



TO: TMWA Board of Directors
FROM: Jeff Tissier, Chief Financial Officer
DATE: November 6, 2014
SUBJECT: **Consideration and Possible Approval of Resolution No. 218 authorizing the issuance of the Authority’s water revenue commercial paper notes, Series 2006A and Series 2006B, in a combined maximum principal amount of \$27,000,000, for the purpose of defeasing certain outstanding water obligations of Washoe County, Nevada, or, alternatively, to pay projects costs or refund or defease outstanding Authority obligations; and related matters**

RECOMMENDATION

Staff recommends that the Board adopt a Resolution to issue up to \$27.0 million in tax-exempt commercial paper (TECP) to defease outstanding water obligations of Washoe County.

DISCUSSION

The Truckee Meadows Water Authority (TMWA); the Washoe County Water Utility Division (WCWUD) and the South Truckee Meadows General Improvement District (STMGID) are now in the final stages of merging water operations. One of the last tasks is to defease \$26.1 million in outstanding water obligations of Washoe County. At the October 2014 Board meeting the TMWA Board previously adopted a resolution to transfer from Washoe County a Nevada Drinking Water State Revolving Fund Loan (DWSRF) to TMWA with \$9.1 million in outstanding principal. These are the only two tranches of outstanding water obligations of Washoe County that would be transferred or defeased as a result of the merger. STMGID has no outstanding debt.

TMWA and its financial advisory firms Public Financial Management/Hobbs Ong & Associates looked at various refinancing options for the aforementioned defeasance transaction. The most cost effective solution is the issuances of TMWA’s TECP to defease the water obligations of Washoe County. In May 2014, TMWA replaced the letter of credit banks to Bank of Tokyo Mitsubishi UFJ from JP Morgan/Wells Fargo; the TECP program was expanded to accommodate the issuance of \$27.0 million for defeasance purposes.

Summary - a resolution authorizing the issuance of the Authority's Water Revenue Commercial Paper Notes in a combined maximum principal amount of \$27,000,000 for the purpose of defeasing certain outstanding water obligations of Washoe County, Nevada, or, alternatively, to pay projects costs or refund or defease outstanding Authority obligations.

RESOLUTION NO. 218

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE AUTHORITY'S WATER REVENUE COMMERCIAL PAPER NOTES, SERIES 2006A AND SERIES 2006B, IN A COMBINED MAXIMUM PRINCIPAL AMOUNT OF \$27,000,000, FOR THE PURPOSE OF DEFEASING CERTAIN OUTSTANDING WATER OBLIGATIONS OF WASHOE COUNTY, NEVADA, OR, ALTERNATIVELY, TO PAY PROJECTS COSTS OR REFUND OR DEFEASE OUTSTANDING AUTHORITY OBLIGATIONS; AND RELATED MATTERS.

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 into or within the Authority's water system in accordance with the TMWA Cooperative Agreement and the Authority's capital improvement plan and refinancing or refunding obligations previously issued by the Authority (the "Project"); 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, the Authority and Washoe County, Nevada (the “County”) have entered into that certain “Interlocal Agreement Governing the Merger of the Washoe County Department of Water Resources Water Utility into the Truckee Meadows Water Authority, Nevada,” dated January 29, 2010 (the “Interlocal Agreement”); and

WHEREAS, the merger described in the Interlocal Agreement is expected to occur on or before December 31, 2014; and

WHEREAS, upon completion of the merger, the Authority will acquire and incorporate the County’s water facilities into the Authority’s water system; and

WHEREAS, as a consequence and direct cost of acquiring the County’s water facilities and incorporating the same into the Authority’s water system, the Authority will become responsible for paying certain outstanding water obligations of the County, including, without limitation, its “Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2005, currently outstanding in the aggregate principal amount of \$26,100,000 (the “Washoe County Bonds”); and

WHEREAS, the Authority desires to defease the Washoe County Bonds with proceeds derived from the sale of its Notes and certain other funds contributed by the Authority and the County; and

WHEREAS, to effectuate the defeasance of the Washoe County Bonds, there has been presented at this meeting the form of an Escrow Agreement among the County, the Authority, and U.S. Bank National Association, as escrow bank (the “Escrow Agreement”); and

