



TO: Chairman and Board Members
FROM: Jeff Tissier, Chief Financial Officer
DATE: March 8, 2015
SUBJECT: **Consideration and Possible Approval of Resolution No. 223: Discussion and adoption of the 2015A Refunding Bond Resolution; authorizing the issuance by the Authority of its Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A, for the purpose of defraying wholly or in part the cost of refunding certain outstanding bonds; providing the form terms and conditions of the bonds and the security therefor, providing for the collection and disposition of revenues derived from the operation of the Authority's water system; pledging such revenues to the payment of the bonds; and providing other matters relating thereto**

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority approve the resolution providing for the issuance of up to \$30,000,000 to defease TMWA's callable 2005 Revenue Bonds in the amount of \$33,050,000.

BACKGROUND

TMWA has successfully refunded (refinanced) its Revenue Bonds in the past which has brought significant savings to TMWA's customers. TMWA staff and its financial advisory firms Public Financial Management and Hobbs Ong & Associates have been monitoring the bond market for defeasance opportunities in relation to TMWA's outstanding 2005 Revenue Bonds. In December 2014, based upon market bond conditions at that time, defeasance calculations indicated that savings would amount to over \$300,000 per year or a total present value savings of nearly 14% on the refunded bonds. This is very significant since TMWA's Debt Management Policy targets any present value savings above 3% for triggering refunding efforts. More importantly TMWA will be pricing the refunding bonds on April 28th which allows TMWA to refund the refunding bonds (and that may be potentially valuable) in the future. If TMWA refunded these bonds over 90 days prior to call date in July 2015 this would not allow TMWA to refund the refunding bonds. JP Morgan Chase and Citigroup will be the book runners on the refunding.

RESOLUTION NO. ____

A RESOLUTION DESIGNATED BY THE SHORT TITLE “2015A REFUNDING BOND RESOLUTION;” AUTHORIZING THE ISSUANCE BY THE AUTHORITY OF ITS “TRUCKEE MEADOWS WATER AUTHORITY, WATER REVENUE REFUNDING BONDS, SERIES 2015A,” FOR THE PURPOSE OF DEFRAYING WHOLLY OR IN PART THE COST OF REFUNDING CERTAIN OUTSTANDING BONDS; PROVIDING THE FORM, TERMS, AND CONDITIONS OF THE BONDS AND THE SECURITY THEREFOR; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES DERIVED FROM THE OPERATION OF THE AUTHORITY’S WATER SYSTEM; PLEDGING SUCH REVENUES TO THE PAYMENT OF THE BONDS; PROVIDING OTHER COVENANTS, AGREEMENTS, DETAILS AND OTHER MATTERS RELATING THERETO.

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

WHEREAS, the Board of Directors (the “Board”) of the Authority, in Washoe County, Nevada (the “County” and the “State” respectively) has the authority to issue revenue and other bonds, notes and other obligations and incur liabilities for the purposes of refunding, paying and discharging certain of the outstanding “Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A” (the “Refunding Project” or the “Project”); and

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

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

WHEREAS, pursuant to the Local Government Securities Law and all laws amendatory thereof (herein the “Bond Act”), cited as NRS 350.500 through 350.720, and all laws supplemental thereto, the Authority has the power to issue its “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A” (herein the “2015 Bonds” or the “Bonds”), which constitute special obligations of the Authority without the necessity of such revenue bonds being authorized at any election or of any other preliminaries being taken; and

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

WHEREAS, after negotiating the purchase of the 2015 Bonds, if it is determined by the chief administrative officer of the Authority (the “TMWA Manager”), that the Authority will achieve present value savings, the TMWA Manager, or in his absence, the Chief Financial Officer of the Authority, is hereby authorized to sell the Bonds to Citigroup Global Markets Inc. and J. P. Morgan Securities LLC (collectively, the “Underwriters”); to accept the bond purchase agreement for the Bonds submitted by the Underwriters (the “Bond Purchase Agreement”); and to specify in the Escrow Agreement (hereafter defined) which maturities of the outstanding Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A, if any, shall be refunded with a portion of the proceeds of the 2015 Bonds (the “Refunded Bonds”); and

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

WHEREAS, the Board has considered, found, and determined, and does hereby declare this Instrument pertains to the sale, issuance, and payment of the 2015 Bonds and such declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of subsection 2 of NRS 350.579.

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

ARTICLE I

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

Section 101. Short Title. This resolution shall be known as the, and may be cited by the short title, “2015A Refunding Bond Resolution” (herein the “Instrument” or the “Resolution”).

Section 102. Meanings and Construction.

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

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

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

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

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

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

(6) “Bond Fund” means the special and separate account designated as the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Bond Fund,” heretofore created and continued herein. The Bond Fund consists of 3 separate subaccounts, the Interest Account, the Principal Account and the Bond Reserve Account.

(7) “Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on the 2015 Bonds and any additional bonds or other additional securities payable from Pledged Revenues and heretofore or hereafter issued, if any, or such part of such securities or such other securities pertaining to the TMWA Water System as may be designated, as such principal, any such premiums, and such interest become due. “Bond

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

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

For purposes of computing the Bond Requirements of a Qualified Swap with respect to which no parity securities remain Outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of Outstanding parity securities to which such Qualified Swap relates, (a) for purposes of Article 5 hereof, the interest payable thereon shall be deemed to be the net amount positive or negative, if any, required to be paid by the Authority to the Qualified Swap Provider pursuant to the Qualified Swap, and (b) for purposes of any computation of Bond Requirements for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the Authority to the Qualified Swap Provider thereunder or (expressed as a negative number) by the Qualified Swap Provider to the Authority thereunder.

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

(i) the Parity Credit Facility Loan shall be treated as issued on the date of issue of the Credit Secured Bonds and all calculations shall be made as of that date;

(ii) the principal amount of the Parity Credit Facility Loan taken into account shall be deemed to be the maximum amount of the Parity Credit Facility Loan under the terms of the Credit Facility;

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

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

(v) the sum of the (i) principal of and interest on the Credit Secured Bonds plus (ii) the principal of and interest on the Parity Credit Facility Loan shall not be taken into account; rather, whichever of such obligations results in the highest Minimum Securities Reserve and the highest Combined Maximum Principal and Interest Requirements shall be taken into account.

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

(8) “Bond Reserve Account” means the special and separate subaccount designated as the “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Reserve Account,” heretofore created. When the 2010 Bonds, 2007 Bonds, 2006 Bonds and 2005 Bonds are no longer Outstanding, the Bond Reserve Account shall be discontinued in accordance with Section 508 hereof.

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

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

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

(12) “Chairman” means the de jure or de facto chairman of the Board and the Authority and chosen as such officer by the Board, and means the de jure or de facto vice

chairman of the Board and the Authority whenever the chairman of the Board and the Authority is unable to act in such capacity, and the defined term means his successor in functions, if any.

(13) “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.

(14) “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.

(15) “combined average annual principal and interest requirements”, except as otherwise expressly provided herein, means (i) the sum of the Bond Requirements of the 2015 Bonds and any other parity securities payable from the Net Revenues, which Bond Requirements come due during any Bond Year from the date of calculation to the last day on which any of the then outstanding parity securities are due and payable, but not including any securities which are no longer Outstanding under the defeasance provisions of Section 1201 hereof, (ii) divided by the number of years (including any fraction thereof) from the date of the calculation of the combined average annual principal and interest requirements to the last day on which any of the then outstanding parity securities are due and payable. If any parity security bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those parity securities or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed parity securities is accepted by the Authority or if such index is no longer published, such other similar long-term bond index as the Authority reasonably selects.

(16) “combined maximum annual principal and interest requirements” means the maximum sum of the principal of and the interest (including any payments to be made (positive or negative) on any Qualified Swap as provided in the definition of “Bond Requirements”) on the 2015 Bonds and any other parity securities, falling due during any one succeeding Bond Year for the period beginning with the Bond Year in which such computation is made and ending with the Bond Year in which any 2015 Bonds last become due and payable but not including any securities which are no longer Outstanding under the defeasance provisions of Section 1201 hereof. If any parity security bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those parity securities or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed parity securities is accepted by the Authority or if such index is no longer published, such other securities index as the Authority reasonably selects.

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

(17) “Comparable Bond Year” means, in connection with any Fiscal Year, the Bond Year which commences in the Fiscal Year. For example, for the Fiscal Year commencing on July 1, 2015, and ending on June 30, 2016, the Comparable Bond Year commences on July 2, 2015, and ends on July 1, 2016.

(18) “Cost of the Project” or “Cost of the Refunding Project,” or any phrase of similar import, means, in connection with the 2015 Bonds, all or any part designated by the Board of the cost of refunding the Refunded Bonds, which cost may include all or any part of the incidental costs pertaining to the Refunding Project.

(19) “Costs of Issuance Account” means the special account designated as the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A, Costs of Issuance Account” created herein.

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

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

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

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

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

(25) “Escrow Account” means the special account designated as the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A Escrow Account” created herein and held by the Escrow Bank.

(26) “Escrow Agreement” means the agreement between the Authority and the Escrow Bank regarding the redemption of the Refunded Bonds.

(27) “Escrow Bank” means The Bank of New York Mellon Trust Company, N.A. or any successor thereto.

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

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

(30) “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.

(31) “Financial Consultant” means any Person which is retained by the Authority to render to it fiscal advice and to perform financial services in connection with the 2015 Bonds and/or the TMWA Water System.

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

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

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

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

(ii) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in Section 515 hereof.

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

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

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

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

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

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

(38) “Insurer” means the insurer of the payment of the Bond Requirements of the 2015 Bonds, if any, and its successors.

(39) “Instrument” means this resolution, cited in Section 101 hereof by the short title “2015A Refunding Bond Resolution”; and the term “instrument of the Authority,” “instrument of the Board,” “amendatory instrument,” “supplemental instrument,” or any phrase of similar import, means any resolution adopted by the Board on behalf of the Authority.

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

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

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

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

(44) “Minimum Securities Reserve” means at any time, the least of:

(a) 125% of the “combined average annual principal and interest requirements,” as herein defined; or

(b) 100% of the “combined maximum annual principal and interest requirements, as herein defined; or

(c) an amount determined by adding the amount of the Minimum Securities Reserve in effect immediately prior to the issuance of additional parity securities to an amount equal to 10 percent of the proceeds, within the meaning of Section 148(d)(1) of the I.R.C., of the then proposed to be issued parity securities, and is required to be calculated commencing or recommencing July 2nd of each Bond Year and on the first day of the month next succeeding each date on which any 2015 Bonds or any parity securities (except refunding parity securities) hereafter authorized are delivered, and is required to be deposited, accumulated or reaccumulated, and maintained in the Reserve Account pursuant to Section 508 hereof ; but

When the 2010 Bonds, 2007 Bonds, 2006 Bonds and 2005 Bonds are no longer Outstanding, the Minimum Securities Reserve shall no longer be required and the Bond Reserve Account shall be discontinued in accordance with Section 508 hereof.

(45) “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.

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

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

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

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

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

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

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

(f) Contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs, and labor, pertaining to the TMWA Water System or to the issuance of the 2015 Bonds or any other securities relating to the TMWA Water System, including, without limitation, the expenses and compensation of the Trustee, any receiver, or other fiduciary under the Bond Act;

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

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

(i) Any lawful refunds of any Pledged Revenues;

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

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

(i) Excluding any allowance for depreciation or amortization;

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

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

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

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

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

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

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

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

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

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

(b) Except any bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if any, shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in Sections 520 or 1201 hereof; and

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

(51) “parity bonds” or “parity securities” means bonds or securities pertaining to the TMWA Water System and secured by Pledged Revenues and with a lien on Pledged Revenues on a parity with the Outstanding 2015 Bonds.

(52) “Paying Agent” means The Bank of New York Mellon Trust Company, N.A., a “Banking Institution” and a “trust bank,” as herein defined, and designated by the Authority as the paying agent for the 2015 Bonds, which Banking Institution is also the “Registrar” hereunder and is an agent of the Authority for the payment of the Bond Requirements of the 2015 Bonds and for other administration of moneys pertaining to the Authority; and the term “Paying Agent” includes any successor Banking Institution as such a paying agent.

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

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

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

(56) “Project” means the Refunding Project.

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

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

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

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

(58) “Qualified Surety Bond” means any surety bond or any insurance policy which has liquidity features equivalent to an irrevocable and unconditional letter of credit, or any irrevocable and unconditional letter of credit, deposited in the Bond Reserve Account in lieu of

or in partial substitution for monies on deposit therein, the Authority of which is rated at the time of deposit of such Qualified Surety Bond in the highest rating category by Standard and Poor's Ratings Services, Moody's Investors Service or Fitch Investors Services, whichever has a rating in effect on the Bonds at the time of deposit of the Qualified Surety Bond.

(59) "Qualified Swap" means, to the extent from time to time permitted by law, any financial arrangement entered into by the Authority with respect to the 2015 Bonds, parity securities or subordinate securities for the purpose of moderating interest rate fluctuations or any other purpose, (i) which is entered into with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which is any of the following, or any combination thereof, or any option with respect thereto: a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such 2015 Bonds, parity securities or subordinate securities, as the case may be, as may be designated or a notional principal amount relating to all or a portion of the principal amount of such 2015 Bonds, parity securities or subordinate securities, or such other exchange or rate protection transaction agreement; or other similar transaction (however designated); and (iii) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such bonds.

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

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

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

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

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

(65) “Refunding Project” means the refunding of the Refunded Bonds, if any, financed wholly or in part with a portion of the proceeds of the 2015 Bonds.

(66) “Registrar” means The Bank of New York Mellon Trust Company, N.A., which Banking Institution is required to keep records for the registration, transfer, and exchange of the 2015 Bonds or any successor thereof.

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

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

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

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

(71) “Subordinate bonds” or “subordinate securities” means bonds or securities pertaining to the TMWA Water System and secured by Pledged Revenues with a lien on Pledged Revenues subordinate and junior to the lien thereon of the Outstanding 2015 Bonds.

(72) “Superior bonds” or “superior securities” means bonds or securities pertaining to the TMWA Water System and secured by Pledged Revenues with a lien on Pledged Revenues superior to the lien thereon of the Outstanding 2015 Bonds.

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

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

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

(76) “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.

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

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

(79) “Trustee” means The Bank of New York Mellon Trust Company, N.A., which Banking Institution is the fiduciary appointed by Section 1401 hereof, and the term “Trustee” includes any successor “trust bank,” as herein defined, which may at any time be substituted in its place as such a trustee.

(80) “2015 Bonds or Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A,” authorized to be issued by this Instrument.

(81) “2010 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2010,” authorized by the 2010 Bond Resolution.

(82) “2007 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2007,” authorized to be issued by the 2007 Bond Resolution.

(83) “2006 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2006,” authorized to be issued by the 2006 Bond Resolution.

(84) “2005 Bonds” means the “Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A,” authorized to be issued by the 2005 Bond Resolution.

(85) “2015 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2015 Bonds,” as herein defined, and as stated in Section 101 hereof to be the short title of this Instrument.

(86) “2010 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2010 Bonds,” as herein defined.

(87) “2007 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2007 Bonds,” as herein defined.

(88) “2006 Bond Resolution” means the resolution adopted by the Board, and authorizing the issuance of the “2006 Bonds,” as herein defined.

(89) “2005 Bond Resolution” means the means the resolution adopted by the Board, and authorizing the issuance of the “2005 Bonds,” as herein defined.

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

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

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

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

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

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

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

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

(5) Any 2015 Bonds held by the Authority shall not be deemed to be Outstanding for the purpose of redemption or Outstanding for the purpose of consents hereunder or for any other purpose provided herein.

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

Section 104. Parties Interested Herein. Except as herein otherwise expressly provided, nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the Authority, the Board, the Directors, the Paying Agent, the Trustee, the Insurer, if any, and the holders from time to time of the 2015 Bonds, including, without limitation, the Paying Agent in its capacity as a paying agent and as the Registrar, any right, remedy, or claim under or by reason hereof or any covenant, condition, or stipulation hereof. All the covenants, stipulations, promises, and agreements herein contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Board, the Directors, the Paying Agent, the Trustee, and any holder of any 2015 Bonds, except as herein otherwise provided.

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

- A. Project. Toward the Project.
- B. Bonds. Toward the sale and delivery of the Authority's 2015 Bonds for purposes of the Project.
- C. Bond Purchase Agreement. Toward the completion and execution of the Bond Purchase Agreement by the officers designated therein, and
- D. Bond Insurance. Toward the municipal bond insurance policy issued by the Insurer, if any, for the purpose of guaranteeing the scheduled payment of the principal of and interest on the 2015 Bonds.

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

Section 106. Authorization of Official Statement. The TMWA Manager, or in his absence, the Chief Financial Officer, is authorized to deem the preliminary official statement to be a "final" official statement as of its date for the purposes of Rule 15c2-12 of the Securities and

Exchange Commission, with such changes and additions as the TMWA Manager or Chief Financial Officer determines necessary or appropriate. The TMWA Manager or Chief Financial officer is hereby authorized and directed to execute and deliver, on behalf of the Authority, the final official statement with such changes or additions, the approval of such changes or additions by the TMWA Manager to be conclusively evidenced by the execution and delivery of the final official statement.

Section 107. Instrument Irrepealable. In consideration of the purchase and acceptance of the 2015 Bonds by those who shall hold the same from time to time, after any of the 2015 Bonds are issued, this Instrument shall constitute an irrevocable contract between the Authority and the holder or holders of the 2015 Bonds; and this Instrument (subject to the provisions of Section 1201 and of article XV hereof), if any 2015 Bonds are in fact issued, shall be and shall remain irrepealable until the 2015 Bonds, as to all Bond Requirements, shall be fully paid, canceled, and discharged, except as herein otherwise expressly provided.

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

Section 109. Severability. If any section, subsection, paragraph, clause, or other provision of this Instrument shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause, or other provision shall not affect any of the remaining provisions of this Instrument.

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

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

ARTICLE II

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

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

Section 202. Necessity of Project and Bonds. It is necessary and for the best interests of the Authority and the inhabitants thereof, that the Authority effect the Project and defray the cost thereof wholly or in part by issuing the 2015 Bonds therefor; and the Board hereby so determines and declares.

Section 203. Authorization of Project. The Board, on behalf of the Authority, does hereby determine, and, if determined by the TMWA Manager, or in his absence, the Chief Financial Officer, to be in the best interests of the Authority, to refund the Refunded Bonds with the proceeds of the 2015 Bonds; and the Project is hereby so authorized.

Section 204. Cost of the Project. The cost of the Project is estimated not to exceed the aggregate principal amount of the 2015 Bonds, excluding any such cost defrayed or to be defrayed by other than with the proceeds of the 2015 Bonds.

Section 205. Bonds Equally Secured. The covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection, and security of the holders of any and all of the Outstanding 2015 Bonds and any Outstanding parity securities payable from Pledged Revenues and heretofore or hereafter authorized, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any of the 2015 Bonds or other such securities over any other thereof, except as otherwise expressly provided in or pursuant to this Instrument.

