drawing with respect to the Principal Component and an amount equal to 270 days interest on the amount of the Principal Component being reinstated at a rate of 12% per annum with respect to the Interest Component and the Bank's written notice of such receipt in the form of Annex H attached hereto to the Issuing and Paying Agent (subject to any reduction in said Stated Amount as above provided in paragraph 6), unless you shall have received notice from the Bank in substantially the form of Annex F attached hereto that an Event of Default under the Reimbursement Agreement has occurred and is continuing.

8. Only you or your successor as Issuing and Paying Agent may make Drawings under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of or interest on any Commercial Paper Note. By paying to you an amount demanded in accordance herewith, we make no representations as to the correctness of the amount demanded.

9. If you receive written notice from the Authority that all the Commercial Paper Notes are defeased or otherwise no longer outstanding and that the Authority does not intend to issue any additional Commercial Paper Notes, you shall submit a termination certificate in the form of Annex D hereto.

10. This Letter of Credit is intended to apply only to the payment of the principal amount of the Commercial Paper Notes and interest thereon upon maturity.

11. Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the "ISP98"). As to matters not governed by ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York, without regard to conflict of laws. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to the Bank at JPMorgan Chase Bank, National Association, 131 South Dearborn, 5th Floor, Mail Code IL1-0236, Chicago, Illinois 60603-5506, Attention: Standby Letter of Credit Unit or such other address as we may notify you in writing, specifically referring thereon to this Letter of Credit by number. Any communication to the Bank which is made by telecopier as permitted hereby (other than Drawings) shall be immediately confirmed in writing delivered to the Bank at the address set forth in paragraph 3 hereof, *provided*, that failure to provide such written confirmation shall not affect the validity of such notice by telecopier.

12. This Letter of Credit is transferable in its entirety to any transferee whom you have certified to us has succeeded you as Issuing and Paying Agent with respect to the Commercial Paper Notes, and may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by presenting to us the attached form of Annex E signed by the transferor and the transferee (each a "Transfer") together with the original Letter of Credit. Upon presentation and payment by the Authority of \$3,000 representing transfer fees payable under the Reimbursement Agreement, we shall forthwith effect a transfer of this Letter of Credit to your designated transferee. Transfers to designated foreign nationals and /or specially designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided that*, in such case, any certificates of the Issuing and Paying Agent to be provided

hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

13. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Commercial Paper Notes), except only the certificates and letters referred to herein; and no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,

**JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION**

By: _____

Name: _____

Title: _____

**ANNEX A-1 TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

JPMorgan Chase Bank, National Association
Facsimile Number: (312) 954-6163
Alternate Facsimile Number: (312) 954-3140
Attention: Standby Letter of Credit Unit

Re: Drawing Certificate

Ladies and Gentlemen:

[Issuing and Paying Agent], (the "*Issuing and Paying Agent*") hereby certifies to JPMorgan Chase Bank, National Association (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. Letter of Credit No. CPCS-388162, dated June 8, 2012, (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit or the hereinafter defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent pursuant to that certain Reimbursement Agreement, dated as of June 1, 2012, by and between the Authority and the Bank (the "*Reimbursement Agreement*") that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, and is acting as agent for the owners of Commercial Paper Notes.
2. The Issuing and Paying Agent is making a drawing under the Letter of Credit with respect to payment of the principal amount of, and interest on, the Commercial Paper Notes upon the stated maturity thereof.
3. The amount demanded hereby is \$_____ to be used for payment of principal of the Commercial Paper Notes and \$_____ to be used for the payment of interest on the Commercial Paper Notes. Said amounts do not exceed the amounts permitted to be drawn under the Letter of Credit in accordance with the Letter of Credit.
4. The amount demanded hereunder was computed in accordance with the terms and conditions of the Commercial Paper Notes, the Resolution and the Issuing and Paying Agent Agreement.
5. The amount demanded hereby does not include any amount in respect of (a) the Commercial Paper Notes registered in the name of the Authority or, to the best knowledge of the Issuing and Paying Agent, any nominee for or any Person who owns such Commercial Paper Notes for the sole benefit of the Authority or (b) any Commercial

Annex A-2
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

Paper Notes issued on or after the date on which the Bank has issued a Stop-Issuance Instruction to the Authority and the Issuing and Paying Agent, substantially in the form of Exhibit A to the Reimbursement Agreement.

6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of and interest on, as applicable, Commercial Paper Notes, as applicable, upon the stated maturity thereof, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

7. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

8. Payment by the Bank shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

ANNEX A-2
TO
LETTER OF CREDIT NO. CPCS-388162

**CERTIFICATE FOR DRAWING IN CONNECTION WITH THE
PAYMENT OF PRINCIPAL AND INTEREST AFTER FINAL DRAWING NOTICE
IRREVOCABLE LETTER OF CREDIT NO. CPCS-388162**

JPMorgan Chase Bank, National Association
Facsimile Number: (312) 954-6163
Alternate Facsimile Number: (312) 954-3140
Attention: Standby Letter of Credit Unit

The undersigned, a duly authorized officer of the undersigned Issuing and Paying Agent (the "*Issuing and Paying Agent*"), hereby certifies to JPMorgan Chase Bank, National Association (the "*Bank*"), with reference to Irrevocable Letter of Credit No. CPCS-388162 (the "*Letter of Credit*," the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Issuing and Paying Agent, as follows:

1. The undersigned is the Issuing and Paying Agent under the Issuing and Paying Agent Agreement and the Resolution and is acting as the agent for the holders of the Commercial Paper Notes.
2. The Issuing and Paying Agent has received the Final Drawing Notice.
3. The undersigned is making a Drawing under the Letter of Credit with respect to a payment of the principal of and accrued interest on the Commercial Paper Notes issued in accordance with the Resolution but which matures on or after the date of a Final Drawing Notice.
4. The amount of the Drawing is equal to \$_____, with \$_____ being drawn in respect of the payment of principal of maturing Commercial Paper Notes and \$_____ representing ___ days' interest thereon. Such amounts were computed in compliance with the terms and conditions of the Commercial Paper Notes and the Resolution. The amount of the Drawing being drawn in respect of the payment of principal of, accrued interest on, and interest payable to maturity of, the Commercial Paper Notes does not exceed the Stated Amount of the Letter of Credit. The amount requested for payment hereunder has not been and is not the subject of a prior or contemporaneous request for payment under the Letter of Credit.
5. The Commercial Paper Notes were authenticated and delivered by us (or a predecessor Issuing and Paying Agent) pursuant to authority under the Resolution.
6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will deposit the same directly into the applicable Commercial Paper Account maintained by the Issuing and Paying Agent pursuant to the Resolution and the Issuing

Annex A-2
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

and Paying Agent Agreement and apply the same directly to the payment when due of the principal amount of Notes and the interest amount owing on account of the Commercial Paper Notes pursuant to the Resolution and the Issuing and Paying Agent Agreement, (b) no portion of said amount shall be applied by the undersigned for any other purpose, (c) no portion of said amount shall be commingled with other funds held by the undersigned, except for other funds drawn under the Letter of Credit, and (d) when such Notes have been presented for payment and paid by us, we will cancel such matured Notes.

7. This Certificate is being presented to the Bank on a date which is no later than the 15th calendar day after receipt by the Issuing and Paying Agent of the Final Drawing Notice.

8. Payment by the Bank pursuant to this drawing shall be made to [_____, ABA Number _____, Account Number _____, Attention _____.]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the _____ day of _____, _____.

_____, as Issuing and Paying Agent

By _____
Name: _____
Title: _____

**ANNEX B TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

JPMorgan Chase Bank, National Association
131 South Dearborn, 5th Floor
Mail Code: IL1-0236
Chicago, Illinois 60603-5506
Facsimile Number (312) 954-6163
Alternate Facsimile Number: (312) 954-3140
Attention: Standby Letter of Credit Unit

Re: Reduction of Stated Amount of Letter of Credit

Ladies and Gentlemen:

[Issuing and Paying Agent] (the "*Issuing and Paying Agent*") hereby certifies to JPMorgan Chase Bank, National Association (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. CPCS-388162, dated June 8, 2012 (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, and is acting as the agent for the owners of the Commercial Paper Notes.
2. The Issuing and Paying Agent hereby notifies you that on or prior to the date hereof the Authority has determined that the Stated Amount of the Letter of Credit shall be permanently reduced to \$_____.
3. The Principal Component of the Letter of Credit is reduced to \$_____ upon receipt by the Bank of this Certificate, which amount, as so reduced, is equal to or not less than the principal amount of all Commercial Paper Notes outstanding as of the date hereof.
4. The Interest Component of the Letter of Credit is reduced to \$_____ upon receipt by the Bank of this Certificate, such amount being equal to interest on the Principal Component (such amount set out in paragraph 3 above) at an assumed interest rate of 12% for 270 days on the basis of a 365-day year. The amount of the Interest Component, as so reduced, is equal to or not less than the amount of interest to accrue on all Commercial Paper Notes outstanding as of the date hereof.

Annex B
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

5. If any Commercial Paper Notes are outstanding as of the date of this Certificate, the Authority has informed us that it will not issue additional Commercial Paper Notes unless after the issuance of such additional Commercial Paper Notes the aggregate principal amount of Commercial Paper Notes outstanding, together with the aggregate interest payable thereon, shall be no greater than the Stated Amount of the Letter of Credit, as so reduced pursuant to this certificate.

6. The Stated Amount of the Letter of Credit is permanently reduced to \$_____ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this certificate.

7. The undersigned represents that he/she is a duly authorized representative of the Issuing and Paying Agent.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX C TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

JPMorgan Chase Bank, National Association
131 South Dearborn, 5th Floor
Mail Code: IL1-0236
Chicago, Illinois 60603-5506
Facsimile Number (312) 954-6163
Alternate Facsimile Number: (312) 954-3140
Attention: Standby Letter of Credit Unit

Re: Termination of Letter of Credit (Alternate Credit Facility)

Ladies and Gentlemen:

[ISSUING AND PAYING AGENT] (the "*Issuing and Paying Agent*") hereby certifies to JPMorgan Chase Bank, National Association (the "*Bank*") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. CPCS-388162, dated June 8, 2012 (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement.
2. As Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, the Issuing and Paying Agent has accepted an alternate letter of credit, in compliance with the Resolution and the Issuing and Paying Agent Agreement and the Reimbursement Agreement.
3. Upon receipt of this certificate accompanied by the Letter of Credit, the Letter of Credit shall terminate as provided above in clause (iii) of paragraph 2 of the Letter of Credit.
4. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

Annex C
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, ____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX D TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

JPMorgan Chase Bank, National Association
131 South Dearborn, 5th Floor
Mail Code: IL1-0236
Chicago, Illinois 60603-5506
Facsimile Number (312) 954-6163
Alternate Facsimile Number: (312) 954-3140
Attention: Standby Letter of Credit Unit

Re: Termination of Letter of Credit
(No Commercial Paper Notes Outstanding)

Ladies and Gentlemen:

[ISSUING AND PAYING AGENT] (the "*Issuing and Paying Agent*") hereby certifies to JPMorgan Chase Bank, National Association (the "*Bank*") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. CPCS-388162, dated June 8, 2012 (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement.
2. No Commercial Paper Notes remain outstanding under the Resolution and the Issuing and Paying Agent Agreement.
3. The Authority has notified us that it does not intend to issue any additional Commercial Paper Notes and desires to terminate this Letter of Credit in accordance with terms of the Reimbursement Agreement.
4. Upon receipt by the Bank of this certificate the Letter of Credit shall terminate as provided in clause (iii) of paragraph 2 of the Letter of Credit.
5. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

Annex D
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and
Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

Annex E
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

The Letter of Credit (and any amendments thereto) is returned herewith, and we ask you to endorse the transfer on the reference thereof, and forward it directly to the transferee with your customary notice of transfer.

Very truly yours,

(Signature of Beneficiary)

SIGNATURE AUTHENTICATED

(Bank)

(Authorized Signature)

We certify that we (i) are duly authorized officers or agents and (ii) have succeeded (name of beneficiary) as Issuing and Paying Agent under the Issuing and Paying Agent Agreement.

Very truly yours,

(Authorized Signature)

SIGNATURE AUTHENTICATED

(Signature of Transferee)

cc: Truckee Meadows Water Authority, Nevada

**ANNEX F TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

Re: Event of Default under the Reimbursement Agreement

Ladies and Gentlemen:

The undersigned, authorized officers of JPMorgan Chase Bank, National Association (the "*Bank*") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. CPCS-388162, dated June 8, 2012 (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of _____, as Issuing and Paying Agent, hereby certify that:

1. There exists an Event of Default under Section ____ of that certain Reimbursement Agreement dated as of June 1, 2012, by and between the Authority and the Bank and that such Event of Default is continuing.

2. Upon receipt by you of this certificate you are notified that the Stated Amount of the Letter of Credit shall be permanently reduced following the maturity of any Commercial Paper Notes and that the Stated Amount shall no longer be reinstated following any Drawings.

IN WITNESS WHEREOF, the Bank has executed and delivered this certificate as of the _____ day of _____, _____.

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

**ANNEX G TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Re: Notice of Extension

Ladies and Gentlemen:

1. Pursuant to Section 2.12(a) of that certain Reimbursement Agreement, dated as of June 1, 2012 (the "*Reimbursement Agreement*"), by and between Truckee Meadows Water Authority, Nevada (the "*Authority*") and JPMorgan Chase Bank, National Association (the "*Bank*"), the Bank has approved a [**one-year**] extension of Irrevocable Transferable Direct-Pay Letter of Credit No. CPCS-388162 (the "*Letter of Credit*"), dated June 8, 2012. The new Letter of Credit Expiration Date is _____. You are hereby authorized to attach this Notice of Extension to the Letter of Credit and to treat this Notice of Extension as extending the Letter of Credit Expiration Date of the Letter of Credit.

The Authority's acknowledgment hereof shall be deemed to be the Authority's representation that all its representations contained in Article IV of the Reimbursement Agreement are true and correct and will be true and correct as of the date hereof and that no Default or Event of Default has occurred and is continuing.

Annex G
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

Very truly yours,

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

Acknowledged as of _____, _____
by [ISSUING AND PAYING AGENT], as Issuing
and Paying Agent

By _____
Title _____

Acknowledged as of _____, _____
by TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By _____
Title _____

**ANNEX H TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. CPCS-388162**

[Date]

[ISSUING AND PAYING AGENT]

Attention: _____

Re: Reinstatement

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit No. CPCS-388162, dated June 8, 2012 (the "*Letter of Credit*"). Please be advised that the undersigned is in receipt of the amount of \$_____, of such amount, \$_____ represents reimbursement by Truckee Meadows Water Authority, Nevada (the "*Authority*") for the principal portion of the Drawing dated _____, __, and \$_____, represents reimbursement by the Authority for the interest portion of the Drawing and accordingly, the Stated Amount shall be reinstated with respect to the Principal Component by an amount equal to the principal portion so received and with respect to the Interest Component an amount equal to 270 days interest on the amount of the Principal Component being reinstated at a rate of 12% per annum.

Dated this ____ day of _____, ____.

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____

Name: _____

Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX I
TO
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT NO. CPCS-388162
CERTIFICATE RE: FINAL DRAWING
IRREVOCABLE LETTER OF CREDIT NO. CPCS-388162**

[Issuing and Paying Agent]

Attention: _____

Reference is made to Irrevocable Letter of Credit No. CPCS-388162 (the “*Letter of Credit*”; the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in your favor as Issuing and Paying Agent.

Please be advised that:

(1) An Event of Default under and as defined in the Reimbursement Agreement has occurred and is continuing.

(2) The Bank hereby instructs the Issuing and Paying Agent, effective upon receipt of this Notice, to cease issuing Notes.

(3) The Bank hereby notifies the Issuing and Paying Agent that (i) effective upon receipt of this Certificate, the Stated Amount available to be drawn under the Letter of Credit will not be reinstated in accordance with the Letter of Credit, (ii) the Issuing and Paying Agent is instructed to make the final Drawing under the Letter of Credit to provide for the payment of the Commercial Paper Notes issued in accordance with the Resolution which are outstanding and are maturing or are hereafter to mature, and (iii) the Termination Date of the Letter of Credit will occur and the Letter of Credit will expire on the earlier of (a) date which is the 15th calendar day after the date of receipt by the Depository of this notice, and (b) the date on which the Drawing resulting from the delivery of this notice is honored by us.

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By _____
Name: _____
Title: _____

Annex I
JPMorgan Chase Bank, National Association
Letter of Credit No. CPCS-388162
(continued)

Acknowledged as of _____, _____ by
_____, as Issuing and Paying Agent

By _____
Name: _____
Title: _____

EXHIBIT A

FORM OF STOP-ISSUANCE INSTRUCTION

[Dated Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

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

Ladies and Gentlemen:

Pursuant to Section ____ of that certain Reimbursement Agreement, dated as of June 1, 2012 (the "*Reimbursement Agreement*"), by and between Truckee Meadows Water Authority, Nevada (the "*Authority*") and the undersigned, you are hereby notified that (i) an "Event of Default" under Section 6.1(____) of the Reimbursement Agreement has occurred and is now continuing and (ii) upon receipt of this notice, no new Commercial Paper Notes (as defined in the Reimbursement Agreement) **[and no additional [Senior Lien Obligations or] (other than [Senior Lien Obligations] the proceeds of which will be used to pay the Commercial Paper Notes)]** shall be issued or authenticated. This Stop-Issuance Instruction shall remain in effect unless you have received written notification from us that this Stop-Issuance Instruction has been rescinded.

Very truly yours,

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Title: _____

cc: **[Dealer]**
[Rating Agencies]

EXHIBIT B

FORM OF BANK NOTE

\$43,550,685

June 8, 2012

FOR VALUE RECEIVED, the undersigned, TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the "*Authority*"), hereby promises to pay to the order of JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the "*Bank*") at its principal office at 383 Madison Avenue, 8th Floor, New York, New York 10179, in the manner and on the dates provided in the hereinafter defined Agreement in lawful money of the United States of America and in immediately available funds, the principal sum of FORTY THREE MILLION FIVE HUNDRED FIFTY THOUSAND SIX HUNDRED EIGHTY FIVE U.S. DOLLARS (\$43,550,685) or, if less, the aggregate outstanding principal amount of the Reimbursement Obligations from time to time owing to the Bank under the Agreement. Terms used herein and not otherwise defined herein shall have the meanings assigned to them in that certain Reimbursement Agreement, dated as of June 1, 2012 (the "*Agreement*") by and between the Authority and the Bank, as from time to time in effect.

The Authority further promises to pay interest from the date hereof on the outstanding principal amount hereof and unpaid interest hereon from time to time at the rates and times and in all cases in accordance with the terms of the Agreement. The Bank may endorse its records relating to this Bank Note with appropriate notations evidencing the Advances under the Agreement and payments of principal hereunder as contemplated by the Agreement.

This Bank Note is issued pursuant to, is entitled to the benefits of, and is subject to, the provisions of the Agreement and that certain 2006 Commercial Paper Resolution adopted by the Authority on July 19, 2006, as the same may be amended, restated, supplemented or otherwise modified from time to time. The principal of this Bank Note is subject to prepayment in whole or in part in accordance with the terms of the Agreement.

The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgors that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Bank Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

THIS BANK NOTE AND THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW).

IN WITNESS WHEREOF, the Authority has caused this Bank Note to be signed in its name as an instrument by its duly authorized officer on the date and in the year first above written.

ATTEST:

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Secretary to Truckee Meadows Water
Authority, Nevada

By: _____

**FEE LETTER
DATED AS OF JUNE 8, 2012**

Reference is hereby made to (i) that certain Reimbursement Agreement dated as of June 1, 2012 (the "*Agreement*"), between the TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the "*Authority*"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the "*Bank*"), relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A (the "*Commercial Paper Notes*"), and (ii) that certain Irrevocable Transferable Direct-Pay Letter of Credit dated the date hereof, issued by the Bank pursuant to the Agreement, supporting the Commercial Paper Notes (the "*Letter of Credit*"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement or the Letter of Credit, as applicable.

The purpose of this Fee Letter is to confirm the agreement between the Bank and the Authority with respect to, among other things, the Letter of Credit Fees (as defined below) and certain other fees payable to the Bank. This Fee Letter is the Fee Letter referenced in the Agreement.

ARTICLE I. FEES AND OTHER AGREEMENTS.

Section 1.1. Letter of Credit Fees. The Authority hereby agrees to pay to the Bank on July 2, 2012, for the period commencing on the Closing Date and ending on June 30, 2012, and in arrears on the first Business Day of each October, January, April and July occurring thereafter to the Termination Date, and on the Termination Date (each, a "*Quarterly Payment Date*"), a non-refundable facility fee in an amount equal to the rate per annum corresponding to the Rating, as specified below (the "*Letter of Credit Fee Rate*"), on the average daily Stated Amount of the Letter of Credit (without regard to any reduction of the Stated Amount of the Letter of Credit subject to reinstatement) from time to time in effect (the "*Letter of Credit Fees*") during each related period.

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	LETTER OF CREDIT FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.80%
Level 2	A1	A+	A+	0.95%
Level 3	A2	A	A	1.15%
Level 4	A3	A-	A-	1.40%
Level 5	Baa1	BBB+	BBB+	1.70%
Level 6	Baa2	BBB	BBB	2.30%

The term "*Rating*" as used above shall mean the rating assigned to the long-term unenhanced credit rating by any Rating Agency to any of the Authority's Senior Lien Obligations. In the event of a split rating (*i.e.*, one of the Rating Agencies' Rating is different

than the Rating of either of the other Rating Agencies), the Letter of Credit Fee Rate shall be based upon the Level in which the lowest Rating appears. Any change in the Letter of Credit Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Rating levels above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, including, without limitation, any recalibration or realignment of a Rating in connection with the adoption of a "global" rating scale, the Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. The Authority acknowledges that, as of the Closing Date, the Letter of Credit Fee Rate is that specified above for Level 1. In the event that any Rating is suspended, withdrawn, or otherwise unavailable from any Rating Agency, the Letter of Credit Fee Rate shall immediately increase by 1.00% per annum above the Letter of Credit Fee Rate that would otherwise be in effect. In addition, upon the occurrence of and during the continuance of an Event of Default, the Letter of Credit Fee Rate shall immediately increase by 1.00% per annum above the Letter of Credit Fee Rate that would otherwise be in effect. The Letter of Credit Fees shall be payable on the dates set forth above on the basis of a year of 360-days and the actual number of days elapsed, together with interest on the Letter of Credit Fees from the date payment is due until payment in full at the Default Rate.

Section 1.2. Draw Fees. The Authority hereby agrees to pay to the Bank on the date of each Drawing under the Letter of Credit, a non-refundable draw fee equal to \$300 for each Drawing made under the Letter of Credit; *provided, however*, that in no event shall the aggregate amount of draw fees payable pursuant to this Section 1.2 exceed \$5,000 during any calendar year.

Section 1.3. Amendment Fee. The Authority hereby agrees to pay to the Bank on the date of any non-material amendment, modification or supplement to the Agreement or any Related Document, or any waiver or consent by the Bank with respect thereto, a non-refundable amendment, modification, supplement, waiver or consent fee, as applicable, in an amount equal to \$3,000, plus the reasonable fees of any legal counsel retained by the Bank in connection therewith; *provided, however*, that no fee pursuant to this Section 1.3 shall be required to be paid to the Bank in the event that any such amendment relates solely to an extension of the Letter of Credit Expiration Date. The fee for any material amendment, modification or supplement to the Agreement or any Related Document or any waiver or consent by the Bank with respect thereto shall be negotiated at the time of such material amendment, modification or supplement.

Section 1.4. Transfer Fee. The Authority hereby agrees to pay to the Bank on the date of each transfer of the Letter of Credit to a successor Issuing and Paying Agent, a non-refundable transfer fee in an amount equal to \$3,000, plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

Section 1.5. Termination Fee; Reduction Fee. (a) The Authority hereby agrees to pay to the Bank a termination fee in connection with any termination or replacement of the Letter of Credit by the Authority prior to the Letter of Credit Expiration Date, in an amount equal to difference between (A) the product of (1) the Letter of Credit Fee Rate in effect on the date of

such termination or replacement, (2) the Stated Amount in effect as of the Closing Date and (3) a fraction, the numerator of which is equal to the number of days from and including the date of such termination or replacement to and including the Letter of Credit Expiration Date, and the denominator of which is 360 and (B) any amount paid to the Bank pursuant to Section 1.5(b) hereof (the "*Termination Fee*"), payable on the date of such termination or replacement. Notwithstanding the foregoing or any provision in the Agreement to the contrary, the Authority may terminate or replace the Letter of Credit without payment of the Termination Fee if such termination or replacement is as a result of (i) Moody's having lowered the short-term rating of the Bank below "*P-1*" (or its equivalent), S&P having lowered its short-term rating of the Bank below "*A-1*" (or its equivalent) or Fitch having lowered its short-term rating of the Bank below "*F1*" (or its equivalent) or (ii) the Commercial Paper Notes being refinanced in full from a source of funds which does not require or involve the issuance by a bank or other financial institution of a letter of credit, liquidity facility, credit facility or the direct purchase of such debt by a bank or other financial institution through a bank direct purchase (including, without limitation, (x) the issuance by the Authority of publicly offered floating rate notes to refinance the Commercial Paper Notes in full or (y) the defeasance or termination of the commercial paper program with the Authority's own funds, which have not been borrowed from a bank or other financial institution) or (iii) the Bank denying consent to the proposed merger as set forth and described in Section 5.2(e)(i) of the Agreement.

(b) Notwithstanding anything set forth herein or in the Agreement to the contrary, the Authority agrees not to permanently reduce the Stated Amount below the Stated Amount in effect as of the Closing Date prior to the Letter of Credit Expiration Date, without the payment by the Authority to the Bank of a reduction fee in connection with each and every permanent reduction of the Stated Amount in an amount equal to the product of (A) the Letter of Credit Fee Rate in effect on the date of such reduction, (B) the difference between the Stated Amount (without regard to any reduction of the Stated Amount subject to reinstatement) prior to such reduction and the Stated Amount (without regard to any reduction of the Stated Amount subject to reinstatement) after such reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the Letter of Credit Expiration Date, and the denominator of which is 360 (the "*Reduction Fee*"). Notwithstanding the foregoing or any provision of the Agreement to the contrary, the Authority may permanently reduce the Stated Amount without payment of the Reduction Fee if such permanent reduction of the Stated Amount is a result of the Commercial Paper Notes being refinanced in part from a source of funds which does not require or involve the issuance by a bank or other financial institution of a letter of credit, liquidity facility, credit facility or the direct purchase of such debt by a bank or other financial institution through a bank direct purchase (including, without limitation, (x) the issuance by the Authority of publicly offered floating rate notes to refinance the Commercial Paper Notes in part or (y) the defeasance or termination of the commercial paper program with the Authority's own funds, which have not been borrowed from a bank or other financial institution).

Section 1.6. Fees and Expenses. The Authority will promptly pay upon receipt of an invoice (a) the reasonable expenses of the Bank incurred in connection with the preparation, execution and delivery of the Agreement and the Letter of Credit (such expenses not to exceed \$3,000) and (b) the reasonable fees and expenses of counsel to the Bank incurred in connection

with the preparation, execution and delivery of the Agreement and the Letter of Credit (such fees not to exceed \$50,000, plus expenses).

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Letter shall become effective without the prior written consent of the Authority and the Bank.

Section 2.2. Governing Law. THIS FEE LETTER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER,* THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA AND APPLICABLE FEDERAL LAW.

Section 2.3. Counterparts. This Fee Letter may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument.

Section 2.4. Severability. Any provision of this Fee Letter which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Letter to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first set forth above.

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

AMENDED AND RESTATED SERIES 2006A DEALER AGREEMENT

Between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

**J.P. MORGAN SECURITIES LLC,
as the Dealer**

Dated as of June 1, 2012

Relating to the

Truckee Meadows Water Authority, Nevada

Water Revenue

Commercial Paper Notes, Series 2006A

TRUCKEE MEADOWS WATER AUTHORITY
Water Revenue
Commercial Paper Notes, Series 2006A

AMENDED AND RESTATED SERIES 2006A DEALER AGREEMENT

This **AMENDED AND RESTATED SERIES 2006A DEALER AGREEMENT** (this "Agreement") is dated as of June 1, 2012, and is by and between J.P. Morgan Securities LLC (the "Dealer") and Truckee Meadows Water Authority, Nevada (the "Authority").