WHEREAS, should the merger contemplated by the Interlocal Agreement not occur, the Authority alternatively desires to use the proceeds from the sale of its Notes to pay Costs of the Project (as defined in the Commercial Paper Resolution) or to refund, pay, discharge, redeem or defease Refinanced Obligations (as defined in the Commercial Paper Resolution), upon further approval of the Board; and

WHEREAS, the Board desires to authorize the issuance of its Notes in a combined maximum principal amount of \$27,000,000 for the above-described purposes, authorize the contribution of a maximum of \$500,000 of other legally available funds of the Authority to effect the defeasance of the Washoe County Bonds should the merger occur, and approve the form, terms, and provisions of the Escrow Agreement should the merger occur.

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

Section 1. Short Title. This resolution shall be known as the, and may be cited by, the short title “2014 Commercial Paper Notes Authorization Resolution” (the “Resolution”).

Section 2. Authorization to Issue Notes. The Authority hereby authorizes a maximum of \$13,500,000 of its “Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A” and a maximum of \$13,500,000 of its “Truckee

Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B” to be issued for the purpose of paying a portion of the costs of defeasing the Washoe County Bonds. The Chief Financial Officer of the Authority is hereby authorized to take all actions necessary under the Commercial Paper Resolution to issue such Notes of the Authority for such purpose on any date following the date of adoption of this resolution. Notwithstanding the foregoing, if the Notes are issued and for any reason the merger contemplated by the Interlocal Agreement does not subsequently occur, the proceeds of such Notes may alternatively be applied by the Chief Financial Officer for the payment of any Cost of the Project or to refund, pay, discharge, redeem or defease Refinanced Obligations, upon further approval of the Board.

Section 3. Contribution of Additional Funds. Should the merger occur, the Authority hereby authorizes the Chief Financial Officer to contribute a maximum of \$500,000 of legally available funds of the Authority to the defeasance of the Washoe County Bonds. Such funds shall be contributed to the Escrow Account established under the Escrow Agreement.

Section 4. Approval of Escrow Agreement. The Escrow Agreement is hereby approved in substantially the form presented at this meeting and now on file with the Authority, with such changes as may be designated by the Chief Financial Officer of the Authority and which are not inconsistent with the provisions of this Resolution. The signature of an Authorized Officer (as hereinafter defined) on the Escrow Agreement shall be conclusive evidence of the Authority’s approval thereof.

Section 5. 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 Escrow Agreement; and (ii) the execution and delivery of such notices, closing certificates and other documents as may be reasonably required in connection with the issuance of the Notes and the defeasance of the Washoe County Bonds.

Section 6. Governing Law. This Resolution shall be construed and governed in accordance with the laws of the State of Nevada.

Section 7. 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 8. 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 9. 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 10. 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 NOVEMBER 19, 2014.

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 “2014 Commercial Paper Notes Authorization Resolution,” introduced, passed and adopted at a meeting of the Board held on November 19, 2014.

2. The original of the 2014 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 2014 Commercial Paper Notes Document Approval Resolution as follows:

Those Voting Aye: _____

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, on the Authority's website, on the State's official notice 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 2014 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 November 19, 2014.

Secretary

(SEAL)

EXHIBIT A
(Attach Notice of Meeting)

**DEFEASANCE OF
WASHOE COUNTY, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
WATER AND SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2005**

ESCROW AGREEMENT

This ESCROW AGREEMENT, dated December __, 2014 (this “Agreement”), is made by and among WASHOE COUNTY, NEVADA (the “County”), TRUCKEE MEADOWS WATER AUTHORITY, NEVADA (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION (the “Escrow Bank”), a bank having and exercising full and complete trust powers, duly organized and existing under the laws of the United States of America, being a member of the Federal Deposit Insurance Corporation and the Federal Reserve System.