Section 206. Special Obligations. All of the 2015 Bonds, as to all Bond Requirements, shall be payable and collectible solely out of the Net Revenues pertaining to the TMWA Water System, which Net Revenues are so pledged; the holder or holders thereof may not look to any general or other fund for the payment of the Bond Requirements, except the herein-designated special funds pledged therefor; the 2015 Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the 2015 Bonds shall not be considered or held to be general obligations of the Authority but shall constitute its special obligations. The Authority has no taxing power and, therefore, does not pledge its full faith and credit for the payment of the 2015 Bonds.

Section 207. Character of Agreement. None of the covenants, agreements, representations, and warranties contained herein or in the 2015 Bonds issued hereunder, in the absence of any breach thereof, shall ever impose or shall be construed as imposing any liability, obligation, or charge against the Authority (except for the special funds pledged therefor) or its general credit, payable out of its general fund or out of any funds derived from taxation.

Section 208. No Pledge of Property. The payment of the 2015 Bonds is not secured by an encumbrance, mortgage, or other pledge of property of the Authority, except the Net Revenues and any other moneys pledged for the payment of the 2015 Bonds. No property of the Authority, subject to such exception, shall be liable to be forfeited or taken in payment of the 2015 Bonds.

Section 209. No Recourse against Officers and Agents. Pursuant to NRS 350.606, no recourse shall be had for the payment of the Bond Requirements of the 2015 Bonds or for any claim based thereon, or otherwise, upon this Instrument authorizing their issuance or any other instrument pertaining thereto, against any individual member of the Board or the Authority, or any officer or other agent of the Authority, past, present, or future, either directly or indirectly through the Board of the Authority, or otherwise, whether by virtue of any constitution, statute, or rule of law, or by the enforcement of any penalty, or otherwise, all such liability, if any, being by the acceptance of the 2015 Bonds and as a part of the consideration of their issuance specially waived and released.

Section 210. Limitations upon State. Pursuant to NRS 350.610, the faith of the State is hereby pledged that the Authority Act, the Bond Act, any law supplemental or otherwise pertaining thereto, and any other act concerning the 2015 Bonds or other securities, Pledged Revenues, or any combination of such securities and such revenues, shall be neither repealed nor amended nor otherwise directly or indirectly modified in such a manner as to impair adversely any Outstanding securities of the Authority until all such securities have been discharged in full or provision for their payment and redemption has been fully made.

Section 211. No Election or Other Preliminaries. The 2015 Bonds shall be issued without their being authorized at an election by any electors of the Authority or without any other preliminaries being taken other than as herein otherwise provided.

Section 212. Sale of Bonds. The TMWA Manager, or in his absence, the Chief Financial Officer, is authorized to proceed with the sale of the Bonds to the Underwriters on the terms and conditions provided herein, and to execute the Bond Purchase Agreement in substantially the form on file with the Secretary with such changes as are approved by the officer executing the Bond Purchase Agreement whose execution thereof shall be conclusive evidence of consent to any such changes; the 2015 Bonds are to bear interest at the rates per annum provided in the Bond Purchase Agreement, which rates must not exceed by more than 3% the 25 Bond Revenue Index most recently published in The Bond Buyer before the Bond Purchase Agreement is accepted and are to be sold at a price equal to the principal amount thereof (not to exceed the principal amount sufficient to accomplish the Refunding Project), plus a premium, or less a discount not exceeding 9% of the principal amount thereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND FORM OF BONDS

Section 301. Authorization of Bonds. For the purpose of protecting the public health, conserving the property, and advancing the general welfare of the citizens of the Authority, the “Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A,” in the aggregate principal amount set forth in the Bond Purchase Agreement, payable as to all Bond Requirements solely out of the Net Revenues pertaining to the TMWA Water System, are hereby authorized to be issued, pursuant to the Authority Act and the Bond Act; the Authority pledges irrevocably, but not necessarily exclusively, the Net Revenues to the payment of the Bond Requirements of the 2015 Bonds; and the proceeds of the 2015 Bonds are to be used solely to defray wholly or in part the Cost of the Project, except as herein otherwise provided.

Section 302. 2015 Bond Details. The 2015 Bonds shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with Section 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The 2015 Bonds shall be dated as of the date of delivery of the Bonds. Except as otherwise provided in Section 307 hereof, the Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. The 2015 Bonds shall bear interest calculated based on a 360-day year of twelve 30-day months, from their date until their respective maturity dates (or, if redeemed prior to maturity as provided below, their redemption dates) at the respective dates set forth in the Bond Purchase Agreement, payable semiannually on January 1 and July 1 of each year commencing on July 1, 2015; provided that those 2015 Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates shown in the Bond Purchase Agreement from the most recent interest payment date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the 2015 Bond. The 2015 Bonds shall mature on July 1 in each of the designated amounts of principal and designated years, as set forth in the Bond Purchase Agreement (not to exceed 22 years from the date of delivery of the Bonds).

The principal of and redemption premium, if any, on any 2015 Bond shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption thereof and upon presentation and surrender at the office of the Paying Agent or such other office as designated by the Paying Agent. If any 2015 Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said 2015 Bond until the principal thereof is paid in full. Except as otherwise provided in Section 307 hereof, payment of interest on any 2015 Bond shall be made to the registered owner thereof by check or draft mailed by first class mail by the Paying Agent, on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), to the registered owner thereof, at his or her address as shown on the registration records kept by the Registrar as of the close of business on the 15th day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the “Regular Record Date”); but any such interest not so timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable

to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the owners of the 2015 Bonds not less than ten days prior thereto by first-class mail to each such owner as shown on the Registrar's registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any 2015 Bond by such alternative means as may be mutually agreed to between the owner of such 2015 Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

Section 303. Prior Redemption and Partial Redemption.

A. Optional Redemption. 2015 Bonds, or portions thereof (\$5,000 or any integral multiple), if any, maturing before the date set forth in the Bond Purchase Agreement, shall be subject to optional redemption prior to their respective maturities, at the option of the Authority, on and after the date set forth in the Bond Purchase Agreement, in whole or in part at any time from any maturities selected by the Authority and by lot within a maturity (giving proportionate weight to 2015 Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2015 Bond, or portion thereof, so redeemed, accrued interest thereon to the redemption date, and a premium, if any, as set forth in the Bond Purchase Agreement.

B. Mandatory Sinking Fund Redemption. The Bonds maturing on July 1 of the years set forth in the Bond Purchase Agreement, if any (the "Term Bonds") are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date. As and for a sinking fund for the redemption of the Term Bonds, there shall be deposited into the Bond Fund on or before July 1 of the years set forth in the Bond Purchase Agreement, a sum which, together with other moneys available in the Bond Fund, is sufficient to redeem the Term Bonds plus accrued interest to the redemption date, on July 1 of the years and in the principal amounts as set forth in the Bond Purchase Agreement.

Not more than sixty days nor less than thirty days prior to the sinking fund payment dates for the Term Bonds, the Registrar shall proceed to select for redemption (by lot in such manner as the Registrar may determine) from all Outstanding Term Bonds of a series, a principal amount of the Term Bonds equal to the aggregate principal amount of the Term Bonds redeemable with the required sinking fund payments, and shall call such Term Bonds or portions thereof for redemption from the sinking fund on the next July 1, and give notice of such call as provided in Section 304 of this Instrument.

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

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

C. Partial Redemption. In the case of 2015 Bonds in a denomination larger than \$5,000, a portion of such 2015 Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Registrar shall, except as otherwise provided in Section 307 hereof, without charge to the owner of such 2015 Bond, authenticate and issue a replacement 2015 Bond or 2015 Bonds for the unredeemed portion thereof. In the case of a partial redemption of 2015 Bonds of a single maturity pursuant to Subsection A of this Section, the Paying Agent shall select the 2015 Bonds to be redeemed by lot at such time as directed by the Authority (but at least 30 days prior to the redemption date), and if such selection is more than 60 days before a redemption date, except as otherwise provided in Section 307 hereof, shall direct the Registrar to appropriately identify the 2015 Bonds so called for redemption by stamping them at the time any 2015 Bond so selected for redemption is presented to the Registrar for stamping or for transfer or exchange, or by such other method of identification as deemed adequate by the Registrar, and any 2015 Bond or 2015 Bonds issued in exchange for, or to replace, any 2015 Bond or 2015 Bonds so called for prior redemption shall likewise be stamped or otherwise identified.

Section 304. Notice of Redemption. Unless waived by any owner of the 2015 Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar, on behalf of and on direction of the Board, by mailing a copy of an official redemption notice if a securities depository is the registered owner of the 2015 Bonds being redeemed, by registered or certified mail, and otherwise, by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the Municipal Securities Rulemaking Board (the "MSRB") and the registered owner of the 2015 Bond or 2015 Bonds to be redeemed at the address shown on the 2015 Bond register or at such other address as is furnished in writing by such registered owner to the Registrar. Actual receipt of mailed notice by the MSRB or any owner of such 2015 Bonds shall not be a condition precedent to redemption of such 2015 Bond or 2015 Bonds. Failure to give such notice to the MSRB or the registered owner of any 2015 Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other 2015 Bonds. A certificate by the Registrar that such notice has been given as herein provided shall be conclusive against all parties.

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

- (1) the redemption date,
- (2) the purchase prices,
- (3) the identification by CUSIP number and maturity (and, in the case of partial redemption of a maturity, other appropriate identification) of the 2015 Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such 2015 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such 2015 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent or such other office as designated by the Paying Agent (accrued interest to the redemption date being payable by mail or as otherwise provided in this Instrument).

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

Each notice may further state that such redemption shall be conditional upon the Paying Agent receiving for deposit in the Bond Fund on or prior to the date fixed for redemption, monies authorized by the Authority to be deposited into the Bond Fund that are sufficient to pay the principal of and interest and prior redemption premium, if any, on the 2015 Bonds to be redeemed and that if such monies have not been so received, the notice shall be of no force and effect and the Authority shall not be required to redeem such 2015 Bonds. Unless waived by the Registrar, the Authority, not less than 60 days prior to the redemption date, shall advise the Registrar, in writing, of its election to conditionally redeem any 2015 Bonds as provided in this paragraph.

Official notice of redemption having been given as aforesaid, the 2015 Bonds or portions of 2015 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority shall not have deposited payment of the redemption price into the Bond Fund) such 2015 Bonds or portions of 2015 Bonds shall cease to bear interest. Upon surrender of such 2015 Bonds for redemption in accordance with said notice, such 2015 Bonds shall be paid by the Paying Agent at the redemption price, if the Authority has deposited with the Paying Agent an amount of money sufficient to pay the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon partial redemption of any 2015 Bond, the applicable amount being redeemed shall be reflected on the prepayment panel appended to the 2015 Bonds. All 2015 Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Section 305. Negotiability. The 2015 Bonds shall be fully negotiable within the meaning of and for the purpose of the Uniform Commercial Code - Investment Securities and each owner shall possess all rights enjoyed by holders of negotiable instruments under the Uniform Commercial Code - Investment Securities.

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

A. Records for the registration and transfer of the 2015 Bonds shall be kept by the Registrar. Upon the surrender of any 2015 Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the owner or his or her attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new 2015 Bond or 2015 Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. 2015 Bonds may be exchanged at the Registrar for an equal aggregate principal amount of 2015 Bonds of the same maturity of other authorized denominations, as provided in Section 302 hereof. The Registrar shall authenticate and deliver a 2015 Bond or 2015 Bonds which the owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. For every exchange or transfer of 2015 Bonds requested by the owner thereof, the Registrar may make a sufficient charge to the bondholder to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and may charge a sum sufficient to pay the cost of preparing and authenticating a new 2015 Bond. No such charge shall be levied in the case of an exchange resulting from an optional redemption of a 2015 Bond.

B. The Registrar shall not be required to transfer or exchange (i) any 2015 Bond, or portion thereof, subject to redemption during a period beginning at the opening of business fifteen (15) days before the date of mailing by the Registrar of a notice of prior redemption of 2015 Bonds and ending at the close of business on the date of such mailing; (ii) any 2015 Bond, or any portion thereof, subject to redemption after the mailing of such notice as herein provided; or (iii) any 2015 Bond, or portion thereof, during a period beginning fifteen (15) days before the maturity date of such 2015 Bond presented for transfer.

C. The person in whose name any 2015 Bond shall be registered, on the registration records kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes (except to the extent otherwise provided in Section 302 hereof with respect to interest payments); and payment of or on account of either principal or interest on any 2015 Bond shall be made only to or upon the written order of the owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon such 2015 Bond to the extent of the sum or sums so paid.

D. If any 2015 Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the Authority may reasonably require, and upon payment by the holder of all expenses in connection therewith, authenticate and deliver a replacement 2015 Bond or 2015 Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. If such lost,

stolen, destroyed or mutilated 2015 Bond shall have matured or shall have been called for redemption, the Registrar may direct that such 2015 Bond be paid by the Paying Agent in lieu of replacement.

E. Whenever any 2015 Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided herein, such 2015 Bond shall be promptly canceled or destroyed by the Paying Agent or Registrar, and counterparts of a certificate of such cancellation or proof of destruction shall be furnished by the Paying Agent or Registrar to the Board upon request.

Section 307. Custodial Deposit.

A. Notwithstanding the foregoing provisions of Sections 302 to 306 hereof, the 2015 Bonds shall initially be registered in the name of “Cede & Co.” as nominee for The Depository Trust Company, the securities depository for the 2015 Bonds. The 2015 Bonds may not thereafter be transferred or exchanged except:

(1) to any successor of The Depository Trust Company or its nominee, which successor must be both a “clearing corporation” as defined in NRS 104.8102, and a qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended; or

(2) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or this clause (2) of this Subsection A, or a determination by the Authority that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions, and the designation by the Authority of another depository institution acceptable to the depository then holding the 2015 Bonds, which new depository institution must be both a “clearing corporation” as defined in NRS 104.8102 and a qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of The Depository Trust Company or such successor or new depository;

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

(4) upon the determination of the Authority to discontinue the book-entry system for the 2015 Bonds.

B. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) of Subsection A hereof or designation of a new depository pursuant to clause (2) of Subsection A hereof, upon receipt of the outstanding 2015 Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, a new 2015 Bond for each maturity then outstanding shall be issued to such successor or new depository, as the

case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) of Subsection A hereof and the failure after reasonable investigation to locate another qualified depository institution for the 2015 Bonds as provided in clause (3) of Subsection A hereof, or upon a determination pursuant to clause (4) of Subsection A hereof, and upon receipt of the outstanding 2015 Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, new 2015 Bonds shall be issued in the denominations of \$5,000 or any integral multiple thereof, as provided in and subject to the limitations of Section 302 hereof, registered in the names of such persons, and in such denominations as are requested in such written transfer instructions; however, the Registrar shall not be required to deliver such new 2015 Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

C. The Authority, the Registrar and the Paying Agent shall be entitled to treat the registered owner of any 2015 Bond as the absolute owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by any or all of them and the Authority, the Registrar and the Paying Agent shall have no responsibility for transmitting payments or notices to the beneficial owners of the 2015 Bonds held by The Depository Trust Company or any successor or new depository named pursuant to Subsection A hereof.

D. The Authority, the Registrar and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of Subsection A hereof in effectuating payment of the 2015 Bond Requirements of the 2015 Bonds by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

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

Section 308. Execution of Bonds. The 2015 Bonds shall be executed as follows:

A. Filings with Secretary of State. Pursuant to NRS 350.638 and to the act cited as the Uniform Facsimile Signatures of Public Officials Act, cited as chapter 351 of NRS, and prior to the execution of any 2015 Bonds by facsimile signature, the Chairman, the Treasurer, and the Secretary shall each file with the Secretary or State of the State of Nevada such officer's manual signature certified by such officer under oath.

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

Section 309. Use of Predecessor's Signature. The 2015 Bonds bearing the signatures of the officers in office at the time of the signing thereof shall be the valid and binding obligations of the Authority, notwithstanding that before the delivery thereof and the payment thereof any or all of the individuals whose signatures appear thereon shall have ceased to fill their respective offices. At the time of the execution of the 2015 Bonds and of a signature certificate pertaining thereto the Chairman, the Treasurer, and the Secretary, respectively, may adopt as and for his own signature the signature of his predecessor in office if such signature appears upon any of the 2015 Bonds pertaining thereto.

Section 310. Authentication of the Bonds. No 2015 Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. By authenticating any of the 2015 Bonds initially delivered pursuant to this Instrument, the Registrar shall be deemed to have assented to all of the provisions of this Instrument.

Section 311. Incontestable Recital in Bonds. Pursuant to NRS 350.628, each 2015 Bond shall recite that it is issued pursuant to the Authority Act, the Supplemental Bond Act and to the Bond Act, which recital shall be conclusive evidence of the validity of the 2015 Bonds and the regularity of their issuance.

Section 312. State Tax Exemption. The 2015 Bonds and the income therefrom are exempt from all State, County, and municipal taxation, except for the tax on estates imposed pursuant to the provisions of chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to chapter 375B of NRS.

Section 313. Bond Execution. The Chairman, the Treasurer, and the Secretary are hereby authorized and directed to prepare and to execute the 2015 Bonds as herein provided.

Section 314. Bond Delivery. After registration, execution and authentication, the TMWA Manager or the Chief Financial Officer shall cause the 2015 Bonds to be delivered to the Underwriters, upon payment being made therefor on the terms of the sale of the 2015 Bonds.

Section 315. Bond Form. Subject to the provisions of this Instrument, each 2015 Bond shall be, respectively, in substantially the following form, with such omissions, insertions, endorsements, and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this Instrument, including, without limitation, if applicable, a statement of insurance to guarantee the payment of the principal of and the interest on each 2015 Bond of a designated portion or all of the issue by any insurer or insurers thereof, or be consistent with this Instrument and necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

**TRUCKEE MEADOWS WATER AUTHORITY
WATER REVENUE REFUNDING BOND
SERIES 2015A**

No. _____ \$ _____

Interest Rate Maturity Date Dated As of CUSIP

_____ % per annum July 1, _____, 2015

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The Truckee Meadows Water Authority, in Washoe County, in the State of Nevada (the "Authority", "County", and the "State", respectively) for value received, hereby acknowledges itself to be indebted and for value received promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless called for earlier redemption), and to pay interest thereon on January 1 and July 1 of each year, commencing on July 1, 2015, at the interest rate per annum specified above, until the principal sum is paid or payment has been provided for or, if such payment date is not a business day, on or before the next succeeding business day. This bond shall bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of the initial delivery of the series of bonds of which this bond is one (the "Bond"). The principal of and redemption premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office or such other office of the Authority's paying agent for the Bonds or any successor (the "Paying Agent") as designated by the Paying Agent, presently The Bank of New York Mellon Trust Company, N.A., who is also now acting as the Authority's Registrar for the Bonds (the "Registrar"). Interest on this Bond will be paid on each interest payment date (or, if such date is not a business day, on the next succeeding business day) by check or draft mailed, by first class mail, to the person in whose name this Bond or any predecessor bond is registered (the "registered owner") in the registration records of the Authority maintained by the Registrar, at the address appearing thereon, as of the close of business on the 15th day of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner as of the close of business on the Regular Record Date and shall be payable to the person who is the registered owner as of the close of business on a special record date for the payment of any defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owner not less than ten (10) days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the registered owner and the Paying Agent,

as provided in the Resolution of the Board of Directors of the Authority (the “Board”) authorizing the issuance of the Bonds and designated in Section 101 thereof as the “2015A Refunding Bond Resolution” (the “Resolution”), duly adopted by the Board on March 18, 2015. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar. If this Bond is not paid upon presentation at its maturity, interest at the rate specified above shall continue to be borne hereby until the principal hereof is discharged as provided in the Resolution.

