

BOARD OF REGENTS – INVESTMENT COMMITTEE
BRIEFING PAPER

1. **Agenda Item Title:** University of Nevada, Reno – Exchange and
Banking of Water Rights with Truckee
Meadows Water Authority
Meeting Date: June 11-12, 2015

1. BACKGROUND & POLICY CONTEXT OF ISSUE:

Summary

This request is for Board of Regents approval to deed 200+/- acre feet of “non-permitted” Pioneer Ditch water rights to Truckee Meadows Water Authority (TMWA) in exchange for TMWA deeding 200+/- acre feet of “permitted” water rights to the Nevada System of Higher Education (NSHE). Further, TMWA will agree to make an exception to its new policy of no further water banking and to bank the NSHE “permitted” water rights indefinitely and exclusively for NSHE/UNR capital projects.

By approving the Exchange and Banking Agreements this will provide the following benefits to NSHE/UNR:

1. Immediate dedication of water for capital projects instead of imposing TMWA’s new regulated requirements of permitting on a project-by-project basis which can take up to 6 months for each project to complete.
2. Provides estimated savings of up to \$5,000 per project.

History of the University of Nevada, Reno Water Rights Banking

All development projects in Washoe County require water rights to be transferred to TMWA (in the University’s case from existing Banking Agreements) in exchange for a “Will Serve Letter” that is required to obtain a certificate of occupancy.

NSHE/UNR has previously transferred to and banked water rights with TMWA in bulk. Upon deposit, these water rights became restricted to NSHE capital projects and are not allowed to be commingled with any other general public purpose projects.

In October of 2006 and again in 2009, the Regents authorized the University to transfer a total of 98 acre feet of water rights from their holdings with the State of Nevada Division of Water Resources (NDWR) to TMWA for future capital projects. The majority of those 98 acre feet have been fully allocated among various projects including the Valley Road Research Greenhouses, Nevada Living Learning Center Residence Hall, Center for Molecular Medicine, Athletic Academic Center, Davidson Math and Science Building and some smaller projects. UNR’s current banked water rights balance with TMWA is approximately 21 acre feet.

Changes to Water Rights Banking Affecting Future Projects

In 2013 TMWA changed its policy and no longer banks new water rights. In fact, TMWA has been deeding back water rights to owners, whether or not the current banking agreement has expired. This change shifts the responsibility to the owner to prepare, file and pay for all NDWR required documents in order to maintain their water rights in good standing with the State.

For NSHE, in the absence of the proposed Exchange and Banking Agreements, water rights for each capital project would need to go through the State process of permitting (taking up to 6 months), then TMWA would need to review the permitted rights and, if acceptable, prepare a deed for only that one project’s

requirements. Each deed would have to be fully executed (requiring Board of Regents approval) and the fees paid prior to TMWA issuing its “Will Serve Letter”.

Proposed Solution

As an exception to its new policy, TMWA has agreed to enter into a Water Resource Exchange Agreement (Exhibit 1) and Water Resource Banking Agreement (Exhibit 2) with NSHE/UNR, without any expiration date. Under those Agreements, in exchange for 200+/- acre feet of Pioneer Ditch water rights located at Main Station Field Laboratory, TMWA will deed to NSHE/UNR the same amount of water rights, in permitted form, to be banked until NSHE/UNR has used the entire 200+/- acre feet. Copies of the proposed Water Rights Deeds are attached as Exhibits D, E and F to Exhibit 1. Additionally, TMWA has agreed to pay for the required stripping map, preparation of the legal description, and the State filing fees for the proposed transaction.

NOTE: TMWA’s benefit from this transaction is that Pioneer Ditch water rights have a more senior delivery right than those being deeded and banked to NSHE/UNR by TMWA. By obtaining title to the Pioneer Ditch water rights, it provides TMWA with a more senior right for serving community needs in an emergency or drought situation. To address the rights parity issue, TMWA is agreeing to offer NSHE/UNR this opportunity to bank bulk water rights indefinitely and exclusively for NSHE/UNR capital projects, thereby avoiding the extensive administrative work, fees and extended approval timeframes associated with permitting water for each future project.