RECITALS

WHEREAS, the County is duly organized and existing under the laws of the State of Nevada (the “State”) and its officers from time to time have been duly chosen and qualified; and

WHEREAS, the Authority is duly organized and existing under the laws of the State and its officers from time to time have been duly chosen and qualified; and

WHEREAS, pursuant to proceedings duly taken, the County has heretofore issued its “Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2005” (the “2005 Bonds”), in the original aggregate principal amount of \$65,000,000, bearing interest from the date thereof until their respective maturities, payable on January 1 and July 1 of each year, and the only outstanding 2005 Bonds bearing interest at the rates and maturing on January 1 in each of the designated amounts of principal and designated years, are as follows:

<u>Maturing (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$ 130,000	5.00%
2024	115,000	5.00
2025	340,000	5.00
2029	8,115,000	5.00
2031	5,245,000	5.00

2035

12,155,000

5.00

; and

WHEREAS, the outstanding 2005 Bonds are subject to redemption prior to their fixed maturity dates at the option of the County on or after January 1, 2016, at a redemption price equal to the sum of the principal amount of each 2005 Bond or portion thereof so redeemed plus accrued interest thereon to the redemption date; and

WHEREAS, the County and the Authority have entered into an interlocal agreement to merge the County's Department of Water Resources into the Authority, and such interlocal agreement requires the Authority to assume responsibility for the payment of the 2005 Bonds following such merger; and

WHEREAS, the County and the Authority desire to defease and refund all of the outstanding 2005 Bonds (the "Refunded Bonds") on January 1, 2016 (the "Redemption Date"); and

WHEREAS, the County has adopted a resolution directing the defeasance and redemption of the Refunded Bonds (the "County Resolution"); and

WHEREAS, the Authority has issued \$13,500,000 aggregate principal amount of its "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A" (the "2006A Notes") and \$13,500,000 aggregate principal amount of its "Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006B" (the "2006B Notes," and together with the 2006A Notes, the "Notes") for the purpose of paying, together with other available moneys contributed by the Authority and the County, (i) the principal of the Refunded Bonds due on the Redemption Date, and (ii) the accrued interest due on the Refunded Bonds both before and on the Redemption Date (collectively, the "Refunded Bond Requirements"); and

WHEREAS, the Notes were issued pursuant to certain resolutions adopted by the Board of the Authority (collectively, the "Note Resolution"); and

WHEREAS, the Note Resolution authorizes the application of the proceeds of the Notes to the refunding of the Refunded Bonds; and

WHEREAS, the Notes were sold subject to the approving opinion of the Authority's bond counsel, Sherman & Howard L.L.C. ("bond counsel"); and

WHEREAS, the County, by the County Resolution, and/or the Authority, by the Note Resolution:

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

B. Authorized the deposit into the Escrow Account of the net proceeds of the Notes and any other moneys in an aggregate amount fully sufficient, together with the known minimum yield from the investment of such moneys in bills, certificates of indebtedness, notes, bonds, or similar securities which are direct obligations of, or the principal and interest of which are unconditionally guaranteed by, the United States, which obligations are not callable at the option of the issuer thereof (“Federal Securities”), to pay the Refunded Bond Requirements, as set forth herein; (in no circumstances shall the term “Federal Securities” include money market investments even if the money market fund in which the investment is made invests only in Federal Securities);

C. Authorized the call of the Refunded Bonds for payment or redemption on the Redemption Date;

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

E. Authorized the completion and execution of this Agreement;

and

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

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

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

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

WHEREAS, the County is empowered to undertake the obligations and commitments on its part set forth herein; and

WHEREAS, the undersigned officer of the County is duly authorized to execute and deliver this Agreement in the County's name and on its behalf; and

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

WHEREAS, the undersigned officer of the Authority is duly authorized to execute and deliver this Agreement in the County's name and on its behalf.

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

Section 1. Creation of Escrow.

A. On the date hereof: (1) the Authority shall cause to be deposited with the Escrow Bank \$27,000,000 of the proceeds of the Notes and \$_____ of other legally available funds of the Authority; and (2) the County shall cause to be deposited with the Escrow Bank \$_____ of legally available funds of the County. With the amount deposited, the Escrow Bank shall purchase (to the extent not heretofore purchased) the Federal Securities described in Exhibit A to this Agreement (the "Initial Federal Securities") and shall cause the Initial Federal Securities and an initial cash balance of \$____ to be credited to and accounted for in a separate trust account designated as the "Washoe County, Nevada, General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2005, Escrow Account" (the "Escrow Account"). Receipt of \$_____ by the Escrow Bank to be applied as provided herein is hereby acknowledged.