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

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

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

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

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

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

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

The Bonds are equally and ratably secured by a lien on the Net Revenues, and the Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues, on a parity with the lien thereon of the outstanding 2005 Bonds, the 2006 Bonds, the 2007 Bonds, the 2010 Bonds and any outstanding parity securities hereafter issued. Bonds and other securities, subject to expressed conditions, may be issued and made payable from the Net Revenues of the TMWA Water System having a lien thereon subordinate and junior to the lien or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of the Bonds, in accordance with the provisions of the Resolution. No bonds or other securities, may be issued with a lien on the Net Revenues that is superior to the lien thereon of the Bonds.

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

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

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

*The Bonds are issuable solely in fully registered form in denominations of \$5,000 each or (subject to certain conditions) any integral multiple thereof, and are exchangeable for fully registered Bonds of the same maturity in equivalent aggregate principal amounts and in authorized

denominations at the aforesaid office of the Registrar but only in the manner, subject to the limitations, and on payment of charges provided in the Resolution.*

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

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

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

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

Upon any partial prior redemption of the Bond, Cede & Co., in its discretion may request the Registrar to authenticate a new Bond or shall make an appropriate notation on this Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case this Bond must be presented to the Paying Agent prior to prepayment.

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

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

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

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

(Form of Registrar’s Certificate of Authentication for Bonds)

Date of authentication
and registration _____

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

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

By Manual Signature
Authorized Officer

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

(Form of Prepayment Panel)

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

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

(End of Form of Prepayment Panel)

(Form of Assignment for Bonds)

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

Dated: _____

Signature Guaranteed:

Name of Transferee:

Address of Transferee:

Social Security or other tax
identification number of
Transferee:

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

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

(End of Form of Assignment for Bonds)

ARTICLE IV

USE OF BOND PROCEEDS AND OTHER REVENUES

Section 401. Disposition of Bond Proceeds. The proceeds of the 2015 Bonds, upon the receipt thereof at any time, or from time to time, shall be applied in the following manner:

(1) Escrow Account. First, if the Bond Purchase Agreement provides that the Refunding Project is to be effected, Bond proceeds, together with any other available monies, in an amount sufficient to effect the Refunding Project shall be deposited in the Escrow Account, hereby created, to be held by the Escrow Bank, in an amount fully sufficient to establish an initial cash balance remaining uninvested and to buy the Federal Securities designated in the Escrow Agreement for credit to the Escrow Account, to be used solely for the purpose of paying the Bond Requirements of the Refunded Bonds as provided in the Escrow Agreement.

(2) Bond Reserve Account. Second, to the extent necessary and not funded from other available monies, there shall be credited to the Bond Reserve Account, an amount sufficient to satisfy the portion of the Minimum Securities Reserve attributable to the 2015 Bonds required to be deposited and maintained pursuant to Section 508 hereof.

(3) Costs of Issuance Account. Third, an amount sufficient to pay the costs of issuing the Bonds shall be deposited into the Costs of Issuance Account, a special account to be held under the control of the Authority hereby created, and shall be applied to the costs of issuing the 2015 Bonds. After payment of the costs of issuance, if there is a balance remaining in the Costs of Issuance Account, the remaining balance shall be deposited in the Bond Fund.

Section 402. Underwriters Not Responsible. The validity of the 2015 Bonds shall neither be dependent upon nor be affected by the validity or regularity of any proceedings relating to the Project. The Underwriters of the 2015 Bonds, any associate thereof, and any subsequent holder of the 2015 Bonds shall in no manner be responsible for the application or disposal by the Authority or by any of the officers, agents, and employees of the Authority of the moneys derived from the sale of the 2015 Bonds or of any other moneys herein designated.

Section 403. Lien on Costs of Issuance Account. The proceeds of the 2015 Bonds credited to the Costs of Issuance Account pursuant to Section 401 hereof shall be subject to a lien and pledge for the 2015 Bonds until such proceeds are expended to defray Bond Requirements of the 2015 Bonds or the Cost of the Project.

Section 404. Prior Redemption of Refunded Bonds. If the Bond Purchase Agreement provides that the Refunding Project shall be effected, the Authority hereby elects to redeem the Refunded Bonds on the Redemption Date of the Refunded Bonds (the "Refunded Bonds Redemption Date") at a price equal to the principal amount thereof, accrued interest to the Refunded Bonds Redemption Date and the premium, if any, designated in the 2005 Bond Resolution.

Section 405. Notice of Redemption of Refunded Bonds. Notice of Defeasance and Prior Redemption of the Refunded Bonds shall be given in the name of and on behalf of the Authority by the Registrar of the Refunded Bonds as set forth in the 2005 Bond Resolution.

Section 406. Prevention of 2015 Bond Default. The Treasurer shall use any 2015 Bond Proceeds credited to the Costs of Issuance Account, without further order or warrant, to pay the Bond Requirements of the 2015 Bonds as the same become due whenever and to the extent monies in the Bond Fund or otherwise available therefor and insufficient for that purpose, unless the 2015 Bond proceeds shall be needed to defray obligations accrued and to accrue under any contracts existing and relating to the Project. The Treasurer shall notify the Chairman and Secretary of any such use. Any monies so used shall be restored to the Costs of Issuance Account from the first Pledged Revenues thereafter received and not needed to meet the requirements provided in Sections 507 through 511 hereof.

Section 407. Maintenance of the Escrow Account. If the Bond Purchase Agreement provides that the Refunding Project shall be effected and the Escrow Account is established with the Escrow Bank:

A. The Escrow Account shall be maintained at the 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 Refunded Bonds, both accrued and not accrued, as the same becomes due up to and including the redemption date for the Refunded Bonds; and to redeem on such date (as set forth in the Escrow Agreement), the Refunded Bonds then Outstanding, in accordance with the 2005 Bond Resolution.

B. Moneys shall be withdrawn by the Escrow Bank from the Escrow Account in sufficient amounts and at such times to permit the payment without default of interest due in connection with the Refunded Bonds, and in accordance with the provisions of the Escrow Agreement. Any moneys remaining in the Escrow Account after provision shall have been made for the redemption in full of the Refunded Bonds shall be applied to any lawful purpose of the Authority as the Board may hereafter determine.

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

D. The Authority elects to call for prior redemption the Refunded Bonds on the redemption date, at the price and any premium, all as set forth in the Escrow Agreement and in accordance with the Bond Purchase Agreement. The Escrow Bank shall cause the notices of defeasance and prior redemption of the Refunded Bonds to be effected in accordance with the terms of the Escrow Agreement, this Instrument and the 2005 Bond Resolution.

ARTICLE V

ADMINISTRATION OF AND ACCOUNTING FOR PLEDGED REVENUES

Section 501. Pledge Securing Bonds. The Net Revenues and all moneys and securities paid or to be paid to or held or to be held in any account or subaccount under this article or under Section 401 hereof, except the Escrow Account, are hereby pledged to secure the payment of the Bond Requirements of the 2015 Bonds. This pledge shall be valid and binding from and after the date of the first delivery of any 2015 Bonds; and the moneys, as received by the Authority and hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Authority, except for the 2005 Bonds, the 2006 Bonds, 2007 Bonds, the 2010 Bonds and any Outstanding securities hereafter authorized, the lien of which on the Net Revenues is on a parity with the lien thereon of the 2015 Bonds; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Authority (except as herein otherwise provided) irrespective of whether such parties have notice thereof.

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

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

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

C. Bond Reserve Account. The “Truckee Meadows Water Authority, TMWA Water System Parity Revenue Securities, Reserve Account” (herein the “Bond Reserve Account”).

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

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

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

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

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

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

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

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

Section 504. Revenue Fund Deposits. So long as any of the 2015 Bonds shall be Outstanding, all Gross Revenues, upon their receipt from time to time by the Authority, shall be deposited at least weekly, as far as practicable, and shall be set aside and credited immediately to the Revenue Fund.

Section 505. Administration of Revenue Fund. So long as any of the 2015 Bonds hereby authorized shall be Outstanding, in each Fiscal Year the Revenue Fund shall continue to be administered, and the moneys on deposit therein shall continue to be applied in the order of priority, all as provided in Sections 506 through 516 hereof.

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

Section 507. Bond Fund Payments. Second, and subject to the aforesaid provisions, from any moneys remaining in the Revenue Fund, and concurrently with the transfers into the Interest Account and Principal Account required by the 2005 Bond Resolution for the 2005 Bonds, 2006 Bond Resolution for the 2006 Bonds, the 2007 Bond Resolution for the 2007 Bonds, the 2010 Bond Resolution for the 2010 Bonds, and any parity securities hereafter issued, there shall be transferred to the Trustee and credited to the Bond Fund, the following:

A. Interest Payments. Monthly, into the Interest Account, within the Bond Fund, commencing on the first day of the month that is one full month after the delivery date of the Bonds,

and on the first day of the month succeeding the delivery of any other parity securities hereafter issued and payable from the Bond Fund, an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor or from whatever source, to pay the next accruing installment of interest on the 2015 Bonds and any additional parity securities then Outstanding (including payments due on any Qualified Swap) and monthly thereafter, commencing on each interest payment date, the amount necessary to accumulate the next accruing installment of interest on the 2015 Bonds and any additional parity securities then Outstanding (including payments due on any Qualified Swap) in equal monthly installments prior to the due date thereof, except to the extent any other moneys are available therefor on the due date of such installment.

B. Principal Payments. Monthly, into the Principal Account, within the Bond Fund, commencing on the first day of the month of the year immediately preceding the first principal payment date of the 2015 Bonds or any parity securities hereafter issued and payable from the Bond Fund (i.e., 12 months prior to the first date on which the principal of such bonds is due), an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal (including any mandatory sinking fund or prior redemption payments then due) of the 2015 Bonds and any additional parity securities then Outstanding, and monthly thereafter, commencing on each principal payment date, the amount necessary to accumulate the next maturing installment of principal (including any mandatory sinking fund or prior redemption payments then due) of the 2015 Bonds, and any such additional parity securities then Outstanding, in equal monthly installments prior to the due date thereof, except to the extent any other moneys are available therefor on the due date of such installment.

The moneys credited to the Interest Account and the Principal Account within the Bond Fund shall be used to pay the Bond Requirements of the 2015 Bonds, 2010 Bonds, 2007 Bonds, 2006 Bonds, 2005 Bonds and any additional parity securities hereafter issued as such Bond Requirements become due.

Section 508. Reserve Payments. Third, but subsequent to the payments into the Interest Account and the Principal Account within the Bond Fund, except as provided in Sections 510, 511 and 1135 hereof, from any moneys remaining in the Revenue Fund there shall be transferred to the Trustee and credited to the Bond Reserve Account within the Bond Fund, commencing on the first day of the month that is one full month after the date of delivery of the 2015 Bonds and recommencing on the first day of the month next succeeding each date on which any parity securities hereafter authorized are delivered, in 24 substantially equal monthly installments, an amount equal to the remainder of the Minimum Securities Reserve less the amount of any other moneys available therein and less the available balance of any Qualified Surety Bond which are accounted for in the Bond Reserve Account, to accumulate or reaccumulate, together with any moneys from any source other than Net Revenues deposited therein, and to maintain the Bond Reserve Account as a continuing reserve in an amount equal to the Minimum Securities Reserve, to meet possible deficiencies in the Interest Account and the Principal Account within the Bond Fund. No payment need be made into the Bond Reserve Account so long as the sum of the moneys therein plus the available balance of any Qualified Surety Bond shall equal not less than the Minimum

Securities Reserve. The moneys in the Bond Reserve Account shall be accumulated or reaccumulated and maintained as a continuing reserve to be used, except as hereinafter provided in this Section and in Sections 510 and 511 hereof, only to prevent deficiencies in the payment of the Bond Requirements of the 2015 Bonds and any parity securities resulting from the failure to deposit into the Interest Account and the Principal Account within the Bond Fund sufficient funds to pay such Bond Requirements as the same accrue.

When the 2010 Bonds, 2007 Bonds, 2006 Bonds and 2005 Bonds are no longer Outstanding, there shall be no requirement to maintain a Minimum Securities Reserve. At such time, moneys then remaining in the Bond Reserve Account shall be transferred to the General Purpose Account to be used for capital improvements or bond requirements as set forth in subsections A and D of Section 516 hereof to the extent permitted by the Tax Code, and if not permitted, the Authority shall use such remaining moneys in accordance with the opinion of bond counsel to the Authority.

Section 509. Rebate Account. Fourth, and subject to the provisions hereinabove in this article, but before the transfer of any Net Revenues to the payment of subordinate securities, such amounts as are required to be deposited in the Rebate Account to meet the Authority's obligations under the covenant contained in Section 1134 hereof, in accordance with Section 148(f) of the Tax Code with respect to the 2015 Bonds. Amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein by Section 1134 hereof and Section 148(f) of the Tax Code may be withdrawn therefrom and used for any lawful purpose as provided herein.

Section 510. Termination of Deposits. No payment need be made into the Interest Account, the Principal Account, or the Bond Reserve Account, or all or any other combination thereof, within the Bond Fund, if the amount in the Bond Fund totals a sum at least equal to all Bond Requirements of the Outstanding 2015 Bonds and any Outstanding parity securities, to their respective maturities or to any Redemption Date or Redemption Dates on which the Authority shall have exercised or shall have obligated itself to exercise its option to redeem prior to their respective maturities the 2015 Bonds and any parity securities (or any part thereof) then Outstanding and thereafter maturing, whichever date is the earlier, if any, and both accrued and not accrued, in which case moneys in those 3 subaccounts in an amount at least equal to such Bond Requirements, except for any interest or other gain to accrue from any investment of moneys in Federal securities or otherwise pursuant to article VI hereof from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due; and any moneys in excess thereof in those 3 subaccounts and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the Board or the TMWA Manager, if the TMWA Manager certifies that the Rebate Account is sufficiently funded to meet the requirements of 148(f) of the Tax Code.

Section 511. Defraying Delinquencies. If on an interest or principal payment date or date on which a payment under a Qualified Swap is due, there is not on deposit in the Interest Account and the Principal Account the full amount stated above, then an amount shall be paid into

such subaccounts from the Bond Reserve Account equal to the difference between that paid from the Net Revenues and the full amount so stipulated. If the Bond Reserve Account contains a Qualified Surety Bond and cash, the cash in the Bond Reserve Account must be drawn down completely before any demand is made on a Qualified Surety Bond. If the Bond Reserve Account contains a Qualified Surety Bond issued by an insurer and a Qualified Surety Bond issued by another insurer, the Qualified Surety Bonds must be drawn down on a pro rata basis. The money so used shall be reimbursed to the provider of a Qualified Surety Bond which has been drawn upon and then replaced in the Bond Reserve Account from the first revenues thereafter received from the Net Revenues not required to be otherwise applied by Sections 507 through 510 hereof. If in any month the Authority shall for any reason fail to pay into the Bond Reserve Account the full amount above stipulated from the Net Revenues, the difference between the amount paid and the amount so stipulated shall be paid therein from the first Net Revenues thereafter received and not required to be applied otherwise by Sections 507 through 510 hereof. The moneys in the Bond Fund shall be used solely and only for the purpose of paying the Bond Requirements of the 2015 Bonds and any additional parity securities then Outstanding; but any moneys at any time in excess of the Minimum Securities Reserve in the Bond Reserve Account may be withdrawn therefrom, and transferred from time to time to the Revenue Fund, and used as herein provided for moneys credited to such account; and also any moneys in the Bond Fund in excess of the Bond Requirements, both accrued and not accrued, to the respective maturities or any designated Redemption Date or Redemption Dates of the Outstanding 2015 Bonds and any parity securities, whichever due date is the earlier, if any, for any security, may be used as hereinabove provided in Section 510 hereof.

Section 512. Payment of Subordinate Securities. Fifth, and subject to the provisions hereinabove in this article, but subsequent to the payments required by Sections 507, 508 and 509 and subject to the provisions of Section 519 hereof, as provided in article VII hereof any moneys remaining in the Revenue Fund may be used by the Authority acting by and through the Trustee for the payment of Bond Requirements of subordinate bonds or other subordinate securities payable from Pledged Revenues and hereafter authorized to be issued in accordance with article VII and any other provisions herein supplemental thereto, including reasonable reserves for such securities and rebate requirements for such securities, as the same accrue; but the lien of such subordinate bonds or other subordinate securities on the Net Revenues and the pledge thereof for the payment of such securities shall be subordinate to the lien and pledge of the 2015 Bonds herein authorized, as herein provided. (Any other parity securities hereafter authorized to be issued shall be payable from the Bond Fund pursuant to Sections 507 through 511 hereof.)

Section 513. Operation and Maintenance Reserve Account. Sixth, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund there shall be credited to the Operation and Maintenance Reserve Account monthly, an amount sufficient to accumulate the Minimum Operation and Maintenance Reserve in 60 substantially equal monthly installments. For this purpose, in each Fiscal Year during such 60 month period the Authority will calculate the substantially equal monthly amount that would be sufficient to accumulate over the then remaining months in such 60 month period, an amount equal to the Minimum Operation and Maintenance Reserve. In any Fiscal Year, the amount of the Minimum Operation and Maintenance Reserve shall be determined based on that Fiscal Year's budget.

After the balance in the Operation and Maintenance Reserve Account initially has reached an amount equal to the Minimum Operation and Maintenance Reserve, if, at the beginning of any Fiscal Year, the amount accounted for in the Operation and Maintenance Reserve Account is less than the Minimum Operation and Maintenance Reserve for the Fiscal Year as stated in the budget therefor, there shall be credited to the Operation and Maintenance Reserve Account, in 12 substantially equal monthly installments commencing on the first day of the Fiscal Year, an amount at least equal to the remainder of the Minimum Operation and Maintenance Reserve for the Fiscal Year less the amount accounted for in that account at the beginning of the Fiscal Year. No payment need be made into the Operation and Maintenance Reserve Account so long as the moneys therein shall then equal not less than the Minimum Operation and Maintenance Reserve. The moneys in the Operation and Maintenance Reserve Account shall be accumulated or reaccumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the TMWA Water System's Operation and Maintenance Expenses resulting from the failure to deposit into the Operation and Maintenance Account pursuant to Section 506 hereof sufficient funds to pay such expenses as the same accrue and become due. If at any time the moneys credited to the Operation and Maintenance Account are not sufficient to pay Operation and Maintenance Expenses, the Authority acting by and through the TMWA Manager or the Chief Financial Officer may requisition the additional moneys needed therefor, and thereupon such money shall be withdrawn from the Operation and Maintenance Reserve Account and transferred to the Operation and Maintenance Account. Any moneys accounted for in the Operation and Maintenance Reserve Account and exceeding the Minimum Operation and Maintenance Reserve for the then current Fiscal Year may be transferred to and deposited in the Revenue Fund.