Table 1 below depicts the estimated water rights required for projects being constructed or in planning stages at UNR:

Table 1

Water Rights Needed for Current Projects	Acre Feet
Peavine Residence Hall	24
E. L. Wiegand Fitness Center	18
Pennington Student Achievement Center	5
Mackay Stadium Restroom Expansion	4
Mackay Stadium Improvement Project	<u>1</u>
Sub-Total	52
Water Rights Needed for Proposed Projects 2017-2020	
2017 Student Housing Project	25
2019 Student Housing Project	25
Fine Arts Act II Building	10
New Engineering Building	10
Other Projects	<u>30</u>
Sub-Total	100
Estimated Water Right Needed for All Current and Proposed Projects 2015-2020	
	152
Current Balance of Banked Water Rights at TMWA	
	<u>21</u>
Needed Additional Banked Water Rights at TMWA	
	131
Allowance for Future Development	
	69
Requested Additional Banked Water Rights at TMWA	
	200

It is also important to put the TMWA Exchange and Banking Agreements into context given the substantial amount of water rights that UNR currently owns just within Washoe County and the immediate area, depicted in Tables 2 and 3 below:

Table 2

Current NSHE/UNR Water Rights at Main Station Field Lab (MSFL)	Acre Feet
Surface Water Rights	3,883
Underground Water Rights	<u>78</u>
Sub-Total	3,961
Reduction Due to Proposed TMWA Banking Agreement	<u>(200)</u>
Total Remaining Water Rights After Water Trade Sale*	3,761**

* Additionally, UNR has a long-term lease with the City of Reno to use effluent water from the nearby water treatment plant to irrigate MSFL lands, instead of taking water directly from the Truckee River. This 99-year agreement with the City will be unaffected by this proposed trade of water rights, and UNR will continue to use the City's effluent water at MSFL.

** After the proposed transfer of 200 acre feet, should the remaining 3,761 acre feet of water rights ever be required at MSFL (in place of the current effluent use), there would still be a ratio of 4 acre feet of water per 1 acre of land at MSFL, well in excess of requirements for typical agricultural purposes.

Additionally, UNR owns other water rights in and around Washoe County exclusive of the MSFL. These additional rights alone will ensure adequate water for any foreseeable level of University development.

Table 3

Non-MSFL Water Rights Owned by NSHE/UNR in Washoe County	Acre Feet
Main Campus	405
Valley Road (Deed Restricted, Cannot be Relocated)	199
Redfield Campus	11
Mary Gray Property	11
Budd Percetti Gift of Water Rights	<u>20</u>
	646
Regional Water Rights Owned by NSHE/UNR Outside of Washoe County	
4 - H Camp (Lake Tahoe)	51
Newlands Field Lab (Fallon)	<u>419</u>
	470
Non-MSFL Water Rights Owned by NSHE/UNR	1,116

2. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

University of Nevada, Reno President Marc Johnson is requesting:

1. Approval of the Water Resource Exchange Agreement (Exhibit 1) and Water Resource Banking Agreement (Exhibit 2) between Nevada System of Higher Education/University of Nevada, Reno and the Truckee Meadows Water Authority to bank 200 acre feet of permitted water rights to address current and future capital projects.
2. Approval of the Deed (Exhibit D to Exhibit 1) transferring ownership of 200 acre feet of Nevada System of Higher Education Pioneer Ditch non-permitted water rights to the Truckee Meadows Water Authority.
3. Approval of the Deeds for the Nevada System of Higher Education to receive ownership of and bank 200 acre feet of permitted water rights (Exhibits E and F to Exhibit 1).

3. IMPETUS (WHY NOW?):

In order to complete all current and approved future capital projects, additional permitted water rights are required and TMWA is willing to enter into a Banking Agreement at this time.

4. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- TMWA is eliminating water banking, and if these Agreements do not move forward now, banking will not be an option for NSHE/UNR in the future.
- Approval will replenish our banked amount of water rights with TMWA for any foreseeable planned projects, saving fees of up to \$5,000 per project.
- Approval will avoid the additional document preparation, filings and recordings that are being waived by TMWA under this water banking transaction. It will also eliminate up to 6 months of permit processing time in addition to Board of Regent approvals for each project.

5. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

There does not appear to be any argument against this request, as the banked water rights can only be utilized for NSHE capital projects.

6. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

The University would need to prepare water rights transfer documents for each capital project, which would be neither efficient nor effective, as it would add costs and substantially lengthen approval timeframes with the possibility of adversely impacting project schedules.

7. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title # 4 Chapter # 10 Section # 1.9
- Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- Other: _____
- Fiscal Impact: Yes _____ No X
- Explain: _____

Exhibit 1

WATER RESOURCE EXCHANGE AGREEMENT

THIS WATER RESOURCE EXCHANGE AGREEMENT (“Agreement”), dated for identification purposes as of the ___ day of _____, 2015, is entered by and between TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277 (“TMWA”) and BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno (“University”).

RECITALS

WHEREAS, University is the owner of 200.32 **acre feet** annually of Truckee River water rights (“Decreed Water Rights”) more particularly described in Exhibit “A” attached hereto and incorporated herein by reference.

WHEREAS, TMWA is the owner of 200.32 **acre feet** annually of Truckee River water rights (“Permitted Water Rights”) more particularly described in Exhibit “B” attached hereto and incorporated herein by reference.

WHEREAS, University and TMWA desire to exchange ownership of the Decreed Water Rights and Permitted Water Rights, respectively, such that upon consummation of this transaction University will be the owner of the Permitted Water Rights and TMWA will be the owner of the Decreed Water Rights.

WHEREAS, University and TMWA further desire that concurrently upon the exchange of the Permitted Water Rights and Decreed Water Rights, TMWA will bank the Permitted Water Rights for the benefit of University pursuant to the terms and conditions of the Banking Agreement attached hereto as Exhibit “C” (“Banking Agreement”).

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree to the following terms and conditions:

1. WATER RESOURCE EXCHANGE.

1.1 Conveyance of Decreed Water Rights. Upon execution of this Agreement by both parties hereto, University will convey the Decreed Water Rights to TMWA by a certain Water Rights Deed, the form of which is attached hereto as Exhibit “D”. University acknowledges and agrees no money shall be paid for such Decreed Water Rights, and the sole consideration for the conveyance shall be the conveyance of the Permitted Water Rights by TMWA pursuant to Section 1.2. TMWA acknowledges and agrees that it shall bear all fees and charges, if any, associated with the conveyance of, or which may hereafter become due and payable with respect to, the Decreed Water Rights.

1.2 Conveyance of Permitted Rights. Upon execution of this Agreement by both parties hereto, TMWA will convey the Permitted Water Rights to University by a certain Water Rights Deed, the form of which is attached hereto as Exhibit “E”. TMWA acknowledges and agrees no money shall be paid for such Permitted Water Rights, and the sole consideration for the conveyance shall be the conveyance of the Decreed Water Rights by University pursuant to Section 1.1.

2. BANKING OF PERMITTED RIGHTS

2.1 Banking of Permitted Rights. Upon recordation of the Deed referenced in Section 1.2, University will reconvey legal title to the Permitted Water Rights to TMWA, solely for the benefit of University, and its successors and assigns, by a certain Water Rights Deed, the form of which is attached hereto as Exhibit “F”. Concurrent with the execution of this Agreement, TMWA and University will execute the Banking Agreement in the form attached hereto as Exhibit “C”. The terms and conditions of the banking of the Permitted Water Rights shall be governed by the Banking Agreement.

3. REPRESENTATIONS AND WARRANTIES OF UNIVERSITY.

As a material inducement to the TMWA to enter into this Agreement and exchange the Permitted Rights for the Decreed Water Rights, University represents and warrants to TMWA as follows:

3.1 Organization and Power. University is duly organized, validly existing and authorized to conduct business under the laws of the State of Nevada, and has full power and authority to own, sell and convey the Decreed Water Rights to TMWA and to enter into and perform its obligations pursuant to this Agreement. This Agreement and all other documents delivered by University to TMWA, have been or will be duly executed and delivered by University and are or will be legal, valid and binding obligations of University, and are enforceable in accordance with their respective terms. Each of the persons signing this Agreement and other instruments required under this Agreement on behalf of University is or will be authorized to so sign; and the execution, consent or acknowledgment of no other person, entity, court or governmental authority is necessary in order to validate the execution and performance of this Agreement by University.