WHEREAS, the Authority intends to offer, sell and issue its Truckee Meadows Water Authority, Nevada Water Revenue Commercial Paper Notes, Series 2006A (the "Notes") under and pursuant to the provisions of the 2006 Commercial Paper Resolution adopted on July 19, 2006, as amended and supplemented on January 19, 2011 (as further amended and supplemented, the "Resolution");

WHEREAS, the Dealer intends to act as a dealer for the Authority in connection with the offer, sale and issuance of the Notes in accordance with the terms and conditions of this Agreement;

WHEREAS, the Resolution provides the maximum principal amount of Notes (together with other Series 2006B Notes) which may be issued is limited to \$160,000,000 and otherwise as required by the terms of the Reimbursement Agreement, dated as of June 1, 2012 (the "Credit Agreement"), by and between the Authority and JPMorgan Chase Bank, National Association (the "Bank"); subject, however, to any limitations contained in the TMWA Cooperative Agreement and the Authority Act (both as defined in the Resolution) and the Authority's reserved right to limit the aggregate principal amount of Notes issued or outstanding; and

NOW, THEREFORE, the Authority and the Dealer agree as follows:

1. Appointment of Dealer; Responsibilities of Dealer.

(a) Subject to the terms and conditions herein contained, the Authority hereby appoints the Dealer to act as a dealer hereunder in connection with the offering, issuance and sale of the Notes, and the Dealer hereby accepts such appointment. All terms used herein shall have the same meaning as in the Resolution or the Credit Agreement unless otherwise defined herein.

(b) Upon receipt of an Issuance Request from the Authority, the Dealer shall exercise its best efforts to solicit purchases of the portion of the Notes specified in the Issuance Request, on such terms and conditions, including maturity dates and interest rates, as may prevail from time to time in the market; and in any event at interest rates up to the Maximum Commercial Paper Interest Rate. Before 1:00 P.M., New York time, on each day on which the Notes, the purchase of which has been solicited by the Dealer, are to be issued, the Dealer will notify the Authority and the Issuing and Paying Agent of the amounts and terms and conditions of such Notes with respect to which the Dealer has received indications of interest from potential

purchasers. Such amounts and terms and conditions shall be subject to the approval of the Authority as provided below.

(c) If the Authority determines that the terms and conditions available from the Dealer are acceptable to the Authority, the Authority shall confirm sales to the Dealer prior to 1:15 P.M., New York time, on such day.

(d) It is understood and agreed that the Dealer's responsibilities hereunder will include the following:

(i) after receipt of an Issuance Request, the soliciting of purchases of Notes from investors that customarily purchase commercial paper or tax exempt securities in large denominations,

(ii) effecting and processing such purchases,

(iii) causing the furnishing, by mail or otherwise, of such materials as are described in Section 3 hereof,

(iv) billing and receiving payment for Notes purchased,

(v) purchasing Notes pursuant to the provisions of paragraph (b) of this Section,

(vi) performing all duties and obligations of the Dealer with respect to the timing of notifications and payments set forth in the Issuing and Paying Agent Agreement (as defined herein), and

(vii) performing such other related functions as may be requested by the Authority and agreed to by the Dealer.

Nothing herein obligates the Dealer to purchase Notes for its own account.

(e) Notices pursuant to, or contemplated by, the provisions of this Section shall be given by telephonic or other electronic communication between or among authorized representatives of the parties to this Agreement and shall be confirmed in writing and mailed, telegraphed or delivered to such parties on the later of the business day following the settlement, if any, of the respective transactions to which such notices relate or the business day following the telephonic communication.

(f) Delivery of beneficial ownership interests in the Notes shall be made to the Dealer by the Issuing and Paying Agent in accordance with the Issuing and Paying Agent Agreement and the customary practices of The Depository Trust Company ("DTC"). Payment for Notes sold by or purchased by the Dealer shall be effected in accordance with the Issuing and Paying Agent Agreement and the Resolution. The Dealer shall pay for such Notes as are delivered to it executed and authenticated in the manner provided for in the Issuing and Paying Agent Agreement and the Resolution, in immediately available funds on the day on which such Notes are delivered to the Dealer.

2. **The Notes.** The Notes shall have the security, terms and provisions as set forth in the Resolution and the applicable Issuance Request, with interest rates and maturities (not in excess of the limits provided in the Resolution) as specified by the Dealer and confirmed by the Authority.

3. **Furnishing of Information.**

(a) At or before the time of execution of this Agreement, the Authority will prepare and furnish to the Dealer a camera-ready copy of an offering memorandum describing the Authority, the Notes, the Credit Agreement, the Letter of Credit, the Bank, DTC, the Issuing and Paying Agent and such other items as shall be reasonably requested by the Dealer, such offering memorandum to be in such form and having such substance as shall be reasonably requested by the Dealer (such offering memorandum, as the same may be revised, updated, amended, supplemented or otherwise changed in accordance with the terms of this Agreement, is herein referred to as the "Offering Memorandum").

(b) Upon written request of the Dealer, but not more frequently than once each calendar year, the Authority shall prepare and furnish to the Dealer a camera-ready copy of a new Offering Memorandum, which shall be an update to the prior Offering Memorandum and which shall also contain such additional information as the Dealer may reasonably request. Such update shall also include current, updated information on the Bank.

(c) Notwithstanding the provisions of subsection (b) above, if, at any time, an event shall become known to the Authority or the Dealer which might make the information set forth in the then current Offering Memorandum incorrect, or cause such Offering Memorandum to fail to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, then the party making such discovery shall notify the other party, and, if in the reasonable judgment of the Dealer or the Authority, it is necessary to prepare a supplement or amendment to the Offering Memorandum, the Authority will prepare and furnish to the Dealer a camera-ready copy of such supplement or amendment in form and substance reasonably satisfactory to the Dealer.

(d) Contemporaneously with the furnishing to the Dealer of each update to the Offering Memorandum, and each amendment or supplement to the Offering Memorandum which relates to the Bank, the Authority shall also furnish to the Dealer a copy of the information furnished by the Bank pursuant to Section 4.13(b) of the Credit Agreement.

(e) The Authority recognizes and agrees that the Offering Memorandum will be, and any other information furnished to the Dealer pursuant to this section may be, furnished by the Dealer to potential purchasers and purchasers of the Notes in connection with the offer and sale of the Notes. In no event may a Dealer furnish any other information to a purchaser or potential purchaser without the prior written approval of the Authority.

4. **Representations, Warranties, Covenants and Agreements of the Authority.** The Authority represents, warrants, covenants and agrees as follows:

(a) The Authority is organized and existing under laws of the State, and is authorized by the TMWA Cooperative Agreement and the Authority Act and other laws of the

State and the Resolution to offer, sell and issue the Notes for the purposes specified in the Resolution and to enter into and perform its obligations under this Agreement, the Notes, the Resolution, the Credit Agreement and the Amended and Restated Series 2006A Issuing and Paying Agent Agreement, dated as of June 1, 2012, between the Authority and the Issuing and Paying Agent (the "Issuing and Paying Agent Agreement");

(b) The Authority has full power and authority to take all actions required or permitted to be taken by the Authority by or under and to perform and observe the covenants and agreements on its part contained in this Agreement, the Notes, the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement, and the Authority has complied with all provisions of applicable law in all matters related to such actions;

(c) The Authority has duly taken all action necessary to be taken by it or on its behalf for (i) the adoption of the Resolution, (ii) the execution, delivery and performance of this Agreement, the Credit Agreement, and the Issuing and Paying Agent Agreement, (iii) the preparation, authorization and the distribution of the Offering Memorandum, and (iv) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement. The Authority will have, on or before the date on which any Notes are issued, duly taken all action required to be taken by it or on its behalf prior to such date for the offering, sale and issuance, of such Notes upon the terms set forth in the Resolution;

(d) The Resolution has been duly adopted by the Authority and is in full force and effect, and this Agreement, the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement, when executed and delivered by the respective parties thereto, will constitute valid and binding obligations of the Authority, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Nevada;

(e) The adoption of the Resolution and the execution and delivery of this Agreement, the Notes, the Credit Agreement and the Issuing and Paying Agent Agreement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not conflict with or constitute a material breach of or a material default under or result in a material violation of (i) the TMWA Cooperative Agreement, (ii) the Authority Act, (iii) the Resolution, (iv) any agreement or other instrument to which the Authority is a party or by which the Authority or any of its properties is bound, or (v) any constitutional or statutory provision or order, rule, regulation, decree or resolution of any court, government or governmental authority having jurisdiction over the Authority or any of its properties;

(f) On and as of each date on which Notes are to be issued and sold pursuant to the terms of the Resolution and this Agreement (each, a "Closing Date"), all authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the adoption of the Resolution and the execution, delivery and performance by the Authority of this

Agreement, the Notes, the Credit Agreement and the Issuing and Paying Agent Agreement will have been obtained, given or taken and will be in full force and effect, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States;

(g) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the Authority, threatened against the Authority wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of, or the authority of the Authority to perform its obligations under, the Resolution, this Agreement, the Notes, the Credit Agreement or the Issuing and Paying Agent Agreement;

(h) When executed and issued as herein and in the Resolution and the Issuing and Paying Agent Agreement provided, the Notes will be duly authorized, executed and issued and will constitute valid and binding obligations of the Authority enforceable in accordance with their terms and the terms of the Resolution, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Nevada;

(i) The Authority will cooperate with the Dealer in the qualification of the Notes for offering and sale and the determination of the eligibility of the Notes for investment under the laws of such jurisdictions as the Dealer shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Notes by the Dealer, provided that the Authority shall not be required to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject or otherwise undertake any burden in connection with any such qualification that the Authority determines to be unduly burdensome. It is understood that the Authority is not responsible for compliance with or the consequences of failure to comply with applicable Blue Sky laws;

(j) The Authority is not in default in the payment of principal of, premium, if any, or interest on any bonds, notes or other obligations which it has issued, assumed or guaranteed as to the payment of principal, premium, if any, or interest;

(k) The information provided by the Authority pursuant to Section 3 hereof, as of the date on which such information is furnished, will not contain any untrue statement of a material fact and will not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. It is understood that the Authority is not making any representations about the accuracy or completeness of any information concerning or furnished by it with respect to the Bank, any Dealer, the Issuing and Paying Agent or DTC;

(l) Any certificate signed by any authorized official or officials of the Authority and delivered to the Dealer, shall be deemed a representation by the Authority to the Dealer as to the statements made therein; and

(m) The terms and provisions of each Issuance Request shall comply with the terms, conditions and limitations contained in the Resolution.

5. **Conditions to the Dealer's Obligations.** The obligations of the Dealer under this Agreement have been undertaken in reliance on, and are subject to, the due performance by the Authority of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants and agreements of the Authority contained herein, in each case on and as of the date of delivery of this Agreement and on and as of each Closing Date. The obligations of the Dealer hereunder with respect to each date on which Notes are to be issued are also subject, in the discretion of the Dealer, to the following further conditions:

(a) The Resolution, the Credit Agreement, the Letter of Credit, this Agreement and the Issuing and Paying Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, and there shall be in full force and effect such additional resolutions, agreements and certificates (including such certificates as may be required by regulations of the Treasury Department of the United States in order to establish the exclusion from gross income for federal income tax purposes of interest on the Notes) and such opinions of counsel, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to bond counsel, the Authority, and the Dealer, and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall, in the opinion of bond counsel, be necessary, in connection with the transactions contemplated hereby;

(b) The Dealer shall have acknowledged any amendments, modifications, or supplements to the Resolution, the Credit Agreement, the Letter or Credit and the Issuing and Paying Agreement made after the date of this Agreement, and shall have consented to any amendments, modifications, or supplements to this Agreement made after the date of this Agreement;

(c) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Authority or the Bank since the date of the Offering Memorandum relating to Notes being sold on such date, the Authority or the Issuing and Paying Agent shall not have received a notice of an event of default under the Credit Agreement or a Stop-Issuance Instruction or a Final Drawing Notice (each as defined in the Credit Agreement) from the Bank, and no event of default under the Resolution shall have occurred and be continuing; and

(d) At or prior to the first Closing Date, the Dealer shall have received the following in form and substance satisfactory to the Dealer:

(i) Executed or certified copies of the Resolution, the Credit Agreement, the Letter of Credit, and the Issuing and Paying Agent Agreement and a transcript of all other proceedings relating to the authorization of the Notes;

(ii) Opinions dated as of the Closing Date of (a) bond counsel to the Authority, and (b) domestic and foreign counsel (if applicable) to the Bank addressed to the Dealer or accompanied by letters indicating the Dealer may rely on those opinions;

(iii) A certificate of the Authority, executed by any duly authorized official of the Authority, dated as of the Closing Date, to the effect that each of the Authority's representations and warranties contained herein are true and correct in all material respects on and as of the first Closing Date with the same effect as if made on the first Closing Date;

(iv) A certificate of the Bank as to the information concerning the Bank in the Offering Memorandum; and

(v) Copies of all documents required by, and to be delivered pursuant to, the Resolution and the Credit Agreement.

6. Conditions to Authority's Obligations. The Authority's obligations hereunder are subject to the performance by the Dealer of its obligations hereunder and to the following additional conditions:

(a) The Resolution, the Credit Agreement, the Letter of Credit, and the Issuing and Paying Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Authority and the Dealer, and there shall be in full force and effect such additional resolutions, agreements and certificates (including such certificates as may be required by regulations of the Treasury Department of the United States in order to establish the exclusion from gross income for federal income tax purposes of interest on the Notes) and such opinions of counsel, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to bond counsel, the Authority, and the Dealer, and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall, in the opinion of the aforesaid counsel, be necessary, in connection with the transactions contemplated hereby;

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Authority since the date of the Offering Memorandum relating to Notes being sold on such date, the Authority shall not have received a notice of an event of default under the Credit Agreement or a Stop-Issuance Instruction or a Final Drawing Notice from the Bank, and no event of default as such term is defined in the Resolution shall have occurred and be continuing and no material event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an event of default under either the Credit Agreement or the Resolution; and

(c) At or prior to the first Closing Date, the Authority shall have received:

(i) Executed or certified copies of the Resolution, the Credit Agreement, the Letter of Credit, and the Issuing and Paying Agent Agreement; and a transcript of all other proceedings relating to the authorization of the Notes;

(ii) Opinions dated as of such date of (a) bond counsel to the Authority and (b) domestic and foreign counsel to the Bank addressed to the Authority or accompanied by letters indicating the Authority may rely on those opinions; and

(iii) Copies of all documents required by, and to be delivered pursuant to, the Resolution and the Credit Agreement.

7. Term and Termination of Agreement.

(a) This Agreement may be canceled by the Dealer or the Authority at any time on written notice if another dealer appointed by the Authority and acceptable to the Bank has agreed to assume responsibility for marketing the Dealer's share of the Notes. To be effective, such written notice must be given no less than 30 days prior to such cancellation date. If the Dealer gives notice of cancellation to the Authority, the Authority agrees to use its best efforts to appoint another dealer.

(b) In addition to the provisions of paragraph (a) of this Section, any party to this Agreement may immediately terminate its obligations under this Agreement at any time by notifying the other party to this Agreement in writing or by telegram of its election so to do, if:

(i) A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended to the Congress of the United States for passage by the President of the, United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived by the Authority (or by any similar body) or upon interest received on obligations of the general character of the Notes;

(ii) Legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby;

(iii) Any event shall have occurred, or information become known, which, in either party's reasonable opinion, makes untrue, incorrect or misleading in any material

respect any statement or information supplied by the Authority pursuant to Section 3, and the Authority shall fail to supplement such information in a manner satisfactory to both parties and in accordance with said Section 3 within a reasonable period of time after requested to do so by the Dealer;

(iv) Any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the United States or the State of Nevada, or a decision by any court of competent jurisdiction within the United States or the State of Nevada shall be rendered which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(vi) Any governmental authority shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(vii) A general banking moratorium shall have been established by federal, Nevada, New York authorities;

(viii) Any rating of the Notes shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes; or

(ix) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

8. **Payment of Fees and Expenses.** In consideration of the services to be performed by the Dealer under this Agreement, the Authority agrees to pay to the Dealer quarterly, within 30 days of submission of a bill therefor by the Dealer after the close of each calendar quarter commencing with the quarter ending on June 30, 2012, a fee equal to the product of the average balance of Notes outstanding during that quarter for which the Dealer was responsible times three and a half (3.5) basis points. It is understood and agreed that (i) payment of such fee shall be made by the Authority quarterly upon receipt of an invoice therefore from the Dealer, and (ii) the obligation of the Authority to pay such fee shall survive the termination or cancellation of this Agreement to the extent that such obligation relates to Notes outstanding prior to such termination or cancellation.

9. **Dealer Not Acting as an Underwriter.** It is understood and agreed by all parties hereto that the Dealer is only obligated hereunder to use its best efforts to solicit indications of interest on the part of purchasers of the Notes and is not acting as an underwriter of the Notes.

10. **Dealer Is Not an Advisor.** The Authority acknowledges and agrees, whether or not the Dealer or any affiliate thereof has advised or is currently advising the Authority on other matters, that in connection with the remarketing of the Notes and any other duties or obligations of the Dealer pursuant to and/or as set forth in this Agreement: (a) the Dealer is not an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act), an “advisor”) of, and owes no fiduciary duty to, the Authority or any other person, (b) the Dealer’s duties and obligations to the Authority shall be limited to those contractual duties and obligations expressly set forth in this Agreement, (c) the Dealer has financial and other interests that differ from those of the Authority, and (d) the Authority has consulted with those independent legal, financial and any other advisors to the extent it deemed appropriate in connection with any questions or other issues it might have relating to the remarketing of the Notes.

11. **Indemnity.** To the extent permitted by law, the Authority agrees to indemnify and hold the Dealer, its employees and any and all of its officers and agents harmless from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses of any nature (including, without limitation, attorneys’ fees and expenses) arising out of or resulting from this Agreement or the transactions or activities contemplated hereby or the exercise of its rights and/or the performance of its duties (or those of its agents and employees) hereunder; provided, however that the Authority shall not be liable to indemnify or pay the Dealer or any of its officers or employees with respect to any loss, liability, action, suit, judgment, demand, damage, cost or expense that results from or is attributable to the Dealer’s gross negligence or willful misconduct or that of the Dealer’s officers or employees. The foregoing indemnity includes, but is not limited to, (a) any action taken or omitted to be taken by the Dealer or any of its officers or employees upon written, telecopy, telephonic or other electronically transmitted instructions (authorized herein) received by the Dealer from, or believed by the Dealer in good faith to have been given by, the proper person or persons, (b) the Dealer’s improperly executing or failing to execute any instruction because of unclear instructions, failure of communications media or any other circumstances beyond the Dealer’s control, and (c) the actions or inactions of DTC. The provisions of this Section shall survive (i) the Dealer’s resignation or removal hereunder and (ii) the termination of this Agreement. In no event shall the Dealer be liable for special, indirect or consequential damages.

12. **Miscellaneous.**

(a) Except as otherwise specifically provided in this Agreement, all notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

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

Dealer: J.P. Morgan Securities LLC
Public Finance Short Term Trading
383 Madison Avenue, 8th Floor
New York, NY 10179
Attention: Peter McCarthy
Telephone: (212) 834-7224
Facsimile: (917) 456-3541
E-mail: Public_Finance_Short_Term_Trading@jpmorgan.com

Any of the above named entities may, by notice given under this Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) This Agreement will inure to the benefit of and be binding upon the Authority and the Dealer and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation. The terms “successors” and “assigns” shall not include any purchaser of any of the Notes merely because of such purchase.

(c) All of the representations and warranties of the Authority and the Dealer in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Dealer, (ii) delivery of and any payment for any Notes hereunder, or (iii) termination of this Agreement.

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

(e) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada and the parties hereby agree that if either party determines to bring an action to litigate any dispute hereunder or arising out of the actions contemplated hereby or including, without limitation, any action to enforce any provision hereof, such action shall be brought in the District Court of the Second Judicial District of the State of Nevada in Washoe County, Nevada.

**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chairman

(SEAL)

Attest:

By: _____
Secretary

J.P. MORGAN SECURITIES LLC

By: _____
Title: _____

AMENDED AND RESTATED

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 June 1, 2012

Relating to the

Truckee Meadows Water Authority, Nevada

Water Revenue

Commercial Paper Notes, Series 2006A

AMENDED AND RESTATED 2006A ISSUING AND PAYING AGENT AGREEMENT

THIS AMENDED AND RESTATED 2006A ISSUING AND PAYING AGENT AGREEMENT, dated as of June 1, 2012 (this "Agreement"), between Truckee Meadows Water Authority, Nevada (the "Authority"), and U.S. Bank National Association, a banking corporation duly organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the "Issuing and Paying Agent");

WHEREAS, the Authority has heretofore authorized the issuance of its Water Revenue Commercial Paper Notes, Series 2006A (the "Notes"), pursuant to an Authority Resolution adopted on July 19, 2006, as amended and supplemented on January 19, 2011 (as further amended and supplemented from time to time, in accordance with its terms, the "Resolution");

WHEREAS, in order to provide support for payment of the principal of and interest on the Notes, the Authority has determined to enter into a Reimbursement Agreement, dated as of June 1, 2012 (as supplemented and amended from time to time, the "Credit Agreement"), by and between the Authority and JPMorgan Chase Bank, National Association (the "Bank"), pursuant to which the Bank will issue a Letter of Credit (the "Letter of Credit"), which Letter of Credit will be drawn upon by the Issuing and Paying Agent to pay principal of and interest on the Notes;

WHEREAS, in order to provide for the offering and sale of the Notes, the Authority has determined to enter into an Amended and Restated Series 2006A Dealer Agreement, dated as of June 1, 2012 (the "Dealer Agreement"), between the Authority and J.P. Morgan Securities LLC (the "Dealer"); and

WHEREAS, in order to facilitate the issuance and sale of the Notes, the Authority and the Issuing and Paying Agent desire to enter in this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. **Appointment of Issuing and Paying Agent.** The Authority hereby appoints U.S. Bank National Association, on the terms and conditions specified herein, as Issuing and Paying Agent for the Notes, which the Authority shall from time to time deliver or cause to be delivered to the Issuing and Paying Agent. The Notes will be substantially in the form set forth in the Resolution and will be offered by the Dealer. At no time will the aggregate outstanding principal amount of such Notes exceed the amount permitted by the Credit Agreement or the Resolution. All terms used herein shall have the same meaning as in the Resolution or the Credit Agreement unless otherwise defined herein.

2. **Letter of Representations; Supply of Notes.** The Authority will promptly deliver to the Issuing and Paying Agent an executed version of the form of Letter of Representations (the "Letter of Representations") provided by The Depository Trust Company ("DTC"). The Authority understands and agrees that such Letter of Representations shall supplement the provisions of this Agreement and that the Authority, the Issuing and Paying Agent, and DTC shall be bound by the terms and provisions of the Letter of Representations, including any procedures and operational arrangements applicable thereunder. Except as

otherwise provided in Section 2.13 of the Resolution, the Authority agrees from time to time to furnish the Issuing and Paying Agent with an adequate supply of Notes, which will be serially numbered and which will have been executed by the facsimile signature of the Chairman, Secretary and Treasurer of the Authority, and bear a facsimile impression of the Authority's seal. (The principal amount, date of issue, registered owner, maturity date, interest rate and amount of interest will be left blank.) Pending receipt of an Issuance Request, the Issuing and Paying Agent agrees to hold the supply of Notes in safekeeping for the account of the Authority in accordance with the customary practice of the Issuing and Paying Agent.

3. **Authorized Representatives of the Authority.** From time to time the Authority agrees to furnish the Issuing and Paying Agent with one or more certificates certifying the incumbency and specimen signatures of officers or agents of the Authority authorized to execute Issuance Requests on behalf of the Authority and/or authorized to take other action hereunder on behalf of the Authority (each an "Authorized Representative") and the names of employees of the Dealer who are authorized to give notices and/or issuance instructions to the Issuing and Paying Agent as provided herein (a "Dealer Representative"). Until the Issuing and Paying Agent receives a subsequent certificate from the Authority, the Issuing and Paying Agent is entitled to rely on the last such certificate delivered to it for purposes of determining the Authorized Representatives or Dealer Representatives.

The Authority agrees that the Issuing and Paying Agent shall not have any responsibility to the Authority to determine by whom or what means a facsimile signature may have been affixed on the Notes. Any Note bearing the facsimile signatures identified in Section 2 hereof on the date the signature of such officer is affixed shall bind the Authority after the completion of such Note by the Issuing and Paying Agent, notwithstanding that such officer shall have died or shall have otherwise ceased to hold office on the date such Note is authenticated or delivered by the Issuing and Paying Agent.

4. **Completion, Authentication and Delivery of Notes.**

(a) An Issuance Request will be given by an Authorized Representative to the Issuing and Paying Agent and the Dealer by Immediate Notice, by 4:30 p.m. New York time on the Business Day preceding the Business Day on which Notes are to be issued. Instructions to complete Notes and deliver Notes to the Dealer will be given by the Dealer to the Issuing and Paying Agent and the Authority by Immediate Notice, by 1:00 p.m. New York time on the Business Day on which Notes are to be issued. Confirmation of such instruction to complete and deliver Notes will be given by the Authority to the Issuing and Paying Agent, the Dealer and the Financial Advisors by Immediate Notice, as soon as practicable after receipt of instructions from the Dealer but in no event later than 1:15 p.m. New York time on the Business Day on which Notes are to be issued. Financial Advisors shall mean Public Financial Management, Inc. and Hobbs, Ong & Associates, Inc. or such other financial advisor designated by the Authority from time to time.

(b) Upon receipt of an Issuance Request, instructions from the Dealer and confirmation from the Authority as described in Section 4(a) hereof, the Issuing and Paying Agent agrees (i) to record on its books and provide a record to the Authority of the principal

amount, date of issue, maturity date, interest rate, amount of interest and registered owner of each Note, and (ii) to the extent necessary under the book entry system used for the Notes:

- (i) to withdraw the necessary Note(s) from safekeeping;
- (ii) to complete Notes as to principal amount (which principal amount shall be \$100,000 or an integral multiple of \$1,000 in excess thereof), date of issue, maturity date, interest rate and amount of interest thereon and to register such Note to Cede & Co., as nominee of DTC;
- (iii) to manually authenticate each Note by any officer or employee duly authorized and designated for such purpose;
- (iv) to retain one (1) nonnegotiable copy of each Note for its records and promptly forward one (1) nonnegotiable copy of each Note to the Authority; and
- (v) to deliver the Note(s) through the facilities of DTC, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such Issuance Request or instructions (if such Issuance Request or instructions do not provide for such receipt, the Dealer shall nevertheless pay the purchase price for the Note(s) in accordance with Section 5 hereof).

(c) It is understood that each delivery of Notes hereunder shall be subject to the rules of the DTC in effect at the time of such delivery and, in accordance therewith, Notes are to be delivered by such time as specified in such rules.

(d) Notwithstanding any other provision of this Agreement or the Resolution to the contrary, no Notes shall be authenticated or delivered if:

(i) such delivery would result in the aggregate principal amount of Notes Outstanding being in excess of the maximum amount provided in the Resolution; or

(ii) such delivery would result in an aggregate principal amount of Outstanding Notes plus the aggregate amount of interest to accrue on the Outstanding Notes to maturity thereof, calculated at the maximum rate of 12% per annum for 270 days, to be in excess of the Stated Amount; or

(iii) such delivery would result in the delivery of any Note bearing interest at a rate in excess of the lesser of (a) 3 percentage points per annum above the 25 Bond Revenue Index most recently published in The Bond Buyer before the Authority confirms the Dealer's instructions with respect to delivery of the Note, or (b) 12% per annum; or

(iv) such delivery would result in the delivery of any Note that has a maturity date that extends beyond the earliest of (a) 270 days from the date of authentication and issuance of such Note, (b) five days prior to the Letter of Credit Expiration Date (as such term is defined in the Resolution) or (c) July 1, 2036; or

(v) the Issuing and Paying Agent has received a Stop-Issuance Instruction or a Final Drawing Notice from the Bank; or

(vi) the Issuing and Paying Agent shall have actual knowledge that an event of default (as such term is defined in the Resolution) shall have occurred and is continuing; or

(vii) the Issuing and Paying Agent shall have received notice that the opinion of bond counsel delivered regarding the validity of the Notes and the exclusion of interest on the Notes from the gross income of the registered owners thereof for federal income tax purposes has been or is being withdrawn, which notice shall be delivered by such bond counsel.

If the Issuing and Paying Agent is unable to comply with an Issuance Request because of any of the above conditions, the Issuing and Paying Agent shall give Immediate Notice to the Authority and the Dealer of the circumstances prohibiting the issuance of the Notes.

(e) Notwithstanding Section 4(d)(ii) hereof, in the event an Advance is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Notes exceeding the limitations of that provision if, upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall have sufficient funds immediately available to reimburse the Bank for an Advance equal to such principal amount and if upon such reimbursement the limitation of Sections 4(d)(i) and 4(d)(ii) hereof will not be exceeded. Upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall give Immediate Notice to the Bank that it is holding such proceeds in trust for the Bank, and shall immediately wire such proceeds to the Bank.