B. Other Federal Securities may be substituted for any Initial Federal Securities if such Initial Federal Securities are unavailable for purchase at the time of issuance of the Notes or if such substitution is required or permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and the applicable regulations thereunder, subject in any case to sufficiency demonstrations and yield proofs in a certified public accountant's report, and subject to a

favorable opinion of the Authority's bond counsel as to the legality of any such substitution, and the continued exemption of interest on the Notes from federal income taxation (except certain alternative minimum taxes described in bond counsel's opinion), and in any event in such a manner so as not to increase the price which the Authority pays for the initial acquisition of Federal Securities for the Escrow Account. The certified public accountant's report must indicate that the receipts from the substitute securities are sufficient without any need for reinvestment to fully pay the principal of and interest on the Refunded Bonds. Any Federal Securities temporarily substituted may be withdrawn from the Escrow Account when the Initial Federal Securities are purchased and credited to the Escrow Account. Similarly any temporary advancement of moneys to the Escrow Account to pay designated Refunded Bond Requirements, because of a failure to receive promptly the principal of and interest on any Federal Securities at their respective fixed maturity dates, or otherwise, may be repaid to the person advancing such moneys upon the receipt by the Escrow Bank of such principal and interest payments on such Federal Securities.

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

D. If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a SLGS subscription that is to be submitted pursuant to this Section 1, the Escrow Bank shall promptly request alternative written investment instructions from the Authority with respect to escrowed funds which were to be invested in SLGS. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the Authority. In the absence of investment instructions from the Authority, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the Authority's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be

liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

Section 2. Purpose of Escrow.

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

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

Section 3. Accounting for Escrow.

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

B. The Escrow Bank, however, shall transfer from the Escrow Account to the paying agent for the Refunded Bonds (the "Paying Agent") sufficient moneys to permit the Paying Agent to pay, without any default, the Refunded Bond Requirements as the same become due.

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

Section 4. Maturities of Federal Securities.

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

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

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

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

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

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

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

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

D. The Escrow Bank shall make no such reinvestment under this Section unless the Authority first obtains and furnishes to the Escrow Bank a written opinion of the Authority's bond counsel to the effect that such reinvestment, as described in the opinion, complies with paragraph (C) of this Section 5, and a report of a certified public accountant.

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

Section 7. Transfers for Refunded Bond Requirements. The Escrow Bank shall make such credit arrangements with and transfers to the Paying Agent as will assure, to the extent of money in the Escrow Account properly allocable to and available therefor, the timely payment of the Refunded Bond Requirements.

Section 8. Termination of Escrow Account. When payment or provisions for payment shall have been made with the Paying Agent, so that all Refunded Bond Requirements shall be or shall have been paid in full and discharged, the Escrow Bank shall immediately pay over to the

Authority the moneys, if any, then remaining in the Escrow Account and shall make forthwith a final report for the Authority to its Chief Financial Officer. Such moneys may be used by the Authority for any lawful purpose, subject to any limitations in the Note Resolution. This Agreement may be earlier terminated by the County, the Authority and the Escrow Bank upon 60 days written notice; provided, however, an early termination of this Agreement by the County, the Authority, and the Escrow Bank shall not be effective until (a) a successor Escrow Bank has been appointed by the County and the Authority and such appointment accepted and (b) notice has been given to the holders of the Refunded Bonds of the appointment of a successor Escrow Bank. Furthermore, the Escrow Bank, the County, and the Authority agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Refunded Bond Requirements.

Section 9. Fees and Costs.

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

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

Section 10. Possible Deficiencies.

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

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

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

Section 11. Final Report. On February 1, 2016, the Escrow Bank shall submit to the Chief Financial Officer of the Authority a report covering all money which the Escrow Bank shall have received and all payments which it shall have made or caused to be made hereunder.

Section 12. Character of Deposit.