Section 514. Renewal and Replacement Account. Seventh, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund there shall be credited to the Renewal and Replacement Account monthly, the sum of \$166,000 per month, unless the amount of \$10,000,000.00 (the "Emergency Capital Amount") is on deposit therein. If the Professional Engineer determines that the aforesaid monthly payments and the Emergency Capital Amount are insufficient or excessive for the purposes for which the Renewal and Replacement Account is established, the monthly payments into that account shall be adjusted in the amount directed by the Professional Engineer until the aggregate amount so determined by the Professional Engineer is on deposit therein, but in no event at a rate less than \$33,333.00 per month or in an aggregate amount less than \$2,000,000.00 (except for any period during which the Emergency Capital Amount is being accumulated or reaccumulated). The Authority shall expend moneys in the Renewal and Replacement Account only to make up deficiencies in the Bond Fund and to pay the cost of, and to create a reserve for the payment of the cost of, emergency capital improvements, extraordinary maintenance, repairs, renewals, and replacements to the TMWA Water System as shall not be annually recurring in nature, as determined by the Professional Engineer, unless otherwise provided by the Board.

Section 515. Rate Stabilization Account. Eighth, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund there shall be withdrawn from the Revenue Fund, and credited monthly, to the Rate Stabilization Account, an amount sufficient to accumulate in 12 substantially equal monthly installments the Rate Stabilization Amount (which shall not be less than \$500,000) as is designated by the Authority for that Fiscal Year

and pertaining to the TMWA Water System. No deposit need be made into the Rate Stabilization Account if the amount therein equal or exceeds the Rate Stabilization Amount for the Fiscal Year. Such amounts shall be used for expenditure from time to time for any lawful purpose or purposes of the Authority pertaining to the Authority's TMWA Water System, and any other water facilities of the Authority, and to be held as a reserve therefor. Expenditures from the Rate Stabilization Account shall be in accordance with an annual budget for the account established by the Authority. At the beginning of each Fiscal Year any moneys accounted for in the Rate Stabilization Account, whether or not encumbered to pay obligations accrued and to accrue under any existing contract made by the Authority prior to such Fiscal Year, shall remain in the Rate Stabilization Account for the purposes of the account designated above in this section, until expended for any such purposes. Amounts in the Rate Stabilization Account at the beginning of a Fiscal Year which are deposited into the Revenue Fund in that Fiscal Year are Gross Revenues for Fiscal Year in which they are deposited into the Revenue Fund.

Section 516. General Purpose Account. Ninth, and subject to the payment of the provider of a Qualified Surety Bond of any interest on amounts advanced and any expenses incurred under the Qualified Surety Bond required to be paid pursuant to an agreement between the Authority and the provider of such Qualified Surety Bond, and subject to the provisions hereinabove in this article, from any moneys remaining in the Revenue Fund, at least annually by the end of each Fiscal Year, there shall to be set aside and credited to the General Purpose Account, on or before the last day of each Fiscal Year the remaining revenues in the Revenue Fund. Moneys accounted for in such account, as may be determined and directed from time to time by the TMWA Manager within budget limitations fixed by the Board, but subject to any limitations herein or in any other contract pertaining to such account, may be withdrawn in any priority for any one, all, or any other combination of the following, as the TMWA Manager may from time to time determine:

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

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

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

D. Bond Requirements. To pay any bonds or other securities pertaining to the TMWA Water System and payable from the Net Revenues (regardless of whether such securities are secured by a lien thereon), including, without limitation, the 2015 Bonds, as to Bond Requirements and any other appurtenant charge, at the fixed maturity dates pertaining to such Bond Requirements, or any Redemption Date or Redemption Dates, or by purchase in the open market, or otherwise; and

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

F. Lawful Purpose. For any other lawful purpose as the Authority may determine, provided that no such amount shall be used for a purpose that is not a capital or working capital expense of the Authority unless the balance in the General Purpose Account, after payment of such non-capital or non-working capital expense, is at least equal to six months of Operation and Maintenance Expenses based on the then current budget of the Authority.

Section 517. Application of General Purpose Account. Moneys shall be withdrawn from the General Purpose Account for any one, all, or other combination of such purposes designated in Section 516 hereof pursuant to any such directive of the TMWA Manager upon approval by the Board, drawn by the TMWA Manager or the Chief Financial Officer, and countersigned by the Chairman or the Treasurer, in the same manner that other claims against the Authority are presented and paid.

Section 518. Water Fund and Water Fund Accounts. There is hereby authorized to be created a separate fund designated as the “Truckee Meadows Water Authority, Water Fund” (herein the “Water Fund”), which fund consists of a self-balancing group of accounts, including, without limitation, the respective special and separate accounts and subaccounts herein designated, and constitutes an independent fiscal and accounting entity. Separate accounts and subaccounts (other than those herein designated) pertaining to the Water Fund may from time to time be created, terminated, and otherwise modified, but in no manner inconsistent with the provisions of this Instrument.

Section 519. Repayment of Interaccount Loans. If the Authority makes an interaccount loan and transfer to any account or subaccount within the Water Fund for the benefit of the TMWA Water System to the extent hereby permitted, the Authority’s obligation to repay the loan and any interest accruing thereon to the account from which the loan is made may be deemed by the Authority to be outstanding revenue subordinate securities thereof payable from the Net Revenues as to the Bond Requirements of such obligation in accordance with Section 512 hereof at such time or times and in such amount or amounts as the Authority may determine in accordance with an annual budget for such account or subaccount or as may otherwise be provided for the payment of such securities in this Instrument or any other instrument of the Authority.

Section 520. Funds Held for Securities. The amounts held or applied for the payment of the Bond Requirements due on any date with respect to particular 2015 Bonds, any parity securities, including, without limitation, any subordinate securities and any securities payable from the General Purpose Account, pending such payment, shall be set aside and held in trust for the holders of the respective securities entitled thereto by any paying agent holding moneys for such

payment; and for the purposes of this Instrument, such Bond Requirements, after the due date thereof, shall no longer be considered to be unpaid or Outstanding.

ARTICLE VI

GENERAL ADMINISTRATION

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

Section 602. Places and Times of Deposits. Each of the separate accounts and subaccounts hereinabove designated in article IV and V hereof shall be maintained as an account and kept separate from all other accounts solely for the purposes herein designated therefor, except as otherwise expressly stated herein. The moneys accounted for in such separate accounts and subaccounts shall be deposited in one bank account or more, except as herein otherwise provided. Nothing herein prevents the commingling of moneys accounted for in any two or more accounts or subaccounts, or both accounts and subaccounts, pertaining to the TMWA Water System, the Pledged Revenues, proceeds of securities, other moneys, or to the fund pertaining to the TMWA Water System and any other funds of the Authority (each of which funds consists of a self-balancing group of accounts and constitutes an independent fiscal and accounting entity) in any bank account or any investment in Federal Securities hereunder (but not any account under Section 1201 hereof). Each such bank account shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds, subject to the provisions of Section 1403 hereof, and shall be irrevocable and not withdrawable by anyone for any purpose other than the purpose or purposes designated therefor. Each periodic payment shall be credited to the proper account or subaccount not later than the date therefor herein designated, except that when any such date shall be a Saturday, Sunday, or a legal holiday, then such payment shall be made on or before the next preceding secular day. Notwithstanding any other provision herein to the contrary, collected moneys shall be deposited with the Paying Agent, and any other Banking Institution designated as a paying agent for any securities heretofore or hereafter authorized to be issued and payable from Pledged Revenues (or any combination thereof), at least by the day of each interest payment date or any other due date herein designated sufficient to pay the Bond Requirements then becoming due on the Outstanding 2015 Bonds and any other Outstanding securities pertaining to the TMWA Water System.

Section 603. Investment of Moneys. Any moneys in any account designated in articles IV and V hereof (but not any account under Section 1201 hereof), and not needed for immediate use, may be invested or reinvested in any investments permitted under State law which are consistent with any guidelines for permitted investments required by the Insurer, if any, as a condition of insuring the Bonds, or are approved in writing by the Insurer (the “permitted securities”) in accordance with written or verbal instructions, which are promptly followed in writing, of the TMWA Manager or the Chief Financial Officer, except as otherwise expressly stated herein. Such investments shall mature not later than the date or dates on which the TMWA Manager or the Chief Financial Officer estimates the proceeds thereof will be needed, and, in any event, investments of amounts in the Bond Reserve Account may mature within 30 years of the date of the investment or the maximum allowed under State law. Any securities that mature later than 5 years after the investment therein will be revalued to their market value at least semiannually. For the purposes of

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

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

Section 605. Accounting for Investments. The securities so purchased as an investment or reinvestment of moneys in any such account or subaccount, as the case may be, shall be deemed at all times to be a part of the account or subaccount and held in trust therefor. Except as herein otherwise provided, any interest accruing thereon and any other gain realized therefrom, as well as any interest and other gain from the deposit of moneys in a Banking Institution shall be credited to the Revenue Fund (except as hereinafter provided) as such gain is received; and any loss in any account or subaccount resulting from any such investments and reinvestment in securities and from any such deposits in any Banking Institution shall be charged or debited to the Revenue Fund (except as hereinafter provided); but, so long as the 2015 Bonds or any parity securities, or both, are Outstanding, and except for amounts representing rebatable arbitrage for the purpose of Section 148(f), I.R.C., no such gain shall be transferred to the Revenue Fund at any time:

A. Interest Account. From the Interest Account prior to July 1, 2015, if the moneys accounted for therein for the payment of the interest on the 2015 Bonds and any parity securities then Outstanding do not after any such transfer at least equal the amount of unpaid interest accruing to July 1, 2015; or

B. Bond Reserve Account. From the Bond Reserve Account if the moneys accounted for therein do not after any such transfer at least equal the Minimum Securities Reserve.

Except as provided in Section 603, no loss or profit in any account or subaccount on any investments or reinvestments in securities or any certificates of deposit shall be deemed to take place as a result of fluctuations in the market quotations of the investments, reinvestments, or certificates prior to the sale or maturity thereof. In the computation of the amount in any account or subaccount for any purpose hereunder, except as herein otherwise expressly provided, securities and certificates of deposit shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation) and other bank deposits shall be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the Authority until such gain is realized. The expenses of purchase, safekeeping, sale, and all other expenses incident to any investment or reinvestment of moneys pursuant to this article shall be accounted for as Operation and Maintenance Expenses of the TMWA Water System and charged to the Operation and Maintenance Account as permitted by Section 506 hereof.

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

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

Section 608. Payment of Redemption Premiums. Notwithstanding any other provision herein, this Instrument requires the accumulation in any account or subaccount designated in article V hereof for the payment of any issue of bonds or other securities payable from Pledged Revenues of amounts sufficient to pay not only the principal thereof and interest thereon but also the

prior redemption premiums due in connection therewith, as the same become due, whenever the Authority shall have exercised or shall have obligated itself to exercise a prior redemption option pertaining thereto or otherwise to call any security for prior redemption, except to the extent provision is otherwise made therefor, if any prior redemption premiums are due in connection therewith. In such event moneys shall be deposited in such account or subaccount when due for the payment of all such Bond Requirements without default as the same become due.

ARTICLE VII

SECURITIES LIENS AND ADDITIONAL SECURITIES

Section 701. Lien of the Bonds. The 2015 Bonds authorized herein, constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Pledged Revenues on a parity with the liens of the 2005 Bonds, the 2006 Bonds, 2007 Bonds, 2010 Bonds and any parity securities hereafter issued.

Section 702. Equality of Bonds. The 2015 Bonds, the 2010 Bonds, the 2007 Bonds the 2006 Bonds, the 2005 Bonds and any parity securities hereafter authorized to be issued and from time to time Outstanding are equally and ratably secured by a lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the bonds and any other such securities, it being the intention of the Board that there shall be no priority among the 2015 Bonds, the 2010 Bonds, the 2007 Bonds, the 2006 Bonds, the 2005 Bonds and any such parity securities regardless of the fact that they may be actually issued and delivered at different times.

Section 703. Issuance of Parity Securities. Nothing herein, subject to the limitations stated in Section 712 hereof, prevents the issuance by the Authority of additional bonds or other additional securities payable from Pledged Revenues and constituting a lien thereon on a parity with, but not prior or superior to, the lien thereon of the 2015 Bonds, or prevents the issuance of bonds or other securities refunding all or a part of the 2015 Bonds, except as provided in Sections 708 through 712 hereof; but before any additional parity bonds or other additional parity securities are authorized or actually issued:

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

B. Earnings Tests. Either:

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

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

(b) An amount equal to the sum of 1.25 times the combined maximum annual principal and interest requirements for the Outstanding 2015 Bonds, any other Outstanding parity securities and the parity securities proposed to be issued; or

(2) Historical Earnings Test. The Net Revenues for (i) the immediately preceding Fiscal Year or (ii) any 12 consecutive months of the immediately preceding 18 months are equal to or greater than 1.25 times the combined maximum annual principal and interest requirements of the Outstanding 2015 Bonds and any other Outstanding parity securities and the parity securities proposed to be issued.

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

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

E. Swap Termination Payments. If payments due under a Qualified Swap Agreement on the termination thereof prior to the full term permitted under the Qualified Swap Agreement are to be made on a parity with the payments of the Bond Requirements of any 2015 Bonds, then the consent of the Insurer shall be obtained prior to the execution of such Qualified Swap Agreement.

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

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

annual revenues are sufficient to pay the amounts provided in Section 703 B(2) hereof, when adjusted thereby as hereinabove provided in Section 703 D, E or F or a written certification or written opinion by the Chief Financial Officer, a Professional Engineer or an Independent Accountant that such annual revenues are sufficient to pay the amounts provided in Section 703 B(1) hereof, based upon estimates of the Chief Financial Officer, a Professional Engineer or an Independent Account as provided in Section 703 B(1) hereof shall be conclusively presumed to be accurate in determining the right of the Authority to authorize, issue, sell, and deliver additional bonds on a parity with the 2015 Bonds.

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

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

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

Section 708. Issuance of Refunding Securities. At any time after the 2015 Bonds, or any part thereof, are issued and remain Outstanding, if the Board shall find it desirable to refund any Outstanding bonds or other Outstanding securities payable from and constituting a lien upon Pledged Revenues, such bonds or other securities, or any part thereof, may be refunded only if the bonds or other securities at the time or times of their required surrender for their payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the Authority's option upon proper call, unless the holder or holders of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of any refunding securities on Pledged Revenues is changed (except as provided in Sections 706 and 709 through 712 hereof).

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

Section 710. Limitations Upon Refundings. Any bonds or other refunding securities payable from Pledged Revenues shall be issued with such details as the Board may by instrument provide, subject to the provisions of Section 712 hereof, and subject to the inclusion of any such rights and privileges designated in Section 709 hereof, but without any impairment of any contractual obligation imposed upon the Authority by any proceedings authorizing the issuance of any one or more issues, including, without limitation, the 2015 Bonds.

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

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

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

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

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

ARTICLE VIII

BUDGETARY PROCEDURES

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

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

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

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

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

ARTICLE IX

RESERVED

Section 901. Reserved.

ARTICLE X

RATES, FEES AND OTHER CHARGES

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

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

B. The greater of:

(i) 1.25 times the Bond Requirements for the Comparable Bond Year of the Outstanding 2015 Bonds and all other Outstanding parity securities; or

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

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

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

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

Gross Revenues of the TMWA Water System shall be adequate to meet the requirements of this Instrument and any other instruments supplemental thereto. The rates, fees, and other charges due shall be collected in any lawful manner.

ARTICLE XI

MISCELLANEOUS PROTECTIVE COVENANTS

Section 1101. General. The Authority hereby particularly covenants and agrees with the holders of the 2015 Bonds and makes provisions which shall be a part of its contract with such holders to the effect and with the purpose set forth in the following provisions and sections of this article.

Section 1102. Performance of Duties. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall faithfully and punctually perform or cause to be performed all duties with respect to Pledged Revenues, the TMWA Water System required by the Constitution and laws of the State and the various resolutions and other instruments of the Authority, including, without limitation, the proper segregation of the proceeds of the 2015 Bonds, 2010 Bonds, 2007 Bonds, 2006 Bonds, 2005 Bonds and any securities hereafter authorized and pertaining to the TMWA Water System and Pledged Revenues and their application from time to time to the respective accounts provided therefor.

Section 1103. Contractual Obligations. The Authority shall perform all contractual obligations undertaken by it under leases or other agreements with the Federal Government, under and any other agreements with all other Persons relating to the 2015 Bonds and any other TMWA Water System securities, Pledged Revenues, the Project, or the TMWA Water System, or any combination thereof.

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

Section 1105. Conditions Precedent. Upon the date of issuance of any 2015 Bonds, all conditions, acts, and things required by the Constitution or statutes of the United States, the Constitution or statutes of the State, including, without limitation, the Authority Act and the Bond Act, or this Instrument to exist, to have happened, and to have been performed precedent to or in the issuance of the bonds shall exist, have happened, and have been performed; and the bonds, together with all other obligations of the Authority, shall not contravene any debt or other limitation

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

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

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

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

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

Section 1110. Competing Water Facilities. The Authority shall not construct other facilities or structures to be operated by the Authority separate from the TMWA Water System and competing with the TMWA Water System for revenues otherwise available for the payment of the 2015 Bonds or any other securities payable from Pledged Revenues.

Section 1111. Corporate Existence. The Authority shall maintain its corporate identity and existence so long as any of the 2015 Bonds and any other securities payable from Pledged Revenues remain Outstanding, unless another body corporate and politic by operation of law succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the Authority and is obligated by law to operate and maintain the TMWA Water System and to fix and collect Pledged Revenues as herein provided without adversely and materially affecting at any time

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

Section 1112. Disposal of TMWA Water System Prohibited. Except for the use of the TMWA Water System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the TMWA Water System shall be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of, until all the 2015 Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the bonds have been otherwise redeemed, including, without limitation, the termination of the pledge as herein authorized; and the Authority shall not dispose of its title to the TMWA Water System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the TMWA Water System and the lands comprising the site of the TMWA Water System (other than the execution of leases, licenses, easements, or other agreements in connection with the operation of the TMWA Water System by the Authority), except for any pledges of and liens on revenues derived from the operation and use of the TMWA Water System, or any part thereof, for the payment of any other revenue bonds or other securities pertaining to the TMWA Water System as permitted herein, and except as otherwise provided herein.

Section 1113. Revenues and Agreements. The Authority shall not create or permit to be created any charge or lien on the Gross Revenues, except as herein permitted. Nothing herein contained prevents the Authority from executing leases, licenses, easements, or other agreements for any part of the TMWA Water System with the Federal Government or any other Persons, if such instrument shall not substantially diminish the Net Revenues otherwise available for the payment of the Outstanding 2015 Bonds and any other Outstanding bonds or other Outstanding securities payable from Pledged Revenues. TMWA shall not enter into any agreement that limits its ability to increase rates and charges for water and other goods and services provided by, and for the use of the TMWA Water System as may be necessary to comply with Section 1001 hereof. No more than 10 percent of the Gross Revenues, excluding revenues derived from the sale of electric power, may be subject to a contract that fixes the amount paid to the Authority for goods or services or otherwise for a term greater than three years.

