

TRUCKEE MEADOWS WATER AUTHORITY TRUCKEE RIVER FUND AGREEMENT

This Truckee Meadows Water Authority Truckee River Fund Agreement (the "Agreement") is entered into between Truckee Meadows Water Authority, a joint powers authority under the laws of the State of Nevada (the "TMWA"), and the Community Foundation of Western Nevada (the "Community Foundation"), a Nevada non-profit corporation.

I

CREATION OF FUND

The Donor and the Community Foundation hereby create The Truckee River Fund (the "Fund"). The Fund is established as a component part of the Community Foundation under Section 1.170A-9(e)(11) of the Treasury Regulations. TMWA and the Community Foundation agree that nothing in this Agreement is to affect the status of the Community Foundation as an organization (a) that is described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and (b) that is not a private foundation within the meaning of Section 509(a) of the Code. This Agreement is to be interpreted in a manner consistent with the preceding provisions and in conformance with the requirements of the Code and Treasury Regulations for "component parts" or "component funds" of a "community trust," as those terms are defined or used in Sections 1.170A-9(e)(10) and 1.170A-9(e)(11) of the Treasury Regulations.

II

FUND ASSETS

A. Description of Fund Assets. TMWA has transferred or will transfer to the Fund an initial contribution of Three Hundred Forty Thousand Dollars (\$340,000.00) in cash. In addition to the property initially transferred to the Fund, the Community Foundation may accept additional property transferred to the Fund by TMWA or by way of gift, grant, contribution, bequest, or devise from any person or entity. However, the Community Foundation may not receive or accept any property that is required to be administered in a manner that the Board of Directors of the Community Foundation (the "Foundation Board") determines, in the Foundation Board's discretion,

will (1) jeopardize the federal tax exempt status of the Community Foundation under Section 501(c)(3) of the Code, or (2) result in the Community Foundation being classified as a "private foundation" under Section 509(a) of the Code. All of the assets of the Fund are to be held, managed, invested, and reinvested, and all of the income and principal of the Fund are to be collected and disbursed, exclusively for the charitable uses and purposes described herein in compliance with the Community Foundation's Articles of Incorporation and Bylaws, which are incorporated herein by reference and conclusively assented to and adopted as part of the governing instruments of the Fund.

B. Contingency for Transfers. All transfers to the Fund by TMWA or any other donor are contingent upon the Community Foundation being classified on the date of the transfer as an organization (1) that is described in Section 501(c)(3) of the Code and (2) that is not a "private foundation" as defined in Section 509(a) of the Code. Unless the contingency is waived by TMWA or other donor, the Community Foundation must return the property transferred to it within thirty (30) days after the transfer.

III

PURPOSES OF FUND

The Fund is created and must be operated exclusively for one or more of the exempt purposes specified in Section 501(c)(3) of the Code and the cases and regulations thereunder. The primary purpose of the Fund is to distribute the net income and principal of the Fund for such exempt purposes as recommended by the Advisory Committee (as defined below), consented to by the Board of Directors of TMWA (the "TMWA Board"), and approved by the Foundation Board subject to Article IV, to the organizations and governmental entities described in paragraphs A and B below that are undertaking lawful projects consistent with the purposes and uses of the Fund. Specifically, the Fund shall be used exclusively for projects that protect and enhance water quality or water resources of the Truckee River, or its watershed. For purposes of this Agreement, the organizations and governmental entities described in paragraphs A and B below are referred to collectively as the "Charitable Beneficiaries" and individually as the "Charitable Beneficiary."

A. Public Charities. The Charitable Beneficiaries include organizations that are (1) exempt from federal income taxation under Section 501(c)(3) of the Code, and (2) classified as organizations described in Section 509(a)(1), Section 509(a)(2), or Section 509(a)(3) of the Code.

B. Governmental Entities. The Charitable Beneficiaries also include states of the United States of America, any of their political subdivisions, the United States of America, and the District of Columbia, but only if distributions to such governmental entities are made exclusively for public purposes.

C. Variance Power. The Fund is protected from obsolescence in