3.2 Property, Title and Related Matters. University owns all right, title and interest in the Decreed Water Rights free and clear of all security interests, mortgages, liens, pledges, charges, claims or encumbrances of any kind or character, and has not, and will not sell, encumber, pledge, assign, convey or transfer any of the Decreed Water Rights, except as set forth in this Agreement.

3.3 Transferability. University has no knowledge of any condition or fact related to the Decreed Water Rights which would prevent or impede the transfer and exchange of the Decreed Water Rights to TMWA.

3.4 No Litigation. There are no pending or threatened actions which would materially and adversely affect the Decreed Water Rights, or any portion thereof, nor are there any known specific facts which might give rise to such action or proceedings, or which would or could adversely change the use of the Decreed Water Rights.

3.5 No Misstatement. No representation, statement or warranty by University contained in this Agreement or in any exhibit hereto contains or will contain any untrue statements or omits, or will omit, any material fact necessary to make the statement of fact recited not misleading.

3.6 No Agreements. Neither the execution and delivery of this Agreement by University nor the consummation of the transactions contemplated hereby will result in any breach or violation of or default under any judgment, decree, order, mortgage, lease, agreement, indenture or other instrument to which University is a party, or to which it is bound.

4. REPRESENTATIONS OF TMWA.

As a material inducement to the University to enter into this Agreement and exchange the Decreed Rights for the Permitted Water Rights, TMWA represents and warrants to the University as follows:

4.1 Organization and Power. TMWA is duly organized, validly existing and authorized to conduct business under the laws of the State of Nevada, and has full power and authority to own, sell and convey the Permitted Water Rights to University and to enter into and perform its obligations pursuant to this Agreement. This Agreement and all other documents delivered by TMWA to University, have been or will be duly executed and delivered by TMWA and are or will be legal, valid and binding obligations of TMWA, and are enforceable in accordance with their respective terms. Each of the persons signing this Agreement and other instruments required under this Agreement on behalf of TMWA is or will be authorized to so sign; and the execution, consent or acknowledgment of no other person, entity, court or governmental authority is necessary in order to validate the execution and performance of this Agreement by TMWA.

4.2 Property, Title and Related Matters. TMWA owns all right, title and interest in the Permitted Water Rights free and clear of all security interests, mortgages, liens, pledges, charges, claims or encumbrances of any kind or character, and has not, and will not sell, encumber, pledge, assign, convey or transfer any of the Permitted Water Rights, except as set forth in this Agreement.

4.3 Transferability. TMWA has no knowledge of any condition or fact related to the Permitted Water Rights which would prevent or impede the transfer and exchange of the Permitted Water Rights to University.

4.4 No Litigation. There are no pending or threatened actions which would materially and adversely affect the Permitted Water Rights, or any portion thereof, nor are there any known

specific facts which might give rise to such action or proceedings, or which would or could adversely change the use of the Permitted Water Rights.

4.5 No Misstatement. No representation, statement or warranty by TMWA contained in this Agreement or in any exhibit hereto contains or will contain any untrue statements or omits, or will omit, any material fact necessary to make the statement of fact recited not misleading.

4.6 No Agreements. Neither the execution and delivery of this Agreement by TMWA nor the consummation of the transactions contemplated hereby will result in any breach or violation of or default under any judgment, decree, order, mortgage, lease, agreement, indenture or other instrument to which TMWA is a party, or to which it is bound.

5. MISCELLANEOUS.

5.1 Time. Time is of the essence in the performance of all obligations under this Agreement.

5.2 Nevada Law. The validity, interpretation and performance of this Agreement shall be controlled and governed by and construed under the laws of the State of Nevada.

5.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Legible executed counterparts of this Agreement may be delivered by facsimile, PDF e-mail attachment, or any other electronic means.