(f) The Authority understands that although the Issuing and Paying Agent has been instructed to deliver Notes against payment, delivery of Notes will, in accordance with the custom prevailing in the commercial paper market, be made before receipt of payment in immediately available funds. Therefore, once the Issuing and Paying Agent has delivered a Note to a Dealer or its agent as provided herein, the Authority shall bear the risk that a Dealer or its agent fails to remit payment for the Note to the Issuing and Paying Agent. The Issuing and Paying Agent shall have no liability to the Authority for any failure or inability on the part of the Dealer to make payment for Notes. Nothing in this Agreement shall require the Issuing and Paying Agent to purchase any Note or expend the Issuing and Paying Agent's own funds for the purchase price of a Note or Notes.

5. Demand for Payment Under Letter of Credit.

(a) Concurrently with the execution and delivery of this Agreement and for the purposes of this Agreement, the Resolution and the Credit Agreement, the Issuing and Paying Agent will establish the Note Payment Account in accordance with the provisions set forth herein.

(b) On any date on which Notes are maturing, the Issuing and Paying Agent shall determine the amount needed to pay the maturing Notes in full as to both principal and interest and, in the event the Issuing and Paying Agent is in receipt of a Final Drawing Notice,

the Issuing and Paying Agent shall determine the amount needed to be drawn on the Letter of Credit pursuant to its terms to pay the Notes in full as to both principal and interest on their respective maturity dates, and shall submit a Drawing Certificate in such form as is set forth as Annex A-1 to the Letter of Credit with respect to payment of the principal of and interest on Notes at maturity, or as Annex A-2 to the Letter of Credit with respect to payment of the principal of and interest on Notes at their respective maturity dates after receipt of the Final Drawing Notice, all in accordance with the Letter of Credit, to the Bank by 11:30 a.m. New York time, in order to draw on the Letter of Credit, the full amount of the principal of and interest due on such maturing Notes, and shall deposit the amount of such Drawing in the Note Payment Account. The amount of each Drawing will not be applied to any payment in respect of Notes registered in the name of the Authority or, to the best knowledge of the Issuing and Paying Agent, any nominee for or any Person who owns such Notes for the sole benefit of the Authority. The Issuing and Paying Agent shall hold the funds in the Note Payment Account uninvested for the benefit of the owners of the Notes, and shall apply such funds solely to pay the principal of and interest on the maturing Notes as provided herein and in the Resolution.

On each day on which the Notes are delivered, the Dealer or its agents shall pay the purchase price for such Notes in immediately available funds to the Issuing and Paying Agent, which shall transfer to the Authority for deposit to the Note Construction Account, the Letter of Credit Reimbursement Account or an Escrow Account or for payment of Refinanced Obligations the amounts received from the Dealer, as shown in the Issuance Request.

6. Establishment of Letter of Credit Reimbursement Account. Concurrently with the execution and delivery of this Agreement and for the purposes of this Agreement, the Resolution and the Credit Agreement, the Issuing and Paying Agent will establish the Letter of Credit Reimbursement Account in accordance with the provisions set forth herein. On each day on which the Issuing and Paying Agent receives a transfer of funds from or on behalf of the Authority or from the Dealer with respect to principal or interest due or to become due on the Notes, the Issuing and Paying Agent shall deposit such amounts in the Letter of Credit Reimbursement Account.

The Issuing and Paying Agent shall hold the funds in the Letter of Credit Reimbursement Account uninvested for the benefit of the Bank, shall set such funds aside exclusively to reimburse the Bank for an Advance, and shall apply such funds to reimburse the Bank for the Advance, in accordance with the terms of this Agreement and the Credit Agreement by 3:00 p.m. New York City time on the date of receipt. If the Bank refuses to honor a properly presented and conforming drawing on, and pursuant to, the Letter of Credit submitted in accordance with Section 5 hereof in full, the Issuing and Paying Agent shall apply monies in the Letter of Credit Reimbursement Account to the payment of the principal of and interest on the Notes pro rata to the extent necessary to prevent a default in such payment, and shall give Immediate Notice to the Authority and the Bank of such use.

The Issuing and Paying Agent shall not have a lien on the Letter of Credit Reimbursement Account for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent hereunder.

7. **Payment of Matured Notes.** Payment of matured Notes shall be made by the Issuing and Paying Agent in accordance with Section 2.5(E) of the Resolution. By 2:00 p.m. New York time on the date that any Notes are scheduled to mature, the Authority shall have caused to be provided to the Issuing and Paying Agent, sufficient funds from which to pay the maturing Notes and the interest thereon. The Notes and maturing interest thereon shall be paid from the funds provided pursuant to Section 5 hereof and if the Bank fails to honor a properly presented and conforming Drawing, the funds provided pursuant to Section 6 hereof.

8. **Reliance on Instructions.** The Issuing and Paying Agent shall incur no liability to the Authority in acting hereunder upon the instructions received by such means as are contemplated hereby, which the recipient thereof reasonably believed in good faith to have been given by an Authorized Representative of the Authority or representatives of the Dealer. In the event a discrepancy exists between any telephonic instructions given by the Authority or the Dealer and as understood by the Issuing and Paying Agent, the Issuing and Paying Agent shall immediately, by telephone or such other means as it deems reliable, attempt to resolve such discrepancy. Once resolved to the satisfaction of the Issuing and Paying Agent, the reasonable understanding of the Issuing and Paying Agent of such resolution will be deemed the controlling and proper instructions.

9. **Destruction of Notes.** After payment of any matured Notes, the Issuing and Paying Agent shall annotate its records to reflect the face amount of Notes outstanding in accordance with the Letter of Representations. Promptly upon the written request of the Authority, the Issuing and Paying Agent agrees either to cancel and return to the Authority all unissued Notes in the possession of the Issuing and Paying Agent at the time of such request or destroy such Notes and deliver a certificate of such destruction to the Authority, as specified by the Authority.

10. **Compliance with Resolution; Duties.** The Issuing and Paying Agent hereby agrees to accept, undertake and perform all of the duties and obligations set forth and imposed upon the Issuing and Paying Agent hereunder and under the Resolution and, in addition, the Issuing and Paying Agent agrees:

(a) to hold all sums held by the Issuing and Paying Agent for the payment of the principal of or interest on the Notes in trust for the benefit of the registered owners of the Notes until such sums shall be paid to such registered owners or otherwise disposed of as provided in the Resolution;

(b) to provide to the Bank and the Authority a monthly report on the first Business Day of each month, which report shall set forth such information regarding the authentication and delivery of Notes during the prior month, as the Authority, the Bank and Issuing and Paying Agent shall have agreed upon;

(c) to keep such books and records, including, without limitation a complete record of all Issuance Requests, as shall be consistent with standard industry practice and to make such books and records available for inspection by the Authority and the Bank, such books and records to be available on each Business Day during reasonable business hours and, if so

requested, to send copies of such books and records to the Authority or the Bank, as applicable; and

(d) to hold and administer the Reserve Account, if any, created pursuant to the Resolution.

11. Notices; Addresses.

(a) All communications by or on behalf of the Authority or the Dealer, by telephone or otherwise, relating to the completion, delivery or payment of the Note(s) are to be directed to the Corporate Trust Division of the Issuing and Paying Agent (or to such other person or department which the Issuing and Paying Agent shall specify in writing to the Authority and the Dealer). The Authority agrees to send all Notes to be completed and delivered by the Issuing and Paying Agent to the Issuing and Paying Agent (or to such other person as the Issuing and Paying Agent shall specify in writing to the Authority). The Issuing and Paying Agent agrees to advise the Authority, the Bank and the Dealer from time to time of the individuals generally responsible for the administration of this Agreement and agrees from time to time to certify incumbency and specimen signatures of officers or employees authorized to countersign the Notes and agrees to supply a list of employees authorized to receive telephone instructions.

(b) Notices and other communications to be given hereunder shall (except to the extent otherwise expressly provided) be given by Immediate Notice or shall be given in writing and be addressed as set forth below (or to such other address as the party receiving such notice shall have previously specified, by notice given hereunder, to the party sending such notice):

Authority:

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

Issuing and Paying Agent:

concerning the issuance of the Notes:

U.S. Bank National Association
100 Wall Street, 16th Floor
New York, NY 10005
Attention: Commercial Paper Operations
Telephone: (212) 361-3838
Facsimile: (212) 509-4529

concerning all other matters:

U.S. Bank National Association
100 Wall Street, Suite 1600
New York, NY 10005
Attention: Corporate Trust Administration
Telephone: (212) 361-2535
Facsimile: (212) 509-3384

Bank:

JPMorgan Chase Bank, National Association
383 Madison Avenue, Mail Code: NY1-M076
New York, NY 10179
Attention: Justin Wahn
Telephone: (212) 270-3813
Facsimile: (917) 456-3564

Dealer:

J.P. Morgan Securities LLC
Public Finance Short Term Trading
383 Madison Avenue, 8th Floor
New York, NY 10179
Attention: Peter McCarthy
Telephone: (212) 834-7224
Facsimile: (917) 456-3541
E-mail: Public_Finance_Short_Term_Trading@jpmorgan.com

Notices shall be deemed delivered when received at the address specified above. For purposes of this Section, "when received" shall mean actual receipt (x) of an Immediate Notice specified in or pursuant to this Agreement; (y) of an oral communication by any person answering the telephone at the office of the Issuing and Paying Agent specified in Section 11 (b) hereof and otherwise at the office specified in or pursuant to this Agreement; or (z) of a written communication hand delivered at the office specified in or pursuant to this Agreement provided that any notices to the Bank shall be made in accordance with the Credit Agreement.

12. Additional Information; Notification of the Owners of Note.

(a) Upon the reasonable request of the Authority or Bank, as applicable, given at any time and from time to time, the Issuing and Paying Agent agrees promptly to provide the Authority or the Bank, as applicable, with information with respect to the Note(s) issued and paid hereunder. Such request shall be in written form and shall include the principal amount, date of issue, maturity date, interest rate and amount of interest of each Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made. The Issuing and Paying Agent and the Authority shall discuss from time to time the extent to which such information is reasonably available and the times at which the Issuing and Paying Agent can reasonably furnish such information.

(b) The Authority agrees to give Immediate Notice to the Issuing and Paying Agent in advance thereof if there is an assignment by the Bank of its rights under the Credit Agreement or its obligations under the Letter of Credit pursuant to the Credit Agreement or upon receipt by the Issuing and Paying Agent of a Stop-Issuance Instruction or a Final Drawing Notice or the rescission of such an instruction or notice. Upon receipt of such notification, the Issuing and Paying Agent agrees to give Immediate Notice to the Dealer and to give written notice (by first-class, postage prepaid, mail) to the registered owners of the Notes of the assignment in advance thereof of the receipt or rescission of a Stop-Issuance Instruction or a Final Drawing Request.

13. **Modifications and Amendments.** This Agreement may be modified or amended from time to time and at any time, provided that such modification or amendment is in writing, is executed by the Authority and the Issuing and Paying Agent, and is approved in writing by the Bank, and provided further that no modification or amendment shall materially and adversely affect the rights of the registered owners of Notes outstanding.

14. **Termination.** This Agreement may be terminated at any time by either party upon not less than fifteen (15) days written notice to the other party and upon appointment of, and acceptance by, a successor Issuing and Paying Agent which must be a commercial bank with trust powers. If no successor has been appointed and accepts such appointment within 30 days, then the Issuing and Paying Agent have the right to petition a court of competent jurisdiction for the appointment of a successor issuing and paying agent hereunder. The Issuing and Paying Agent shall be reimbursed for any and all expenses in connection with any such petition and appointment. On the Business Day following the date of termination of this Agreement, the Issuing and Paying Agent shall (i) transfer the Letter of Credit to the successor issuing and paying agent, (ii) destroy all Notes in the Issuing and Paying Agent's possession, and (iii) transfer to the Authority all funds, if any, then on deposit in any account held under this Agreement. The Issuing and Paying Agent shall promptly notify the Authority of all Notes so destroyed.

15. **Fees.** The Authority and the Issuing and Paying Agent agree that the fees for the services of the Issuing and Paying Agent hereunder shall be as set mutually agreed upon as evidenced by a writing signed by a representative of the Issuing and Paying Agent and the Chief Financial Officer of the Authority. The Authority shall from time to time, subject to any agreement then in effect with the Issuing and Paying Agent, pay the Issuing and Paying Agent compensation for its services and reimburse the Issuing and Paying Agent for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counselor other experts employed by it in the observance and performance of its rights and obligations hereunder.

16. **Reliance on Representations.**

(a) The recitals of facts herein and in the Notes contained shall be taken as statements of the Authority, and the Issuing and Paying Agent assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Resolution or of the Notes or of any investment security, as to the sufficiency of the Net Revenues or the priority of the lien of the Resolution thereon, or as to the financial or technical

feasibility of any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein, in the Resolution or in the Notes assigned to or imposed upon it. The Issuing and Paying Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Notes and may join in any action which any Owner of a Note may be entitled to take, with like effect as if the Issuing and Paying Agent was not the Issuing and Paying Agent. The Issuing and Paying Agent may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(b) The Issuing and Paying Agent shall not be liable for any error of judgment made reasonably and in good faith by a responsible officer unless it shall be proved that the Issuing and Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provision of the Resolution or this Agreement shall require the Issuing and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction.

(d) The Issuing and Paying Agent shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in the Resolution, other than the covenants of the Authority to file with the Issuing and Paying Agent when due, such reports and certifications as the Authority is required to file with the Issuing and Paying Agent.

(e) No permissive power, right or remedy conferred upon the Issuing and Paying Agent hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(f) The Issuing and Paying Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Issuing and Paying Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Issuing and Paying Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(g) The Issuing and Paying Agent shall not be responsible for:

(i) the application or handling by the Authority of any Gross Revenues in accordance with the terms and conditions of the Resolution;

(ii) the application and handling by the Authority of any other fund or account designated to be held by the Authority under the Resolution; or

(iii) the construction, operation or maintenance of any portion of the Project by the Authority.

(h) The Issuing and Paying Agent may consult with counsel, who may be counsel to the Authority, with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

(i) Whenever in the observance or performance of its rights and obligations hereunder the Issuing and Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Authority, and such certificate shall be full warrant to the Issuing and Paying Agent for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Issuing and Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable, and the Issuing and Paying Agent shall not be responsible for any loss or damage resulting from any action or inaction taken or not taken, as the case may be, in good faith in reliance upon such certificate or other evidence; provided, however, that nothing in this subsection shall be construed to permit the Issuing and Paying Agent to delay drawing under the Letter of Credit at the times required by this Agreement and the Resolution.

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

18. **Liability.** Neither the Issuing and Paying Agent nor its agents shall be liable for any act or omission hereunder, except in the case of gross negligence or willful misconduct as described in Section 19 herein. The Issuing and Paying Agent's duties and obligations shall be determined by the express provisions of this Agreement and the Letter of Representations (including the documents referred to therein), and the Issuing and Paying Agent and its agents shall be responsible for the performance of only such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against the Issuing and Paying Agent or its agents. Neither the Issuing and Paying Agent nor its agents shall be required to ascertain whether any issuance or sale of Note(s) (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with any other agreement to which the Authority is a party (whether or not the Issuing and Paying Agent or any such agent is a party to such other agreement).

19. **Indemnity.** To the extent permitted by law, the Authority agrees to indemnify and hold the Issuing and Paying Agent, its employees and any and all of its officers and agents harmless from and against any and all losses, liabilities (including liabilities for penalties),

actions, suits, judgments, demands, damages, costs and expenses of any nature (including, without limitation, attorneys' fees and expenses) arising out of or resulting from this Agreement or the transactions or activities contemplated hereby or the exercise of its rights and/or the performance of its duties (or those of its agents and employees) hereunder; provided, however that the Authority shall not be liable to indemnify or pay the Issuing and Paying Agent or any of its officers or employees with respect to any loss, liability, action, suit, judgment, demand, damage, cost or expense that results from or is attributable to the Issuing and Paying Agent's gross negligence or willful misconduct or that of the Issuing and Paying Agent's officers or employees. The foregoing indemnity includes, but is not limited to, (a) any action taken or omitted to be taken by the Issuing and Paying Agent or any of its officers or employees upon written, telecopy, telephonic or other electronically transmitted instructions (authorized herein) received by the Issuing and Paying Agent from, or believed by the Issuing and Paying Agent in good faith to have been given by, the proper person or persons, (b) the Issuing and Paying Agent's improperly executing or failing to execute any instruction because of unclear instructions, failure of communications media or any other circumstances beyond the Issuing and Paying Agent's control, and (c) the actions or inactions of DTC. The provisions of this Section shall survive (i) the Issuing and Paying Agent's resignation or removal hereunder and (ii) the termination of this Agreement. In no event shall the Issuing and Paying Agent be liable for special, indirect or consequential damages.

20. **Governing Law.** This Agreement is delivered and performed in, and shall be construed and enforced in accordance with, the laws of the State of Nevada; provided, however, to the extent not prohibited by the laws of the State of New York, the duties of the Issuing and Paying Agent shall be construed and enforced under the laws of the State of New York. Any dispute hereunder, or any action to enforce the provisions hereof shall be brought in federal or State court in Washoe County, Nevada, and each party hereto hereby consents to the jurisdiction of those courts.

21. **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, including successors by merger, and assigns; provided, however, that neither party hereto may assign any of its rights or obligations hereunder except with the prior written consent of the other party hereto. Any successor to or assign of the Issuer and Paying Agent must be a commercial bank with trust powers.

22. **Benefit of Agreement.** This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

23. **Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

The following notice is being added to this Agreement at the request of the Issuing and Paying Agent:

**IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A
NEW ACCOUNT**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, we ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[The remainder of this page intentionally left blank.]

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

**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chairman

(SEAL)

Attest:

By: _____
Secretary

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

By: _____
Authorized Officer

REIMBURSEMENT AGREEMENT

Dated as of June 1, 2012

by and between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Relating to:

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

REIMBURSEMENT AGREEMENT

(This Table of Contents is not a part of this
Reimbursement Agreement and is only
for convenience of reference)

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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of June 1, 2012 (together with any amendments or supplements hereto, this "*Agreement*"), is made by and between the TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the "*Authority*"), and WELLS FARGO BANK, NATIONAL ASSOCIATION (the "*Bank*").

WITNESSETH:

WHEREAS, the Authority was duly organized and is operating in accordance with the provisions of the "Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks and County of Washoe," dated December 4, 2000, as amended and supplemented to date and as may be further amended and supplemented in accordance with the terms hereof and thereof (the "*TMWA Cooperative Agreement*") entered into pursuant to the provisions of Nevada Revised Statutes ("*NRS*") 277.080 to 277.180, inclusive, as amended (the "*Authority Act*"); and

WHEREAS, the Board of Directors (the "*Board*") of the Authority, in Washoe County, Nevada (the "*County*" and the "*State*" respectively) has the authority to issue revenue bonds, notes and other obligations and incur liabilities for the purpose of acquiring, constructing, improving and equipping capital projects in accordance with the TMWA Cooperative Agreement and the Authority's capital improvement plan (the "*Project*"); and

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

WHEREAS, pursuant to the Local Government Securities Law and all laws amendatory thereof (the "*Bond Act*"), cited as NRS 350.500 through 350.720, and all laws supplemental thereto, the Authority has the power to issue its revenue commercial paper notes, which constitute special obligations of the Authority; and

WHEREAS, the Board has authorized the issuance of the Authority's Water Revenue Commercial Paper Notes, Series 2006B (the "*Commercial Paper Notes*") and the Authority's Water Revenue Commercial Paper Notes, Series 2006A (the "*2006A Commercial Paper Notes*") pursuant to the terms of that certain 2006 Commercial Paper Resolution adopted by the Authority on July 19, 2006, as amended (the "*Resolution*"), in an aggregate principal amount not to exceed \$160,000,000; and

WHEREAS, in order to accomplish the issuance, sale and delivery from time to time of the Commercial Paper Notes, (i) the Authority and U.S. Bank National Association, as issuing and paying agent (the "*Issuing and Paying Agent*") entered into that certain 2006B Issuing and Paying Agent Agreement, dated as of August 1, 2006, as amended, supplemented or amended and restated from time to time in accordance with the terms hereof and thereof (the "*Issuing and Paying Agent Agreement*"), and (ii) the Authority and Goldman Sachs & Co. (the "*Dealer*") entered into that certain Series 2006B Dealer Agreement dated as of August 1, 2006, as

amended, supplemented or amended and restated from time to time in accordance with the terms hereof and thereof (the “*Dealer Agreement*”) by and between the Authority and the Dealer.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Authority and the Bank agree as follows:

**ARTICLE I
DEFINITIONS**

Section 1.1. Definitions. As used in this Agreement:

“*Additional Debt*” - means Authority Debt payable from the Net Revenues.

“*Advance*” - has the meaning set forth in Section 2.3(a) hereof.

“*Agreement*” - has the meaning set forth in the introductory paragraph hereof.

“*Alternate Facility*” - has the meaning set forth in the Resolution.

“*Amortization Period*” has the meaning set forth in Section 2.3(a) hereof.

“*Authority*” - has the meaning set forth in the introductory paragraph hereof.

“*Authority Act*” - has the meaning set forth in the recitals hereof.

“*Authority Debt*” - means with respect to the Authority, all Debt payable from or secured by a lien on the Net Revenues that would be classified as a liability in accordance with generally accepted accounting principles.

“*Authorized Representative*” - has the meaning set forth in the Resolution.

“*Bank*” - has the meaning set forth in the introductory paragraph hereof.

“*Bank Note*” - has the meaning set forth in Section 2.3(d) hereof.

“*Bank Rate*” - means the rate of interest per annum with respect to any Advance (a) for any day commencing on the date such Advance is made up to and including the ninetieth (90th) day next succeeding the date such Advance is made, equal to the Base Rate from time to time in effect, (b) for any day commencing on or after the ninety-first (91st) day next succeeding the date such Advance is made up to and including the one hundred eightieth (180th) day next succeeding the date such Advance is made, equal to the sum of the Base Rate from time to time in effect *plus* one percent (1.00%) and (c) for any day commencing on or after the one hundred eighty-first (181st) day next succeeding the date such Advance is made, equal to the sum of the Base Rate from time to time in effect *plus* two percent (2.00%); *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Bank

Rate” shall mean the Default Rate; and *provided further* that, at no time shall the Bank Rate be less than the highest rate of interest on any outstanding Commercial Paper Notes.

“*Base Rate*” - means, for any day, the highest of (a) the Prime Rate plus one and one-half of one percent (1.50%), (b) the Federal Funds Rate *plus* two percent (2.00%) per annum and (c) seven percent and one-half of one percent (7.50%) per annum.

“*Board*” - has the meaning set forth in the recitals hereof.

“*Bond Act*” - has the meaning set forth in the recitals hereof.

“*Bond Counsel*” - means Swendseid & Stern, a member in Sherman & Howard L.L.C. or another nationally recognized Bond Counsel selected by the Authority.

“*Bond Requirements*” - has the meaning set forth in the Bond Resolution.

“*Bond Resolution*” - means, collectively, the resolutions of the Board authorizing the Outstanding Bonds and each series of bonds hereafter issued with a lien on the Net Revenues on a parity with any of the Outstanding Bonds.

“*Business Day*” - means any day other than (a) a Saturday, Sunday, or other day on which commercial banks located in the States of New York or Nevada are authorized or required by law or executive order to close, (b) a day on which the New York Stock Exchange is closed, (c) a day on which commercial banks are authorized or required by law or executive order to be closed in the city in which Drawings under the Letter of Credit are to be presented.

“*Closing Date*” - means June 8, 2012, which, subject to the satisfaction of the conditions precedent set forth in Section 3.1 hereof, is the date on which the Letter of Credit shall be issued by the Bank.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or any successor provision or provisions in that Code or any successor Federal tax code, and any regulations (including final, temporary and proposed regulations) under any such provision.

“*Commercial Paper Notes*” - has the meaning set forth in the recitals hereof.

“*Commercial Paper Program*” - means the issuance from time to time of the Commercial Paper Notes pursuant to the Resolution.

“*Comparable Bond Year*” - has the meaning set forth in the Bond Resolution.

“*Controlled Group*” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Authority, or any subsidiary or affiliate, are treated as a single employer under Section 414 of the Code.

“*County*” - has the meaning set forth in the recitals hereof.

“*Dealer*” - has the meaning set forth in the recitals hereof.

“*Dealer Agreement*” - has the meaning set forth in the recitals hereof.

“*Debt*” - means, with respect to the Authority, at any date and without duplication, (i) all obligations of the Authority for borrowed money, and all obligations of the Authority evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (ii) all direct or contingent obligations of the Authority arising under letters of credit, bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (iii) capital lease obligations, (iv) all obligations of the Authority to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered and other personnel expenses), (v) all indebtedness of others secured by a lien on any asset of the Authority, whether or not such indebtedness is assumed by the Authority, (vi) all indebtedness of others guaranteed by, or secured by any of the revenues or assets of, the Authority and (vii) payment obligations of the Authority under any Swap Contract.

“*Default*” - means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“*Default Rate*” - means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect *plus* three percent (3.00%).

“*Drawing*” - has the meaning set forth in the Letter of Credit.

“*Drinking Water State Revolving Fund Loans*” - means (i) the Truckee Meadows Water Authority, Water Revenue Bond, Series 2005, (ii) Truckee Meadows Water Authority, Water Revenue Bonds, Series 2009A and (iii) Truckee Meadows Water Authority, Water Revenue Bonds, Series 2010A, and each similar loan, series of bonds or other obligation hereafter issued under or pursuant to the Nevada Drinking Water State Revolving Fund with a lien on the Net Revenue on a party with any of the bonds referenced in this definition.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules and regulations from time to time promulgated thereunder, or any successor statute.

“*Event of Default*” - has the meaning set forth in Section 6.1 hereof.

“*Existing Letter of Credit*” - means the Amended and Restated Irrevocable Transferable Direct-Pay Letter of Credit dated May 21, 2010 issued by Lloyds TSB Bank plc, acting through its New York Branch pursuant to the Existing Reimbursement Agreement in support of the Commercial Paper Notes and the Series 2006A Commercial Paper Notes.

“Existing Reimbursement Agreement” - means that certain Amended and Restated Reimbursement Agreement dated as of May 1, 2010, by and between the Authority and Lloyd’s TSB Bank plc, acting through its New York Branch.

“Federal Funds Rate” - means for any day the rate of interest per annum as determined by the Bank at which overnight Federal Funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the Authority on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be deemed conclusive and binding on the Authority absent manifest error.

“Fee Letter” means that certain Fee Letter, dated the Closing Date, between the Authority and the Bank, as the same may be amended, modified or supplemented from time to time by written instrument executed by the Bank and the Authority, the terms of which are incorporated herein by reference.

“Final Drawing Notice” has the meaning set forth in the Letter of Credit.

“Fiscal Year” - means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period designated by the Authority as its fiscal year.

“Fitch” - means Fitch, Inc., and its successors and assigns.

“GAAP” - means generally accepted accounting principles in the United States as in effect from time to time, applied by the Authority on a basis consistent with the Authority’s most recent financial statements furnished to the Bank pursuant to Section 3.1(viii) hereof.

“Governmental Authority” means any national, supranational, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasigovernmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, department, commission, bureau, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“Gross Revenues” - has the meaning set forth in the Bond Resolution.

“Issuing and Paying Agent” - has the meaning set forth in the recitals hereof.

“Issuing and Paying Agent Agreement” - has the meaning set forth in the recitals hereof.

“Letter of Credit” - means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the Authority in favor of the Issuing and Paying Agent supporting the Commercial Paper Notes, in the form of Appendix I hereto with appropriate insertions.

“Letter of Credit Expiration Date” - means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire, as the same may be extended pursuant to the terms thereof. The initial Letter of Credit Expiration Date is June 6, 2014.

“Letter of Credit Fees” - has the meaning set forth in the Fee Letter.

“Lien” - on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“Material Adverse Effect” - means the occurrence of any event or change which results in a material and adverse change in the business, condition (financial or otherwise) or operations of the Authority or which materially and adversely affects (a) the enforceability of this Agreement, the Bank Note, the Fee Letter or any of the other Related Documents, (b) the ability of the Authority to perform its obligations hereunder or thereunder or (c) the rights, security, interest or remedies available to the Bank under this Agreement or the other Related Documents.

“Maximum Commercial Paper Interest Rate” - means the maximum tax-exempt rate on the Commercial Paper Notes as provided in the Resolution. As of the Closing Date, the maximum tax-exempt rate on the Commercial Paper Notes is twelve (12%) per annum.

“Maximum Rate” - means the lesser of (i) the maximum non-usurious lawful rate of interest permitted by applicable law and (ii) 25% per annum.

“Moody’s” - means Moody’s Investors Service, Inc., and its successors and assigns.

“Net Revenues” - has the meaning set forth in the Resolution.

“Notes” - means the Commercial Paper Notes and the Bank Note.

“NRS”- means the Nevada Revised Statutes.