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

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

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

Section 1116. Payment of Governmental Charges and Liens. The Authority shall pay or cause to be paid all taxes, assessments, and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the TMWA Water System, or upon any part thereof, or upon any portion of the Gross Revenues, or revenues otherwise pertaining to the TMWA Water System, when the same shall become due. The Authority shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the TMWA Water System, or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The Authority shall not create or suffer to be created any lien or charge upon the TMWA Water System, or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Instrument for the payment of the Bond Requirements of the 2015 Bonds and any Outstanding parity securities or subordinate securities, and except as herein otherwise permitted. The Authority shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law become a lien upon the TMWA Water System, any part thereof, the Gross Revenues, or any other revenues pertaining to the TMWA Water System. Nothing herein contained requires the Authority to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge, or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith.

Section 1117. Protection of Security. The Authority, the officers, agents, and employees of the Authority and the Board shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the 2015 Bonds and any other securities payable from Pledged Revenues according to the terms of such securities. The Authority shall maintain, preserve, and renew all the rights, powers, privileges, and franchises now owned or hereafter acquired with respect to the TMWA Water System. No contract shall be entered into and no other action shall be taken by which the rights of any holder of any bond or other security payable from Pledged Revenues might be prejudicially and materially impaired or diminished.

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

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

Section 1120. Use of Bond Fund. The Bond Fund shall be used solely and only and the moneys credited to such account are hereby pledged for the purpose of paying the Bond Requirements of the 2015 Bonds and any parity securities heretofore or hereafter authorized and then Outstanding, except for those moneys in the Interest Account, the Principal Account, and the Bond Reserve Account within the Bond Fund as are in excess of such Bond Requirements, both accrued and not accrued, to their respective maturities or any Redemption Date or Redemption Dates, whichever due date is earlier, if any (subject to the provisions of Sections 510, 511, 606, and 1201 hereof), and except for those moneys in the Bond Reserve Account within the Bond Fund in excess of the Minimum Securities Reserve, as hereinabove provided.

Section 1121. Additional Securities. The Authority shall not hereafter issue any bonds or other securities payable from Pledged Revenues and having a lien on Pledged Revenues on a parity with the lien thereon of the 2015 Bonds so long as any 2015 Bonds are Outstanding, unless such additional securities (other than securities issued pursuant to Sections 708 through 712 hereof and refunding securities on a parity with the 2015 Bonds) with a lien on Pledged Revenues on a parity with the 2015 Bonds are issued in such manner as provided in Sections 703, 704, 707, and 712 hereof. Any other securities hereafter authorized to be issued and secured by Pledged Revenues shall not hereafter be issued, unless such additional securities are also issued in conformance with the provisions of Articles V and VII hereof.

Section 1122. Other Liens. Other than as provided herein, there are no liens or encumbrances of any nature whatsoever on or against the TMWA Water System, or any part thereof, or on or against the Gross Revenues derived or to be derived, on a parity with or superior to the lien of the 2015 Bonds, 2010 Bonds, 2007 Bonds, 2006 Bonds, and the 2005 Bonds. The Authority shall not issue any bonds, other than the 2015 Bonds, 2010 Bonds, 2007 Bonds, 2006 Bonds, and the 2005 Bonds, or any other additional securities secured by a pledge of or lien on the Gross Revenues, or both such a pledge and such a lien (including, without limitation, amounts which the Authority may thereafter be entitled to withdraw from the Revenue Fund and transfer to the Operation and Maintenance Account for the payment of Operation and Maintenance Expenses) and shall neither create nor cause to be created any lien or charge on the Gross Revenues or on any amount held by the Trustee or the Authority under this Instrument, except as provided in Articles V and VII hereof; but neither this Section nor any other provision of this Instrument shall prevent the Authority from issuing additional bonds or other additional securities for the purposes of the Authority secured by a pledge of and lien on Pledged Revenues subordinate to the lien of the 2015 Bonds, 2010 Bonds, 2007 Bonds, 2006 Bonds, and the 2005 Bonds, or to be derived on and after such date as the pledge of and lien on the Pledged Revenues provided in this Instrument are discharged and satisfied as provided in Section 1201 hereof, or otherwise.

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

out of such receipt, application, or disbursement; but such holder at his election may appear in and defend any such suit, action, or proceedings; and notwithstanding any contrary provision hereof, this covenant shall continue and remain in full force and effect, even though all indebtedness, liabilities, obligations, and other sums secured hereby may have been fully paid and satisfied, and the obligations under this Instrument may have been released and the lien hereof discharged.

Section 1124. Accumulation of Interest Claims. In order to prevent any accumulation of claims for interest after maturity, the Authority shall not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on any of the 2015 Bonds or any other securities payable from Pledged Revenues; and the Authority shall not directly or indirectly be a party to or approve any arrangements for any such extension or for the purpose of keeping alive any of such claims for interest. If the time for the payment of such installment of interest shall be extended in contravention of the foregoing provisions, such installment or installments of interest after such extension or arrangement shall not be entitled in case of default hereunder to the benefit or security of this Instrument, except upon the prior payment in full of the principal of all 2015 Bonds and any such other securities then Outstanding and of all matured interest on all such securities the payment of which has not been extended.

Section 1125. Records and Accounts. So long as any of the 2015 Bonds and any other securities payable from Pledged Revenues remain outstanding, proper records and accounts shall be kept by the Authority, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the TMWA Water System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues. Such records shall include (but not necessarily be limited to) monthly records, all in reasonable detail as may be determined by the TMWA Manager or her delegate and in accordance with standard accounting practices, showing:

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

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

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

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

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

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

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

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

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

A. Bond Reserve Account. Firstly, into the Bond Reserve Account, designated in Section 508 hereof to the extent necessary to bring the amount on deposit in the Bond Reserve Account up to the then Minimum Securities Reserve; and

B. General Purpose Account. Secondly, into the General Purpose Account designated in Section 516 hereof.

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

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

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

Section 1133. Completion of Project. The Authority, with the proceeds derived from the sale of the 2015 Bonds and any other available moneys, shall proceed to cause the Project to be completed without delay to the best of the Authority's ability and with due diligence, as herein provided.

Section 1134. Federal Tax Covenant. The Authority hereby covenants for the benefit of each holder of the 2015 Bonds that it will not take any action or omit to take any action with respect to the 2015 Bonds, the proceeds thereof, any other funds of the Authority or any facilities refinanced with the proceeds of the 2015 Bonds if such action or omission (i) would cause the interest on the 2015 Bonds to lose its exclusion from gross income for Federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the 2015 Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect

notwithstanding the payment in full or defeasance of the 2015 Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Section 1135. Additional Covenants. While the 2015 Bonds are Outstanding, the Authority agrees to the following:

A. Commencing on the first day of the month succeeding the date on which any parity security which bears interest at a variable interest rate converts to a parity security which bears interest at a fixed interest rate the Authority will be required to provide the Trustee from any revenues available therefor, for credit to the Bond Reserve Account within the Bond Fund, after provision is made for Operation and Maintenance Expenses and principal and interest payments on any Outstanding parity securities as provided in Sections 507 and 508 hereof, respectively, in 36 substantially equal monthly installments, an amount equal to the remainder of the Minimum Securities Reserve less the amount of any other moneys available therein and less the available balance of any Qualified Surety Bond which are accounted for in the Bond Reserve Account.

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

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

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

Section 1136. Continuing Disclosure Undertaking. The Authority covenants for the benefit of the holders and beneficial owners of the Bonds to comply with the applicable provisions of the final Continuing Disclosure Certificate substantially in the form now on file with the Secretary, to be executed by the TMWA Manager or the Chief Financial Officer and delivered in connection with the delivery of the Bonds.

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

ARTICLE XII

MISCELLANEOUS

Section 1201. Defeasance. Except as otherwise set forth herein, when all Bond Requirements of any 2015 Bond or any other security of any other issue payable from Pledged Revenues have been duly paid, the pledge and lien and all obligations hereunder shall thereby be discharged as to that Bond or security and it shall no longer be deemed to be Outstanding within the meaning of this Instrument. There shall be deemed to be such due payment if the Authority has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Bond or security, as such requirements become due to the fixed maturity date of the Bond or security or to any Redemption Date or Redemption Dates as of which the Authority shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond or security thereafter maturing for payment then. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the Authority and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. If at any time the Authority has so placed in escrow or trust an amount so sufficient to pay designated Bond Requirements of securities constituting less than all of the Bond Requirements of the securities becoming due on and before their respective due dates, be they the fixed maturity dates of the securities or any such Redemption Date pertaining to the securities, such designated Bond Requirements shall be deemed paid and discharged under this Instrument. For the purposes of this Section, "Federal Securities" shall not include any Federal Securities which are callable by any party other than the owner thereof; and if any defeasance escrow investments involve a contract for supplying Federal Securities for the escrow after the date of creation of the escrow, the consent of the Insurer, if any, must be obtained. Notwithstanding anything herein to the contrary, in the event that the principal of or interest on the 2015 Bonds shall be paid by the provider of a Qualified Surety Bond pursuant to the terms of such Qualified Surety Bond, the 2015 Bonds shall remain Outstanding, not be defeased or otherwise satisfied until the amounts owed by the Authority pursuant to the terms of the agreement between the Authority and the provider of such Qualified Surety Bond are paid to the provider of such Qualified Surety Bond. The Authority shall provide the Trustee with either (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the defeased 2015 Bonds in full or (ii) an opinion of bond counsel to the effect that such 2015 Bonds are no longer Outstanding under this Instrument, that the defeasance was in accordance with the requirements of this Instrument and will not adversely affect the tax exempt status of such 2015 Bonds.

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

A. Printing Bonds. The printing of the 2015 Bonds, including, without limitation, the printing on each 2015 Bond of any applicable statement of insurance guaranteeing the payment of the principal of and the interest on the insured 2015 Bonds by the insurer or insurers thereof;

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

- (1) The signing of the 2015 Bonds,
- (2) The tenure and identity of the officials of the Board and the Authority,
- (3) The exemption of interest on the 2015 Bonds from Federal income taxation,
- (4) The delivery of the 2015 Bonds and the receipt of the purchase price,
- (5) If it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity thereof, and
- (6) The execution of any agreement related to the Paying Agent and Registrar not inconsistent with this Instrument;

C. Continuing Disclosure Certificate. The completion and execution of the Continuing Disclosure Certificate concerning the 2015 Bonds;

D. Escrow Agreement. The completion and execution of the Escrow Agreement by the TMWA Manager, or in his absence, the Chief Financial Officer, in substantially the form of the Escrow Agreement which is on file with the Authority;

E. Official Statement. The preparation and distribution of an official statement for use for prospective buyers of the 2015 Bonds, including, without limitation, such use by the Underwriters and their associates, if any; and

F. Bond Sale. The sale and issuance of the 2015 Bonds in accordance with the provisions of this Instrument, including but not limited to the completion and execution of the Bond Purchase Agreement.

Section 1203. Statute of Limitations. No action or suit based upon any Bond or other obligation of the Authority shall be commenced after it is barred by any statute of limitations pertaining thereto. Any trust or fiduciary relationship between the Authority and the holder of any Bond or the obligee regarding any such obligation shall be conclusively presumed to have been repudiated on the fixed maturity date or other due date thereof unless the Bond is presented for payment or demand for payment of any such obligation is otherwise made before the expiration of the applicable limitation period. Any moneys from whatever source derived remaining in any

account reserved, pledged, or otherwise held for the payment of any such obligation, action or suit for the collection of which has been barred, shall revert to the Revenue Fund, unless the Board shall otherwise provide by instrument of the Authority. Nothing herein prevents the payment of any such obligation after any action or suit for its collection has been barred if the Board deems it in the best interests of the public so to do and orders such payment to be made.

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

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

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

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

- A. Equity Principles. Subject to general principles of equity to the extent relevant to the Authority (regardless of whether such enforceability is considered in a proceeding in equity or at law),
- B. Limitations Fixed by Law. Subject to the limitations upon enforceability fixed by bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights and privileges,
- C. State and U.S. Powers. Otherwise subject to the reasonable exercise in the future by the State and its governmental bodies of the police powers and the powers of eminent domain, taxation, and licensing inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the Constitution of the United States,

D. Limitations Upon Suits. Subject to the limitations stated in the 11th Amendment, Constitution of the United States, upon suits against states in Federal courts, and

E. Sovereign Immunity. Subject to the possible passage hereafter of a State statute reestablishing the doctrine of sovereign immunity (heretofore waived by the State subject to certain exceptions and conditions) of the State and any political subdivision of the State from liability and suits thereagainst in the absence of the State's consent thereto.

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

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

Section 1207. No Acceleration. Nothing in this Instrument or any other instrument of the Authority or any law of the State shall permit the acceleration of the time or times for the payment of the 2015 Bonds, as to all Bond Requirements prior to their respective maturities or other due dates as provided herein, even if the Authority defaults in the payment of any such Bond Requirements hereunder, and shall not permit such an acceleration of the time for the payment of any subordinate securities without the consent of the Insurer. The Authority may enter into Qualified Swaps which provide for a payment due on termination of the Qualified Swap, whether by reason of a default by the Authority or otherwise, without obtaining the consent of the Insurer so long as the termination payment does not have a lien on the Net Revenues that is on a parity with or superior to the lien thereon of the 2015 Bonds.

Section 1208. Subrogation of Bondholder's Rights. If the principal, or the Redemption Price, if applicable, and interest due on the 2015 Bonds shall be paid by the Insurer, if any, the assignment and pledge of Pledged Revenues, and all covenants, agreements, other obligations, liabilities, and duties of the Authority or the Trustee, or both of them, as the case may be, to the holders of the 2015 Bonds shall continue to exist; and the Insurer shall be subrogated to the rights and privileges of such holders of the bonds so paid by the Insurer, if any.

Section 1209. The Insurer Treated as Holder. So long as it has not defaulted on its insurance policy with respect to the 2015 Bonds, the Insurer, if any, shall be deemed to be the holder of the 2015 Bonds as provided below:

A. Consent to Amendments. At any time the consent of a holder of 2015 Bond is required for adoption of an amendatory or supplemental instrument, the Insurer must consent in writing to the adoption of the instrument, which consent must be obtained in lieu of the consents

required to be obtained from the holders of the 2015 Bonds. Copies of any amendments consented to by the Insurer must be sent by first class mail, postage prepaid, to Standard & Poor's Ratings Group.

B. Other Purposes. Following an Event of Default for all other purposes (except payment of the principal of and interest on the 2015 Bonds unless the Insurer is entitled to such payment by virtue of its ownership of a 2015 Bond or subrogation), until after the curing of all defaults which may theretofore have occurred, the Insurer shall be treated as the holder of all of the 2015 Bonds.

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

Section 1210. No Optional Redemption or Distribution of Funds. Without the written consent of the provider of a Qualified Surety Bond, there shall be no optional redemption of Bonds or distribution of funds to the Authority unless all amounts owed to the provider of a Qualified Surety Bond under the terms of the Qualified Surety Bond and the agreement between the Authority and the provider of the Qualified Surety Bond have been paid in full.

ARTICLE XIII

PRIVILEGES, RIGHTS AND REMEDIES

Section 1301. Bondholder's Remedies. Each holder of any 2015 Bond and the Trustee, acting for each such holder, shall be entitled to all of the privileges, rights, and remedies provided herein, in the Authority Act, in the Bond Act, and as otherwise provided or permitted at law or in equity or by other statutes, except as provided in Sections 206 through 210 hereof, but subject to the provisions herein concerning Pledged Revenues and the proceeds of the 2015 Bonds.

Section 1302. Right To Enforce Payment. Nothing in this article affects or impairs the right of any holder of any 2015 Bond to enforce the payment of the Bond Requirements of his bond or the obligation of the Authority to pay the Bond Requirements of each 2015 Bond to the holder thereof at the time and the place expressed in the 2015 Bond.

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

A. Nonpayment of Principal and Premium. Payment of the principal of any of the 2015 Bonds, or any prior redemption premium due in connection therewith, or both, is not made when the same becomes due and payable, either at maturity or by proceedings for prior redemption, or otherwise;

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

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

D. Nonperformance of Duties. The Authority fails to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to Pledged Revenues, to the TMWA Water System, or to all or any other combination thereof, or otherwise, including, without limitation this Instrument, and such failure continues for 60 days after receipt of notice directly from the holders of a majority in principal amount of the 2015 Bonds and parity securities then Outstanding or receipt of such notice from such holders is delivered by the Trustee;

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

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

receivers for the TMWA Water System or for any Pledged Revenues and any other moneys subject to the lien to secure the payment of the 2015 Bonds, or both such TMWA Water System and such moneys, or an order or decree having been entered without the consent or acquiescence of the Authority is not vacated or discharged or stayed on appeal within 60 days after entry; and

G. Default of Any Provision. Except as otherwise provided herein, the Authority makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements, and other provisions contained in the 2015 Bonds or in this Instrument on its part to be performed, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the Authority directly by the holders of a majority in principal amount of the 2015 Bonds and any parity securities then Outstanding or such notice from such holders is received by the Trustee and delivered to the Authority by the Trustee. If the Authority defaults in performance of the Rate Maintenance Covenant pursuant to Section 1001 hereof, and: (1) the Authority has consulted an Professional Engineer with regard to the steps it should take to increase Net Revenues; (2) the rates and charges collected by the Authority equal or are greater than 100 percent of combined maximum principal and interest requirements; and (3) the Authority is following those recommendations of the Professional Engineer, it does not constitute an event of default as long as such default does not continue for a period of not more than three years.

Section 1304. Remedies for Defaults. Upon the happening of an event of default as provided in subsections A or B of Section 1303 with respect to any 2015 Bond which is insured by the Insurer, the Trustee shall instruct the Paying Agent to proceed as provided in the payment procedures provided by the Insurer. Upon the happening and continuance of any of the events of default, as provided in Section 1303 hereof, then and in every case the holder or holders of not less than a majority in principal amount of the 2015 Bonds and any parity securities then Outstanding or the Trustee therefor may proceed against the Authority and its agents, officers, and employees to protect and to enforce the rights of any holder of 2015 Bonds under this Instrument by mandamus or by other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or by an award of execution of any power herein granted for the enforcement of any proper, legal, or equitable remedy as such holder or holders may deem most effectual to protect and to enforce the rights aforesaid, or thereto enjoin any act or thing which may be unlawful or in violation of any right of any holder of any 2015 Bond, or to require the Authority to act as if it were the trustee an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had, and maintained for the equal benefit of all holders of the 2015 Bonds and any parity securities then Outstanding.

Section 1305. Vesting in Trustee Powers of Statutory Trustee. The holders of the 2015 Bonds shall be entitled to the benefits and be subject to the provisions of NRS 350.660, 350.664, and 350.666 (except as hereinafter provided with respect to the method of the appointment of a trustee), and the trustee referred to therein (being the Trustee appointed and confirmed herein) shall have the powers provided by such sections of the Bond Act; the provisions of such sections of the Bond Act (except as to such method of appointment) shall be fully applicable to all Outstanding 2015 Bonds; the right or privilege of such holders to appoint such trustee in the manner provided in

such sections is hereby abrogated; all of the rights, powers, and duties of such trustee shall be and hereby are vested in the Trustee without further act on the part of the holders of the 2015 Bonds; and the Authority shall not interpose, as a defense to any proceedings under such sections of the Bond Act, failure of holders of 2015 Bonds to appoint a trustee in the manner provided in such sections of the Bond Act.