5.4 Inurement. This Agreement shall be binding on and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and/or assigns.

5.5 Entire Agreement. This Agreement contains the sole and only agreement between the parties hereto relating to their agreement regarding the subject matters and correctly sets forth the rights, duties and obligations of each to the other as of this date. Any prior agreements, promises, negotiations or representations not expressly set forth in this Agreement are of no force and effect.

5.6 Non-Merger. This Agreement and all of its conditions and covenants shall not merge with the deeds referred to herein, but shall survive the recordation of such documents and remain in full force and effect.

5.8 Recitals. The above recitals are incorporated herein by reference.

5.9 University Board Approval. This Agreement is contingent upon the approval of the terms by the Board of Regents of the Nevada System of Higher Education. If the Board of Regents, in its sole and absolute discretion, does not approve the terms of this Agreement the offer made herein shall be deemed null and void without the necessity of further documentation and shall be deemed to be of no binding effect whatsoever.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

<p>“TMWA”</p> <p>TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority</p> <p>By: _____ Mark Foree, General Manager</p>	<p>“UNIVERSITY”</p> <p>BOARD of REGENTS of the NEVADA SYSTEM of HIGHER EDUCATION on behalf of the UNIVERSITY of NEVADA, RENO</p> <p>By: _____ Daniel J. Klaich, Chancellor</p>
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Exhibit "A"
Decreed Water Rights

A portion of the water and water rights and ditch and ditch rights owned by Grantor heretofore allocated to CHARLES JONES and JANE JONES in that certain action entitled United States of America, Plaintiff, vs. Orr Water Ditch Company, et al, Defendants, the same in Equity Docket A-3 in the District Court of the United States in and for the District of Nevada, said water being distributed and allocated in said Decree under CLAIM OR RIGHT NO. 605, representing water not to exceed **200.32 acre feet annually**, more or less.

Said right authorizing delivery of a pro-rata share of the diversion rate from the PIONEER DITCH in Washoe County, Nevada, together with the right to change the point of diversion, place of use and manner of use thereof.

Exhibit “B”
Permitted Water Rights

A portion of the water and water rights described in Water Right Permit No. 77718, issued by the Division of Water Resources, State of Nevada, such being **200.32 acre feet annually** more or less, reserving unto Truckee Meadows Water Authority all other water rights under Permit 77718.

Exhibit “C”

_____, 2015

WATER RESOURCE BANKING AGREEMENT

Board of Regents of the Nevada System of Higher Education
c/o University of Nevada, Reno, Real Estate
1664 N. Virginia Street – MS 0243
Reno, NV 89557-0182

RE: Water Resource Credit Banking Agreement
200.32 Acre feet

Dear Mr. Klaich:

This letter serves as a Water Resource Banking Agreement (the “Agreement”) between the Truckee Meadows Water Authority (“TMWA”) and **Board of Regents of the Nevada System of Higher Education** on behalf of the University of Nevada, Reno (“Owner”) for 200.32 acre feet annually of Water Rights (“Water Rights”) under Permit 77718 more particularly described in Exhibit “1” attached hereto and incorporated herein by reference, and is entered in connection with that certain Water Resource Exchange Agreement dated _____, 2015 (“Exchange Agreement”).

As a material inducement to TMWA to enter into this Agreement, Owner represents and warrants that: (i) Owner has all requisite power and authority necessary, has taken all requisite action and Owner and the persons executing this Agreement on behalf of Owner are duly authorized to consummate the transactions contemplated in this Agreement; and (ii) Owner is the owner of all beneficial right, title and interest in the Water Rights.

Pursuant the Exchange Agreement and in accordance with Authority Rules, TMWA hereby accepts the Water Rights for banking and shall apply the Water Rights only to satisfy the estimated water demand of will-serve commitment(s) for new or expanded water service within TMWA’s Truckee Meadows Resource Area as requested by Owner from TMWA subject to the following additional terms and conditions:

- a. TMWA or its successors and assigns will hold the Water Rights for the benefit of Owner on the terms set forth below. Owner, and its successors and assigns, shall retain all beneficial right, title and interest to the use of the Water Rights.
- b. Any request by Owner for issuance of a will-serve commitment for new or expanded water service seeking to utilize the Water Rights shall be in writing to TMWA.
- c. TMWA’s issuance of a will-serve commitment is subject to, and Owner shall comply with, all applicable TMWA rules and policies relating to a

request for water service, including those related to dedication of water rights and issuance of a will-serve commitment, in effect at the time Owner requests TMWA issue a will-serve commitment against the banked Water Rights.