“Obligations” - means the Reimbursement Obligations (which includes amounts owing to the Bank evidenced by the Bank Note), the Letter of Credit Fees, the obligations of the Authority to pay all fees, charges and expenses payable hereunder, under the Fee Letter and under the Bank Note, and all other payment obligations of the Authority owed to the Bank arising under or in relation to this Agreement, the Fee Letter and the Bank Note.

“Offering Memorandum” - means the Offering Memorandum dated _____, 2012, relating to the Commercial Paper Notes, and any supplements and amendments thereto.

“Operation and Maintenance Expenses” - has the meaning set forth in the Bond Resolution.

“Original Stated Amount” - has the meaning set forth in Section 2.1 hereof.

“Other Debt Document” has the meaning set forth in Section 5.1(k) hereof.

“Other Taxes” - has the meaning set forth in Section 2.13(a) hereof.

“Outstanding Bonds” - means the Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2006 the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2007, the Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2010 and each series of bonds hereafter issued with a lien on the Net Revenues on a parity with any of such bonds.

“Parity Debt” - has the meaning set forth in the Resolution.

“Participant” - has the meaning set forth in Section 7.3(b) hereof.

“Payment Office” - means Wells Fargo Bank, National Association, at ABA #121000248 Account # _____ Ref: Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B, Letter of Credit Number _____, or such other office as the Bank may designate from time to time.

“Person” - means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“Plan” -- means, with respect to the Authority and each subsidiary at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group of which the Authority or such subsidiary is a part, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group of which the Authority or such subsidiary is a part is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“Prime Rate” - means the rate of interest announced by the Bank from time to time as its prime commercial rate or equivalent in the United States, as in effect on such day for United States dollar loans, with any change in the Prime Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate. The Prime Rate is a reference rate only, and the Bank may make loans from time to time at interest rates above, equal to or below the Prime Rate.

“Project” - has the meaning set forth in the recitals hereof.

“Public Offering” - means an offering of securities through an underwriter to the general public.

“Qualified Surety Bond” - has the meaning set forth in the Bond Resolution.

“Rating Agencies” - means Fitch, Moody’s and S&P.

“Reduction Fee” - has the meaning set forth in the Fee Letter.

“Refunding” - has the meaning set forth in the Resolution.

“Reimbursement Obligations” - means any and all obligations of the Authority to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Advance, including in each instance all interest accrued thereon (which obligations are evidenced and secured by the Bank Note).

“Related Documents” - means this Agreement, the Letter of Credit, the Bank Note, the Dealer Agreement, the Bond Resolution, the Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Resolution and any documents related thereto.

“Resolution” - has the meaning set forth in the recitals hereof.

“Senior Lien Obligations” - has the meaning set forth in the Resolution.

“Series 2006A - Commercial Paper Notes” - has the meaning set forth in the recitals hereof.

“S&P” - means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and assigns.

“State” - means the State of Nevada.

“Stated Amount” - means, (i) as of the Closing Date, \$43,550,685, of which \$40,000,000 may be drawn to pay the principal of the Commercial Paper Notes, and of which \$3,550,685 may be drawn to pay interest due on the Commercial Paper Notes, computed at a rate of 12% per annum, calculated on the basis of a year of 365 days, for a period of 270 days, and (ii) for any day thereafter, the maximum amount which by the terms of the Letter of Credit is available to be drawn under the Letter of Credit as of such date.

“Stop-Issuance Instruction” - means the written instruction, in the form attached hereto as Exhibit A, given by the Bank to the Authority and the Issuing and Paying Agent pursuant to Section 6.2(b) hereof.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or

bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Taxes*” - has the meaning set forth in Section 2.13(a) hereof.

“*Termination Fee*” - has the meaning set forth in the Fee Letter.

“*Term Loan Commencement Date*” - means, subject to the satisfaction of the conditions precedent set forth in Section 3.2 hereof, the earlier to occur of (i) the Letter of Credit Expiration Date and (ii) in respect of an Advance, the one hundred eighty-first (181st) day following the date on which the Bank made such Advance to the Authority.

“*Termination Date*” - has the meaning set forth in the Letter of Credit.

“*TMWA Cooperative Agreement*” - has the meaning set forth in the recitals hereof.

“*TMWA Water System*” - has the meaning set forth in the Resolution.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Resolution or the Issuing and Paying Agent Agreement, as applicable. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE II LETTER OF CREDIT

Section 2.1. Issuance of Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of \$43,550,685 (the “*Original Stated Amount*”), which is the sum of (i) the total aggregate principal amount of \$40,000,000, which may be drawn to pay the principal of the Commercial Paper Notes, plus (ii) interest thereon at the rate of twelve percent (12%) per annum for a period of two hundred

seventy (270) days on the basis of a 365 day year (\$3,550,685), which may be drawn to pay the interest due on the Commercial Paper Notes.

Section 2.2. Letter of Credit Drawings. The Issuing and Paying Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. The Authority hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Authority hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.3. Reimbursement of Certain Drawings Under the Letter of Credit; Mandatory Prepayment; Interest. (a) If the conditions precedent contained in Section 3.2 hereof are satisfied at the time of payment by the Bank of any Drawing, each Drawing made under the Letter of Credit shall constitute an advance (“*Advance*”) to the Authority. The Authority promises to reimburse the Bank for each Advance on the earliest to occur of (i) the date on which the Letter of Credit is replaced by an Alternate Facility pursuant to the terms of the Resolution, (ii) if the conditions precedent set forth in Section 3.2 hereof are not satisfied on the related Term Loan Commencement Date, on such Term Loan Commencement Date, (iii) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Letter of Credit Expiration Date), including as a result of the occurrence of an Event of Default and (iv) the end of the term of the Commercial Paper Program in respect of the Commercial Paper Notes as determined in accordance with the Resolution. Subject to Section 2.10 hereof, the Authority also promises to pay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect which shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first such date to occur after the making of the related Advance), and on the date that the final principal installment of such Advance is payable as herein provided. Unless otherwise paid in full on one of the dates provided above, and if the conditions precedent set forth in Section 3.2 heretofore are satisfied on the Term Loan Commencement Date, the principal amount of each Advance shall be payable by the Authority in semi-annual installments (“*Semi-Annual Principal Payments*”) commencing on the Term Loan Commencement Date, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance being due and payable on the third anniversary of the date of the related Advance was made (the period commencing on the date the first principal installment is initially payable and ending on the date that the final principal installment of such Advance is payable as herein provided is herein referred to as the “*Amortization Period*”). Each Semi-Annual Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Semi-Annual Principal Payments over the applicable Amortization Period.

(b) Any Advance may be prepaid in whole or in part on the day such Advance is made. Any Advance created pursuant to paragraph (a) above may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day’s prior written notice.

(c) Upon the Bank’s receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment.

(d) All Reimbursement Obligations shall be made against and evidenced by the Authority's promissory note payable to the order of the Bank in the principal amount of such Reimbursement Obligations, such note to be executed and delivered to the Bank on the Closing Date in the form of Exhibit B attached hereto with appropriate insertions (the "*Bank Note*"). All Reimbursement Obligations incurred by the Authority and all payments and prepayments on the account of the principal of and interest on each Reimbursement Obligation shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by the Authority hereunder and under the Bank Note. The Bank may, but shall not be required to, complete the schedule attached to its Bank Note to reflect the making and status of Drawings and Advances thereunder, *provided* that the failure to make or any error in making any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of the Authority to repay any Reimbursement Obligations. The Authority shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.3 and 2.4 hereof.

Section 2.4. Reimbursement of Drawings Other Than Drawings Creating Advances Under the Letter of Credit. The Authority agrees to reimburse the Bank for the full amount of any Drawing (but only if the conditions precedent contained in Section 3.2 hereof are not satisfied on the date of payment by the Bank of such Drawing) immediately upon payment by the Bank of each such Drawing and on the date of each such payment. If the Authority does not make such reimbursement on such date, such Reimbursement Obligation shall bear interest at the Default Rate and shall be payable on demand.

Section 2.5. Fees. The Authority hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees, expenses and other amounts provided for therein, at the times and in the amounts set forth in the Fee Letter. Without limiting the generality of the foregoing, in the event that the Letter of Credit is terminated or the Stated Amount is reduced and is not subject to reinstatement, the Authority shall pay to the Bank the Termination Fee and/or Reduction Fee, if any, at the times and in the amounts set forth in and as required by the Fee Letter. The terms and provisions of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All references to amounts or obligations due hereunder or in this Agreement shall be deemed to include all amounts and obligations (including without limitation fees and expenses) under the Fee Letter. All fees paid under this Agreement and the Fee Letter shall be fully earned when due and nonrefundable when paid.

Section 2.6. Method of Payment; Etc. All payments to be made by the Authority under this Agreement shall be made at the Payment Office of the Bank not later than 3:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. Any payment received by the Bank after 3:00 p.m., New York City time, shall be deemed to have been received by the Bank on the next Business Day.

Section 2.7. Substitute Letter of Credit; Reduction of Stated Amount. (a) The Authority agrees not to replace or terminate the Letter of Credit except upon (i) the payment by the Authority to the Bank of any and all fees associated therewith as set forth in the Fee Letter, (ii)

the payment to the Bank of all fees, expenses and other amounts due and owing hereunder and under the Fee Letter to and including the date of termination of the Letter of Credit, (iii) the payment to the Bank of all Reimbursement Obligations (including, without limitation any unpaid Drawings or outstanding Advances) and (iv) the Authority providing the Bank with thirty (30) days' prior written notice of its intent to replace or terminate the Letter of Credit; *provided* that all payments to the Bank referred to in clauses (i), (ii) and (iii) above shall be made with immediately available funds.

(b) *Reduction Fees.* Notwithstanding the foregoing and anything set forth herein to the contrary, the Authority agrees not to permanently reduce the Original Stated Amount of the Letter of Credit except in accordance with the terms of the Related Documents and upon the payment of any and all fees associated therewith as set forth in the Fee Letter.

Section 2.8. Computation of Interest and Fees. Fees payable hereunder and under the Fee Letter shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of interest payable by the Authority under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 2.9. Payment Due on Non-Business Day To Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.10. Late Payments. If the principal amount of any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate.

Section 2.11. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.12. Extension of Letter of Credit Expiration Date. If the Authority on any date not more than one hundred fifty (150) days prior to the Letter of Credit Expiration Date, submits to the Bank a written request for an extension of the Letter of Credit Expiration Date for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within forty-five (45) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank. If such an extension request is accepted by the Bank in its absolute discretion, the then current Letter of Credit Expiration Date shall be extended to the date agreed to by the Authority and the Bank.

Section 2.13. Net of Taxes, Etc.

(a) *Taxes.* Any and all payments to the Bank by the Authority hereunder or under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, including taxes imposed on or measured by the net income or capital of the Bank by the State with respect to any State income taxes solely as a result of the Bank issuing the Letter of Credit or executing and delivering this Agreement, but excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the Authority shall be required by law to withhold or deduct any Taxes from or in respect of any sum payable hereunder or under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Authority shall make any payment under this Section 2.13 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Authority an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Authority with respect to such Taxes. In addition, the Authority agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America, the State of New York, the State or any other taxing jurisdiction from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement or the Fee Letter or the issuance of the Letter of Credit (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the Authority within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by the Authority to the Bank hereunder; *provided* that the Bank's failure to send such notice shall not relieve the Authority of its obligation to pay such amounts hereunder.

(b) *Indemnity.* The Authority shall, to the fullest extent permitted by law and subject to the provisions hereof, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that the Authority shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the Authority of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided* that the Bank's failure to notify the Authority promptly of such assertion shall not relieve the Authority of its obligation under this

Section 2.13. Payments by the Authority pursuant to this indemnification shall be made within 60 days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the Authority any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Authority pursuant to this Section 2.13 received by the Bank for Taxes or Other Taxes that were paid by the Authority pursuant to this Section 2.13. Additionally, the Bank agrees to consider any written request (and, to respond to such written request in writing within fifteen (15) days of the date of receipt of such written request) from the Authority to contest, with the cooperation and at the expense of the Authority, any such Taxes or Other Taxes which the Bank or the Authority reasonably believes not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the Authority, the Authority shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) *Bank Representation.* The Bank does not expect to be subject to any Taxes or Other Taxes, directly or indirectly, imposed, assessed, levied or collected by or for the account of any Governmental Authority as a result of the execution or delivery of this Agreement or the issuance of the Letter of Credit.

(e) *Survival of Obligations.* The obligations of the Authority under this Section 2.13 shall survive the termination of this Agreement.

Section 2.14. Increased Costs. (a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), regardless of the date enacted, adopted or issued, or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall (i) change the basis of taxation of payments to the Bank of any amounts payable hereunder or under the Fee Letter (except for taxes on the overall net income of the Bank or such Participant), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or the Letter of Credit or assets held by, or deposit with or for the account of, the Bank or such Participant or (iii) impose on the Bank or such Participant any other condition regarding this Agreement or the Letter of Credit, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank of making or maintaining its obligations hereunder or maintaining the Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank or

such Participant hereunder or under the Fee Letter, then, the Authority shall pay to the Bank or such Participant, at such time and in such amount as is set forth in paragraph (c) of this Section 2.14, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or such Participant allocates capital resources to its commitments, including its obligations under lines of credit) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the Bank's or such Participant's policies with respect to capital adequacy) then, the Authority shall pay to the Bank or such Participant, at such time and in such amount as is set forth in Section 2.14(c), such additional amount or amounts as will compensate the Bank or such Participant for such cost of maintaining such increased capital or such reduction the rate of return on the Bank's or such Participant's capital.

(c) All payments of amounts referred to in Section 2.14(a) and (b) shall be due sixty (60) days following the Authority's receipt of written notice thereof. Interest on the sums due as described in Section 2.14(a) and (b), and in the preceding sentence, shall begin to accrue from the date which is 60 days following the Authority's receipt of notice thereof and shall otherwise be payable in accordance with Section 2.6 hereof; *provided*, that from and after the required date of payment, interest shall begin to accrue on such obligations at a rate per annum equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in Section 2.14(a) or (b) setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Authority and shall be deemed *prima facie* correct as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate.

(d) Notwithstanding anything contained in paragraphs (a), (b) or (c) of this Section 2.14, the Authority shall have no liability to the Bank for any increased costs, increased capital or reduction in rate of return to the extent incurred by or imposed on the Bank more than one hundred eighty (180) days prior to the date the above-described written notice is given to the Authority with respect thereto (the “*Cut-Off Date*”), except where (A) the Bank had no actual knowledge of the action resulting in such increased costs, increased capital or reduction in rate of return, as applicable, as of the Cut-Off Date or (B) such increased costs, increased capital or reduction in rate of return apply to the Bank retroactively to a date prior to the Cut-Off Date.

(e) No participant or other transferee of the Bank’s rights shall be entitled to receive any greater payment under this section than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Authority’s prior written consent.

Section 2.15. Reserved.

Section 2.16. Maximum Rate; Payment of Fee. If the rate of interest payable hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof and (ii) the Maximum Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the Authority shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the date all Obligations are payable hereunder following the termination of the Letter of Credit, in consideration for the limitation of the rate of interest otherwise payable hereunder, the Authority shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 2.17. Commercial Paper Notes Operations.

(a) *Issuance Generally.* The Authority will permit Commercial Paper Notes to be issued, and authorize the Issuing and Paying Agent to issue Commercial Paper Notes, only in accordance with the terms of the Resolution and this Agreement.

(b) *Stop-Issuance Instructions; Final Drawing Notice.* Commercial Paper Notes may be issued from time to time prior to the Letter of Credit Expiration Date in accordance herewith and with the Resolution so long as (i) the Issuing and Paying Agent is not in receipt of a Stop-Issuance Instruction, and not rescinded and (ii) the Issuing and Paying Agent is not in receipt of the Final Drawing Notice. The Bank may deliver a Stop-Issuance Instruction or a Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. A Stop-Issuance Instruction or the Final Drawing Notice shall be effective when received by the Issuing and Paying Agent; *provided, however*, that a Stop-Issuance Instruction or the Final Drawing Notice received by the Issuing and Paying Agent after 11:00 A.M. New York time, on any day

on which Commercial Paper Notes are being issued shall be effective on the next succeeding day. A Stop-Issuance Instruction or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Stop-Issuance Instruction or the Final Drawing Notice in writing shall not render such Stop-Issuance Instruction or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Stop-Issuance Instruction or the Final Drawing Notice to the Authority and the Dealer promptly following delivery thereof to the Issuing and Paying Agent, but the failure to furnish any such copy shall not render ineffective such Stop-Issuance Instruction or the Final Drawing Notice.

ARTICLE III CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to Issuance of the Letter of Credit. As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the Authority shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank's counsel, Chapman and Cutler LLP (hereinafter, "*Bank's Counsel*"):

(i) *Approvals.* The Bank shall have received a counterpart of this Agreement and the Fee Letter duly executed by the Authority and the Bank and copies of all action taken by the Authority approving the execution and delivery by the Authority of this Agreement, the Fee Letter and the Bank Note, in each case, certified by an authorized official of the Authority as complete and correct as of the date hereof.

(ii) *Incumbency of Authority Officials.* The Bank shall have received an incumbency certificate of the Authority in respect of each of the officials who is authorized to (i) sign this Agreement, the Fee Letter and the Bank Note on behalf of the Authority and (ii) take actions for the Authority under this Agreement, the Bank Note and the other Related Documents with respect to the Commercial Paper Notes.

(iii) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date to the effect that (A) this Agreement, the Fee Letter and the Bank Note shall have been duly authorized, executed and delivered by the Authority and are the valid and binding obligations of the Authority enforceable in accordance with their terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the Authority and equitable principles relating to or affecting creditors' rights generally from time to time, (B) the execution and delivery by the Authority of this Agreement, the Fee Letter and the Bank Note does not violate the constitution or laws of the State; (C) the Board on behalf of the Authority has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery, and performance by the Authority of this Agreement, the Fee Letter and the Bank Note and (D) the lien on the Net Revenues securing the Obligations is a legal valid, binding and irrevocable lien in favor of the Bank on a parity with the lien thereon for the benefit of the Commercial Paper Notes, the Series 2006A Commercial Paper Notes and the Parity Debt and any

additional commercial paper notes and Parity Debt hereafter issued, and subject to the lien thereon for the benefit of the Senior Lien Obligations and any additional Senior Lien Obligations hereafter issued.

(iv) *Bank Note.* The Bank shall have received an executed Bank Note payable to the Bank.

(v) *Issuing and Paying Agent; Dealers.* The Dealers and the Issuing and Paying Agent shall have been appointed. The Bank shall have received certified copies of the Issuing and Paying Agent Agreement and the Dealer Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect.

(vi) *Resolution.* The Bank shall have received a certified copy of the Resolution including any amendments or supplements thereto, if any, which have been adopted as of the Closing Date, authorizing the issuance of the Commercial Paper Notes, all certified by the Secretary of the Board as being in full force and effect.

(vii) *No Default, Etc.* (A) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the Authority of this Agreement and the Bank Note, (B) the representations and warranties made by the Authority in Articles IV hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date (except to the extent the same expressly relate to an earlier date), (C) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2011, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect, (D) no material litigation is ongoing with respect to the Authority or any of its property which would be reasonably likely to result in a Material Adverse Effect and (E) the Bank shall have received a certificate, given and made as of the Closing Date, from the Authority to the foregoing effect.

(viii) *Financial Information.* The Bank shall have received copies of (A) the Authority's audited financial statements, for the Fiscal Year ended June 30, 2011; and (B) the investment policy of the Authority.

(ix) *Legality; Material Adverse Change.* The Bank shall have determined (in its sole discretion) that (A) neither the making of any Drawings or Advances nor the consummation of any of the transactions contemplated by the Resolution, the Commercial Paper Notes, the Bank Note or this Agreement will violate any law, rule, guideline or regulation applicable to the Authority, the Bank or this Agreement and (B) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2011, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect.

(x) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses referred to in Section 7.6 hereof.

(xi) *Bank Note.* The Bank shall have received written evidence satisfactory to the Bank that (a) a CUSIP number has been obtained and reserved from Standard & Poor's CUSIP Service for the Bank Note and (b) the Bank Note shall have been assigned a rating of at least "BBB-" by Fitch.

(xii) *Ratings of Notes.* The Bank shall have received written evidence satisfactory to the Bank that the Commercial Paper Notes have been assigned at least two of the following short-term debt ratings: "A-1+" by S&P, "VMIG1" by Moody's or "F1+" by Fitch.

(xiii) *Existing Facility.* The Bank shall have received satisfactory evidence that the Existing Letter of Credit shall have been cancelled and that all obligations owed under the Existing Reimbursement Agreement shall have been paid in full.

(xiv) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or the Bank's Counsel shall have reasonably requested.

Section 3.2. Conditions Precedent to Advances. Following any payment by the Bank under the Letter of Credit pursuant to a Drawing, an Advance shall be made available to the Authority *only if* on the date of payment of such Drawing by the Bank (a) the representations and warranties contained in Article IV of this Agreement are true and correct in all material respects as of such date (except to the extent that they expressly relate to an earlier date); and (b) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the Authority shall have previously advised the Bank in writing that the above statements are no longer true, the Authority shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement, the Authority represents and warrants to the Bank as follows:

Section 4.1. Organization, Powers, Etc. The Authority: (i) is validly organized and existing under and by virtue of the laws of the State of Nevada, (ii) has full power and authority to own its properties and carry on its business as now conducted, (iii) has or had, as applicable, full power and authority to execute (or adopt, if applicable), deliver and perform its obligations under this Agreement and the Related Documents, to borrow hereunder and to execute, deliver and perform its obligations under the Commercial Paper Notes and (iv) has or had, as applicable,

full power and authority to grant the lien and pledge of the Net Revenues securing the Obligations in favor of the Bank.

Section 4.2. Authorization, Absence of Conflicts, Etc. The execution (or adoption, if applicable), delivery and performance of this Agreement and the Related Documents and the execution, delivery and performance of the Commercial Paper Notes: (i) have or had, as applicable, been duly authorized by the Authority, (ii) did not, do not and will not, to any material extent, conflict with, or result in violation of any applicable provision of law, including the Authority Act, or any order, rule or regulation of any court or other agency of government, and (iii) did not, do not and will not, to any material extent, conflict with, result in a violation of or constitute a default under, the Resolution or any other resolution, agreement or instrument to which the Authority is a party or by which the Authority or any of its property is bound.

Section 4.3. Governmental Consent or Approval. The execution, delivery and performance of this Agreement and the Related Documents and the execution, delivery and performance of the Commercial Paper Notes did not, do not and will not require registration with, or the consent or approval of, or any other action by, any Federal, state or other governmental authority or regulatory body other than those which have been made or given and are in full force and effect; provided that no representation is made as to any blue sky or securities law of any jurisdiction.

Section 4.4. Binding Obligations. This Agreement and the Related Documents are, and the Commercial Paper Notes, when executed and delivered, will be, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against the Authority.

Section 4.5. No Public Vote or Referendum. To the best knowledge of the Authority, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way have a Material Adverse Effect.

Section 4.6. No Defaults. The Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in the Resolution or any other resolution, agreement or instrument to which it is a party which would have a Material Adverse Effect on the ability of the Authority to perform its obligations hereunder or under the Related Documents or which would materially adversely affect the enforceability hereof.

Section 4.7. Litigation. There is no action or investigation pending or, to the knowledge of the Authority, threatened against the Authority before any court or administrative agency which questions the validity of the Authority Act, the Bond Act, or the validity of any proceeding taken by the Authority in connection with the execution and delivery of this Agreement, the Related Documents, or the Commercial Paper Notes or wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of this Agreement, the Related Documents or the Commercial Paper Notes. There is no action pending or to the knowledge of the Authority, threatened, which questions the validity of the Authority

Act or the Net Revenues nor is there any pending initiative or referendum qualified for the ballot which would seek to amend, annul, modify or replace the Authority Act or to diminish or reallocate the Net Revenues.

Section 4.8. Financial Condition. All of the Authority's financial statements to date and all financial statements relating to the Gross Revenues to date, copies of which have been furnished to the Bank, have been prepared in conformity with generally accepted accounting principles (except as noted therein). All of such financial statements accurately present, in all material respects, the financial condition of the Authority, including the Net Revenues as of the dates thereof, and other than as disclosed to the Bank, there has been no material adverse change in the business or affairs of the Authority or of the Net Revenues since the date the last such report was so furnished.

Section 4.9. Incorporation of Representations and Warranties by Reference. The Authority hereby makes to the Bank the same representations and warranties made by the Authority in each Related Document to which the Authority is a party, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. Except as permitted by Section 5.2(c) hereof, no amendment to such representations and warranties or defined terms made pursuant to any Related Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

Section 4.10. Environmental Matters. To the best knowledge of the Authority, the operations of the Authority are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action would have a Material Adverse Effect.

Section 4.11. Authority for Issuance; Interest Rate Limitation. The Authority has entered into this Agreement so that the Letter of Credit will provide credit enhancement with respect to the Commercial Paper Notes and under the authority provided by the Authority Act and the Bond Act. Pursuant to NRS 350.5835, the interest rates payable under this Agreement are limited only by the terms specified in this Agreement.

Section 4.12. Security. This Agreement and the Resolution create for the benefit of the Bank with respect to the Authority's obligations owed to the Bank hereunder (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate owed on any Advances) the legally valid, binding and irrevocable lien on and pledge of (a) the proceeds of all obligations issued by the Authority to refund any outstanding Advances and (b) Net Revenues, without any further filing, registering, recording, publication or other action, subject to the provisions of the Resolution, with an equal priority lien on such moneys with the holders of the Commercial Paper Notes and Parity Debt, subject to any applicable bankruptcy,

insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against the Authority. Except as provided in Section 5.2(d) hereof, nothing herein shall limit the right of the Authority to issue additional Senior Lien Obligations, Parity Debt, Drinking Water State Revolving Fund Loans or obligations junior to the Notes and Parity Debt.

Section 4.13. Offering Memoranda. (a) The information contained in any offering memorandum or commercial paper memorandum furnished to prospective purchasers of the Commercial Paper Notes as of the Closing Date and as of date on which it is furnished to prospective purchasers of the Commercial Paper Notes (excluding information provided by the Bank, the Dealers and the Depository Trust Company as to which no representation is made) did not or will not contain any untrue statement of a material fact or fail to include any statement of a material fact concerning the Authority necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of the Closing Date, the Bank acknowledged that the limited information regarding the Authority in the Offering Memorandum was not intended by the Authority to represent all pertinent information regarding the Authority's creditworthiness or its ability to reimburse the Bank for amounts due under this Agreement. The Bank acknowledges that: (i) it had and has performed its own financial analysis with regard to the Authority and its ability to reimburse the Bank for amounts due under this Agreement, and (ii) it had not and has not relied upon the information contained in the Offering Memorandum in evaluating the creditworthiness of the Authority in connection with its decision to issue the Letter of Credit; *provided, however*, that to the extent that the Bank has relied on certain information provided to them by the Authority that is also contained in the Offering Memorandum, nothing contained herein shall limit any action that the Bank might have against the Authority with respect to such information.

(b) The Bank hereby covenants to provide the Authority updated, disclosure information for inclusion in periodically updated offering documents with respect to the Notes, if available, upon the request of the Authority.

Section 4.14. Legislation. No legislation has been enacted which in any way materially adversely affects or which prohibited or prohibits, as applicable (i) the issuance or delivery of the Commercial Paper Notes, (ii) the adoption of the Resolution, (iii) the execution and delivery of this Agreement or any of the Related Documents to which the Authority is a party, (iv) the creation, organization or existence of the Authority or the titles to office of any officers of the Authority, or (v) the power of the Authority to carry out its obligations under this Agreement or any of the Related Documents to which the Authority is a party.

Section 4.15. Provisions of Law. There is no maximum interest rate that applies to the Authority's obligations under this Agreement presently prescribed by NRS; no vote or referendum of the registered electors of the Authority is presently required by NRS in connection with the Notes or any of the Authority's obligations under the Agreement; and the Authority is not entitled to raise the defense of sovereign immunity in any actions by the Bank against the Authority not sounding in tort to enforce the provisions of this Agreement under the existing provisions of NRS.

Section 4.16. Employee Benefit Plan Compliance. The Authority has no funding liability or obligation currently due and payable with respect to any employee benefit plan which could reasonably be expected to materially and adversely affect the ability of the Authority to perform its obligations hereunder or under any other Related Document. The Authority is otherwise in compliance with the terms of any such plan in which the Authority participates to the extent any such failure to comply could reasonably be expected to result in a Material Adverse Effect. Neither the Authority nor any employee benefit plan maintained by the Authority is subject to ERISA. The Authority maintains no Plans.

Section 4.17. Margin Regulations. No portion of the proceeds of any Drawings under the Letter of Credit or Advances hereunder shall be used by the Authority (or the Issuing and Paying Agent or any other Person on behalf of the Authority) for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U or X of the Board of Governors of the Federal Reserve System or any other regulation of the Department or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Drawings or Advances and such use of proceeds.