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

B. The Escrow Bank shall hold all such Federal Securities (except as they may be held as book-entries) and money in the Escrow Account as a special trust fund and account separate and wholly segregated from all other securities and funds of the Escrow Bank or deposited therein, and shall never commingle such securities or money with other securities or money.

Section 13. Securing Deposit.

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

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

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

- (1) In any branch of the Federal Reserve Bank, or
- (2) In any commercial bank which:
 - (a) Is a state or national bank or trust company, and

- (b) Is a member of the Federal Deposit Insurance Corporation, and
 - (c) Is a member of the Federal Reserve System, and
 - (d) Has a capital and surplus of \$10,000,000.00 or more, and
 - (e) Is exercising full and complete trust powers, and
 - (f) Is located in the State or without the State (“trust bank”), or
- (3) In any branch of the Federal Reserve Bank and in one or more trust banks (or any combination thereof).

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

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

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

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

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

- (1) For any investment or reinvestments of moneys pursuant to Sections 1 and 5 hereof,
- (2) For transfers of money,
- (3) For the termination of the Escrow Account pursuant to Section 8 hereof,
- (4) For any notification of prospective deficiencies pursuant to Section 10 hereof,
- (5) For the final report pursuant to Section 11 hereof, and

(6) For defraying any charges of any branch of the Federal Reserve Bank or any trust bank for any deposits of Federal Securities as pledge to secure uninvested moneys, of Federal Securities in escrow, and of uninvested moneys in escrow (or any combination thereof) or for any other service relating to this Agreement or the Escrow Account.

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

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

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

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

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

Section 15. Amendment.

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

B. The provisions of this Agreement may be amended, waived or modified only by an agreement in writing, signed by both of the parties hereto and upon approval of the holders of all of the then outstanding Notes and Refunded Bonds. Notwithstanding the foregoing sentence, the

provisions of this Agreement may be amended, waived or modified for one or more of the following purposes:

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

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

Section 16. Exculpatory Provisions.

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

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

C. The Escrow Bank shall not be liable for any act done or step taken or omitted by it or for any mistake of fact or law or for anything which it may do or refrain from doing, except for its negligence, willful misconduct or its default in the performance of any obligations imposed upon it hereunder.

D. The Escrow Bank shall neither be under any obligation to inquire into or be in any way responsible for the performance or nonperformance by the Authority of any of its obligations contained in this Agreement.

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

F. None of the provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the

performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

G. The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

H. The Escrow Bank may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel.

I. The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

J. The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

K. Any corporation into which the Escrow Bank may be merged or converted or with which it may be consolidated, or to which it may transfer its corporate trust business, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Bank shall be a party, or any corporation succeeding to the business of the Escrow Bank shall be the successor of the Escrow Bank hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

L. The Escrow Bank may at any time resign by giving thirty (30) days written notice to the Authority of such resignation. The Authority shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective upon acceptance of appointment by the successor Escrow Bank. If the Authority does not promptly appoint a successor, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. After receiving a notice of resignation of an Escrow Bank, the Authority may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the Authority appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the Authority shall immediately and without further act be superseded by the successor Escrow Bank so appointed.

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

Section 18. Successors.

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

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

- (1) Shall bind and inure to the benefit of any such successor, and
- (2) Shall bind and inure to the benefit of any officer, board, authority, agent, or instrumentality to whom or to which there shall be transferred by or in accordance with law

and relevant right, power, or duty of the County, the Authority or the Escrow Bank, respectively, or of its successor.

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

Section 20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 21. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, WASHOE COUNTY, NEVADA has caused this Escrow Agreement to be signed in the County’s name by its Comptroller; **TRUCKEE MEADOWS WATER AUTHORITY, NEVADA** has caused this Escrow Agreement to be signed in the Authority’s name by its Chief Financial Officer; and **U.S. BANK NATIONAL ASSOCIATION** has caused this Escrow Agreement to be signed in its corporate name by one of its officers, all as of the day and year first above written.

WASHOE COUNTY, NEVADA

By _____
Comptroller

TRUCKEE MEADOWS WATER AUTHORITY,
NEVADA

By _____
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION

By _____
Vice President

EXHIBIT A

CERTIFIED PUBLIC ACCOUNTANT'S REPORT