- d. Owner retains the right to terminate this Banking Agreement and request a return of some or all of the Water Rights.
- e. If the Owner chooses to revoke some portion or all of this Agreement, all costs incurred by TMWA after the effective date of this Agreement to maintain any portion of the Water Rights returned to the University in permit status (if applicable) shall be paid by Owner, or its successor or assigns, to TMWA.
- f. Notwithstanding anything to the contrary contained in this Agreement or the then existing TMWA rules and policies relating to a request for water service, should Owner elect to terminate this Agreement, TMWA shall immediately reconvey to Owner legal title to all that portion of the Water Rights which remains uncommitted as of the date of Owner's revocation.
- g. Owner may file a request for notice with the State Engineer for matters related to the Water Rights.

This Agreement contains the sole and only agreement between TMWA and Owner relating to the banking of the Water Rights. Any prior agreements, promises, negotiations or representations, whether written or otherwise, not expressly set forth in this Agreement are superseded, replaced and of no force and effect, and TMWA has not assumed and shall have absolutely no liability, obligation or responsibility under or in connection with any prior agreements between Grantor and Washoe County in connection with the Water Rights. No provision of this Agreement may be amended or modified except by an agreement, in writing, signed by the parties or their respective successor-in-interest and expressly stating that it is an amendment of this Agreement.

Except as expressly provided for herein, this Agreement may not be assigned to any person without TMWA's consent, in TMWA's sole discretion. Notwithstanding the forgoing, Owner may transfer at any time, by written notice to TMWA, any portion of its beneficial use of the Water Rights, to a third party(s).

All correspondence to TMWA regarding this Agreement should be directed to:

Truckee Meadows Water Authority
Attn.: Water Resource Dept.
P O Box 30013
Reno, NV 89520-3013

Any correspondence to the Owner under this Agreement will be directed to:

by **Daniel J. Klaich** as **Chancellor** of the **Board of Regents of the Nevada System of Higher Education** on behalf of the **University of Nevada, Reno**, as therein named.

Notary Public

Exhibit “1” to Water Resource Banking Agreement

A portion of the water and water rights described in Water Right Permit No. 77718, issued by the Division of Water Resources, State of Nevada, such being **200.32 acre feet annually**, more or less, reserving unto Truckee Meadows Water Authority all other water rights under Permit 77718.

Exhibit "D"

APN: N/A
When Recorded mail Document to:
Truckee Meadows Water Authority
Water Resources Dept.
P.O. Box 30013
Reno, NV 89520-3013

The undersigned hereby affirms that this document submitted for recording does not contain the personal information of any person or persons per N.R.S. 239B.030.

WATER RIGHTS DEED

THIS INDENTURE, made and entered into this _____ day of _____, 2015 by and between BOARD of REGENTS of the NEVADA SYSTEM of HIGHER EDUCATION on behalf of the UNIVERSITY of NEVADA, RENO hereinafter referred to as "Grantor", and the TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277, hereinafter referred to as "Authority".

WITNESSETH:

That the Grantor, for good and valuable consideration, the receipt whereof is hereby acknowledged, does by these presents grant, bargain, sell and convey unto the Authority, and to its successors and assigns forever, all of Grantor's right, title, and interest in and to those certain water and water rights more particularly described in Exhibits "1" attached hereto and incorporated herein, including without limitation any and all rights arising in connection with pending Applications to Change, Permits and Certificates related to such Water Rights on file in the office of the Nevada State Engineer.

To have and to hold said Water Rights together with the tenements, hereditaments and appurtenances thereunto belonging or appertaining and the reversion and reversions, remainder and remainders, rents, issues, and profits thereof unto The Authority, its successors and assigns, forever.