Section 4.18. Compliance. The current collection of Gross Revenues and the management of Authority and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the Authority. The Authority is in compliance with the terms and conditions of each of the Related Documents to which it is a party, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing. The Authority is in material compliance with all laws, ordinances, orders, writs, injunctions, decrees, rules and regulations applicable to it (including, without limitation, all applicable federal, state or local environmental, health and safety statutes and regulations, and the Authority’s investment policy guidelines), except to the extent noncompliance could not reasonably be expected to have a Material Adverse Effect.

Section 4.19. Maintenance of Insurance. The Authority shall maintain, or cause to be maintained, at all times insurance on and with respect to its properties with responsible and reputable insurance companies; *provided, however,* that the Authority may maintain self-insurance for worker’s compensation and vehicle liability and, with the consent of the Bank, such other self-insurance as it deems prudent. Such insurance shall include casualty, liability and workers’ compensation and be in amounts and with deductibles and exclusions customary and reasonable for governmental entities of similar size and with similar operations as the Authority. The Authority shall, upon request of the Bank, furnish evidence of such insurance to the Bank.

ARTICLE V COVENANTS

Section 5.1. Affirmative Covenants of the Authority. Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will:

(a) *Reports and Other Information.* (i) *Notice of Default.* As promptly as practical after the chief financial officer of the Authority shall have obtained knowledge of the occurrence of an Event of Default, provide to the Bank the written statement of the Authority setting forth the details of such event and the action which the Authority proposes to take with respect thereto.

(ii) *Annual and Semi-Annual Reports.* (A) Within one hundred eighty (180) days after the end of each Fiscal Year of the Authority, provide to the Bank audited financial statements of the Authority, consisting of a balance sheet and a statement of revenues, expenditures and changes in fund balances of the Authority, including the Gross Revenues for such Fiscal Year, setting forth in comparative form the corresponding figures (if any) for the preceding Fiscal Year, all in reasonable detail, and accompanied by an unqualified opinion of Kafoury, Armstrong & Co., certified public accountants, Reno, Nevada (or another independent certified public accounting firm acceptable to the Bank (if such accounting firm is not nationally recognized and such acceptance not to be unreasonably withheld or delayed)) stating that they have been prepared in accordance with generally accepted accounting principles consistently applied together with a certificate signed by the chief financial officer of the Authority (x) demonstrating compliance with Section 5.1(i) hereof and (y) stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

(B) Within sixty (60) days after each June 30 and December 31, provide to the Bank unaudited financial statements of the Authority, consisting of a statement of net assets, a statement of revenues, expenditures and changes in net assets of the Authority, including a statement of cash flows of the Authority, including the Gross Revenues for such fiscal period, setting forth in comparative form the corresponding figures (if any) for the preceding fiscal period, all in reasonable detail, certified by the chief financial officer of the Authority.

(C) In the event the Authority is a party to any interest rate swaps or commodity swaps, as soon as available and in any event within 60 days after the end of each June 30 and December 31, a semi-annual summary with respect to (i) interest rate swaps (including, without limitation, an aggregate mark-to-market valuation of all interest rate swaps) and (ii) commodity swaps (including, without limitation, an aggregate mark-to-market valuation of all commodity swaps);

(iii) *Offering Circulars.* Within ten (10) days after the issuance of any securities by the Authority with respect to which a final official statement or other offering or disclosure document has been prepared by the Authority, (1) provide the Bank with a copy of such official statement or offering circular or (2) provide the Bank with notice that such information has been filed with EMMA and is publicly available; and (B) during any period of time the Authority is subject to continuing disclosure requirements under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, immediately following any dissemination, distribution or provision thereof to any Person, (1) provide the Bank with a copy of any reportable event notice (as described in b(5)(i)(C) of Rule 15c2-12) disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements or (2) provide the Bank with notice that such event notice has been filed with EMMA and is publicly available.

(iv) *Notice of Adverse Change.* Notify the Bank as soon as possible after the chief financial officer of the Authority acquires knowledge of the occurrence of the filing of a complaint against the Authority in any court or administrative agency, where the amount claimed is in excess of Five Million Dollars (\$5,000,000).

(v) *Budget.* As soon as available, but in any event within 30 days following the beginning of each Fiscal Year, deliver to the Bank the annual budget of the Authority.

(vi) *Other Information.* Provide to the Bank such other information respecting the business affairs, financial condition and/or operations of the Authority, as the Bank may from time to time reasonably request.

(b) *Inspections; Discussion.* Permit the Bank or its representatives, at any reasonable time during normal business hours and from time to time at the request of such Bank and at such Bank's expense (to the extent that the Authority has the legal ability to permit access thereto): to discuss the affairs, finances and accounts of the Authority with the appropriate officers of the Authority and its independent public accountants; provided that, if required by the Authority, as a condition to the Bank being permitted by the Authority to make or conduct any such visit, inspection, examination or discussion, the Bank shall certify to the Authority that the same is being made or conducted solely in order to assist the Bank in evaluating its position under the Agreement.

(c) *Preservation of Pledge.* Take any and all actions necessary or reasonably requested by any Bank to maintain the pledges and security interests described in Section 4.12 hereof.

(d) *Taxes and Liabilities.* Pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, which default could have a material adverse effect on the ability of the Authority to perform its obligations under this Agreement; provided that the Authority shall have the right to defer payment or performance of obligations to Persons other than the Bank so long as it is contesting in good faith the validity of such obligations by appropriate legal action and no final order or judgment has been entered with respect to such obligations.

(e) *Sovereign Immunity.* To the extent that the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings, on the grounds of sovereign immunity or any other similar doctrine, the Authority hereby irrevocably waives, to the full extent permitted by law, such rights to immunity for itself in respect of its contractual obligations arising under or related to this Agreement. The foregoing does not constitute consent to any claim being made on or relief or execution being granted against any revenues or assets of the Authority other than Net Revenues, and the foregoing shall never apply to any tort claims.

(f) *Liquidity.* (i) In the event that (A) the Bank shall determine not to extend the Letter of Credit Expiration Date or (B) an Event of Default shall have occurred and the Bank shall have

delivered to the Issuing and Paying Agent a Stop-Issuance Instruction or a Final Drawing Notice, the Authority shall use its commercially reasonable best efforts to obtain an Alternate Facility to replace this Agreement.

(ii) The Authority agrees that any Alternate Facility will require, as a condition to the effectiveness of the Alternate Facility, that the provider of the Alternate Facility will provide funds, on the date the Alternate Facility becomes effective, for the payment of all principal and accrued interest (at the Bank Rate) on all Reimbursement Obligations. On such date any and all amounts due hereunder and under the Resolution or the Bank Note due to the Bank shall be payable in full to the Bank.

(g) *Incorporation by Reference.* From and after the date hereof and so long as this Agreement is in effect or any obligation of the Authority hereunder remains unsatisfied, except to the extent compliance in any case or cases is waived in writing by the Bank pursuant to the terms hereof, the Authority agrees that it will, for the benefit of the Bank, comply with, abide by, and be restricted by all of the agreements, covenants, obligations and undertakings of the Authority contained in the Related Documents which any failure of the Authority to comply with or abide by would result in a material adverse effect on the rights, security and interests of the Bank, which provisions, together with the related definitions, and ancillary provisions, are hereby incorporated herein by reference, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and it will be deemed to continue in effect for the benefit of the Bank, without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, it being the intent of the parties that no such amendment, modification or waiver shall constitute an amendment, modification or waiver of the provisions thereof as incorporated herein.

(h) *Corporate Existence, Etc.* The Authority will maintain its corporate existence. The Authority will preserve and keep in force and effect all licenses, permits, franchises and qualifications necessary to the proper conduct of its business. The Authority will continue to engage in a business of the same general type as now conducted by it.

(i) *Rate Maintenance Covenant.* The Authority will maintain a schedule of rates, fees and other charges for water and other goods and services provided by the TMWA Water System so that the amount of the Gross Revenues in each Fiscal Year equals at least the sum of: (i) the amount of Gross Revenues required to pay Operation and Maintenance Expenses for such Fiscal Year; plus (ii) the greater of (A) 1.25 times the Bond Requirements for the Comparable Bond Year of the Outstanding Bonds; or (B) all other amounts payable from the Gross Revenues and pertaining to the TMWA Water System, including, without limitation, debt service on any Drinking Water State Revolving Fund Loans, any parity or subordinate securities, Operation and Maintenance reserves, capital reserves, any obligations under an agreement between the Authority and the provider of a Qualified Surety Bond, Obligations hereunder and any obligations under an agreement between the Authority and any credit or liquidity provider supporting bonds, commercial paper or other indebtedness of the Authority and prior deficiencies pertaining to any account relating to Gross Revenues.

(j) *Maintenance of Ratings.* The Authority covenants and agrees that it shall at all times maintain (i) at least two unenhanced long-term ratings from any of Fitch, Moody's or S&P on its Senior Lien Obligations, (ii) at least two short-term ratings on the Commercial Paper Notes by any Rating Agency, and (iii) at least one long-term rating of at least Investment Grade for the Bank Note from any Rating Agency. The Authority covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Senior Lien Obligations from any of Fitch, Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement.

(k) *Credit Facilities.* (i) In the event that the Authority shall, directly or indirectly, enter into or otherwise consent to any Other Debt Document, which such Other Debt Document (or amendment thereto) provides such Person with more restrictive covenants, additional or different events of default, greater rights and remedies and/or acceleration rights than are provided to the Bank in this Agreement (collectively, the "*Additional Rights*"), then, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (each such event referred to herein as a "*potential default*") (without regard to a waiver of such potential default or event of default) under such Other Debt Document (or amendment thereto) caused by such Additional Rights, such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights; *provided, however*, that such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights only from and after the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Other Debt Document caused by the Additional Rights or a failure by the Authority to comply with such Additional Rights. The Authority shall promptly, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Other Debt Document caused by such Additional Rights or a failure by the Authority to comply with such Additional Rights, enter into an amendment to this Agreement to include such Additional Rights, *provided* that the Bank shall maintain the benefit of such Additional Rights even if the Authority fails to provide such amendment.

(ii) In the event that the Authority shall enter into or otherwise consent to any Other Debt Document, which such Other Debt Document provides for any term or provision which permits any outstanding advance, loan or drawing to be amortized or repaid over a period shorter than the Amortization Period set forth in Section 2.3(a) hereof (or preferential payment frequency) (a "*Preferential Amortization Period*"), this Agreement shall automatically be deemed to be amended such that the Amortization Period set forth in Section 2.3(a) hereof shall be such Preferential Amortization Period. Upon the occurrence of the conditions set forth in the immediately preceding sentence, the Authority shall promptly enter into an amendment to this Agreement such that the Amortization Period equals such Preferential Amortization Period, *provided* that the Amortization Period shall equal the Preferential Amortization Period regardless of whether this Agreement is amended.

(iii) For purposes of this Section 5.1(k), “*Other Debt Document*” means any letter of credit reimbursement agreement, standby bond purchase agreement, liquidity agreement, direct bond purchase agreement or other similar agreement or instrument (or any amendment, supplement or modification thereto) executed and delivered after the Closing Date between the Authority and a bank or similar financial institution under which the party to that Other Debt Document (other than the Authority) undertakes to purchase Additional Debt of the Authority (provided that for purposes of this Section 5.1(k) only, purchases of Additional Debt shall not include purchases made in a Public Offering of Additional Debt), make loans or extend credit or liquidity to the Authority, that is payable from and secured by the Net Revenues and that has the same lien priority as the Authority’s Obligations under this Agreement, or a subordinate lien priority on Net Revenues. “*Other Debt Document*” does not include loans or extensions of credit the repayment obligation of the Authority with respect to which shall be payable as Operation and Maintenance Expenses and not secured by a Lien on Net Revenues on a parity with or subordinate to the Lien on Net Revenues securing the Obligations owed to the Bank hereunder.

(l) *Operation and Maintenance of TMWA Water System.* The Authority will operate, maintain and preserve the TMWA Water System in good repair and working order in conformity with standards customarily followed for municipal water systems of like size and character. The Authority will from time to time make necessary and proper repairs, renewals, replacements and substitutions to the properties of the TMWA Water System, so that business carried on in connection with the TMWA Water System shall and can be conducted in an efficient and economical manner, and will operate the TMWA Water System in an efficient and economical manner. The Authority shall not use the TMWA Water System to conduct any business other than that which is lawfully permitted.

(m) *Further Assurances.* The Authority agrees to do such further acts and things and to execute and deliver to the Bank such additional assignments, agreements, powers and instruments as the Bank may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement and the Fee Letter or to better assure and confirm to the Bank its rights, powers and remedies hereunder and under the Related Documents.

Section 5.2. Negative Covenants of the Authority. Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will not:

(a) *Compliance with Acts, Etc.* Violate any laws, rules, regulations, or governmental orders to which it is subject, which violation will materially and adversely affecting its financial condition.

(b) *Amendments.* Without the written consent of Bank, (i) consent or agree to any rescission of or amendment to the Authority Act which would reduce the amount of the Net Revenues or which would materially impair or materially adversely affect the rights of the Authority to the Net Revenues or the security of the Bank (it being understood that only the Legislature of the State, not the Authority, has the power to rescind or amend the Authority Act);

or (ii) agree to any amendment, supplement or modification to the Resolution such that payments to holders of Commercial Paper Notes are impaired or reduced or the priority of the obligations of the Authority to the Bank hereunder is adversely affected in any way; or (iii) agree to any amendment of the Resolution whatsoever which will materially and adversely affect any right, security or interest of the Bank.

(c) *Amendments to Related Documents.* Without the prior written consent of the Bank, modify, amend, or supplement, or give any consent to any modification, amendment or supplement, or make any material waiver with respect to any of the Related Documents.

(d) *Additional Debt.* (i) Issue Additional Debt payable from or secured by a lien on Net Revenues on a parity basis with or senior to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance) unless at the time of issuance of such Additional Debt the Authority provides to the Bank a written certificate (including supporting calculations) of an Authorized Representative of the Authority stating that:

(A) based upon reasonable assumptions, projected Gross Revenues will be sufficient to satisfy the rate maintenance covenant set forth in the resolutions authorizing the Authority Debt through the maturity date of such Additional Debt and in Section 5.1(i) hereof; and

(B) the projected Net Revenues for each of the first five (5) Fiscal Years immediately succeeding the last Fiscal Year in which any interest on such Additional Debt is capitalized will be at least equal to 110% of the Annual Debt Service with respect to all outstanding Senior Lien Obligations, Parity Debt, the Notes and Obligations calculated as if the full authorized amount of such Additional Debt were then outstanding.

(ii) For the purposes of determining Annual Debt Service pursuant to this Section 5.2(d), (A) interest payable on the Commercial Paper Notes shall be deemed to be 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer and (B) interest payable on other Authority Debt which bears interest at a rate other than a long term fixed rate shall be deemed to be the greater of (i) the actual amount of interest paid thereon during such 12 month period (or if such Authority Debt was not outstanding during the entire 12 month period, the amount of interest that would have been paid thereon if the rate or rates of interest thereon were equal to the rate applicable to similar variable rate indebtedness for such 12 month period), or (ii) the amount of interest that would have been paid thereon if the interest rate was 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer and (C) the amount of principal due on the Commercial Paper Notes (or other similar obligations with maturities of less than one year or for which more than 25% of the principal amount of such obligations mature in one Fiscal Year) during such twelve (12) month period shall be deemed to be the amount that would be due in that Fiscal Year if the indebtedness represented by those obligations were amortized over a period of thirty (30) years (or such shorter period ending on the date the program pursuant to which such obligations were issued terminates) from the date the obligation was first issued (for a purpose other than paying principal on a prior issue of commercial paper) at an interest rate equal to 110% of the "25-Bond Revenue Index" which was most recently published in The Bond Buyer. For purposes of the

foregoing Additional Debt Test, the Authority may treat its actual or projected unencumbered ending fund balance for a Fiscal Year as a portion of the Net Revenues in the succeeding Fiscal Year to the extent such unencumbered net assets (i) may legally be used for such payments and (ii) consists of cash and investment described in NRS 350.658, 350.659 and 355.170.

(iii) For purposes of subsections (a)(i) and (a)(ii) above, in estimating Net Revenues, the Authorized Representative may take into account (1) Gross Revenues generated by the TMWA Water System reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges or other sources of Gross Revenues which have been approved by the Authority and will be in effect during the period for which the estimates are provided, and (3) any other increases in Gross Revenues which the Authorized Representative believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Authorized Representative shall use such assumptions as the Authorized Representative believes reasonable, taking into account (i) historical Operation and Maintenance Expenses and (ii) such other factors, including inflation and changing operations or policies of the Authority, as the Authorized Representative believes to be appropriate. The Authorized Representative shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Annual Debt Service.

(iv) For purposes of preparing the certificate or certificates described above, the Authorized Representative may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant only if audited financial statements for such Fiscal Year or period are not available; provided, however, that the chief financial officer of the Authority shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

(v) Nothing herein shall prevent the Authority from issuing Additional Debt payable from and secured by a lien on the Net Revenues which is junior and subordinate to the lien on such Net Revenues securing the Obligations (including, without limitation, the obligation of the Authority to repay any principal of and interest at the Bank Rate on any Advance). In addition, nothing herein limits the ability of the Authority to issue Additional Debt in order to refund any outstanding Authority Debt (the "*Refunding Obligations*") payable from the Net Revenues if and so long as (i) the lien on the Net Revenues securing such Additional Debt is on a parity with or junior and subordinate to the lien thereon securing the Authority Debt being refunded and, (ii) the Annual Debt Service on such Refunding Obligations shall not exceed the Annual Debt Service on the Authority Debt refunded thereby in any Fiscal year commencing in the Fiscal Year in which the Refunding Obligations are issued to the Fiscal Year ending June 30, 2036.

(e) *Mergers; Leases; Sale of Assets.* (i) The Authority will not be a party to any merger or consolidation, or enter into a contractual operating agreement with another water utility, without the prior written consent of the Bank; *provided, however,* that with respect to the proposed Authority - Washoe County Department of Water Resources merger, the Bank will endeavor to make a good faith review of any and all information provided to the Bank in

connection therewith and shall notify the Authority whether the Bank consents to such merger within forty-five (45) days of such request and receipt of all information requested by the Bank (including, without limitation, pro forma financial statements given effect to such merger). If the Bank fails to notify the Authority whether or not it consents to such merger within such forty-five (45) day period, the Bank will be deemed to have refused to consent to such merger.

(ii) The Authority shall not transfer, sell, lease or dispose of all or substantially all of the properties and facilities constituting the TMWA Water System unless either (i) the Authority receives the prior written consent of the Bank or (ii) the Authority pays to the Bank all amounts due and owing under this Agreement and the Fee Letter prior to the sale, lease or disposal of all or substantially all of the properties and facilities constituting the TMWA Water System. The Authority may not transfer any cash or cash equivalents to the City of Reno, Nevada, the City of Sparks, Nevada or to any other municipality's general fund, unless such transfer is in the ordinary course of business and the Authority receives property or services of equal or greater value in return.

(f) *Dealer; Issuing and Paying Agent.* The Authority will not, without the prior written consent of the Bank, appoint or permit the appointment of a successor Dealer or Issuing and Paying Agent. The Authority shall at all times maintain one or more Dealers and an Issuing and Paying Agent under the Related Documents. The Authority shall cause the Dealers and the Issuing and Paying Agent to market, issue, and deliver, as applicable, Commercial Paper Notes bearing interest at a rate up to the Maximum Commercial Paper Interest Rate which the Dealers reasonably believe will result in the Commercial Paper Notes being sold to investors. If any Dealer fails to market Commercial Paper Notes for a Refunding for a period of thirty (30) consecutive days, then the Authority agrees, at the written request of the Bank, to cause the applicable Dealer to be replaced with a Dealer reasonably satisfactory to the Bank. Any dealer agreement with a successor dealer shall provide that (a) such dealer may resign upon at least 60-days prior written notice to the Authority, Issuing and Paying Agent and the Bank and (b) such dealer shall use its best efforts to market Commercial Paper Notes for a Refunding bearing interest at a rate up to the Maximum Commercial Paper Interest Rate which such dealer reasonably believes will result in the Commercial Paper Notes being sold to investors.

(g) *Swap Contracts.* The Authority will not enter into any Swap Contract relating to its Debt (i) wherein any termination payments thereunder are senior to or on parity with, in terms of the lien on Net Revenues and priority of payment, the Commercial Paper Notes and the Obligations or (ii) which requires the Authority to post collateral to secure its obligations thereunder (other than a Lien on Net Revenues and except to the extent required by any law or regulation not in effect on the Closing Date), in each case, without the prior written consent of the Bank.

(h) *Income Tax Status.* The Authority shall not take any action, or omit to take any action under present or future laws, rules, regulations or official interpretations thereof, including, without limitation, making payments to the United States, restricting yield on investments, and making necessary filings, which, if taken or omitted, would cause interest on the Commercial Paper Notes to become includable in the gross income of the owners thereof for federal income tax purposes.

**ARTICLE VI
DEFAULTS**

Section 6.1. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “*Event of Default*”:

(a) the Authority fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance; (ii) any principal of or interest on any Commercial Paper Note for any reason other than the failure of the Bank to perform its obligations hereunder or (iii) any other Obligation (other than the principal of or interest on any Drawing or any Advance) and such failure shall continue for three (3) Business Days;

(b) any representation, warranty or statement made by or on behalf of the Authority herein or in any Related Document to which the Authority is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or any documents, certificate or statement of the Authority (including unaudited financial reports, budgets, projections and cash flows of the Authority) furnished to the Bank by or on behalf of the Authority in connection with the transactions contemplated hereby are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the Authority fails to perform or observe any term, covenant or agreement contained in Sections 5.1(a), 5.1(c), 5.1(f)(ii), 5.1(i), 5.1(j) and 5.2 hereof or (ii) the Authority fails to perform or observe any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 6.1(a) and this 6.1(c)(i)) and any such failure cannot be cured or, if curable, remains uncured for thirty (30) days after the earlier to occur of (A) the Bank has provided written notice thereof to the Authority or (B) the Authority has actual knowledge of such failure to perform;

(d) the Authority shall (i) default in any payment of any obligation (other than the Commercial Paper Notes, the Drawings or the Advances) secured by a charge, lien or encumbrance on the Net Revenues with a priority of payment from Net Revenues that is senior to, or on a parity with, the Commercial Paper Notes, the Drawings or the Advances, including, without limitation, Senior Lien Obligations (“*Secured Debt*”), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of this Agreement, the Resolution or any other Related Document to which the Authority is a party shall find, announce or rule that (A) any material provision of this Agreement and any other Related Document to which the Authority is a party; or (B) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not a valid and binding agreement of the Authority or (ii) the Authority shall contest the validity or enforceability of this Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or shall seek an adjudication that this Agreement, any other Related Document to which the Authority is a party or any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not valid and binding on the Authority;

(f) any provision of the Resolution relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Authority's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or any Related Document to which the Authority is a party, except for any Dealer Agreement or the Issuing and Paying Agent Agreement which has been terminated due to a substitution of a Dealer or the Issuing and Paying Agent, or any material provision thereof shall cease to be in full force or effect, or the Authority or any Person acting by or on behalf of the Authority shall deny or disaffirm the Authority's obligations under any Related Document to which the Authority is a party;

(g) one or more final judgments or orders for the payment of money in excess of \$5,000,000 in the aggregate (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Authority and such judgments or orders shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of ninety (90) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal 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 or the TMWA Water System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof; (vi) the Authority takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the Authority shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) any of Fitch, Moody's or S&P shall have downgraded its long-term unenhanced rating of any Senior Lien Obligations to below "BBB" (or its equivalent), "Baa2" (or its equivalent) or "BBB" (or its equivalent), respectively, or suspended or withdrawn its rating of the same;

(j) the Authority shall dissolve or its existence shall have been terminated; or

(k) any "event of default" shall have occurred under any Other Debt Document supporting any Senior Lien Obligations, commercial paper notes or other Parity Debt of the Authority.

Section 6.2. Remedies. Upon the occurrence of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the Authority, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority; *provided* that upon the occurrence of an Event of Default under Section 6.1(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a "Stop-Issuance Instruction" for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Commercial Paper Notes supported by the Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

(c) reduce the Stated Amount of the Letter of Credit to the principal amount of Commercial Paper Notes Outstanding (and, if applicable, interest on the Notes to their stated maturity dates), instruct the Obligor and the Issuing and Paying Agent to immediately cease issuing, delivering and selling additional Notes, instruct the Issuing and Paying Agent to make a final drawing under the Letter of Credit in accordance with

its terms, by delivering a Final Drawing Notice (the effect of which shall be to cause the Letter of Credit Expiration Date to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

(d) pursue any rights and remedies it may have under the Related Documents;
or

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

**ARTICLE VII
MISCELLANEOUS**

Section 7.1. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, or consent to any departure by the Authority therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, waiver or consent shall, unless in writing and signed by the Bank, affect the rights or duties of the Bank under this Agreement or any other Related Document.

Section 7.2. Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), email, telex, facsimile transmission, or regular mail, as follows:

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

(b) if to the Bank with respect to credit matters: Wells Fargo Bank, National Association

Attention: _____
Telephone: _____
Facsimile: _____
Email: _____

if to the Bank, with respect to Drawings under the Letter of Credit:

Wells Fargo Bank, National Association

Attention: _____

Telephone: _____

Facsimile: _____

(d) if to the Issuing and Paying Agent:

U.S. Bank National Association

100 Wall Street, 16th Floor

New York, New York 10005

Telephone: (212) 361-3838

Facsimile: (212) 509-4529

Attention: Commercial Paper Operations

(e) if to the Dealer:

Goldman, Sachs & Co.

200 West Street

New York, New York 10282

Telephone: (212) 902-6633

Facsimile: (212) 428-3132

Attention: Municipal Money Market Desk

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and other communications shall, when delivered or telecopied, sent by facsimile transmission or mailed, be effective when deposited with the courier, telecopied, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Drawing Certificates submitted to the Bank shall not be effective until received by the Bank.

Section 7.3. Survival of Covenants; Survival of This Agreement; Successors and Assigns. (a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Drawing or Advance hereunder and shall continue in full force and effect and until all Obligations hereunder and under the Bank Note shall have been paid in full. The obligation of the Authority to reimburse the Bank pursuant to Sections 2.13, 2.14 and 7.5 hereof shall survive the payment of the Commercial Paper Notes and the termination of this Agreement. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Authority which are contained in this Agreement and the Bank Note shall inure to the benefit of the successors and assigns of the Bank. The Authority may not transfer its rights or obligations under this Agreement and the Bank Note without the prior written consent of the Bank. The Bank may transfer some or all of obligations under this Agreement and the Letter of Credit with the prior written consent of the Authority (which consent shall not be withheld unreasonably), *provided* that (i) the Authority has received

written notice from at least two nationally recognized rating agencies that the transfer shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Commercial Paper Notes, and (ii) the Bank shall be responsible for all costs resulting from the transfer. The Bank may transfer its rights under this Agreement, the Bank Note and the other Related Documents without the prior written consent of the Authority; provided that the Bank shall be responsible for all costs resulting from such transfer; *provided*, that the Bank shall provide written notice to the Authority within fifteen (15) calendar days of the date on which the Bank assigns any of its rights under the Agreement and the Letter of Credit; *provided, further*, that the failure by the Bank to give such notice shall not invalidate assignment and the Bank shall have no liability for such failure. This Agreement and the Bank Note are made solely for the benefit of the Authority and the Bank, and no other Person (including, without limitation, the Issuing and Paying Agent, the Dealers or any holder of Commercial Paper Notes) shall have any right, benefit or interest under or because of the existence of this Agreement and the Bank Note; *provided further* that the Board's and the Authority's liability to any Participant shall not in any event exceed that liability which the Board and the Authority would owe to the Bank but for such participation.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement and the Bank Note on a participating basis but not as a party to this Agreement and the Bank Note (a "*Participation*"). In the event of any such grant by the Bank of a Participation to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the Authority shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement and the Bank Note. The Authority agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement and the Bank Note as if such Participant were the Bank; *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.1 hereof.