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

Section 1307. Rights and Privileges Cumulative. The failure of any holder of any Outstanding 2015 Bond to proceed in any manner herein provided shall not relieve the Authority, its Board, or any of the Authority's officers, agents, or employees of any liability for failure to perform or carry out any duty, obligation, or other commitment. Each right or privilege of any such holder (or trustee thereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege thereof.

Section 1308. Duties upon Defaults. Upon the happening of any of the events of default as provided in Section 1303 hereof, the Authority, in addition, shall do and perform all proper acts on behalf of and for the holders of the 2015 Bonds, and any parity securities payable from Pledged Revenues to protect and to preserve the security created for the payment of the securities and to insure the payment of the Bond Requirements of the securities promptly as the same become due. During any period of default, so long as any of the securities, as to any Bond Requirements, are Outstanding, all Net Revenues shall be paid into the Bond Fund, and, to the extent such revenues, if any, exceed the Bond Requirements of the Outstanding securities payable from such account, both accrued and to accrue to their respective fixed maturity dates or to any Redemption Date or Redemption Dates pertaining thereto, whichever is earlier, if any, into any like account or like accounts for any Outstanding subordinate securities. If the Authority fails or refuses to proceed as in this Section provided, the holder or holders of not less than a majority in principal amount of the bonds and any parity securities then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the holders of the securities as hereinabove provided; and to that end any such holders of Outstanding securities shall be subrogated to all rights of the Authority under any agreement, lease, or other contract involving Pledged Revenues, or the TMWA Water System entered into prior to the effective date of this Instrument or thereafter while any such securities are Outstanding.

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

the duty of the Authority and its appropriate officers are hereby authorized and directed to take all necessary steps for the benefit of the holders of the 2015 Bonds and any parity securities in such proceedings, including, without limitation, the filing of any claims for unpaid rates, fees, other charges, and other payments due to the Authority or otherwise arising from the breach of any of the covenants, terms, or conditions of the lease or any other contract pertaining to the TMWA Water System, unless the TMWA Manager or his delegate determines that the costs of such action are likely to exceed the amounts thereby recovered from such obligor.

Section 1310. Prejudicial Action Unnecessary. Nothing in this article requires the Authority to proceed as provided therein if the TMWA Manager or his delegate determines in good faith and without any gross abuse of his discretion that if the Authority so proceeds it is more likely than not to incur a net loss rather than a gain or such action is otherwise likely to affect materially and prejudicially the holders of the Outstanding 2015 Bonds and any Outstanding parity securities.

ARTICLE XIV

CONCERNING THE TRUSTEE

Section 1401. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. is hereby appointed and confirmed as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Instrument by executing the certificate of authentication endorsed upon the 2015 Bonds; and the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the 2015 Bonds so authenticated, but also with respect to all the 2015 Bonds thereafter to be issued hereunder.

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

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

A. Pledge of Collateral Security. Unless such bank shall have lodged with the corporate trust department of the Trustee or, with the written approval of the Trustee and of the Authority, pledged to some other Banking Institution for the benefit of the Authority and every holder of any 2015 Bond issued hereunder, as collateral security for the moneys deposited, Federal Securities or such securities as are provided by law for securing a deposit in a Banking Institution in the State of cities and towns in the State, having a market value (exclusive of accrued interest) at least equal to 110% of the amount of such moneys; or

B. Surety Bond. Unless, in lieu of such collateral security as to all or any part of such moneys, there shall have been lodged with the corporate trust department of the Trustee for the benefit of the Authority and every holder of any 2015 Bond issued hereunder, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States and qualified to transact business in the state in which such Banking Institution is located in a sum at least equal to the amount of such moneys or part thereof.

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

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

Section 1404. Basic Duties of Trustee.

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

B. Duties to Provider of Qualified Surety Bond.

(1) In the event of nonpayment of the principal of or interest on the bonds when due, the Trustee shall immediately:

(a) notify the Authority by telephone, confirmed in writing by registered or certified mail, of the amount of the deficiency and of the Trustee's intent to demand payment from the provider of a Qualified Surety Bond; and

(b) deliver a demand for payment to the provider of a Qualified Surety Bond in the form and in the manner required by the terms of the Qualified Surety Bond and the agreement between the Authority and the provider of the Qualified Surety Bond.

(2) The Trustee must maintain adequate records, verified with the provider of a Qualified Surety Bond and the Authority as to:

(a) the amount available to be drawn under the Qualified Surety Bond;

(b) any amounts paid under the Qualified Surety Bonds; and

(c) any amounts owed to the provider of the Qualified Surety Bond under the terms of the agreement between the Authority and the provider of the Qualified Surety Bond.

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

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

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

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

D. Action Directed by Bondholders. The Trustee shall not be personally liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the 2015 Bonds and parity securities then Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Instrument;

E. Incurrence of Personal Liabilities. The Trustee shall not be required to advance or expend or use its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the repayment of such funds or liability is not assured to it by the security afforded it by the terms of this Instrument or by other security or indemnity reasonably satisfactory to the Trustee;

F. Limited Liability Concerning Bonds. The Trustee shall not be under any responsibility or duty with respect to the disposition by the Authority of the 2015 Bonds or the application by the Authority of the proceeds thereof or of any moneys paid to the Authority under any of the provisions hereof, except to the extent that such proceeds are paid to the Trustee in its capacity as Trustee or Paying Agent. The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds; and

G. Cost of Execution or Enforcement of Trusts. The Trustee, in the case of any default hereunder, shall not be under any obligation to take any action toward the execution or enforcement of the trusts created by this Instrument, which, in the opinion of the Trustee, will likely involve it in expense or liability, unless one or more of the holders of 2015 Bonds shall, as often as

required by the Trustee, furnish to the Trustee security and indemnity satisfactory to the Trustee against such expense or liability.

Section 1406. Recitals of Fact and Representations. The recitals of fact contained herein and in the bonds (other than the Trustee's certificate of authentication) shall be taken as the statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity of this Instrument or of the 2015 Bonds issued thereunder.

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

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

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

B. Reliance upon Counsel. The Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel; and

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

Section 1409. Other Immunities. The Trustee shall not be under any responsibility for the approval of any expert for any of the purposes expressed in this Instrument, but nothing in this Section contained shall relieve the Trustee of its obligation to exercise reasonable care with respect to the approval of independent experts who may furnish opinions or certificates to the Trustee pursuant to any provision of this Instrument. Any instrument of the Board shall be evidenced to the Trustee by a copy thereof certified by the Secretary of the Authority to have been duly adopted, and the Trustee may accept such copy as conclusive evidence of the adoption of such instrument. Nothing contained in this Section modifies the obligation of the Trustee to exercise after default the rights and powers vested in it by this Instrument with the degree of care and skill

specified in Section 1404. No surety bond or other security shall be required of the Trustee unless ordered by a court having jurisdiction and for cause shown.

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

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

Section 1412. Compensation of Trustee. The Authority covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust; and the Authority will pay to the Trustee from time to time its expenses and disbursements (including, without limitation, reasonable compensation and the expenses, charges, counsel fees, and other disbursements of its counsel, officers, employees, other agents, and of all other Persons not regularly in the Trustee's employ). The Authority also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending against any claim of liability in the premises. The obligations of the Authority to the Trustee under this Section shall constitute additional obligations secured by the lien of this Instrument, and shall be defrayed as Operation and Maintenance Expenses.

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

Section 1414. Adjustment and Allowance of Claims. The claim or claims of the Trustee filed in any such proceeding or proceedings shall be reduced by the amount of compensation for services, reimbursement for advances, expenses, and disbursements, and indemnity paid to it following final allowance to it and to its counsel and agents by the court in any such proceedings as an expense of administration or in connection with a plan of reorganization or readjustment. To the extent that compensation, reimbursement, and indemnity are denied to the Trustee or to its counsel or its other agents because of not being rendered or incurred in connection with the administration of an estate in a proceeding or in connection with a plan of reorganization or readjustment approved as required by law, because such services were not rendered in the interests of and with benefit to the estate of the Authority as a whole but in the interest of and with benefit to the holders of the 2015 Bonds and any other securities hereafter authorized and payable from Pledged Revenues in the execution of the trusts hereby created or in the exercise and performance of any of the powers and duties hereunder of the Trustee, or because of any other reason, the court may, to the extent permitted by law, allow such claim, as supplemented and amended, in any such proceeding or proceedings and for the purposes of any plan of reorganization or readjustment of the Authority's obligations, may classify the Trustee as a creditor of a class having priority for the payment of the Operation and Maintenance Expenses, and precedence over the class in which the holders of the 2015 Bonds and any such securities are placed. The amount of the claim or claims of the Trustee for services rendered and for advances, expenses, and disbursements, including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ which are not allowed and paid in any such proceeding, but for which the Trustee is entitled to the allowance of a claim as herein provided may be fixed by the court or judge in any such proceeding or proceedings to the extent that such court or judge has or exercises jurisdiction over the amount of any such claim or claims.

Section 1415. Certificates of Officers and Experts. Whenever in the administration of the trusts of this Instrument, prior to a default hereunder, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed), subject to the provisions of Sections 1404 and 1405, may be deemed to be prima facie proved and established by a certificate signed by an Authority officer, or may be deemed to be conclusively proved and established by a certificate signed by the Chairman or Vice Chairman and Secretary or Treasurer of the Board and delivered to the Trustee, and any such certificate so conclusively proved shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Instrument upon the faith thereof. Likewise, all appraiser's certificates, engineer's certificates, independent appraiser's certificates, independent engineer's certificates, officers' certificates, and other certificates or instruments herein provided to be given to the Trustee, shall be full warrant and protection to the Trustee, subject to the provisions of Sections 1404 and 1405 hereof, for any action or non-action taken or suffered by it under the provisions of this Instrument upon the faith thereof. Whenever it is provided in this Instrument that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Authority or of any holder of any 2015 Bond, the Trustee shall have full power to give any and all notices and to do any and all acts and things incident to such action.

Section 1416. Resignation of Trustee. The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than 60 days written notice to the Authority. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or holders of 2015 Bonds as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 1417. Removal of Trustee. The Trustee, or any successor thereof, may be removed at any time by the Authority, as designated by the TMWA Manager or the Chief Financial Officer, as long as the Authority is not in default pursuant to the terms of this Instrument or any other instrument authorizing the issuance of parity securities, and at any time by the holders of a majority in principal amount of the 2015 Bonds and any other bonds payable from Pledged Revenues then Outstanding, which payment is secured by a lien on such revenues, excluding any such bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of bonds or by their attorneys-in-fact duly authorized and delivered to the Authority. Copies of each such instrument shall be delivered by the Authority to the Trustee and to any successor thereof.

Section 1418. Successor Trustee. In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator thereof or of its property shall be appointed, or if any public officer shall take charge or control thereof or of its property or affairs, a successor may be appointed by the Authority, as designated by the TMWA Manager or the Chief Financial Officer, or in the case of removal of the Trustee by the holders, a successor may be appointed by the holders of a majority in principal amount of the then Outstanding 2015 Bonds and any other parity bonds payable from Pledged Revenues, which payment is secured by a lien on such revenues, excluding any such bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of such parity bonds or by their attorneys-in-fact duly authorized and delivered to the Authority. Pending such appointment by holders of such bonds, the Authority shall forthwith appoint a successor to act until such appointment is made by the holders of such bonds. Copies of each such instrument and of any instrument of the Authority providing for any such appointment shall be delivered by the Authority to the successor and to the predecessor Trustee. If no appointment of a successor shall be made within 30 days after the Trustee has been removed or resigned or after the occurrence of any other event requiring or authorizing such appointment, any holder of such parity bonds or the trustee of such bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court thereupon after such notice, if any, as the court may deem proper and may prescribe, may appoint such successor. Any successor appointed under the provisions of this Section shall be a trust bank and willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by this Instrument.

Section 1419. Transfer of Rights and Property. Any successor appointed under the provisions of Section 1418 of this Instrument shall execute, acknowledge, and deliver to its predecessor and also to the Authority an instrument accepting such appointment; and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys,

estates, properties, rights, powers, duties, and obligations of its predecessor hereunder, with like effect as if originally appointed herein as Trustee; but the Trustee then ceasing to act shall, nevertheless, on request by the Authority or by such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title, and interest of such Trustee in and to any property held by it hereunder and shall pay over, assign, and deliver to such successor any money or other property subject to the trusts and conditions herein set forth. If any deed, conveyance, or instrument in writing from the Authority is required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing shall on request and so far as may be authorized by law be executed, acknowledged, and delivered to the Authority by the Trustee originally appointed herein.

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

Section 1421. Electronic Instructions. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Instrument and delivered using Electronic Means (“Electronic Means” means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority, whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. If the Trustee elects not to act upon such Instructions, the Trustee shall notify the Authority. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on

unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

ARTICLE XV

AMENDMENT OF INSTRUMENT

Section 1501. Privilege of Amendments. This Instrument may be amended as provided in Section 1510 hereof without the need of obtaining consent of any of the holders of the 2015 Bonds. The “Regular Record Date” as defined in Section 302 hereof may be changed by the Authority without the need of obtaining consent of any holders of the 2015 Bonds if the Authority receives the consent of the securities depository then holding the 2015 Bonds pursuant to Section 302 hereof, if any, and if the Authority gives to the registered owner of each 2015 Bond a notice of change in the Regular Record Date, if a securities depository is the registered owner of the 2015 Bonds, by registered or certified mail, and otherwise, by first class mail, not less than six months before the first interest payment date to which the changed Regular Record Date will be applicable. In addition, except for supplemental instruments adopted pursuant to Section 712 hereof which do not expressly or impliedly amend or otherwise modify this Instrument, and except as provided in Section 1502 hereof, this Instrument may be amended or supplemented by instruments adopted by the Board in accordance with the laws of the State, without receipt by the Authority of any additional consideration, but, subject to the provisions of Section 1209 hereof, with the written consent of the Insurer of the Bonds, if any, or the holders of 66% in aggregate principal amount of the 2015 Bonds and parity securities Outstanding at the time of the adoption of such amendatory or supplemental instrument, excluding, pursuant to paragraph (5), Section 102(B) hereof, any 2015 Bonds which may then be held or owned for the account of the Authority, but including such refunding securities as may be issued for the purpose of refunding any of the 2015 Bonds if such refunding securities are not owned by the Authority.

Section 1502. Limitations upon Amendments. Notwithstanding the provisions of Section 1209(A) of this Instrument, no such instrument shall permit without the consent of the Insurer, if any, and the beneficial owners of the 2015 Bonds affected thereby:

- A. Changing Payment. A change in the maturity or in the terms of redemption of the principal of any Outstanding 2015 Bond or any installment of interest thereon; or
- B. Reducing Return. A reduction in the principal amount of any 2015 Bond, the rate of interest thereon, or any prior redemption premium payable in connection therewith; or
- C. Prior Lien. The creation of a lien upon or a pledge of revenues ranking prior to the lien or the pledge created by this Instrument; or
- D. Modifying Limitations upon Modifications. A reduction of the principal amount or percentages or otherwise affecting the description of 2015 Bonds or the consent of the holders of which is required for any such amendment or other modifications; or
- E. Priorities Between Bonds. The establishment of priorities as between 2015 Bonds issued and Outstanding under the provisions of this Instrument; or

F. Partial Modification. Materially and prejudicially modifying or otherwise materially and prejudicially affecting the rights or privileges of the holders of less than all of the 2015 Bonds then Outstanding.

Section 1503. Notice of Amendment. Whenever the Board proposes to amend or modify this Instrument under the provisions of this article, it shall cause notice of the proposed amendment to be mailed within 30 days to the Trustee and the Insurer of the Bonds, if any, or each holder of the Outstanding 2015 Bonds and any parity securities. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the Secretary for public inspection.

Section 1504. Time for Amendment. Whenever at any time within one year from the date of the mailing of such notice, there shall be filed in the office of the Secretary an instrument or instruments executed by the insurer of the Bonds, if any, or the holders of at least 66% in the aggregate principal amount of the 2015 Bonds and any parity securities then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in such notice shall specifically consent to and approve the adoption of such instrument, thereupon, but not otherwise, the Board may adopt such amendatory instrument and such instrument shall become effective.

Section 1505. Binding Consent to Amendment. If the insurer of the Bonds, if any, or the holders of at least 66% in the aggregate principal amount of the 2015 Bonds and parity securities then Outstanding, at the time of the adoption of such amendatory instrument, or the predecessors in title of such holders, shall have consented to and approved the adoption thereof as herein provided, no insurer of the Bonds or holder of any bond whether or not such holder shall have consented to or shall have revoked any consent as in this article provided, shall have any right or interest to object to the adoption of such amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Authority from taking any action pursuant to the provisions thereof.

Section 1506. Time Consent Binding. Any consent given by the holder of a 2015 Bond and any parity securities pursuant to the provisions of this article shall be irrevocable for a period of 6 months from the date of the mailing of the notice above provided for in Section 1503 and shall be conclusive and binding upon all future holders of the same bond during such period. Such consent may be revoked at any time after 6 months from the date of such mailing of such notice, by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Secretary, but such revocation shall not be effective if the holders of 66% in aggregate principal amount of the bonds Outstanding as in this article provided, prior to the attempted revocation, consented to and approved the amendatory instrument referred to in such revocation.

Section 1507. Unanimous Consent. Notwithstanding anything in the foregoing provisions of this article, the terms and the provisions of this Instrument or of any instrument amendatory thereof or supplemental thereto and the rights and the obligations of the Authority and of the holders of the 2015 Bonds may be amended or otherwise modified in any respect upon the adoption by the Authority and upon the filing with the Secretary of an instrument to that effect and

with the consent of the holders of all the then Outstanding 2015 Bonds, such consent to be given as provided in Section 1204 hereof; and no notice to holders of 2015 Bonds shall be required as provided in Section 1503 hereof, and the time of consent shall not be limited except as may be provided in such consent.

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

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

Section 1510. Amendments Not Requiring Consent. The Authority, acting by and through the Board, and the Trustee, notwithstanding the provisions of other sections of this article, and without the consent of or notice to the insurer of the Bonds, if any, or any holder of any 2015 Bond, shall consent to any amendment, change, or modification of this Instrument as required:

- A. Bond Resolution. By the provisions of this Instrument,
- B. Curing Defects. For the purpose of curing any ambiguity or formal defect or omission herein,
- C. Additional Securities. In connection with the issuance and delivery of additional bonds or other securities payable from the Net Revenues, or
- D. Other Change. In connection with any other change herein which, in the judgment of the Trustee and in the opinion of bond counsel to the Authority, is not to the prejudice of the Trustee, the Insurer of the Bonds, if any, or the holders of the 2015 Bonds or any parity securities then Outstanding.

**PASSED, APPROVED AND ADOPTED BY AT LEAST A TWO-THIRDS
MAJORITY OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER
AUTHORITY ON THIS MARCH 18, 2015.**

Chairman

(SEAL)

Attest:

Secretary

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

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

1. The foregoing pages together with the Exhibits appended thereto constitute a true, correct, complete, and compared copy of the "2015A Refunding Bond Resolution," introduced, passed, and adopted at a meeting of the Board held on March 18, 2015.