The Authority does hereby agree to assume the payment of all water master fees and charges that may hereafter become due and payable in respect to said rights referred to herein by reason of the Decree in The United States of America, Plaintiff, vs. Orr Water Ditch Company, et al, Defendants, the same in Equity Docket No. A-3 in the District Court of the United States in and for the District of Nevada, and the Authority does hereby further agree to pay all administration and operation and maintenance charges that may be herein payable to Washoe County Water Conservation District and constitute a charge or lien against the lands herein described by reason of Boca Dam construction.

IN WITNESS WHEREOF, the parties hereto have caused their names to be hereunto subscribed the day and year first above written.

<p>“AUTHORITY”</p> <p>TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority</p> <p>By: _____ Mark Foree, General Manager</p>	<p>“GRANTOR”</p> <p>BOARD of REGENTS of the NEVADA SYSTEM of HIGHER EDUCATION on behalf of the UNIVERSITY of NEVADA, RENO</p> <p>By: _____ Daniel J. Klaich, Chancellor</p>
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STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 2015, by **Daniel J. Klaich** as **Chancellor** of the **Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Reno**, as therein named.

Notary Public

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 2015 by Mark Foree as General Manager of TRUCKEE MEADOWS WATER AUTHORITY, on behalf of said Joint Powers Authority therein named.

Notary Public

Exhibit “1” to University Deed
Decreed Water Rights

A portion of the water and water rights and ditch and ditch rights owned by Grantor heretofore allocated to CHARLES JONES and JANE JONES in that certain action entitled United States of America, Plaintiff, vs. Orr Water Ditch Company, et al, Defendants, the same in Equity Docket A-3 in the District Court of the United States in and for the District of Nevada, said water being distributed and allocated in said Decree under CLAIM OR RIGHT NO. 605, representing water not to exceed **200.32 acre feet annually**, more or less.

Said right authorizing delivery of a pro-rata share of the diversion rate from the PIONEER DITCH in Washoe County, Nevada, together with the right to change the point of diversion, place of use and manner of use thereof.

Exhibit "E"

APN: N/A
When Recorded mail Document to:
Truckee Meadows Water Authority
Water Resources Dept.
P.O. Box 30013
Reno, NV 89520-3013

The undersigned hereby affirms that this document submitted for recording does not contain the personal information of any person or persons per N.R.S. 239B.030.

WATER RIGHTS DEED

THIS INDENTURE, made and entered into this _____ day of _____, 2015 by and between TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277, hereinafter referred to as "Grantor", and BOARD of REGENTS of the NEVADA SYSTEM of HIGHER EDUCATION on behalf of the UNIVERSITY of NEVADA, RENO hereinafter referred to as the "University".

WITNESSETH:

That the Grantor, for good and valuable consideration, the receipt whereof is hereby acknowledged, does by these presents grant, bargain, sell and convey unto the University, and to its successors and assigns forever, all of Grantor's right, title, and interest in and to those certain water and water rights more particularly described in Exhibits "1" attached hereto and incorporated herein, including without limitation any and all rights arising in connection with pending Applications to Change, Permits and Certificates related to such Water Rights on file in the office of the Nevada State Engineer.

To have and to hold said Water Rights together with the tenements, hereditaments and appurtenances thereunto belonging or appertaining and the reversion and reversions, remainder and remainders, rents, issues, and profits thereof unto the University, its successors and assigns, forever.

The University does hereby agree to assume the payment of all water master fees and charges that may hereafter become due and payable in respect to said rights referred to herein by reason of the Decree in The United States of America, Plaintiff, vs. Orr Water Ditch Company, et al, Defendants, the same in Equity Docket No. A-3 in the District Court of the United States in and for the District of Nevada, and the University does hereby further agree to pay all administration and operation and maintenance charges that may be herein payable to Washoe County Water Conservation District and constitute a charge or lien against the lands herein described by reason of Boca Dam construction.

IN WITNESS WHEREOF, the parties hereto have caused their names to be hereunto subscribed the day and year first above written.