Section 7.4. Unconditional Obligations. The obligations of the Authority under this Agreement and the Bank Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Resolution, this Agreement and the Bank Note, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit, the Bank Note or, to the extent permitted by law, the Commercial Paper Notes, the Resolution or any other Related Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Resolution or all or any of the Related Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, the Authority, the Issuing and Paying Agent, the Dealers, or any other Person, whether in connection with

this Agreement, the Bank Note, the Resolution, the Related Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank of a Drawing or an Advance against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement; and

(f) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

SECTION 7.5. LIABILITY OF BANK: INDEMNIFICATION. (a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY ASSUMES ALL RISKS OF THE ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT WITH RESPECT TO THE USE OF THE LETTER OF CREDIT AND THE USE OF PROCEEDS THEREUNDER; *PROVIDED* THAT THIS ASSUMPTION WITH RESPECT TO THE BANK IS NOT INTENDED TO AND SHALL NOT PRECLUDE THE AUTHORITY FROM PURSUING SUCH RIGHTS AND REMEDIES AS IT MAY HAVE AGAINST THE ISSUING AND PAYING AGENT UNDER ANY OTHER AGREEMENTS. NEITHER THE BANK NOR ANY OF ITS RESPECTIVE OFFICERS OR DIRECTORS SHALL BE LIABLE OR RESPONSIBLE FOR (i) THE USE OF THE LETTER OF CREDIT, THE DRAWINGS OR ADVANCES THEREUNDER, THE PROCEEDS OF THE COMMERCIAL PAPER NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE RELATED DOCUMENTS OR FOR ANY ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT OR THE DEALERS; (ii) THE VALIDITY, SUFFICIENCY, OR GENUINENESS OF ANY DOCUMENTS DETERMINED IN GOOD FAITH BY THE BANK TO BE VALID, SUFFICIENT OR GENUINE, EVEN IF SUCH DOCUMENTS SHALL, IN FACT, PROVE TO BE IN ANY OR ALL RESPECTS INVALID, FRAUDULENT, FORGED OR INSUFFICIENT; (iii) PAYMENTS BY THE BANK AGAINST PRESENTATION OF REQUESTS FOR DRAWINGS OR REQUESTS FOR WHICH THE BANK IN GOOD FAITH HAS DETERMINED TO BE VALID, SUFFICIENT OR GENUINE AND WHICH SUBSEQUENTLY ARE FOUND NOT TO COMPLY WITH THE TERMS OF THIS AGREEMENT; OR (iv) ANY OTHER CIRCUMSTANCES WHATSOEVER IN MAKING OR FAILING IN GOOD FAITH TO MAKE PAYMENT HEREUNDER; *PROVIDED* THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK FOR ANY CLAIMS, LOSSES, LIABILITIES, COSTS OR EXPENSES TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BANK.

(B) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY HEREBY INDEMNIFIES AND HOLDS HARMLESS THE BANK FROM AND AGAINST ANY AND ALL DIRECT, AS OPPOSED TO CONSEQUENTIAL, CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES (INCLUDING SPECIFICALLY REASONABLE ATTORNEYS FEES) WHICH THE BANK MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST THE BANK BY ANY PERSON WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (I) THE EXECUTION AND DELIVERY OF THIS AGREEMENT, THE LETTER OF CREDIT AND THE BANK NOTE AND THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY AND (II) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT

CONTAINED IN THE OFFERING MEMORANDUM PREPARED AND DISTRIBUTED IN CONNECTION WITH THE COMMERCIAL PAPER NOTES, OR THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT NECESSARY TO MAKE SUCH STATEMENTS IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE OR WERE MADE, NOT MISLEADING; *PROVIDED* THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK, AND THE AUTHORITY SHALL HAVE A CAUSE OF ACTION AGAINST THE BANK, FOR ANY DIRECT, AS OPPOSED TO CONSEQUENTIAL, CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, OR EXPENSES (a) TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY (1) THE BANK'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE IN DETERMINING WHETHER DOCUMENTS PRESENTED UNDER THE LETTER OF CREDIT COMPLY WITH THE TERMS OF THE LETTER OF CREDIT; OR (2) THE BANK'S WILLFUL OR GROSSLY NEGLIGENT FAILURE TO MAKE LAWFUL PAYMENT UNDER THE LETTER OF CREDIT AFTER THE PRESENTATION TO THE BANK BY THE ISSUING AND PAYING AGENT OR A SUCCESSOR ISSUING AND PAYING AGENT UNDER THE RESOLUTION OF A DRAWING STRICTLY COMPLYING WITH THE TERMS AND CONDITIONS OF THE LETTER OF CREDIT (IT BEING UNDERSTOOD THAT IN MAKING SUCH PAYMENT THE BANK'S EXCLUSIVE RELIANCE ON THE DOCUMENTS PRESENTED TO THE BANK IN ACCORDANCE WITH THE TERMS OF THE LETTER OF CREDIT AS TO ANY AND ALL MATTERS SET FORTH THEREIN, WHETHER OR NOT ANY STATEMENT OR ANY DOCUMENT PRESENTED PURSUANT TO THE LETTER OF CREDIT PROVES TO BE FORGED, FRAUDULENT, INVALID OR INSUFFICIENT IN ANY RESPECT OR ANY STATEMENT THEREIN PROVES TO BE UNTRUE OR INACCURATE IN ANY RESPECT WHATSOEVER, SHALL NOT BE DEEMED WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF THE BANK); (b) INCURRED BY REASON OF ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT CONTAINED UNDER THE CAPTION "THE BANK" SUPPLIED BY THE BANK AS SET FORTH IN THE OFFERING MEMORANDUM OR (c) THAT THE AUTHORITY ESTABLISHES AROSE FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF THE BANK AS DETERMINED BY A COURT OF COMPETENT JURISDICTION. THE BANK IS HEREBY EXPRESSLY AUTHORIZED AND DIRECTED TO HONOR ANY DEMAND FOR PAYMENT WHICH IS MADE UNDER THE LETTER OF CREDIT WITHOUT REGARD TO, AND WITHOUT ANY DUTY ON ITS PART TO INQUIRE INTO THE EXISTENCE OF, ANY DISPUTES OR CONTROVERSIES BETWEEN THE AUTHORITY, THE DEALERS, THE ISSUING AND PAYING AGENT OR ANY OTHER PERSON OR THE RESPECTIVE RIGHTS, DUTIES OR LIABILITIES OF ANY OF THEM, OR WHETHER ANY FACTS OR OCCURRENCES REPRESENTED IN ANY OF THE DOCUMENTS PRESENTED UNDER THE LETTER OF CREDIT ARE TRUE AND CORRECT.

Section 7.6. Expenses and Taxes. The Authority will promptly pay all reasonable costs and expenses, if any, in connection with the enforcement of this Agreement and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents and any related documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, the Authority agrees to pay, after the occurrence of an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from the Authority hereunder by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings.

Section 7.7. No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement, the Letter of Credit, the Resolution and any other Related Documents, this Agreement shall control solely as between the Authority and the Bank.

Section 7.8. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement or the Bank Note shall be effective unless the same shall be in writing and signed by the parties hereto.

Section 7.9. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 7.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 7.11. Table of Contents; Headings. The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 7.12. Entire Agreement. This Agreement together with the Bank Note represents the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto.

Section 7.13. GOVERNING LAW; VENUE. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; PROVIDED, HOWEVER, THAT THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA.

(b) Each party consents to and submits to exclusive in personam jurisdiction and venue in the State of Nevada, County of Washoe, and in the Federal District Courts which are located in the City of Reno or the state and federal courts located in the State of New York. Each party asserts that it has purposefully availed itself to the state and federal courts in the State of Nevada or the State of New York and waives any objection to in personam jurisdiction on the grounds of minimum contacts, waives objection to venue, and waives any plea of forum non conveniens. This consent to and submission to jurisdiction is with regard to any action related to this

Agreement, regardless of whether the Authority's or the Bank's actions took place in the State of Nevada, the State of New York or of elsewhere in the United States.

(c) To the extent it may legally do so, each Party hereby waives any right it may have to a jury trial in any action related to this Agreement.

(d) The waivers made pursuant to this Section shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 7.14. Government Regulations. The Bank hereby notifies the Authority that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Act. The Authority shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, "know your customer" and anti-money laundering rules and regulations, including the Act, and shall comply with all applicable Bank Secrecy Act ("BSA") laws and regulations, as amended.

The Authority shall (a) ensure that no person who owns a controlling interest in or otherwise controls the Authority is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the Authority or from otherwise conducting business with the Authority and (b) ensure that the proceeds of the Commercial Paper Notes shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

Section 7.15. Assignment to Federal Reserve Bank. The Bank may assign and pledge all or any portion of the obligations owing to it hereunder to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned obligations made by the Authority to the Bank in accordance with the terms of this Agreement shall satisfy the Authority's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the Authority and the Bank have duly executed this Agreement as of the date first above written.

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

APPENDIX I

IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

June 8, 2012

No. _____

U.S. Bank National Association,
as Issuing and Paying Agent
100 Wall Street, 16th Floor
New York, New York 10005
Attention: Commercial Paper Operations

Ladies and Gentlemen:

1. At the request and for the account of our customer, Truckee Meadows Water Authority, Nevada (the "*Authority*"), which has or will cause the issuance of its Water Revenue Commercial Paper Notes Series 2006B Notes (the "*Commercial Paper Notes*"), Wells Fargo Bank, National Association (the "*Bank*"), hereby establishes in favor of U.S. Bank National Association, as issuing and paying agent acting for the benefit of the holders of the Commercial Paper Notes (the "*Issuing and Paying Agent*") pursuant to that certain Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2012 (the "*Issuing and Paying Agent Agreement*"), between the Authority and the Issuing and Paying Agent, and the 2006 Commercial Paper Resolution, adopted by the Authority on July 19, 2006, as amended on January 19, 2011 (the "*Resolution*"), pursuant to which the Commercial Paper Notes have been or will be issued from time to time, and that certain Reimbursement Agreement dated as of June 1, 2012 (the "*Reimbursement Agreement*"), between the Authority and the Bank, this Irrevocable Transferable Direct-Pay Letter of Credit (this "*Letter of Credit*") in the maximum available amount of FORTY THREE MILLION FIVE HUNDRED FIFTY THOUSAND SIX HUNDRED EIGHTY FIVE U.S. DOLLARS (\$43,550,685) (hereinafter, as reduced or reinstated from time to time in accordance with the provisions hereof, the "*Stated Amount*"), of which an amount not exceeding \$40,000,000 (as such amount may be reduced or reinstated from time to time in accordance with the provisions hereof, the "*Principal Component*") may be drawn upon by the Issuing and Paying Agent to pay the unpaid principal amount of Commercial Paper Notes on their stated maturity date, and an amount not exceeding \$3,550,685 (as such amount may be reduced or reinstated from time to time in accordance with the provisions hereof, the "*Interest Component*") may be drawn upon by the Issuing and Paying Agent with respect to payment of interest accrued and unpaid on the Commercial Paper Notes on their stated maturity date, but in no event more than an amount equal to 270 days' interest accrued and unpaid on the outstanding Commercial Paper Notes immediately preceding any Drawing (as hereinafter defined) made with respect to the Commercial Paper Notes at an assumed rate of 12% based on a year of 365 days.

2. This Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the "*Termination Date*") which is the earliest of: (i) June 6, 2014 (the "*Letter of Credit Expiration*

Date”), as such date may be extended in a Notice of Extension from the Bank to the Issuing and Paying Agent and the Authority in the form attached hereto as Annex G, (ii) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored hereunder which were not subject to reinstatement as provided herein, in the aggregate equals the Stated Amount on the date of issuance hereof as adjusted pursuant to the terms and conditions of this Letter of Credit, (iii) our receipt of a certificate signed by your duly authorized officer in the form of Annex C or D attached hereto appropriately completed, (iv) the date when you surrender this Letter of Credit to the Bank for cancellation or (v) the earlier of (a) the 15th calendar day after the date on which you receive the Final Drawing Notice (as hereinafter defined), and (b) the date on which the Drawing resulting from the delivery of the Final Drawing Notice is honored hereunder. You agree to surrender this Letter of Credit to the Bank, and not to make any Drawings, on and after the Termination Date, as such date may be extended in a Notice of Extension as provided herein. All Drawings hereunder shall be paid from immediately available funds of the Bank.

3. Funds under this Letter of Credit are available to you, commencing June 8, 2012, against your presentation of a drawing certificate in the form of (i) Annex A-1 (with respect to the payment at maturity of the principal of and interest at maturity on Commercial Paper Notes issued in accordance with the Resolution), or (ii) Annex A-2 (with respect to the payment at maturity of the principal of and interest to maturity on Commercial Paper Notes issued in accordance with the Resolution and that otherwise matures on or after the date that you receive notice from us in the form of Annex I hereto (the “*Final Drawing Notice*”)), attached hereto (any such certificate being a “*Drawing*”) at the Bank’s office located at _____, _____, _____, or by telecopier (at Telecopier Number: (____) ____-____), in each case, Attention: _____, or at any other office or offices or number or numbers which may be designated by the Bank by written notice delivered to you. Each Drawing so presented shall have all blanks appropriately filled in and shall be signed by a person who purports to be an authorized officer of the Issuing and Paying Agent and the aforesaid certificates shall be either in the form of a letter on the letterhead of the Issuing and Paying Agent or a communication by telecopy delivered or transmitted to us. Any telecopy pursuant to which a Drawing is made hereunder shall be promptly confirmed to us in writing.

4. The Bank hereby agrees with you that, to the extent of its liability as provided herein, all demands for payment made under and in compliance with the terms of this Letter of Credit will be duly honored upon delivery or transmission of the certificate as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If a Drawing is made hereunder at or prior to 11:30 a.m., New York City time, on a Business Day and such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made of the amount specified in immediately available funds, no later than 2:00 p.m., New York City time, on the same Business Day. If a Drawing is made by you hereunder after 11:30 a.m., New York City time, on a Business Day and *provided* that such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified, in immediately available funds, not later than 11:00 a.m., New York City time, on the next succeeding Business Day. Payment under this Letter of Credit shall be made by or on behalf of the Bank by wire transfer of immediately available funds,

to the Issuing and Paying Agent in accordance with the instructions specified by the Issuing and Paying Agent in the drawing certificate relating to a particular drawing hereunder. Such instructions (as specified by the Issuing and Paying Agent in the immediately preceding sentence) may be changed only by presentation to the Bank of a letter in form satisfactory to the Bank specifying different instructions and executed by the Issuing and Paying Agent and the Authority. As used in this Letter of Credit, "*Business Day*" shall mean any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the state of New York are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (iii) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which Drawing certificates are to be presented under this Letter of Credit.

5. Demands for payment hereunder honored by us with respect to interest on the Commercial Paper Notes shall not at the time of any Drawing exceed the Interest Component of the Stated Amount, as the Interest Component may have been reduced or reinstated by us as hereinafter provided. Demands for payment hereunder honored by us with respect to principal of the Commercial Paper Notes shall not at the time of any Drawing exceed the Principal Component of the Stated Amount, as the Principal Component may have been reduced or reinstated by us as hereinafter provided. Subject to the preceding sentences, each Drawing honored by the Bank hereunder shall *pro tanto* reduce, by the applicable amount of such Drawing, the Principal Component of the Stated Amount and the Interest Component shall be reduced by an amount equal to 270 days' accrued interest on the Principal Component of such Drawing at an assumed rate of 12% based upon a year of 365 days (the amount of such reduction of the Principal Component and the Interest Component referred to herein as the "*Reduction Amount*"). The amount available to be drawn hereunder by you shall be reduced by the Reduction Amount, except to the extent the Stated Amount has been reinstated in accordance with the provisions of paragraph 7 of this Letter of Credit.

6. Upon receipt by us of a certificate in the form of Annex B (a "*Reduction Certificate of Stated Amount*") attached hereto appropriately completed and signed by your duly authorized officer, at least five Business Days prior to the date specified in such certificate for the permanent reduction of the Stated Amount, the Stated Amount, as well as the Principal Component and the Interest Component thereof, shall be permanently reduced to the amounts set forth therein.

7. After any Drawing (except in the case of a Drawing resulting from the delivery of a Final Drawing Notice), the Stated Amount will be automatically and immediately reinstated by and to the extent of amounts received by the Bank of reimbursement by the Authority of any amounts of such Drawing with respect to the Principal Component and an amount equal to 270 days interest on the amount of the Principal Component being reinstated at a rate of 12% per annum with respect to the Interest Component and the Bank's written notice of such receipt in the form of Annex H attached hereto to the Issuing and Paying Agent (subject to any reduction in said Stated Amount as above provided in paragraph 6), unless you shall have received notice from the Bank in substantially the form of Annex F attached hereto that an Event of Default under the Reimbursement Agreement has occurred and is continuing.

8. Only you or your successor as Issuing and Paying Agent may make Drawings under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of or interest on any Commercial Paper Note. By paying to you an amount demanded in accordance herewith, we make no representations as to the correctness of the amount demanded.

9. If you receive written notice from the Authority that all the Commercial Paper Notes are defeased or otherwise no longer outstanding and that the Authority does not intend to issue any additional Commercial Paper Notes, you shall submit a termination certificate in the form of Annex D hereto.

10. This Letter of Credit is intended to apply only to the payment of the principal amount of the Commercial Paper Notes and interest thereon upon maturity.

11. Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the "ISP98"). As to matters not governed by ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York, without regard to conflict of laws. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to the Bank at Wells Fargo Bank, National Association, _____ or such other address as we may notify you in writing, specifically referring thereon to this Letter of Credit by number. Any communication to the Bank which is made by telecopier as permitted hereby (other than Drawings) shall be immediately confirmed in writing delivered to the Bank at the address set forth in paragraph 3 hereof, *provided*, that failure to provide such written confirmation shall not affect the validity of such notice by telecopier.

12. This Letter of Credit is transferable in its entirety to any transferee whom you have certified to us has succeeded you as Issuing and Paying Agent with respect to the Commercial Paper Notes, and may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by presenting to us the attached form of Annex E signed by the transferor and the transferee (each a "Transfer") together with the original Letter of Credit. Upon presentation and payment by the Authority of \$3,000 representing transfer fees payable under the Reimbursement Agreement, we shall forthwith effect a transfer of this Letter of Credit to your designated transferee. Transfers to designated foreign nationals and /or specially designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided that*, in such case, any certificates of the Issuing and Paying Agent to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

13. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Commercial Paper Notes), except only the certificates and letters referred to herein; and no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

Paper Notes issued on or after the date on which the Bank has issued a Stop-Issuance Instruction to the Authority and the Issuing and Paying Agent, substantially in the form of Exhibit A to the Reimbursement Agreement.

6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of and interest on, as applicable, Commercial Paper Notes, as applicable, upon the stated maturity thereof, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

7. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

8. Payment by the Bank shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

ANNEX A-2
TO
LETTER OF CREDIT NO. _____

CERTIFICATE FOR DRAWING IN CONNECTION WITH THE
PAYMENT OF PRINCIPAL AND INTEREST AFTER FINAL DRAWING NOTICE
IRREVOCABLE LETTER OF CREDIT NO. _____

Wells Fargo Bank, National Association

Attention: _____

The undersigned, a duly authorized officer of the undersigned Issuing and Paying Agent (the "*Issuing and Paying Agent*"), hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to Irrevocable Letter of Credit No. _____ (the "*Letter of Credit*," the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Issuing and Paying Agent, as follows:

1. The undersigned is the Issuing and Paying Agent under the Issuing and Paying Agent Agreement and the Resolution and is acting as the agent for the holders of the Commercial Paper Notes.
2. The Issuing and Paying Agent has received the Final Drawing Notice.
3. The undersigned is making a Drawing under the Letter of Credit with respect to a payment of the principal of and accrued interest on the Commercial Paper Notes issued in accordance with the Resolution but which matures on or after the date of a Final Drawing Notice.
4. The amount of the Drawing is equal to \$_____, with \$_____ being drawn in respect of the payment of principal of maturing Commercial Paper Notes and \$_____ representing ___ days' interest thereon. Such amounts were computed in compliance with the terms and conditions of the Commercial Paper Notes and the Resolution. The amount of the Drawing being drawn in respect of the payment of principal of, accrued interest on, and interest payable to maturity of, the Commercial Paper Notes does not exceed the Stated Amount of the Letter of Credit. The amount requested for payment hereunder has not been and is not the subject of a prior or contemporaneous request for payment under the Letter of Credit.
5. The Commercial Paper Notes were authenticated and delivered by us (or a predecessor Issuing and Paying Agent) pursuant to authority under the Resolution.
6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will deposit the same directly into the applicable Commercial Paper Account maintained by the Issuing and Paying Agent pursuant to the Resolution and the Issuing

and Paying Agent Agreement and apply the same directly to the payment when due of the principal amount of Notes and the interest amount owing on account of the Commercial Paper Notes pursuant to the Resolution and the Issuing and Paying Agent Agreement, (b) no portion of said amount shall be applied by the undersigned for any other purpose, (c) no portion of said amount shall be commingled with other funds held by the undersigned, except for other funds drawn under the Letter of Credit, and (d) when such Notes have been presented for payment and paid by us, we will cancel such matured Notes.

7. This Certificate is being presented to the Bank on a date which is no later than the 15th calendar day after receipt by the Issuing and Paying Agent of the Final Drawing Notice.

8. Payment by the Bank pursuant to this drawing shall be made to [_____, ABA Number _____, Account Number _____, Attention _____.]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the _____ day of _____, _____.

_____, as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

**ANNEX B TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. _____**

[Date]

Wells Fargo Bank, National Association

Attention: _____

Re: Reduction of Stated Amount of Letter of Credit

Ladies and Gentlemen:

[Issuing and Paying Agent] (the "*Issuing and Paying Agent*") hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. _____, dated June 8, 2012 (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, and is acting as the agent for the owners of the Commercial Paper Notes.

2. The Issuing and Paying Agent hereby notifies you that on or prior to the date hereof the Authority has determined that the Stated Amount of the Letter of Credit shall be permanently reduced to \$_____.

3. The Principal Component of the Letter of Credit is reduced to \$_____ upon receipt by the Bank of this Certificate, which amount, as so reduced, is equal to or not less than the principal amount of all Commercial Paper Notes outstanding as of the date hereof.

4. The Interest Component of the Letter of Credit is reduced to \$_____ upon receipt by the Bank of this Certificate, such amount being equal to interest on the Principal Component (such amount set out in paragraph 3 above) at an assumed interest rate of 12% for 270 days on the basis of a 365-day year. The amount of the Interest Component, as so reduced, is equal to or not less than the amount of interest to accrue on all Commercial Paper Notes outstanding as of the date hereof.

5. If any Commercial Paper Notes are outstanding as of the date of this Certificate, the Authority has informed us that it will not issue additional Commercial Paper Notes unless after the issuance of such additional Commercial Paper Notes the

aggregate principal amount of Commercial Paper Notes outstanding, together with the aggregate interest payable thereon, shall be no greater than the Stated Amount of the Letter of Credit, as so reduced pursuant to this certificate.

6. The Stated Amount of the Letter of Credit is permanently reduced to \$_____ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this certificate.

7. The undersigned represents that he/she is a duly authorized representative of the Issuing and Paying Agent.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX C TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. _____**

[Date]

Wells Fargo Bank, National Association

Attention: _____

Re: Termination of Letter of Credit (Alternate Credit Facility)

Ladies and Gentlemen:

[ISSUING AND PAYING AGENT] (the "*Issuing and Paying Agent*") hereby certifies to Wells Fargo Bank, National Association (the "*Bank*") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. _____, dated June 8, 2012 (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit and the therein defined Reimbursement Agreement) issued by the Bank in favor of the Issuing and Paying Agent that:

1. The Issuing and Paying Agent is the Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement.
2. As Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement, the Issuing and Paying Agent has accepted an alternate letter of credit, in compliance with the Resolution and the Issuing and Paying Agent Agreement and the Reimbursement Agreement.
3. Upon receipt of this certificate accompanied by the Letter of Credit, the Letter of Credit shall terminate as provided above in clause (iii) of paragraph 2 of the Letter of Credit.
4. The undersigned is the duly authorized officer or agent of the Issuing and Paying Agent.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the _____ day of _____, _____.

[ISSUING AND PAYING AGENT], as Issuing and Paying Agent

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

**ANNEX E TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. _____**

[Date]

Wells Fargo Bank, National Association

Attention: _____

Re: Transfer of Irrevocable Transferable
 Direct-Pay Letter of Credit No. _____
 dated as of June 8, 2012 (the "*Letter of Credit*")

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address of Transferee)

(Notice Details of Transferee)

as successor Issuing and Paying Agent under the Resolution and the Issuing and Paying Agent Agreement (as defined in the above-referenced Letter of Credit) all rights of the undersigned beneficiary to draw under the above-referenced Letter of Credit in its entirety.

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions, or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The Letter of Credit (and any amendments thereto) is returned herewith, and we ask you to endorse the transfer on the reference thereof, and forward it directly to the transferee with your customary notice of transfer.

Very truly yours,

(Signature of Beneficiary)

SIGNATURE AUTHENTICATED

(Bank)

(Authorized Signature)

We certify that we (i) are duly authorized officers or agents and (ii) have succeeded (name of beneficiary) as Issuing and Paying Agent under the Issuing and Paying Agent Agreement.

Very truly yours,

(Authorized Signature)

SIGNATURE AUTHENTICATED

(Signature of Transferee)

cc: Truckee Meadows Water Authority, Nevada

**ANNEX F TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. _____**

[Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

Re: Event of Default under the Reimbursement Agreement

Ladies and Gentlemen:

The undersigned, authorized officers of Wells Fargo Bank, National Association (the "*Bank*") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. _____, dated June 8, 2012 (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of _____, as Issuing and Paying Agent, hereby certify that:

1. There exists an Event of Default under Section ____ of that certain Reimbursement Agreement dated as of June 1, 2012, by and between the Authority and the Bank and that such Event of Default is continuing.

2. Upon receipt by you of this certificate you are notified that the Stated Amount of the Letter of Credit shall be permanently reduced following the maturity of any Commercial Paper Notes and that the Stated Amount shall no longer be reinstated following any Drawings.

IN WITNESS WHEREOF, the Bank has executed and delivered this certificate as of the _____ day of _____, _____.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

**ANNEX G TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. _____**

[Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Re: Notice of Extension

Ladies and Gentlemen:

1. Pursuant to Section 2.12(a) of that certain Reimbursement Agreement, dated as of June 1, 2012 (the "*Reimbursement Agreement*"), by and between Truckee Meadows Water Authority, Nevada (the "*Authority*") and Wells Fargo Bank, National Association (the "*Bank*"), the Bank has approved a [one-year] extension of Irrevocable Transferable Direct-Pay Letter of Credit No. _____ (the "*Letter of Credit*"), dated June 8, 2012. The new Letter of Credit Expiration Date is _____. You are hereby authorized to attach this Notice of Extension to the Letter of Credit and to treat this Notice of Extension as extending the Letter of Credit Expiration Date of the Letter of Credit.

The Authority's acknowledgment hereof shall be deemed to be the Authority's representation that all its representations contained in Article IV of the Reimbursement Agreement are true and correct and will be true and correct as of the date hereof and that no Default or Event of Default has occurred and is continuing.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

Acknowledged as of _____, _____
by **[ISSUING AND PAYING AGENT]**, as Issuing
and Paying Agent

By _____
Title _____

Acknowledged as of _____, _____
by **TRUCKEE MEADOWS WATER AUTHORITY,**
NEVADA

By _____
Title _____

**ANNEX H TO
IRREVOCABLE TRANSFERABLE DIRECT-PAY
LETTER OF CREDIT NO. _____**

[Date]

[ISSUING AND PAYING AGENT]

Attention: _____

Re: Reinstatement

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit No. _____, dated June 8, 2012 (the "*Letter of Credit*"). Please be advised that the undersigned is in receipt of the amount of \$_____, of such amount, \$_____ represents reimbursement by Truckee Meadows Water Authority, Nevada (the "*Authority*") for the principal portion of the Drawing dated _____, __, and \$_____, represents reimbursement by the Authority for the interest portion of the Drawing and accordingly, the Stated Amount shall be reinstated with respect to the Principal Component by an amount equal to the principal portion so received and with respect to the Interest Component an amount equal to 270 days interest on the amount of the Principal Component being reinstated at a rate of 12% per annum.

Dated this ____ day of _____, ____.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

cc: Truckee Meadows Water Authority, Nevada

ANNEX I
TO
WELLS FARGO BANK, NATIONAL ASSOCIATION
LETTER OF CREDIT NO. _____
CERTIFICATE RE: FINAL DRAWING
IRREVOCABLE LETTER OF CREDIT NO. _____

[Issuing and Paying Agent]

Attention: _____

Reference is made to Irrevocable Letter of Credit No. _____ (the "*Letter of Credit*"; the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in your favor as Issuing and Paying Agent.

Please be advised that:

(1) An Event of Default under and as defined in the Reimbursement Agreement has occurred and is continuing.

(2) The Bank hereby instructs the Issuing and Paying Agent, effective upon receipt of this Notice, to cease issuing Notes.