2. The original of the 2015A Refunding Bond Resolution has been approved and authenticated by the signatures of the Chairman of the Board and myself as Secretary, and sealed with the seal of the Authority, and has been recorded in the minute book of the Board kept for that purpose in the Authority's office, which record has been duly signed by such officers and properly sealed.

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

Those Voting Aye: Jenny Brekhus
Naomi Duerr
Vaughn Hartung
Jeanne Herman
Neoma Jardon
Geno Martini
Ron Smith

Those Voting Nay: _____

Those Absent: _____

4. The foregoing proceedings were in fact held as in such minutes specified as originally of record in my possession.

5. All members of the Board were given due and proper notice of the meeting. Pursuant to NRS 241.020, written notice of the meeting was given at least 3 working days before the meeting, including in the notice the time, place, location, and agenda of the meeting;

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

(b) By posting a copy of the notice on the Authority's website; on the State of Nevada's official website; at the principal office of the Board, or if there is no principal office, at the building in which the meeting is to be held; and at least 3 other separate, prominent places within the jurisdiction of the Board, to wit:

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Truckee Meadows Water Authority, on this March 18, 2015.

(SEAL)

Secretary

EXHIBIT A

(Attach Copy of Notice of Meeting)

**TRUCKEE MEADOWS WATER AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2015A**

ESCROW AGREEMENT

DATED as of _____, 2015, made by and between the **TRUCKEE MEADOWS WATER AUTHORITY**, a governmental subdivision and body corporate, duly organized and created under the laws of the State of Nevada, and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association, organized and existing under the laws of the United States of America having and exercising full and complete trust powers, duly organized and existing under the laws of the United States of America, being a member of the Federal Deposit Insurance Corporation and the Federal Reserve System.

(1) **WHEREAS**, Truckee Meadows Water Authority (the “Authority”) 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

(2) **WHEREAS**, pursuant to proceedings duly taken, the Authority has heretofore issued its “Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A” (the “2005 Bonds”), in the original principal amount of \$40,000,000, bearing interest payable on the first days of January and July in each year, and the outstanding 2005 Bonds maturing on July 1, bearing interest at the rates and maturing in each of the designated amounts of principal and designated years, are as follows:

<u>Interest Rate</u> <u>(Per Annum)</u>	<u>Principal Maturing</u>	<u>Years Maturing</u> <u>(July 1)</u>
4.250%	\$ 890,000	2015
4.250	925,000	2016
4.250	970,000	2017
4.250	1,020,000	2018
4.375	1,070,000	2019
4.375	1,125,000	2020
4.500	1,180,000	2021
4.500	1,240,000	2022
4.500	1,300,000	2023
4.750	1,370,000	2024
4.750	1,435,000	2025
4.750	1,510,000	2026
4.750	1,585,000	2027
4.750	1,660,000	2028
4.750	5,500,000	2031

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 therein and 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.);

D. Provided for the purchase of Federal Securities with such moneys credited to the Escrow Account, other than such initial cash remaining uninvested (as defined below); and

E. Authorized the completion and execution of this Agreement;

F. Provided for the call for prior redemption of the Refunded Bonds on the Redemption Date; and

(8) **WHEREAS**, a copy of the 2015 Bond Resolution has been delivered to the Escrow Bank and the provisions therein set forth are herein incorporated by reference as if set forth herein verbatim in full; and

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

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

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

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

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

(14) **WHEREAS**, the undersigned officers of the Authority are duly authorized to execute and deliver this Agreement in the Authority's name and on its behalf.

NOW, THEREFORE, THIS ESCROW AGREEMENT WITNESSETH:

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

Section 1. Creation of Escrow.

A. Simultaneously with the delivery of the 2015 Bonds, and subject to their issuance, the Authority, with \$_____ of the 2015 Bond proceeds and with other available moneys in the amount of \$_____, shall purchase (to the extent not heretofore purchased) the Federal Securities described in Exhibit 1 to this Agreement in the amount of \$_____ (the "Initial Federal Securities"), and shall cause the Initial Federal Securities and an initial cash balance of \$_____ (the "initial cash") to be credited to and accounted for in a separate trust account hereby created and designated as the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A, 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 2015 Bonds 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 in a certified public accountant's report, and subject to a favorable opinion of bond counsel as to the legality of any such substitution, and the continued exemption of interest on the 2015 Bonds 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 by and through the Authority pays for the initial acquisition of Federal Securities for the Escrow Account. The certified public accountant's report must indicate that the receipts from the substitute securities are sufficient without any need for reinvestment to fully pay the principal of, interest on and any prior redemption premiums due in connection with the Refunded

Bonds. Any Federal Securities temporarily substituted may be withdrawn from the Escrow Account when the Initial Federal Securities are purchased and credited to the Escrow Account. Similarly any temporary advancement of moneys to the Escrow Account to pay designated Refunded Bond Requirements, because of a failure to receive promptly the principal of and interest on any Federal Securities at their respective fixed maturity dates, or otherwise, may be repaid to the person advancing such moneys upon the receipt by the Escrow Bank of such principal and interest payments on such Federal Securities.

C. The initial cash, the proceeds of the Initial Federal Securities (and of any other Federal Securities acquired as an investment or reinvestment of moneys accounted for in the Escrow Account), and any such Federal Securities themselves (other than Federal Securities, including the Initial Federal Securities, held as book entries), shall be deposited with the Escrow Bank and credited to and accounted for in the Escrow Account. The securities and moneys accounted for therein shall be redeemed and paid out and otherwise administered by the Escrow Bank for the benefit of the Authority as provided in this Agreement and the 2015 Bond Resolution.

Section 2. Purpose of Escrow.

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

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

Section 3. Accounting for Escrow.

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

B. The Escrow Bank, however, shall transfer from time to time from the Escrow Account to the paying agent for the 2005 Bonds, sufficient moneys to permit such paying agent to

pay, without any default, the Refunded Bond Requirements, as the same become due, as provided herein and as directed by the duly authorized officers of the Authority.

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

Section 4. Maturities of Federal Securities.

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

- (1) So that such Federal Securities may be redeemed in due season at their respective maturities to meet such Refunded Bond Requirements as the same become due, and
- (2) So that any sale or prior redemption of such Federal Securities shall be unnecessary.

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

Section 5. Reinvestments. The Escrow Bank, 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. The Authority shall taken into account 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 this Section 5 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 (except any State and Local Government Securities rolls required by the Report attached hereto) unless the Authority first

obtains and furnishes to the Escrow Bank a written opinion of bond counsel to the effect that such reinvestment, as described in the opinion, complies with paragraph C of this Section 5.

E. If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Securities that is to be submitted pursuant to this Escrow Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the Authority with respect to escrowed funds which were to be invested in securities. 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 6. Sufficiency of Escrow. The moneys and Federal Securities accounted for in the Escrow Account shall be in an amount (or have appropriate maturities and yields to produce an amount) which at all times shall be sufficient to pay the Refunded Bond Requirements as they become due, subject to the provisions of Section 10 hereof.

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

A. The Escrow Bank shall make such credit arrangements with and transfers to the paying agent for the 2005 Bonds, as will assure, to the extent of money in the Escrow Account properly allocable to and available therefor, the timely payment of the Refunded Bond Requirements.

B. To the extent the payment of the Refunded Bond Requirements results in the defeasance of any Refunded Bonds, the Escrow Bank shall cause a notice of defeasance to be given by the paying agent for the Refunded Bonds, and to the extent the payment of the Refunded Bond Requirements requires the prior redemption of any 2005 Bonds, the Escrow Bank shall cause notice of such redemption to be given by the paying agent for the Refunded Bonds in the manner required by the 2015 Bond Resolution and by the resolution authorizing the issuance of the 2005 Bonds.

Section 8. Termination of Escrow Account. When payment or provisions for payment shall have been made with the paying agent for the Refunded Bonds so that all Refunded Bond Requirements shall be or shall have been paid in full and discharged, the Escrow Bank shall immediately pay over to the Authority the moneys, if any, then remaining in the Escrow Account and shall make forthwith a final report for the Authority to the Authority's General Manager. Such moneys may be used by the Authority for any lawful purpose, subject to any limitations in the resolution authorizing the 2005 Bonds.

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 \$500, which is to be paid by the Authority directly to the Escrow Bank as payment in full of all charges of the Escrow Bank pertaining to this Agreement for services performed hereunder.

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

Section 10. Possible Deficiencies.

A. If at any time it shall appear to the Escrow Bank that the money and any interest on and principal of the Federal Securities in escrow allocable for such use under this Agreement, including, without limitation, the known minimum yield from the Initial Federal

Securities, will not be sufficient to make any required payment due on the Refunded Bond Requirements as the same becomes due, the Escrow Bank shall notify in writing the Authority's General Manager as soon as reasonably practicable of such fact and the amount of such deficiency.

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

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

Section 11. Status Report.

A. On August 1, 2015, for the period ending July 30, 2015, the Escrow Bank shall submit to the Authority's General Manager a report covering all money which the Escrow Bank shall have received and all payments which it shall have made or caused to be made hereunder.

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

Section 12. Character of Deposit.

A. It is recognized that title to the Federal Securities and money accounted for in the Escrow Account from time to time shall remain vested in the Authority but subject always to the prior charge and lien thereon of this Agreement and the use thereof required to be made by the provisions of this Agreement and the 2015 Bond Resolution.

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

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 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 for the Refunded Bonds to pay the Refunded Bond Requirements as the same become due, to the extent other moneys are not transferred or caused to be transferred for such purpose by the Escrow Bank.

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

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

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

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

- (1) For any investment or reinvestments of moneys pursuant to Sections 1 and 5 hereof,
- (2) For transfers of moneys and causing redemption notices to be given pursuant to Section 7 hereof,
- (3) For the termination of the Escrow Account pursuant to Section 8 hereof,
- (4) For any notification of prospective deficiencies pursuant to Section 10 hereof,
- (5) For the status 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 2015 Bonds 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 2015 Bonds), in its capacity as Escrow Bank, from its duties under this Agreement.

Section 15. Amendment.

A. The 2015 Bonds 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 2015 Bonds shall have been issued.

B. The provisions of this Agreement may be amended, waived or modified upon approval of the holders of all of the then outstanding 2015 Bonds. If Moody's Investors Service, Inc. ("Moody's") has confirmed in writing that such amendment, waiver or modification will not result in the lowering or withdrawal of the rating on the Refunded Bonds, the provisions of this Agreement also may be amended, waived or modified for one or more of the following purposes:

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

Notwithstanding any other provision hereof, no amendment, modification or waiver shall be effective if it is materially prejudicial to the owners of the 2015 Bonds or the Refunded Bonds, or affects the exclusion of the interest on the Refunded Bonds or the 2015 Bonds from gross income for federal income tax purposes, unless such amendment, waiver or modification is approved by the holders of all of the then outstanding Refunded Bonds, or 2015 Bonds adversely affected thereby. The Escrow Bank is entitled to rely on an opinion of bond counsel as to whether such amendment, modification or waiver is materially prejudicial or affects the exclusion of interest.

C. The Escrow Bank shall provide copies of any such amendments, waivers or modifications to Moody's at the address set forth in Section 20 hereof.

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 personally liable or responsible for any act which it may do or omit to do hereunder, other than its negligence or willful misconduct.

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 their obligations, nor shall the Escrow Bank be responsible in any manner for the recitals or statements contained in this Agreement, in the 2015 Bond Resolution, in the Refunded Bonds, or in any proceedings taken in connection therewith, such recitals and statements being made solely by the Authority.

E. Nothing in this Agreement creates any obligation or liabilities on the part of the Escrow Bank to anyone other than the Authority and the holders of the Refunded Bonds, and the 2015 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. The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, reports, 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. 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. 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.

G. The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which

instrument shall be delivered to the Authority, the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

H. The Escrow Bank shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Instrument and delivered using Electronic Means (“Electronic Means” means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the Authority, shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority, whenever a person is to be added or deleted from the listing. If the Authority elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. If the Escrow Agent elects not to act upon such Instructions, the Escrow Agent shall notify the Authority. The Authority understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The 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 directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the 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; (ii) that it is fully informed of the protections and risks

associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

I. The Escrow Bank 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 Escrow Bank; it being understood that the Escrow Bank shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

J. Any bank, corporation or association into which the Escrow Bank may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Bank shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust 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 where an instruction of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

K. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action. Neither the Escrow Bank nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted under this Agreement or in connection herewith except to the extent caused by the Escrow Bank's negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review.

L. To the extent allowed by Nevada law, the Authority shall indemnify, defend and hold harmless the Escrow Bank and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Bank for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Bank directly or indirectly relating to, or arising from, claims against the Escrow Bank by reason of its participation in the transactions contemplated hereby except to the extent caused by the Escrow Bank's negligence or willful misconduct. The foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Bank.

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. The rights and obligations under this Agreement may be transferred by the Escrow Bank to a successor that is a commercial bank with trust powers having a capital and surplus of not less than \$10,000,000. Such commercial bank into which the Escrow Bank may be merged or converted or with which it may be consolidated, or such commercial bank resulting from any merger, conversion, or consolidation to which it shall be a party, or such commercial bank to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Bank, and vested with all of the title to the Escrow Account and all the powers, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any document or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

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

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

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

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

Section 19. Severability. If any section, paragraph, clause, or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Agreement. The Authority and the Escrow Bank agree to furnish written notice to Moody's if any provision of this Agreement is held to be invalid or unenforceable.

Section 20. Notices. Any notice to be given hereunder shall be delivered personally or mailed postage prepaid, return receipt requested, to the following addresses:

If to the Authority:	Truckee Meadows Water Authority 1355 Capital Boulevard Reno, Nevada 89502 Attention: General Manager
If to the Escrow Bank:	The Bank of New York Mellon Trust Company, N.A. 2001 Bryan Street Dallas, TX 75201 Attention: Trust Department
If to Moody's:	Moody's Investors Service, Inc. 99 Church Street New York, New York 10007 Attention: Public Finance Rating Desk/ Refunded Bonds

or such other address as any party may, by written notice to the other parties, hereafter specify. Any notice shall be deemed to be given upon mailing.

Section 21. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Nevada. The Authority and the Escrow Bank agree to be bound to the jurisdiction of the State of Nevada located in Washoe County or the United States District Court for the State of Nevada for the purpose of any suit, action or other proceeding arising out of this Agreement, or any of the agreements or transactions contemplated hereby, at the election of the party initiating any such suit, action or other proceeding, which is brought by or against the Escrow Bank or the Authority and the parties each hereby irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined by such court.

IN WITNESS WHEREOF, TRUCKEE MEADOWS WATER AUTHORITY has caused this Escrow Agreement to be signed in the Authority's name by the General Manager; and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, has caused this Escrow Agreement to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

TRUCKEE MEADOWS WATER AUTHORITY

General Manager

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

By _____
Title _____

EXHIBIT 1

(Attach Certified Public Accountant's Report)

**TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE REFUNDING BONDS
SERIES 2015A**

BOND PURCHASE AGREEMENT

_____, 2015

Truckee Meadows Water Authority, Nevada
1001 South Valley View
Las Vegas, Nevada 89153

Dear Members of the Board:

Citigroup Global Markets Inc., and J. P. Morgan Securities LLC (the "Underwriters"), acting not as a fiduciary or agent for you, but on behalf of themselves, offers to enter into this Bond Purchase Agreement (the "Bond Purchase Agreement") with Truckee Meadows Water Authority, Nevada (the "Authority"), which will be binding upon the Authority and upon the Underwriters upon acceptance by the Authority. This offer is made subject to the Authority's acceptance by the execution of this Bond Purchase Agreement and its delivery to the Underwriters before 5:30 p.m., local time, on the date set forth hereinabove. If not so accepted, this Bond Purchase Agreement will be subject to withdrawal by the Underwriters upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority.

Section 1. *Definitions.*

(a) In addition to the terms defined elsewhere in this Bond Purchase Agreement, the following terms as used herein shall have the following meanings:

"Board" means the Board of Directors of the Authority.

"Bond Counsel" means the law firm of Sherman & Howard L.L.C., or any nationally recognized bond counsel selected by the Authority.

"Bond Documents" means the Bond Resolution and this Bond Purchase Agreement.

"Bond Law" means the provisions of the Cooperative Agreement, NRS Chapter 350, NRS Chapter 348, and NRS 277.080 to 277.180, inclusive, as amended.

"Bond Resolution" means the resolution of the Board adopted on March 18, 2015, authorizing the issuance and sale of the Bonds and the terms and details thereof.

"Closing" means the Authority's delivery of the Bonds to the Underwriters and the Underwriters' payment of the purchase price for the Bonds to the Authority at the offices of Bond Counsel, in Reno, Nevada, at the Closing Date.

"Closing Date" means 9:00 a.m. local time, on _____, 2015 or such later date as may be acceptable to the Underwriters.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" means the continuing disclosure certificate of the Authority dated as of the date of delivery of the Bonds and authorized by the Bond Resolution.

"Cooperative Agreement" means the Truckee Meadows Water Authority Cooperative Agreement among the City of Reno, City of Sparks and County of Washoe dated December 4, 2000, as amended.

"NRS" means the Nevada Revised Statutes.

"Official Statement" means the offering memorandum, offering circular, prospectus, or other similar document, including any addendum thereto, authorized by the Authority as the official sales document(s) to be used by the Underwriters to offer the Bonds to others, with such changes as are noted thereon and as may be made thereto with the approval of the Underwriters from time to time prior to the Closing.

"Preliminary Official Statement" means the Preliminary Official Statement relating to the Bonds dated _____, 2015.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"Underwriters' Counsel" means the law firm of Stradling Yocca Carlson & Rauth.

(b) Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Bond Resolution.

Section 2. *Purchase, Sale and Delivery of the Bonds.*

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters, all (but not less than all) of the "Truckee Meadows Water Authority, Nevada, Water Revenue Refunding Bonds, Series 2015A (the "Bonds").

The Bonds are to be dated as of the date of the Closing and shall bear interest (payable on July 1 and January 1 in each year commencing on July 1, 2015) and mature on the dates and bear interest at the rates set forth in Exhibit A hereto. The aggregate

purchase price of the Bonds shall be \$_____, which is equal to the aggregate principal amount of the Bonds (\$_____), plus a reoffering premium of \$_____, less an Underwriters' discount of \$_____. The Bonds shall be subject to redemption as set forth in Exhibit A.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and be subject to redemption as provided in the Bond Resolution, this Bond Purchase Agreement and the Bond Law.

(b) By official action of its Board, the Authority has authorized and approved the use of the Preliminary Official Statement and has authorized an appropriate Authority official to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12, except for the information permitted to be omitted from the Preliminary Official Statement by Rule 15c2-12; and it hereby approves, as the Official Statement relating to the Bonds, the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto with the approval of Bond Counsel and the Underwriters from time to time prior to the Closing Date. It is a condition of the offer of the Underwriters made hereby that the Authority deliver to the Underwriters within seven business days of the date hereof a sufficient quantity of copies (but not more than [50] copies of the Official Statement to enable the Underwriters to comply with the Underwriters' obligations under Rule 15c2-12 (such quantity to be specified by the Underwriters as promptly as practicable after the Authority's execution of this Bond Purchase Agreement).