(3) The Bank hereby notifies the Issuing and Paying Agent that (i) effective upon receipt of this Certificate, the Stated Amount available to be drawn under the Letter of Credit will not be reinstated in accordance with the Letter of Credit, (ii) the Issuing and Paying Agent is instructed to make the final Drawing under the Letter of Credit to provide for the payment of the Commercial Paper Notes issued in accordance with the Resolution which are outstanding and are maturing or are hereafter to mature, and (iii) the Termination Date of the Letter of Credit will occur and the Letter of Credit will expire on the earlier of (a) date which is the 15th calendar day after the date of receipt by the Depository of this notice, and (b) the date on which the Drawing resulting from the delivery of this notice is honored by us.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By _____
Name: _____
Title: _____

Acknowledged as of _____, ____ by
_____, as Issuing and Paying Agent

By _____
Name: _____
Title: _____

EXHIBIT A

FORM OF STOP-ISSUANCE INSTRUCTION

[Dated Date]

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

Attention: _____

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

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

Ladies and Gentlemen:

Pursuant to Section ____ of that certain Reimbursement Agreement, dated as of June 1, 2012 (the "*Reimbursement Agreement*"), by and between Truckee Meadows Water Authority, Nevada (the "*Authority*") and the undersigned, you are hereby notified that (i) an "Event of Default" under Section 6.1(____) of the Reimbursement Agreement has occurred and is now continuing and (ii) upon receipt of this notice, no new Commercial Paper Notes (as defined in the Reimbursement Agreement) **[and no additional [Senior Lien Obligations or] (other than [Senior Lien Obligations] the proceeds of which will be used to pay the Commercial Paper Notes)]** shall be issued or authenticated. This Stop-Issuance Instruction shall remain in effect unless you have received written notification from us that this Stop-Issuance Instruction has been rescinded.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Title: _____

cc: **[Dealer]**
[Rating Agencies]

EXHIBIT B

FORM OF BANK NOTE

\$43,550,685

June 8, 2012

FOR VALUE RECEIVED, the undersigned, TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the "*Authority*"), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (the "*Bank*") at its principal office at _____, in the manner and on the dates provided in the hereinafter defined Agreement in lawful money of the United States of America and in immediately available funds, the principal sum of FORTY THREE MILLION FIVE HUNDRED FIFTY THOUSAND SIX HUNDRED EIGHTY FIVE U.S. DOLLARS (\$43,550,685) or, if less, the aggregate outstanding principal amount of the Reimbursement Obligations from time to time owing to the Bank under the Agreement. Terms used herein and not otherwise defined herein shall have the meanings assigned to them in that certain Reimbursement Agreement, dated as of June 1, 2012 (the "*Agreement*") by and between the Authority and the Bank, as from time to time in effect.

The Authority further promises to pay interest from the date hereof on the outstanding principal amount hereof and unpaid interest hereon from time to time at the rates and times and in all cases in accordance with the terms of the Agreement. The Bank may endorse its records relating to this Bank Note with appropriate notations evidencing the Advances under the Agreement and payments of principal hereunder as contemplated by the Agreement.

This Bank Note is issued pursuant to, is entitled to the benefits of, and is subject to, the provisions of the Agreement and that certain 2006 Commercial Paper Resolution adopted by the Authority on July 19, 2006, as the same may be amended, restated, supplemented or otherwise modified from time to time. The principal of this Bank Note is subject to prepayment in whole or in part in accordance with the terms of the Agreement.

The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgors that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Bank Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

THIS BANK NOTE AND THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW).

IN WITNESS WHEREOF, the Authority has caused this Bank Note to be signed in its name as an instrument by its duly authorized officer on the date and in the year first above written.

ATTEST:

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Secretary to Truckee Meadows Water
Authority, Nevada

By: _____

**FEE LETTER
DATED AS OF JUNE 8, 2012**

Reference is hereby made to (i) that certain Reimbursement Agreement dated as of June 1, 2012 (the “*Agreement*”), between the TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the “*Authority*”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (the “*Bank*”), relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B (the “*Commercial Paper Notes*”), and (ii) that certain Irrevocable Transferable Direct-Pay Letter of Credit dated the date hereof, issued by the Bank pursuant to the Agreement, supporting the Commercial Paper Notes (the “*Letter of Credit*”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement or the Letter of Credit, as applicable.

The purpose of this Fee Letter is to confirm the agreement between the Bank and the Authority with respect to, among other things, the Letter of Credit Fees (as defined below) and certain other fees payable to the Bank. This Fee Letter is the Fee Letter referenced in the Agreement.

ARTICLE I. FEES AND OTHER AGREEMENTS.

Section 1.1. Letter of Credit Fees. The Authority hereby agrees to pay to the Bank on July 2, 2012, for the period commencing on the Closing Date and ending on June 30, 2012, and in arrears on the first Business Day of each October, January, April and July occurring thereafter to the Termination Date, and on the Termination Date (each, a “*Quarterly Payment Date*”), a non-refundable facility fee in an amount equal to the rate per annum corresponding to the Rating, as specified below (the “*Letter of Credit Fee Rate*”), on the average daily Stated Amount of the Letter of Credit (without regard to any reduction of the Stated Amount of the Letter of Credit subject to reinstatement) from time to time in effect (the “*Letter of Credit Fees*”) during each related period.

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	LETTER OF CREDIT FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.80%
Level 2	A1	A+	A+	0.95%
Level 3	A2	A	A	1.15%
Level 4	A3	A-	A-	1.40%
Level 5	Baa1	BBB+	BBB+	1.70%
Level 6	Baa2	BBB	BBB	2.30%

The term “*Rating*” as used above shall mean the rating assigned to the long-term unenhanced credit rating by any Rating Agency to any of the Authority’s Senior Lien Obligations. In the event of a split rating (*i.e.*, one of the Rating Agencies’ Rating is different

than the Rating of either of the other Rating Agencies), the Letter of Credit Fee Rate shall be based upon the Level in which the lowest Rating appears. Any change in the Letter of Credit Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Rating levels above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, including, without limitation, any recalibration or realignment of a Rating in connection with the adoption of a "global" rating scale, the Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. The Authority acknowledges that, as of the Closing Date, the Letter of Credit Fee Rate is that specified above for Level 1. In the event that any Rating is suspended, withdrawn, or otherwise unavailable from any Rating Agency, the Letter of Credit Fee Rate shall immediately increase by 1.00% per annum above the Letter of Credit Fee Rate that would otherwise be in effect. In addition, upon the occurrence of and during the continuance of an Event of Default, the Letter of Credit Fee Rate shall immediately increase by 1.00% per annum above the Letter of Credit Fee Rate that would otherwise be in effect. The Letter of Credit Fees shall be payable on the dates set forth above on the basis of a year of 360-days and the actual number of days elapsed, together with interest on the Letter of Credit Fees from the date payment is due until payment in full at the Default Rate.

Section 1.2. Draw Fees. The Authority hereby agrees to pay to the Bank on the date of each Drawing under the Letter of Credit, a non-refundable draw fee equal to \$300 for each Drawing made under the Letter of Credit; *provided, however*, that in no event shall the aggregate amount of draw fees payable pursuant to this Section 1.2 exceed \$5,000 during any calendar year.

Section 1.3. Amendment Fee. The Authority hereby agrees to pay to the Bank on the date of any non-material amendment, modification or supplement to the Agreement or any Related Document, or any waiver or consent by the Bank with respect thereto, a non-refundable amendment, modification, supplement, waiver or consent fee, as applicable, in an amount equal to \$3,000, plus the reasonable fees of any legal counsel retained by the Bank in connection therewith; *provided, however*, that no fee pursuant to this Section 1.3 shall be required to be paid to the Bank in the event that any such amendment relates solely to an extension of the Letter of Credit Expiration Date. The fee for any material amendment, modification or supplement to the Agreement or any Related Document or any waiver or consent by the Bank with respect thereto shall be negotiated at the time of such material amendment, modification or supplement.

Section 1.4. Transfer Fee. The Authority hereby agrees to pay to the Bank on the date of each transfer of the Letter of Credit to a successor Issuing and Paying Agent, a non-refundable transfer fee in an amount equal to \$3,000, plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

Section 1.5. Termination Fee; Reduction Fee. (a) The Authority hereby agrees to pay to the Bank a termination fee in connection with any termination or replacement of the Letter of Credit by the Authority prior to the Letter of Credit Expiration Date, in an amount equal to difference between (A) the product of (1) the Letter of Credit Fee Rate in effect on the date of

such termination or replacement, (2) the Stated Amount in effect as of the Closing Date and (3) a fraction, the numerator of which is equal to the number of days from and including the date of such termination or replacement to and including the Letter of Credit Expiration Date, and the denominator of which is 360 and (B) any amount paid to the Bank pursuant to Section 1.5(b) hereof (the "*Termination Fee*"), payable on the date of such termination or replacement. Notwithstanding the foregoing or any provision in the Agreement to the contrary, the Authority may terminate or replace the Letter of Credit without payment of the Termination Fee if such termination or replacement is as a result of (i) Moody's having lowered the short-term rating of the Bank below "*P-1*" (or its equivalent), S&P having lowered its short-term rating of the Bank below "*A-1*" (or its equivalent) or Fitch having lowered its short-term rating of the Bank below "*F1*" (or its equivalent) or (ii) the Commercial Paper Notes being refinanced in full from a source of funds which does not require or involve the issuance by a bank or other financial institution of a letter of credit, liquidity facility, credit facility or the direct purchase of such debt by a bank or other financial institution through a bank direct purchase (including, without limitation, (x) the issuance by the Authority of publicly offered floating rate notes to refinance the Commercial Paper Notes in full or (y) the defeasance or termination of the commercial paper program with the Authority's own funds, which have not been borrowed from a bank or other financial institution) or (iii) the Bank denying consent to the proposed merger as set forth and described in Section 5.2(e)(i) of the Agreement.

(b) Notwithstanding anything set forth herein or in the Agreement to the contrary, the Authority agrees not to permanently reduce the Stated Amount below the Stated Amount in effect as of the Closing Date prior to the Letter of Credit Expiration Date, without the payment by the Authority to the Bank of a reduction fee in connection with each and every permanent reduction of the Stated Amount in an amount equal to the product of (A) the Letter of Credit Fee Rate in effect on the date of such reduction, (B) the difference between the Stated Amount (without regard to any reduction of the Stated Amount subject to reinstatement) prior to such reduction and the Stated Amount (without regard to any reduction of the Stated Amount subject to reinstatement) after such reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the Letter of Credit Expiration Date, and the denominator of which is 360 (the "*Reduction Fee*"). Notwithstanding the foregoing or any provision of the Agreement to the contrary, the Authority may permanently reduce the Stated Amount without payment of the Reduction Fee if such permanent reduction of the Stated Amount is a result of the Commercial Paper Notes being refinanced in part from a source of funds which does not require or involve the issuance by a bank or other financial institution of a letter of credit, liquidity facility, credit facility or the direct purchase of such debt by a bank or other financial institution through a bank direct purchase (including, without limitation, (x) the issuance by the Authority of publicly offered floating rate notes to refinance the Commercial Paper Notes in part or (y) the defeasance or termination of the commercial paper program with the Authority's own funds, which have not been borrowed from a bank or other financial institution).

Section 1.6. Fees and Expenses. The Authority will promptly pay upon receipt of an invoice (a) the reasonable expenses of the Bank incurred in connection with the preparation, execution and delivery of the Agreement and the Letter of Credit (such expenses not to exceed \$3,000) and (b) the reasonable fees and expenses of counsel to the Bank incurred in connection

with the preparation, execution and delivery of the Agreement and the Letter of Credit (such fees not to exceed \$50,000, plus expenses).

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Letter shall become effective without the prior written consent of the Authority and the Bank.

Section 2.2. Governing Law. THIS FEE LETTER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER,* THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA AND APPLICABLE FEDERAL LAW.

Section 2.3. Counterparts. This Fee Letter may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument.

Section 2.4. Severability. Any provision of this Fee Letter which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Letter to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first set forth above.

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

AMENDED AND RESTATED SERIES 2006B DEALER AGREEMENT

Between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

GOLDMAN, SACHS & CO.,
as the Dealer

Dated as of June 1, 2012

Relating to the

Truckee Meadows Water Authority, Nevada

Water Revenue

Commercial Paper Notes, Series 2006B

TRUCKEE MEADOWS WATER AUTHORITY
Water Revenue
Commercial Paper Notes, Series 2006B

AMENDED AND RESTATED SERIES 2006B DEALER AGREEMENT

This **AMENDED AND RESTATED SERIES 2006B DEALER AGREEMENT** (this "Agreement") is dated as of June 1, 2012, and is by and between Goldman, Sachs & Co. (the "Dealer") and Truckee Meadows Water Authority, Nevada (the "Authority").

WHEREAS, the Authority intends to offer, sell and issue its Truckee Meadows Water Authority, Nevada Water Revenue Commercial Paper Notes, Series 2006B (the "Notes") under and pursuant to the provisions of the 2006 Commercial Paper Resolution adopted on July 19, 2006, as amended and supplemented on January 19, 2011 (as further amended and supplemented, the "Resolution");

WHEREAS, the Dealer intends to act as a dealer for the Authority in connection with the offer, sale and issuance of the Notes in accordance with the terms and conditions of this Agreement;

WHEREAS, the Authority and the Dealer hereby agree that, as of the date hereof, the Series 2006B Dealer Agreement, dated August 1, 2006, between the Authority and the Dealer, shall be amended and restated as set forth herein; and

WHEREAS, the Resolution provides the maximum principal amount of Notes (together with other Series 2006B Notes) which may be issued is limited to \$160,000,000 and otherwise as required by the terms of the Reimbursement Agreement, dated as of June 1, 2012 (the "Credit Agreement"), by and between the Authority and Wells Fargo Bank, National Association (the "Bank"); subject, however, to any limitations contained in the TMWA Cooperative Agreement and the Authority Act (both as defined in the Resolution) and the Authority's reserved right to limit the aggregate principal amount of Notes issued or outstanding; and

NOW, THEREFORE, the Authority and the Dealer agree as follows:

1. **Appointment of Dealer; Responsibilities of Dealer.**

(a) Subject to the terms and conditions herein contained, the Authority hereby appoints the Dealer to act as a dealer hereunder in connection with the offering, issuance and sale of the Notes, and the Dealer hereby accepts such appointment. All terms used herein shall have the same meaning as in the Resolution or the Credit Agreement unless otherwise defined herein.

(b) Upon receipt of an Issuance Request from the Authority, the Dealer shall exercise its best efforts to solicit purchases of the portion of the Notes specified in the Issuance Request, on such terms and conditions, including maturity dates and interest rates, as may prevail from time to time in the market; and in any event at interest rates up to the Maximum Commercial Paper Interest Rate. Before 1:00 P.M., New York time, on each day on which the

Notes, the purchase of which has been solicited by the Dealer, are to be issued, the Dealer will notify the Authority and the Issuing and Paying Agent of the amounts and terms and conditions of such Notes with respect to which the Dealer has received indications of interest from potential purchasers. Such amounts and terms and conditions shall be subject to the approval of the Authority as provided below.

(c) If the Authority determines that the terms and conditions available from the Dealer are acceptable to the Authority, the Authority shall confirm sales to the Dealer prior to 1:15 P.M., New York time, on such day.

(d) It is understood and agreed that the Dealer's responsibilities hereunder will include the following:

(i) after receipt of an Issuance Request, the soliciting of purchases of Notes from investors that customarily purchase commercial paper or tax exempt securities in large denominations as provided in paragraph (b) of this Section,

(ii) effecting and processing such purchases,

(iii) causing the furnishing, by mail or otherwise, of such materials as are described in Section 3 hereof,

(iv) billing and receiving payment for Notes purchased,

(v) purchasing Notes pursuant to the provisions of paragraph (b) of this Section,

(vi) performing all duties and obligations of the Dealer with respect to the timing of notifications and payments set forth in the Issuing and Paying Agent Agreement (as defined herein), and

(vii) performing such other related functions as may be requested by the Authority and agreed to by the Dealer.

Nothing herein obligates the Dealer to purchase Notes for its own account.

(e) Notices pursuant to, or contemplated by, the provisions of this Section shall be given by telephonic or other electronic communication between or among authorized representatives of the parties to this Agreement and shall be confirmed in writing and mailed, telegraphed or delivered to such parties on the later of the business day following the settlement, if any, of the respective transactions to which such notices relate or the business day following the telephonic communication.

(f) Delivery of beneficial ownership interests in the Notes shall be made to the Dealer by the Issuing and Paying Agent in accordance with the Issuing and Paying Agent Agreement and the customary practices of The Depository Trust Company ("DTC"). Payment for Notes sold by or purchased by the Dealer shall be effected in accordance with the Issuing and Paying Agent Agreement and the Resolution. The Dealer shall pay for such Notes as are

delivered to it executed and authenticated in the manner provided for in the Issuing and Paying Agent Agreement and the Resolution, in immediately available funds on the day on which such Notes are delivered to the Dealer.

2. **The Notes.** The Notes shall have the security, terms and provisions as set forth in the Resolution and the applicable Issuance Request, with interest rates and maturities (not in excess of the limits provided in the Resolution) as specified by the Dealer and confirmed by the Authority.

3. **Furnishing of Information.**

(a) At or before the time of execution of this Agreement, the Authority will prepare and furnish to the Dealer a camera-ready copy of an offering memorandum describing the Authority, the Notes, the Credit Agreement, the Letter of Credit, the Bank, DTC, the Issuing and Paying Agent and such other items as shall be reasonably requested by the Dealer, such offering memorandum to be in such form and having such substance as shall be reasonably requested by the Dealer (such offering memorandum, as the same may be revised, updated, amended, supplemented or otherwise changed in accordance with the terms of this Agreement, is herein referred to as the "Offering Memorandum").

(b) Upon written request of the Dealer, but not more frequently than once each calendar year, the Authority shall prepare and furnish to the Dealer a camera-ready copy of a new Offering Memorandum, which shall be an update to the prior Offering Memorandum and which shall also contain such additional information as the Dealer may reasonably request. Such update shall also include current, updated information on the Bank.

(c) Notwithstanding the provisions of subsection (b) above, if, at any time, an event shall become known to the Authority or the Dealer which might make the information set forth in the then current Offering Memorandum incorrect, or cause such Offering Memorandum to fail to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, then the party making such discovery shall notify the other party, and, if in the reasonable judgment of the Dealer or the Authority, it is necessary to prepare a supplement or amendment to the Offering Memorandum, the Authority will prepare and furnish to the Dealer a camera-ready copy of such supplement or amendment in form and substance reasonably satisfactory to the Dealer.

(d) Contemporaneously with the furnishing to the Dealer of each update to the Offering Memorandum, and each amendment or supplement to the Offering Memorandum which relates to the Bank, the Authority shall also furnish to the Dealer a copy of the information furnished by the Bank pursuant to Section 4.13(b) of the Credit Agreement.

(e) The Authority recognizes and agrees that the Offering Memorandum will be, and any other information furnished to the Dealer pursuant to this section may be, furnished by the Dealer to potential purchasers and purchasers of the Notes in connection with the offer and sale of the Notes. In no event may a Dealer furnish any other information to a purchaser or potential purchaser without the prior written approval of the Authority.

4. Representations, Warranties, Covenants and Agreements of the Authority.

The Authority represents, warrants, covenants and agrees as follows:

(a) The Authority is organized and existing under laws of the State, and is authorized by the TMWA Cooperative Agreement and the Authority Act and other laws of the State and the Resolution to offer, sell and issue the Notes for the purposes specified in the Resolution and to enter into and perform its obligations under this Agreement, the Notes, the Resolution, the Credit Agreement and the Amended and Restated Series 2006B Issuing and Paying Agent Agreement, dated as of June 1, 2012, between the Authority and the Issuing and Paying Agent (the "Issuing and Paying Agent Agreement");

(b) The Authority has full power and authority to take all actions required or permitted to be taken by the Authority by or under and to perform and observe the covenants and agreements on its part contained in this Agreement, the Notes, the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement, and the Authority has complied with all provisions of applicable law in all matters related to such actions;

(c) The Authority has duly taken all action necessary to be taken by it or on its behalf for: (i) the adoption of the Resolution, (ii) the execution, delivery and performance of this Agreement, the Credit Agreement, and the Issuing and Paying Agent Agreement, (iii) the preparation, authorization and the distribution of the Offering Memorandum, and (iv) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement. The Authority will have, on or before the date on which any Notes are issued, duly taken all action required to be taken by it or on its behalf prior to such date for the offering, sale and issuance, of such Notes upon the terms set forth in the Resolution;

(d) The Resolution has been duly adopted by the Authority and is in full force and effect, and this Agreement, the Resolution, the Credit Agreement and the Issuing and Paying Agent Agreement, when executed and delivered by the respective parties thereto, will constitute valid and binding obligations of the Authority, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Nevada;

(e) The adoption of the Resolution and the execution and delivery of this Agreement, the Notes, the Credit Agreement and the Issuing and Paying Agent Agreement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not conflict with or constitute a material breach of or a material default under or result in a material violation of (i) the TMWA Cooperative Agreement, (ii) the Authority Act, (iii) the Resolution, (iv) any agreement or other instrument to which the Authority is a party or by which the Authority or any of its properties is bound, or (v) any constitutional or statutory provision or order, rule, regulation, decree or resolution of any court, government or governmental authority having jurisdiction over the Authority or any of its properties;

(f) On and as of each date on which Notes are to be issued and sold pursuant to the terms of the Resolution and this Agreement (each, a "Closing Date"), all authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the adoption of the Resolution and the execution, delivery and performance by the Authority of this Agreement, the Notes, the Credit Agreement and the Issuing and Paying Agent Agreement will have been obtained, given or taken and will be in full force and effect, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States;

(g) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the Authority, threatened against the Authority wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of, or the authority of the Authority to perform its obligations under, the Resolution, this Agreement, the Notes, the Credit Agreement or the Issuing and Paying Agent Agreement;

(h) When executed and issued as herein and in the Resolution and the Issuing and Paying Agent Agreement provided, the Notes will be duly authorized, executed and issued and will constitute valid and binding obligations of the Authority enforceable in accordance with their terms and the terms of the Resolution, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Nevada;

(i) The Authority will cooperate with the Dealer in the qualification of the Notes for offering and sale and the determination of the eligibility of the Notes for investment under the laws of such jurisdictions as the Dealer shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Notes by the Dealer, provided that the Authority shall not be required to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject or otherwise undertake any burden in connection with any such qualification that the Authority determines to be unduly burdensome. It is understood that the Authority is not responsible for compliance with or the consequences of failure to comply with applicable Blue Sky laws;

(j) The Authority is not in default in the payment of principal of, premium, if any, or interest on any bonds, notes or other obligations which it has issued, assumed or guaranteed as to the payment of principal, premium, if any, or interest;

(k) The information provided by the Authority pursuant to Section 3 hereof, as of the date on which such information is furnished, will not contain any untrue statement of a material fact and will not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. It is understood that the Authority is not making any representations about the accuracy or completeness of any information concerning or furnished by it with respect to the Bank, any Dealer, the Issuing and Paying Agent or DTC;

(l) Any certificate signed by any authorized official or officials of the Authority and delivered to the Dealer, shall be deemed a representation by the Authority to the Dealer as to the statements made therein; and

(m) The terms and provisions of each Issuance Request shall comply with the terms, conditions and limitations contained in the Resolution.

(n) Each delivery of Notes to the Dealer shall be deemed a representation and warranty by the Authority, as of the date thereof, that (i) the Notes issued on such date have been duly authorized, issued and delivered and, upon payment therefor, will constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, and (ii) the representations and warranties of the Authority set forth in this Section 4 are true and correct as if made on such date.

(o) The Authority will give the Dealer notice forthwith of the occurrence of any material breach by the Authority of any of its covenants contained in the Resolution.

(p) The Authority will give the Dealer notice of any proposed amendment to or modification of the Resolution, this Agreement, the Credit Agreement and the Issuing and Paying Agent Agreement prior to the effective date thereof.

5. **Conditions to the Dealer's Obligations.** The obligations of the Dealer under this Agreement have been undertaken in reliance on, and are subject to, the due performance by the Authority of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants and agreements of the Authority contained herein, in each case on and as of the date of delivery of this Agreement and on and as of each Closing Date. The obligations of the Dealer hereunder with respect to each date on which Notes are to be issued are also subject, in the discretion of the Dealer, to the following further conditions:

(a) The Resolution, the Credit Agreement, the Letter of Credit, this Agreement and the Issuing and Paying Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Dealer, and there shall be in full force and effect such additional resolutions, agreements and certificates (including such certificates as may be required by regulations of the Treasury Department of the United States in order to establish the exclusion from gross income for federal income tax purposes of interest on the Notes) and such opinions of counsel, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to bond counsel, the Authority, and the Dealer, and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall, in the opinion of bond counsel, be necessary, in connection with the transactions contemplated hereby;

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Authority or the Bank since the date of the Offering Memorandum relating to Notes being sold on such date, the Authority or the Issuing and Paying Agent shall not have received a notice of an event of default under the Credit Agreement or a Stop-Issuance Instruction or a Final Drawing Notice (each as defined in

the Credit Agreement) from the Bank, and no event of default under the Resolution shall have occurred and be continuing; and

(c) At or prior to the first Closing Date, the Dealer shall have received the following in form and substance satisfactory to the Dealer:

(i) Executed or certified copies of the Resolution, the Credit Agreement, the Letter of Credit, and the Issuing and Paying Agent Agreement and a transcript of all other proceedings relating to the authorization of the Notes;

(ii) Opinions dated as of the Closing Date of (a) bond counsel to the Authority, and (b) domestic and foreign counsel (if applicable) to the Bank addressed to the Dealer or accompanied by letters indicating the Dealer may rely on those opinions;

(iii) A certificate of the Authority, executed by any duly authorized official of the Authority, dated as of the Closing Date, to the effect that each of the Authority's representations and warranties contained herein are true and correct in all material respects on and as of the first Closing Date with the same effect as if made on the first Closing Date;

(iv) A certificate of the Bank as to the information concerning the Bank in the Offering Memorandum; and

(v) Copies of all documents required by, and to be delivered pursuant to, the Resolution and the Credit Agreement.

6. **Conditions to Authority's Obligations.** The Authority's obligations hereunder are subject to the performance by the Dealer of its obligations hereunder and to the following additional conditions:

(a) The Resolution, the Credit Agreement, the Letter of Credit and the Issuing and Paying Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Authority and the Dealer, and there shall be in full force and effect such additional resolutions, agreements and certificates (including such certificates as may be required by regulations of the Treasury Department of the United States in order to establish the exclusion from gross income for federal income tax purposes of interest on the Notes) and such opinions of counsel, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to bond counsel, the Authority, and the Dealer, and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall, in the opinion of the aforesaid counsel, be necessary, in connection with the transactions contemplated hereby;

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Authority since the date of the Offering Memorandum relating to Notes being sold on such date, the Authority shall not have received a notice of an event of default under the Credit Agreement or a Stop-Issuance Instruction or a Final Drawing Notice from the Bank, and no event of default under the Resolution shall have occurred and be continuing and no material event shall have occurred and

be continuing which, with the passage of time or giving of notice or both, would constitute such an event of default under either the Credit Agreement or the Resolution; and

(c) At or prior to the first Closing Date, the Authority shall have received:

(i) Executed or certified copies of the Resolution, the Credit Agreement, the Letter of Credit and the Issuing and Paying Agent Agreement; and a transcript of all other proceedings relating to the authorization of the Notes;

(ii) Opinions dated as of such date of (a) bond counsel to the Authority and (b) domestic and foreign counsel to the Bank addressed to the Authority or accompanied by letters indicating the Authority may rely on those opinions;

(iii) A certificate of the Dealer, in form and substance satisfactory to the Authority, to the effect that (a) the Dealer has the power and authority to execute this Agreement and to perform its obligations hereunder, (b) the Dealer has duly and validly approved, executed and delivered this Agreement and this Agreement constitutes a legal, valid and binding agreement of the Dealer enforceable in accordance with its terms, and (c) the execution and delivery by the Dealer of this Agreement, and the performance of its obligations hereunder, do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance of any of its property under, its charter or by-laws, or any other agreement, instruction, judgment, injunction or order applicable to it or any of its property; and

(iv) Copies of all documents required by, and to be delivered pursuant to, the Resolution and the Credit Agreement.

7. Term and Termination of Agreement.

(a) This Agreement may be canceled by the Dealer or the Authority at any time on written notice if another dealer appointed by the Authority and acceptable to the Bank has agreed to assume responsibility for marketing the Dealer's share of the Notes. To be effective, such written notice must be given no less than 30 days prior to such cancellation date. If the Dealer gives notice of cancellation to the Authority, the Authority agrees to use its best efforts to appoint another dealer.

(b) In addition to the provisions of paragraph (a) of this Section, any party to this Agreement may immediately terminate its obligations under this Agreement at any time by notifying the other party to this Agreement in writing or by telegram of its election so to do, if:

(i) A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended to the Congress of the United States for passage by the President of the, United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or

proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived by the Authority (or by any similar body) or upon interest received on obligations of the general character of the Notes;

(ii) Legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby;

(iii) Any event shall have occurred, or information become known, which, in either party's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information supplied by the Authority pursuant to Section 3, and the Authority shall fail to supplement such information in a manner satisfactory to both parties and in accordance with said Section 3 within a reasonable period of time after requested to do so by the Dealer;

(iv) Any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the United States or the State of Nevada, or a decision by any court of competent jurisdiction within the United States or the State of Nevada shall be rendered which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(vi) Any governmental authority shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(vii) A general banking moratorium shall have been established by federal, Nevada, New York authorities;

(viii) Any rating of the Notes shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes; or

(ix) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

8. **Payment of Fees and Expenses.** In consideration of the services to be performed by the Dealer under this Agreement, the Authority agrees to pay to the Dealer quarterly, within 30 days of submission of a bill therefor by the Dealer after the close of each calendar quarter, commencing with the quarter ending on September 30, 2006, a fee equal to the product of the average balance of Notes outstanding during that quarter for which the Dealer was responsible times four (4) basis points. It is understood and agreed that (i) payment of such fee shall be made by the Authority quarterly upon receipt of an invoice therefore from the Dealer, and (ii) the obligation of the Authority to pay such fee shall survive the termination or cancellation of this Agreement to the extent that such obligation relates to Notes outstanding prior to such termination or cancellation.

9. **Miscellaneous.**

(a) Except as otherwise specifically provided in this Agreement, all notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

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

Dealer: Goldman, Sachs & Co.
200 West Street
New York, NY 10282
Attention: Municipal Money Market Desk
Telephone: (212) 902-6633
Facsimile: (212) 428-3132

Any of the above named entities may, by notice given under this Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) This Agreement will inure to the benefit of and be binding upon the Authority and the Dealer and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation. The terms "successors" and "assigns" shall not include any purchaser of any of the Notes merely because of such purchase.

(c) All of the representations and warranties of the Authority and the Dealer in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Dealer, (ii) delivery of and any payment for any Notes hereunder, or (iii) termination of this Agreement.

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

(e) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada and the parties hereby agree that if either party determines to bring an action to litigate any dispute hereunder or arising out of the actions contemplated hereby or including, without limitation, any action to enforce any provision hereof, such action shall be brought in the District Court of the Second Judicial District of the State of Nevada in Washoe County, Nevada.

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**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chairman

(SEAL)

Attest:

By: _____
Secretary

GOLDMAN, SACHS & CO.

By: _____
Title: _____

AMENDED AND RESTATED

2006B ISSUING AND PAYING AGENT AGREEMENT

Between

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

and

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

Dated as of June 1, 2012

Relating to the

Truckee Meadows Water Authority, Nevada

Water Revenue

Commercial Paper Notes, Series 2006B

AMENDED AND RESTATED 2006B ISSUING AND PAYING AGENT AGREEMENT

THIS AMENDED AND RESTATED 2006B ISSUING AND PAYING AGENT AGREEMENT, dated as of June 1, 2012 (this "Agreement"), between Truckee Meadows Water Authority, Nevada (the "Authority"), and U.S. Bank National Association, a banking corporation duly organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the "Issuing and Paying Agent");

WHEREAS, the Authority has heretofore authorized the issuance of its Water Revenue Commercial Paper Notes, Series 2006B (the "Notes"), pursuant to an Authority Resolution adopted on July 19, 2006, as amended and supplemented on January 19, 2011 (as further amended and supplemented from time to time, in accordance with its terms, the "Resolution");

WHEREAS, in order to provide support for payment of the principal of and interest on the Notes, the Authority has determined to enter into a Reimbursement Agreement, dated as of June 1, 2012 (as supplemented and amended from time to time, the "Credit Agreement"), by and between the Authority and Wells Fargo Bank, National Association (the "Bank"), pursuant to which the Bank will issue a Letter of Credit (the "Letter of Credit"), which Letter of Credit will be drawn upon by the Issuing and Paying Agent to pay principal of and interest on the Notes;

WHEREAS, in order to provide for the offering and sale of the Notes, the Authority has determined to enter into an Amended and Restated Series 2006B Dealer Agreement, dated as of June 1, 2012 (the "Dealer Agreement"), between the Authority and Goldman, Sachs & Co. (the "Dealer"); and

WHEREAS, in order to facilitate the issuance and sale of the Notes, the Authority and the Issuing and Paying Agent desire to enter in this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. **Appointment of Issuing and Paying Agent.** The Authority hereby appoints U.S. Bank National Association, on the terms and conditions specified herein, as Issuing and Paying Agent for the Notes, which the Authority shall from time to time deliver or cause to be delivered to the Issuing and Paying Agent. The Notes will be substantially in the form set forth in the Resolution and will be offered by the Dealer. At no time will the aggregate outstanding principal amount of such Notes exceed the amount permitted by the Credit Agreement or the Resolution. All terms used herein shall have the same meaning as in the Resolution or the Credit Agreement unless otherwise defined herein.

2. **Letter of Representations; Supply of Notes.** The Authority will promptly deliver to the Issuing and Paying Agent an executed version of the form of Letter of Representations (the "Letter of Representations") provided by The Depository Trust Company ("DTC"). The Authority understands and agrees that such Letter of Representations shall supplement the provisions of this Agreement and that the Authority, the Issuing and Paying Agent, and DTC shall be bound by the terms and provisions of the Letter of Representations, including any procedures and operational arrangements applicable thereunder. Except as otherwise provided in Section 2.13 of the Resolution, the Authority agrees from time to time to

furnish the Issuing and Paying Agent with an adequate supply of Notes, which will be serially numbered and which will have been executed by the facsimile signature of the Chairman, Secretary and Treasurer of the Authority, and bear a facsimile impression of the Authority's seal. (The principal amount, date of issue, registered owner, maturity date, interest rate and amount of interest will be left blank.) Pending receipt of an Issuance Request, the Issuing and Paying Agent agrees to hold the supply of Notes in safekeeping for the account of the Authority in accordance with the customary practice of the Issuing and Paying Agent.

3. **Authorized Representatives of the Authority.** From time to time the Authority agrees to furnish the Issuing and Paying Agent with one or more certificates certifying the incumbency and specimen signatures of officers or agents of the Authority authorized to execute Issuance Requests on behalf of the Authority and/or authorized to take other action hereunder on behalf of the Authority (each an "Authorized Representative") and the names of employees of the Dealer who are authorized to give notices and/or issuance instructions to the Issuing and Paying Agent as provided herein (a "Dealer Representative"). Until the Issuing and Paying Agent receives a subsequent certificate from the Authority, the Issuing and Paying Agent is entitled to rely on the last such certificate delivered to it for purposes of determining the Authorized Representatives or Dealer Representatives.

The Authority agrees that the Issuing and Paying Agent shall not have any responsibility to the Authority to determine by whom or what means a facsimile signature may have been affixed on the Notes. Any Note bearing the facsimile signatures identified in Section 2 hereof on the date the signature of such officer is affixed shall bind the Authority after the completion of such Note by the Issuing and Paying Agent, notwithstanding that such officer shall have died or shall have otherwise ceased to hold office on the date such Note is authenticated or delivered by the Issuing and Paying Agent.

4. **Completion, Authentication and Delivery of Notes.**

(a) An Issuance Request will be given by an Authorized Representative to the Issuing and Paying Agent and the Dealer by Immediate Notice, by 4:30 p.m. New York time on the Business Day preceding the Business Day on which Notes are to be issued. Instructions to complete Notes and deliver Notes to the Dealer will be given by the Dealer to the Issuing and Paying Agent and the Authority by Immediate Notice, by 1:00 p.m. New York time on the Business Day on which Notes are to be issued. Confirmation of such instruction to complete and deliver Notes will be given by the Authority to the Issuing and Paying Agent, the Dealer and the Financial Advisors by Immediate Notice, as soon as practicable after receipt of instructions from the Dealer but in no event later than 1:15 p.m. New York time on the Business Day on which Notes are to be issued. Financial Advisors shall mean Public Financial Management, Inc. and Hobbs, Ong & Associates, Inc. or such other financial advisor designated by the Authority from time to time.

(b) Upon receipt of an Issuance Request, instructions from the Dealer and confirmation from the Authority as described in Section 4(a) hereof, the Issuing and Paying Agent agrees (i) to record on its books and provide a record to the Authority of the principal amount, date of issue, maturity date, interest rate, amount of interest and registered owner of each Note, and (ii) to the extent necessary under the book entry system used for the Notes:

- (i) to withdraw the necessary Note(s) from safekeeping;
 - (ii) to complete Notes as to principal amount (which principal amount shall be \$100,000 or an integral multiple of \$1,000 in excess thereof), date of issue, maturity date, interest rate and amount of interest thereon and to register such Note to Cede & Co., as nominee of DTC;
 - (iii) to manually authenticate each Note by any officer or employee duly authorized and designated for such purpose;
 - (iv) to retain one (1) nonnegotiable copy of each Note for its records and promptly forward one (1) nonnegotiable copy of each Note to the Authority; and
 - (v) to deliver the Note(s) through the facilities of DTC, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such Issuance Request or instructions (if such Issuance Request or instructions do not provide for such receipt, the Dealer shall nevertheless pay the purchase price for the Note(s) in accordance with Section 5 hereof).
- (c) It is understood that each delivery of Notes hereunder shall be subject to the rules of the DTC in effect at the time of such delivery and, in accordance therewith, Notes are to be delivered by such time as specified in such rules.
- (d) Notwithstanding any other provision of this Agreement or the Resolution to the contrary, no Notes shall be authenticated or delivered if:
- (i) such delivery would result in the aggregate principal amount of Notes Outstanding being in excess of the maximum amount provided in the Resolution; or
 - (ii) such delivery would result in an aggregate principal amount of Outstanding Notes plus the aggregate amount of interest to accrue on the Outstanding Notes to maturity thereof, calculated at the maximum rate of 12% per annum for 270 days, to be in excess of the Stated Amount; or
 - (iii) such delivery would result in the delivery of any Note bearing interest at a rate in excess of the lesser of (a) 3 percentage points per annum above the 25 Bond Revenue Index most recently published in The Bond Buyer before the Authority confirms the Dealer's instructions with respect to delivery of the Note, or (b) 12% per annum; or
 - (iv) such delivery would result in the delivery of any Note that has a maturity date that extends beyond the earliest of (a) 270 days from the date of authentication and issuance of such Note, (b) five days prior to the Letter of Credit Expiration Date (as such term is defined in the Resolution) or (c) July 1, 2036; or
 - (v) the Issuing and Paying Agent has received a Stop-Issuance Instruction or a Final Drawing Notice from the Bank; or

(vi) the Issuing and Paying Agent shall have actual knowledge that an event of default (as such term is defined in the Resolution) shall have occurred and is continuing; or

(vii) the Issuing and Paying Agent shall have received notice that the opinion of bond counsel delivered regarding the validity of the Notes and the exclusion of interest on the Notes from the gross income of the registered owners thereof for federal income tax purposes has been or is being withdrawn, which notice shall be delivered by such bond counsel.

If the Issuing and Paying Agent is unable to comply with an Issuance Request because of any of the above conditions, the Issuing and Paying Agent shall give Immediate Notice to the Authority and the Dealer of the circumstances prohibiting the issuance of the Notes.

(e) Notwithstanding Section 4(d)(ii) hereof, in the event an Advance is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Notes exceeding the limitations of that provision if, upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall have sufficient funds immediately available to reimburse the Bank for an Advance equal to such principal amount and if upon such reimbursement the limitation of Sections 4(d)(i) and 4(d)(ii) hereof will not be exceeded. Upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall give Immediate Notice to the Bank that it is holding such proceeds in trust for the Bank, and shall immediately wire such proceeds to the Bank.

(f) The Authority understands that although the Issuing and Paying Agent has been instructed to deliver Notes against payment, delivery of Notes will, in accordance with the custom prevailing in the commercial paper market, be made before receipt of payment in immediately available funds. Therefore, once the Issuing and Paying Agent has delivered a Note to a Dealer or its agent as provided herein, the Authority shall bear the risk that a Dealer or its agent fails to remit payment for the Note to the Issuing and Paying Agent. The Issuing and Paying Agent shall have no liability to the Authority for any failure or inability on the part of the Dealer to make payment for Notes. Nothing in this Agreement shall require the Issuing and Paying Agent to purchase any Note or expend the Issuing and Paying Agent's own funds for the purchase price of a Note or Notes.

5. Demand for Payment Under Letter of Credit.

(a) Concurrently with the execution and delivery of this Agreement and for the purposes of this Agreement, the Resolution and the Credit Agreement, the Issuing and Paying Agent will establish the Note Payment Account in accordance with the provisions set forth herein.

(b) On any date on which Notes are maturing, the Issuing and Paying Agent shall determine the amount needed to pay the maturing Notes in full as to both principal and interest and, in the event the Issuing and Paying Agent is in receipt of a Final Drawing Notice, the Issuing and Paying Agent shall determine the amount needed to be drawn on the Letter of Credit pursuant to its terms to pay the Notes in full as to both principal and interest on their

respective maturity dates, and shall submit a Drawing Certificate in such form as is set forth as Annex A-1 to the Letter of Credit with respect to payment of the principal of and interest on Notes at maturity, or as Annex A-2 to the Letter of Credit with respect to payment of the principal of and interest on Notes at their respective maturity dates after receipt of the Final Drawing Notice, all in accordance with the Letter of Credit, to the Bank by 11:30 a.m. New York time, in order to draw on the Letter of Credit, the full amount of the principal of and interest due on such maturing Notes, and shall deposit the amount of such Drawing in the Note Payment Account. The amount of each Drawing will not be applied to any payment in respect of Notes registered in the name of the Authority or, to the best knowledge of the Issuing and Paying Agent, any nominee for or any Person who owns such Notes for the sole benefit of the Authority. The Issuing and Paying Agent shall hold the funds in the Note Payment Account uninvested for the benefit of the owners of the Notes, and shall apply such funds solely to pay the principal of and interest on the maturing Notes as provided herein and in the Resolution.

On each day on which the Notes are delivered, the Dealer or its agents shall pay the purchase price for such Notes in immediately available funds to the Issuing and Paying Agent, which shall transfer to the Authority for deposit to the Note Construction Account, the Letter of Credit Reimbursement Account or an Escrow Account or for payment of Refinanced Obligations the amounts received from the Dealer, as shown in the Issuance Request.

6. Establishment of Letter of Credit Reimbursement Account. Concurrently with the execution and delivery of this Agreement and for the purposes of this Agreement, the Resolution and the Credit Agreement, the Issuing and Paying Agent will establish the Letter of Credit Reimbursement Account in accordance with the provisions set forth herein. On each day on which the Issuing and Paying Agent receives a transfer of funds from or on behalf of the Authority or from the Dealer with respect to principal or interest due or to become due on the Notes, the Issuing and Paying Agent shall deposit such amounts in the Letter of Credit Reimbursement Account.

The Issuing and Paying Agent shall hold the funds in the Letter of Credit Reimbursement Account uninvested for the benefit of the Bank, shall set such funds aside exclusively to reimburse the Bank for an Advance, and shall apply such funds to reimburse the Bank for the Advance, in accordance with the terms of this Agreement and the Credit Agreement by 3:00 p.m. New York City time on the date of receipt. If the Bank refuses to honor a properly presented and conforming drawing on, and pursuant to, the Letter of Credit submitted in accordance with Section 5 hereof in full, the Issuing and Paying Agent shall apply monies in the Letter of Credit Reimbursement Account to the payment of the principal of and interest on the Notes pro rata to the extent necessary to prevent a default in such payment, and shall give Immediate Notice to the Authority and the Bank of such use.

The Issuing and Paying Agent shall not have a lien on the Letter of Credit Reimbursement Account for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent hereunder.

7. Payment of Matured Notes. Payment of matured Notes shall be made by the Issuing and Paying Agent in accordance with Section 2.5(E) of the Resolution. By 2:00 p.m. New York time on the date that any Notes are scheduled to mature, the Authority shall have

caused to be provided to the Issuing and Paying Agent, sufficient funds from which to pay the maturing Notes and the interest thereon. The Notes and maturing interest thereon shall be paid from the funds provided pursuant to Section 5 hereof and if the Bank fails to honor a properly presented and conforming Drawing, the funds provided pursuant to Section 6 hereof.

8. **Reliance on Instructions.** The Issuing and Paying Agent shall incur no liability to the Authority in acting hereunder upon the instructions received by such means as are contemplated hereby, which the recipient thereof reasonably believed in good faith to have been given by an Authorized Representative of the Authority or representatives of the Dealer. In the event a discrepancy exists between any telephonic instructions given by the Authority or the Dealer and as understood by the Issuing and Paying Agent, the Issuing and Paying Agent shall immediately, by telephone or such other means as it deems reliable, attempt to resolve such discrepancy. Once resolved to the satisfaction of the Issuing and Paying Agent, the reasonable understanding of the Issuing and Paying Agent of such resolution will be deemed the controlling and proper instructions.

9. **Destruction of Notes.** After payment of any matured Notes, the Issuing and Paying Agent shall annotate its records to reflect the face amount of Notes outstanding in accordance with the Letter of Representations. Promptly upon the written request of the Authority, the Issuing and Paying Agent agrees either to cancel and return to the Authority all unissued Notes in the possession of the Issuing and Paying Agent at the time of such request or destroy such Notes and deliver a certificate of such destruction to the Authority, as specified by the Authority.

10. **Compliance with Resolution; Duties.** The Issuing and Paying Agent hereby agrees to accept, undertake and perform all of the duties and obligations set forth and imposed upon the Issuing and Paying Agent hereunder and under the Resolution and, in addition, the Issuing and Paying Agent agrees:

(a) to hold all sums held by the Issuing and Paying Agent for the payment of the principal of or interest on the Notes in trust for the benefit of the registered owners of the Notes until such sums shall be paid to such registered owners or otherwise disposed of as provided in the Resolution;

(b) to provide to the Bank and the Authority a monthly report on the first Business Day of each month, which report shall set forth such information regarding the authentication and delivery of Notes during the prior month, as the Authority, the Bank and Issuing and Paying Agent shall have agreed upon;

(c) to keep such books and records, including, without limitation a complete record of all Issuance Requests, as shall be consistent with standard industry practice and to make such books and records available for inspection by the Authority and the Bank, such books and records to be available on each Business Day during reasonable business hours and, if so requested, to send copies of such books and records to the Authority or the Bank, as applicable; and

(d) to hold and administer the Reserve Account, if any, created pursuant to the Resolution.

11. Notices; Addresses.

(a) All communications by or on behalf of the Authority or the Dealer, by telephone or otherwise, relating to the completion, delivery or payment of the Note(s) are to be directed to the Corporate Trust Division of the Issuing and Paying Agent (or to such other person or department which the Issuing and Paying Agent shall specify in writing to the Authority and the Dealer). The Authority agrees to send all Notes to be completed and delivered by the Issuing and Paying Agent to the Issuing and Paying Agent (or to such other person as the Issuing and Paying Agent shall specify in writing to the Authority). The Issuing and Paying Agent agrees to advise the Authority, the Bank and the Dealer from time to time of the individuals generally responsible for the administration of this Agreement and agrees from time to time to certify incumbency and specimen signatures of officers or employees authorized to countersign the Notes and agrees to supply a list of employees authorized to receive telephone instructions.

(b) Notices and other communications to be given hereunder shall (except to the extent otherwise expressly provided) be given by Immediate Notice or shall be given in writing and be addressed as set forth below (or to such other address as the party receiving such notice shall have previously specified, by notice given hereunder, to the party sending such notice):

Authority:

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

Issuing and Paying Agent:

concerning the issuance of the Notes:

U.S. Bank National Association
100 Wall Street, 16th Floor
New York, NY 10005
Attention: Commercial Paper Operations
Telephone: (212) 361-3838
Facsimile: (212) 509-4529

concerning all other matters:

U.S. Bank National Association
100 Wall Street, Suite 1600
New York, NY 10005
Attention: Corporate Trust Administration
Telephone: (212) 361-2535
Facsimile: (212) 509-3384

Bank:

Wells Fargo Bank, National Association
100 W. Washington St., 25th Floor
MAC S4101-251
Phoenix, AZ 85003
Attention: Jeff Sundheimer
Telephone: (602) 378-2175
Facsimile: (866) 214-0265

Dealer:

Goldman, Sachs & Co.
200 West Street
New York, NY 10282
Attention: Municipal Money Market Desk
Telephone: (212) 902-6633
Facsimile: (212) 428-3132

Notices shall be deemed delivered when received at the address specified above. For purposes of this Section, "when received" shall mean actual receipt (x) of an Immediate Notice specified in or pursuant to this Agreement; (y) of an oral communication by any person answering the telephone at the office of the Issuing and Paying Agent specified in Section 11 (b) hereof and otherwise at the office specified in or pursuant to this Agreement; or (z) of a written communication hand delivered at the office specified in or pursuant to this Agreement provided that any notices to the Bank shall be made in accordance with the Credit Agreement.

12. Additional Information; Notification of the Owners of Note.

(a) Upon the reasonable request of the Authority or Bank, as applicable, given at any time and from time to time, the Issuing and Paying Agent agrees promptly to provide the Authority or the Bank, as applicable, with information with respect to the Note(s) issued and paid hereunder. Such request shall be in written form and shall include the principal amount, date of issue, maturity date, interest rate and amount of interest of each Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made. The Issuing and Paying Agent and the Authority shall discuss from time to time the extent to which such information is reasonably available and the times at which the Issuing and Paying Agent can reasonably furnish such information.

(b) The Authority agrees to give Immediate Notice to the Issuing and Paying Agent in advance thereof if there is an assignment by the Bank of its rights under the Credit Agreement or its obligations under the Letter of Credit pursuant to the Credit Agreement or upon receipt by the Issuing and Paying Agent of a Stop-Issuance Instruction or a Final Drawing Notice or the rescission of such an instruction or notice. Upon receipt of such notification, the Issuing and Paying Agent agrees to give Immediate Notice to the Dealer and to give written notice (by first-class, postage prepaid, mail) to the registered owners of the Notes of the assignment in advance thereof of the receipt or rescission of a Stop-Issuance Instruction or a Final Drawing Request.

13. **Modifications and Amendments.** This Agreement may be modified or amended from time to time and at any time, provided that such modification or amendment is in writing, is executed by the Authority and the Issuing and Paying Agent, and is approved in writing by the Bank, and provided further that no modification or amendment shall materially and adversely affect the rights of the registered owners of Notes outstanding.

14. **Termination.** This Agreement may be terminated at any time by either party upon not less than fifteen (15) days written notice to the other party and upon appointment of, and acceptance by, a successor Issuing and Paying Agent which must be a commercial bank with trust powers. If no successor has been appointed and accepts such appointment within 30 days, then the Issuing and Paying Agent have the right to petition a court of competent jurisdiction for the appointment of a successor issuing and paying agent hereunder. The Issuing and Paying Agent shall be reimbursed for any and all expenses in connection with any such petition and appointment. On the Business Day following the date of termination of this Agreement, the Issuing and Paying Agent shall (i) transfer the Letter of Credit to the successor issuing and paying agent, (ii) destroy all Notes in the Issuing and Paying Agent's possession, and (iii) transfer to the Authority all funds, if any, then on deposit in any account held under this Agreement. The Issuing and Paying Agent shall promptly notify the Authority of all Notes so destroyed.

15. **Fees.** The Authority and the Issuing and Paying Agent agree that the fees for the services of the Issuing and Paying Agent hereunder shall be as set mutually agreed upon as evidenced by a writing signed by a representative of the Issuing and Paying Agent and the Chief Financial Officer of the Authority. The Authority shall from time to time, subject to any agreement then in effect with the Issuing and Paying Agent, pay the Issuing and Paying Agent compensation for its services and reimburse the Issuing and Paying Agent for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counselor other experts employed by it in the observance and performance of its rights and obligations hereunder.

16. **Reliance on Representations.**

(a) The recitals of facts herein and in the Notes contained shall be taken as statements of the Authority, and the Issuing and Paying Agent assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Resolution or of the Notes or of any investment security, as to the sufficiency of the Net Revenues or the priority of the lien of the Resolution thereon, or as to the financial or technical

feasibility of any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein, in the Resolution or in the Notes assigned to or imposed upon it. The Issuing and Paying Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Notes and may join in any action which any Owner of a Note may be entitled to take, with like effect as if the Issuing and Paying Agent was not the Issuing and Paying Agent. The Issuing and Paying Agent may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(b) The Issuing and Paying Agent shall not be liable for any error of judgment made reasonably and in good faith by a responsible officer unless it shall be proved that the Issuing and Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provision of the Resolution or this Agreement shall require the Issuing and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction.

(d) The Issuing and Paying Agent shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in the Resolution, other than the covenants of the Authority to file with the Issuing and Paying Agent when due, such reports and certifications as the Authority is required to file with the Issuing and Paying Agent.

(e) No permissive power, right or remedy conferred upon the Issuing and Paying Agent hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(f) The Issuing and Paying Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Issuing and Paying Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Issuing and Paying Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(g) The Issuing and Paying Agent shall not be responsible for:

(i) the application or handling by the Authority of any Gross Revenues in accordance with the terms and conditions of the Resolution;

(ii) the application and handling by the Authority of any other fund or account designated to be held by the Authority under the Resolution; or

(iii) the construction, operation or maintenance of any portion of the Project by the Authority.

(h) The Issuing and Paying Agent may consult with counsel, who may be counsel to the Authority, with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

(i) Whenever in the observance or performance of its rights and obligations hereunder the Issuing and Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Authority, and such certificate shall be full warrant to the Issuing and Paying Agent for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Issuing and Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable, and the Issuing and Paying Agent shall not be responsible for any loss or damage resulting from any action or inaction taken or not taken, as the case may be, in good faith in reliance upon such certificate or other evidence; provided, however, that nothing in this subsection shall be construed to permit the Issuing and Paying Agent to delay drawing under the Letter of Credit at the times required by this Agreement and the Resolution.

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

18. **Liability.** Neither the Issuing and Paying Agent nor its agents shall be liable for any act or omission hereunder, except in the case of gross negligence or willful misconduct as described in Section 19 herein. The Issuing and Paying Agent's duties and obligations shall be determined by the express provisions of this Agreement and the Letter of Representations (including the documents referred to therein), and the Issuing and Paying Agent and its agents shall be responsible for the performance of only such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against the Issuing and Paying Agent or its agents. Neither the Issuing and Paying Agent nor its agents shall be required to ascertain whether any issuance or sale of Note(s) (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with any other agreement to which the Authority is a party (whether or not the Issuing and Paying Agent or any such agent is a party to such other agreement).

19. **Indemnity.** To the extent permitted by law, the Authority agrees to indemnify and hold the Issuing and Paying Agent, its employees and any and all of its officers and agents harmless from and against any and all losses, liabilities (including liabilities for penalties),

actions, suits, judgments, demands, damages, costs and expenses of any nature (including, without limitation, attorneys' fees and expenses) arising out of or resulting from this Agreement or the transactions or activities contemplated hereby or the exercise of its rights and/or the performance of its duties (or those of its agents and employees) hereunder; provided, however that the Authority shall not be liable to indemnify or pay the Issuing and Paying Agent or any of its officers or employees with respect to any loss, liability, action, suit, judgment, demand, damage, cost or expense that results from or is attributable to the Issuing and Paying Agent's gross negligence or willful misconduct or that of the Issuing and Paying Agent's officers or employees. The foregoing indemnity includes, but is not limited to, (a) any action taken or omitted to be taken by the Issuing and Paying Agent or any of its officers or employees upon written, telecopy, telephonic or other electronically transmitted instructions (authorized herein) received by the Issuing and Paying Agent from, or believed by the Issuing and Paying Agent in good faith to have been given by, the proper person or persons, (b) the Issuing and Paying Agent's improperly executing or failing to execute any instruction because of unclear instructions, failure of communications media or any other circumstances beyond the Issuing and Paying Agent's control, and (c) the actions or inactions of DTC. The provisions of this Section shall survive (i) the Issuing and Paying Agent's resignation or removal hereunder and (ii) the termination of this Agreement. In no event shall the Issuing and Paying Agent be liable for special, indirect or consequential damages.

20. **Governing Law.** This Agreement is delivered and performed in, and shall be construed and enforced in accordance with, the laws of the State of Nevada; provided, however, to the extent not prohibited by the laws of the State of New York, the duties of the Issuing and Paying Agent shall be construed and enforced under the laws of the State of New York. Any dispute hereunder, or any action to enforce the provisions hereof shall be brought in federal or State court in Washoe County, Nevada, and each party hereto hereby consents to the jurisdiction of those courts.

21. **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, including successors by merger, and assigns; provided, however, that neither party hereto may assign any of its rights or obligations hereunder except with the prior written consent of the other party hereto. Any successor to or assign of the Issuer and Paying Agent must be a commercial bank with trust powers.

22. **Benefit of Agreement.** This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

23. **Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

The following notice is being added to this Agreement at the request of the Issuing and Paying Agent:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A
NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, we ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[The remainder of this page intentionally left blank.]

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

**TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA**

By: _____
Chairman

(SEAL)

Attest:

By: _____
Secretary

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

By: _____
Authorized Officer