(c) The Authority hereby ratifies any prior use and authorizes the future use by the Underwriters, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, the Bond Documents and all information contained therein, and all other documents, certificates and statements furnished by the Authority to the Underwriters in connection with the transactions contemplated by the Bond Documents and the Bond Law.

(d) Except as the Authority and the Underwriters may otherwise agree, the Authority will deliver to the Underwriters at the Closing Date: (i) at the offices of The Bank of New York Mellon Trust Company, N.A., as paying agent for the Bonds, on behalf of The Depository Trust Company in New York, New York, or at such other location as may be designated by the Underwriters, the Bonds, in definitive form duly executed by the Authority in the manner provided for in the Bond Resolution and the Bond Law; and (ii) at the offices of Bond Counsel in Reno, Nevada, or at such other location as may be designated by the Underwriters, the documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the purchase price of the Bonds in immediately available funds. The Bonds shall be in fully registered form, without coupons, in authorized denominations under the Bond Resolution, and shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company. The Authority shall deliver the Bonds through the book-entry facilities of The Depository Trust Company.

Section 3. *Representations, Warranties and Agreements of the Authority.* The Authority represents and warrants to and agrees with the Underwriters that:

(a) The Authority is duly organized and validly existing under the laws of the State of Nevada and has, and at the Closing Date will have, full legal right, power and authority (i) to enter into this Bond Purchase Agreement and Continuing Disclosure Certificate, (ii) to issue, sell and deliver the Bonds to the Underwriters as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the Bond Resolution.

(b) With respect to the Bonds, the Authority has complied with, and will at the Closing Date be in compliance in all respects with all applicable laws and agreements.

(c) The Authority has, or prior to the Closing Date, will have, duly and validly: (i) adopted the Bond Resolution, (ii) approved and authorized the execution and/or delivery of the Bond Documents, the Continuing Disclosure Certificate and any other applicable agreements; and (iii) authorized and approved the performance by the Authority of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by the Bond Law, the Official Statement, the Bond Documents and any other applicable agreements. At the Closing Date, the Bond Resolution will be in full force and effect. At the Closing Date (assuming due authorization, execution and delivery by the other parties thereto, where necessary, and the enforceability thereof against such other parties) the Bonds and the Bond Documents will constitute the valid, legal and binding obligations of the Authority, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought.

(d) The Authority is not, and as of the Closing Date will not be, in breach of or default under any law or administrative rule or regulation of the State of Nevada or the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, indenture, contract, agreement or other instrument to which the Authority is party or is otherwise subject or bound which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Bonds, the Bond Documents and the Bond Law; and the approval, execution and delivery of the Bonds, the Bond Documents, and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of Nevada or the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in any manner that would materially adversely affect the Authority's ability to perform its obligations under the Bonds, the Bond Documents and the Bond Law.

(e) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which

would materially adversely affect, the performance by the Authority of its obligations under the Bonds, the Bond Documents and the Bond Law, have been or will be obtained and are or will be in full force and effect.

(f) The financial statements included in the appendices to the Official Statement present fairly the financial position of the Authority as of June 30, 2014 and the results of operation for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding periods. As of the Closing Date, there will not be any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Authority from that described in the Official Statement.

(g) The descriptions contained in the Official Statement regarding the Bonds and the Bond Resolution are fair and accurate descriptions thereof; and the Bonds, when delivered to and paid for by the Underwriters on the Closing Date as provided herein, will be validly issued and outstanding and entitled to all the benefits and security of the Bond Resolution and the Bond Law.

(h) The Preliminary Official Statement (except "Appendix C–Book Entry Only System", as to which no view is expressed) was, as of its date, and the Official Statement (except "Appendix C–Book Entry Only System" and the pricing information provided by the Underwriters, as to which no view is expressed) is and will be, as of the Closing Date, true, correct and complete in all material respects; and the Official Statement (except the portions thereof mentioned above, as to which no view is expressed) does not and will not, as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) During the period commencing on the date hereof and ending on the date 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), if any event shall occur as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, the Authority shall forthwith notify the Underwriters of any such event of which it has knowledge and, if such event requires an amendment or supplement to the Official Statement, the Authority will at its expense amend or supplement the Official Statement in a form and manner jointly approved by the Authority and the Underwriters.

(j) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending, or to the knowledge of the Authority, threatened, in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Bond Resolution and the Bond Law or the financing of the Project with proceeds of the Bonds, or the levy and collection of taxes by the Authority, or in any way contesting or affecting the validity or enforceability of the Bond Documents or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the Authority or

its authority with respect to the Bond Documents or any action of the Authority contemplated by any of said documents; or which would adversely affect the exclusion from gross income for purposes of federal income taxation of interest paid on the Bonds; nor to the knowledge of the Authority, is there any basis therefor.

(k) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request, at the expense of the Underwriters, to qualify the Bonds for offer and sale under the "Blue Sky" or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriters may designate, provided that the Authority shall not be required to consent to service of process in any jurisdiction and provided further that no such action shall be at the expense of the Authority. It is understood that the Authority is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws.

(l) Any certificate signed by any official of the Authority authorized to do so shall be deemed a certification by the Authority to the Underwriters as to the statements made therein with the same effect as if such representation were set forth by the Authority herein.

(m) The Authority will apply the proceeds of the Bonds in accordance with the Bond Resolution and the Bond Law.

(n) The Cooperative Agreement has been duly executed and delivered by the Authority and constitutes the valid, legal and binding obligation of the Authority and enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought.

(o) The Authority acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Authority and the Underwriters, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as an advisor, including, without limitation a Municipal Advisor (as such term is defined in Section 975(3) of the Dodd-Frank Wall Street Reform and Consumer Protection Act), agent, or fiduciary of the Authority, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Authority on other matters) or any other obligation to the Authority except the obligations expressly set forth in this Bond Purchase Agreement, and (iv) the Authority has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

(p) Within the last five years, the Authority has not failed to materially comply with any previous undertaking pursuant to Rule 15c2-12.

Section 4. *Conditions to the Obligations of the Underwriters.* The obligations of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at

the option of the Underwriters, to the accuracy in all material respects of the representations and warranties on the part of the Authority contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority, as well as of the other individuals referred to herein, made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the Bonds, and the Bond Documents 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 Underwriters; and there shall have been taken in connection with the issuance of the Bonds and with the transactions contemplated by the Bonds and the Bond Documents, all such actions as, in the opinion of Bond Counsel shall be necessary and appropriate.

(b) At the Closing Date, the Official Statement shall be in form and substance satisfactory to the Underwriters.

(c) Between the date hereof and the Closing Date, the market price or marketability of the Bonds shall not have been materially adversely affected, in the reasonable judgment of the Underwriters (evidenced by a written notice to the Authority terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds), by reason of any of the following:

(i) legislation introduced in or enacted by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Bond Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise would be in violation of the federal securities laws as amended and then in effect;

(ii) legislation shall have been introduced in or enacted by the Congress of the United States or adopted by either House thereof, or legislation pending in the Congress of the United States shall have been amended, or legislation shall have been recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service, or the Chairman or ranking minority member of the U.S. Senate Committee on Finance or the U.S. House of Representatives Committee on Ways and Means or legislation shall have been proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such Committee or by the Staff of the Joint Committee on Taxation of the

United States Congress or legislation shall have been favorably reported for passage for either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States or the Tax Court of the United States shall be rendered or a ruling, regulation or official statement (final, temporary or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other Federal agency shall be made, or a release or official statement shall have been issued by the President of the United States or the Treasury Department of the United States or any other agency of the United States, with respect to federal taxation of revenues or other income of the general character expected to be derived by the Authority or upon interest on securities of the general character of the Bonds or which would have the effect of changing, directly or indirectly, the Federal income tax consequences of receipt of interest on securities of the general character of the Bonds in the hands of the holders thereof;

(iii) a general suspension of trading in securities on the New York Stock Exchange or other national securities exchange, or a general banking moratorium declared by federal, New York or Nevada officials authorized to do so, or a material disruption in commercial banking or securities settlement or clearance services shall have occurred;

(iv) the minimum or maximum prices for securities, similar to the Bonds, shall have been fixed and be in force, or maximum ranges for prices for securities, similar to the Bonds, shall have been required and be in force on the New York Stock Exchange or other national securities exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(v) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall (i) impose with respect to trading in securities generally, or as to the Bonds or similar obligations, any material restrictions not now in force, or (ii) increase materially those now in force or being enforced, with respect to extension of credit by or the charges to the net capital requirements of underwriters;

(vi) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Bonds is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended;

(vii) a material disruption in securities settlement, payment or clearance services of DTC or other applicable securities depository affecting the Bonds shall have occurred;

(viii) the withdrawal or downgrading of, or any official statement as to negative outlook (other than already set forth in the Official Statement), credit

watch, possible downgrading or withdrawal or similar action with respect to, any rating of any securities of the Authority by a national rating agency;

(ix) any amendment to the federal constitution or Nevada Constitution or action by any federal or Nevada court, legislative body, regulatory body or other authority materially adversely affecting the Authority's property, income or securities (or interest thereon);

(x) there occurs the outbreak or the escalation of hostilities or acts of terrorism involving the United States of America or of a national or international calamity or crisis or the declaration by the United States of America of a national emergency or war;

(xi) any event occurring, or information becoming known which, in the judgment of the Underwriters after consultation with the Authority, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(xii) any material difference between the form of the opinion of Bond Counsel appended to the Preliminary Official Statement and the form of the opinion that Bond Counsel proposes to deliver in lieu thereof.

(d) At or prior to the Closing Date, the Underwriters shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriters:

(i) The Official Statement, approved by the Authority;

(ii) The Bond Resolution, substantially in the form duly approved by the Authority, which shall not have been further amended or modified (except as may have been agreed to by the Underwriters) and which shall be in full force and effect as of the Closing Date;

(iii) An unqualified opinion of Bond Counsel related to the Bonds, dated the Closing Date and addressed to the Authority, in substantially the form appended to the Official Statement, together with a reliance letter addressed to the Underwriters, to the effect that the statements contained in such letter may be relied upon by the Underwriters in their capacity as Underwriters of the Bonds;

(iv) A letter of Sherman & Howard, LLC, as special counsel to the Authority, dated the Closing Date and addressed to the Authority, relating to the Official Statement, together with a reliance letter addressed to the Underwriters, to the effect that the statements contained in such letter may be relied upon by the Underwriters in their capacity as Underwriters of the Bonds, stating, in substance, that during the course of their participation in the preparation of the Official Statement nothing came to the attention of the attorneys in their firm rendering legal

services in connection with such representation which leads them to believe that the Preliminary Official Statement as of its date and the Official Statement as of its date and as of the Closing Date (except for any financial statements, demographic, economic, engineering, financial, or statistical data and any statements of trends, forecasts, estimates, projections, assumptions, or any expressions of opinion, and information concerning The Depository Trust Company and its procedures contained in the Official Statement and its appendices, as to which they express no view) contained or contains any untrue statement of a material fact or omitted or omits any material fact required to be stated therein or necessary to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading;

(v) An opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriters, to the effect that (1) this Bond Purchase Agreement has been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Underwriters, constitutes a valid and binding obligation of the Authority, subject to the application of equitable principles, to the reasonable exercise in the future by the State of Nevada and its governmental bodies of the police power inherent in the sovereignty of the State of Nevada 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; (2) the Bonds are exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended; (3) the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; (4) the statements contained in the italicized first paragraph on the cover of the Official Statement and under the captions entitled "THE 2015 BONDS" (except for the information contained in "Book-Entry Only System" and "Debt Service Requirements"), "SECURITY FOR THE BONDS" and Appendix B-"SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION", insofar as such statements purport to summarize certain provisions of the Bonds, the security for the Bonds and the opinion of Bond Counsel, present accurate summaries of such provisions; and a statement of Bond Counsel dated the Closing Date and addressed to the Underwriters to the effect that the information contained in the Official Statement under the caption entitled "TAX MATTERS" presents an accurate summary of the matters discussed therein;

(vi) A certificate, dated the Closing Date and signed by the General Manager or Chief Financial Officer of the Authority, to the effect that (1) the representations and warranties of the Authority contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (2) to the best knowledge of said officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (3) the Authority is not in breach of or default under any law or administrative rule or regulation of the State of Nevada or the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative

decree or order or any loan agreement, note, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound which breach or default would have a material adverse effect on the Authority's ability to perform its obligations with respect to the Bonds, the Continuing Disclosure Certificate and this Bond Purchase Agreement, and compliance with the provisions of each thereof will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of Nevada or the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in any manner that would materially adversely affect the Authority's ability to perform its obligations with respect to the Bonds and the Bond Documents; (4) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Bonds, the Bond Documents and the Bond Law, have been or will be obtained and are or will be in full force and effect; and (5) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Bond Documents and the Bond Law at and prior to the Closing Date;

(vii) An opinion of the Attorney for the Authority, dated the Closing Date and addressed to the Underwriters, to the effect that (1) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or, to his knowledge, threatened in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Bond Resolution and the Bond Law, or in any way contesting or affecting the validity or enforceability of the Bond Documents, or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the Authority or its authority with respect to the Bond Documents or any action of the Authority contemplated by any of them, or in any way seeking to enjoin or restrain the Authority from financing the Project, or which would adversely affect the exclusion from gross income for purposes of federal income taxation of interest paid on the Bonds; (2) the Authority is duly organized and validly existing as a legal entity and a political subdivision of the State of Nevada; and (3) the statements contained in the Official Statement under the caption "LEGAL MATTERS—Litigation" as of its date and as of the Closing Date, are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(viii) A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds;

(ix) An opinion of Underwriter's Counsel dated the Closing Date and addressed to the Underwriter, in the form and substance satisfactory to the Underwriter; and

(x) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters or Bond Counsel may reasonably request.

All the opinions, letters, certificates, instruments and other documents mentioned in this section or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the terms hereof if, and only if, they are in form and substance satisfactory to the Underwriters.

If any of the conditions to the obligations of the Underwriters contained in this section or elsewhere in this Bond Purchase Agreement shall not have been satisfied when and as required herein, all obligations of the Underwriters hereunder may be terminated, at, or at any time prior to, the Closing Date by written notice to the Authority, except that the respective obligations of the Underwriters and the Authority set forth in Section 5 hereof shall continue in full force and effect.

Section 5. *Conditions to the Obligations of the Authority.* The Authority has entered into this Bond Purchase Agreement in reliance upon performance by the Underwriters of its obligations hereunder and on representations contained in the documents and instruments to be delivered at Closing by parties other than the Authority and its officers. The Authority's obligations under this Bond Purchase Agreement to sell and to deliver the Bonds shall be subject upon performance by the Underwriters of the obligations to be performed by the Underwriters hereunder, to there being no litigation of a type described in Section 3(i) pending or to the knowledge of the Authority, threatened at the time of the Closing and to each condition described in Section 4(a), 4(b) and 4(c) being fulfilled.

Section 6. *Expenses.*

(a) Whether or not the Underwriters accept delivery of and pay for the Bonds as set forth herein, the Underwriters shall be under no obligation to pay, and the Authority shall pay or cause to be paid out of any legally available funds of the Authority all expenses incidental to the performance of the Authority's obligations hereunder, including but not limited to: the cost of printing and delivering the Bonds to the Underwriters; the cost of printing, distribution and delivery of the Preliminary Official Statement and the Official Statement in such reasonable quantities (but not more than 50 copies) as may be requested by the Underwriters; the fees and disbursements of Bond Counsel, special counsel and the Authority's financial advisors; the fees and disbursements related to preparation of the Preliminary Official Statement and Official Statement; and the fees of any lawyers, accountants, engineers, appraisers or other experts or consultants the Authority has retained in connection with the issuance of the Bonds.

(b) Whether or not the Bonds are delivered to the Underwriters as set forth herein, the Authority shall be under no obligation to pay, and the Underwriters shall pay expenses of the Underwriters related to the financing including travel, conference calls, CUSIP fees, day loan and clearance fees, the cost for preparation of any "Blue Sky" or

legal investment memoranda; expenses to qualify the Bonds for sale under any "Blue Sky" or other state securities laws; and all other expenses incurred by the Underwriters in connection with its public offering and distribution of the Bonds including the fees and disbursements of its counsel, if any, including the fees and disbursements of Underwriters' Counsel and any advertising expenses.

Section 7. *Notices.* Any notice or other communication to be given to the Authority under this Bond Purchase Agreement may be given by delivering the same in writing, if to the Authority, to Truckee Meadows Water Authority, 1355 Capital Boulevard, Reno, Nevada 89502, Attention: Chief Financial Officer; and any notice or other communication to be given to the Underwriters under this Bond Purchase Agreement may be given by delivering the same in writing to Citigroup Global Markets, Inc., Municipal Securities Division, 444 S. Flower Street, 27th Floor, Los Angeles, CA 90071, Attention: Cameron Parks and J. P. Morgan Securities LLC 2029 Century Park East, Suite 4110, Los Angeles, CA 90067, Attention: Tyler Old.

Section 8. *Parties in Interest.* This Bond Purchase Agreement is made solely for the benefit of the Authority and the Underwriters (including successors or assignees of either of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 9. *Governing Law.* This Bond Purchase Agreement shall be construed in accordance with and governed by the laws of the State of Nevada. The Authority and the Underwriters agree to be bound to the jurisdiction of the State of Nevada located in Washoe County or the United States District Court for the State of Nevada for the purpose of any suit, action or other proceeding arising out of this Bond Purchase Agreement, or any of the agreements or transactions contemplated hereby, at the election of the party initiating any such suit, action or other proceeding, which is brought by or against the Underwriters or the Authority and the parties each hereby irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined by such court.

Section 10. *Effective.* This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By: _____

Name: _____

Title: _____

J. P. MORGAN SECURITIES LLC

By: _____

Name: _____

Title: _____

Accepted:

TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA

By: _____

General Manager

[Signature page to Bond Purchase Agreement]

EXHIBIT A

MATURITY AND REDEMPTION SCHEDULE FOR BONDS

MATURITY SCHEDULE

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			

MANDATORY SINKING FUND REDEMPTION

*The Bonds maturing on July 1, _____ in the aggregate principal amount of \$_____ are subject to mandatory sinking fund redemption as provided in the Bond Resolution to be redeemed on July 1 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>

* Maturity

**The Bonds maturing on July 1, _____ in the aggregate principal amount of \$_____ are subject to mandatory sinking fund redemption as provided in the Bond Resolution to be redeemed on July 1 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>

** Maturity

OPTIONAL REDEMPTION

The Bonds maturing on or after July 1, 2026, or portions thereof, will be subject to redemption before their maturity, at the option of the Authority on and after July 1, 2025, in whole or in part at any time, from such maturities as are selected by the Authority, and if less than all of the Bonds of a maturity are to be redeemed, the Bonds of such maturity are to be redeemed by lot within a maturity as described in the Bond Resolution, at a price equal to the principal amount of each Bond, or portion thereof, so redeemed, plus accrued interest thereon to the redemption date.