Exhibit “1” to TMWA Deed
Permitted Water Rights

A portion of the water and water rights described in Water Right Permit No. 77718, issued by the Division of Water Resources, State of Nevada, such being **200.32 acre feet annually**, more or less, reserving unto Truckee Meadows Water Authority all other water rights under Permit 77718.

Exhibit "F"

APN: N/A
When Recorded mail Document to:
Truckee Meadows Water Authority
Water Resources Dept.
P.O. Box 30013
Reno, NV 89520-3013

The undersigned hereby affirms that this document submitted for recording does not contain the personal information of any person or persons per N.R.S. 239B.030.

WATER RIGHTS DEED

THIS INDENTURE, made and entered into this _____ day of _____, 2015 by and between BOARD of REGENTS of the NEVADA SYSTEM of HIGHER EDUCATION on behalf of the UNIVERSITY of NEVADA, RENO hereinafter referred to as "Grantor", and the TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277, hereinafter referred to as "Authority".

WITNESSETH:

That the Grantor, for good and valuable consideration, the receipt whereof is hereby acknowledged, does by these presents grant, bargain, sell and convey unto the Authority, and to its successors and assigns forever, all of Grantor's right, title, and interest in and to those certain water and water rights more particularly described in Exhibits "1" attached hereto and incorporated herein, including without limitation any and all rights arising in connection with pending Applications to Change, Permits and Certificates related to such Water Rights on file in the office of the Nevada State Engineer.

To have and to hold said Water Rights together with the tenements, hereditaments and appurtenances thereunto belonging or appertaining and the reversion and reversions, remainder and remainders, rents, issues, and profits thereof unto The Authority, its successors and assigns, forever.

The Authority does hereby agree to assume the payment of all water master fees and charges that may hereafter become due and payable in respect to said rights referred to herein by reason of the Decree in The United States of America, Plaintiff, vs. Orr Water Ditch Company, et al, Defendants, the same in Equity Docket No. A-3 in the District Court of the United States in and for the District of Nevada, and the Authority does hereby further agree to pay all administration and operation and maintenance charges that may be herein payable to Washoe County Water Conservation District and constitute a charge or lien against the lands herein described by reason of Boca Dam construction.

IN WITNESS WHEREOF, the parties hereto have caused their names to be hereunto subscribed the day and year first above written.

<p>“AUTHORITY”</p> <p>TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority</p> <p>By: _____ Mark Foree, General Manager</p>	<p>“GRANTOR”</p> <p>BOARD of REGENTS of the NEVADA SYSTEM of HIGHER EDUCATION on behalf of the UNIVERSITY of NEVADA, RENO</p> <p>By: _____ Daniel J. Klaich, Chancellor</p>
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STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 2015, by **Daniel J. Klaich** as **Chancellor** of the **Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Reno**, as therein named.

Notary Public

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 2015 by Mark Foree as General Manager of TRUCKEE MEADOWS WATER AUTHORITY, on behalf of said Joint Powers Authority therein named.

Notary Public

Exhibit “1” to University Reconveyance Deed
Permitted Water Rights

A portion of the water and water rights described in Water Right Permit No. 77718, issued by the Division of Water Resources, State of Nevada, such being **200.32 acre feet annually** more or less, reserving unto Truckee Meadows Water Authority all other water rights under Permit 77718.

Exhibit 2

_____, 2015

WATER RESOURCE BANKING AGREEMENT

Board of Regents of the Nevada System of Higher Education
c/o University of Nevada, Reno, Real Estate
1664 N. Virginia Street – MS 0243
Reno, NV 89557-0182

RE: Water Resource Credit Banking Agreement
200.32 Acre feet

Dear Mr. Klaich:

This letter serves as a Water Resource Banking Agreement (the “Agreement”) between the Truckee Meadows Water Authority (“TMWA”) and **Board of Regents of the Nevada System of Higher Education** on behalf of the University of Nevada, Reno (“Owner”) for 200.32 acre feet annually of Water Rights (“Water Rights”) under Permit 77718 more particularly described in Exhibit “1” attached hereto and incorporated herein by reference, and is entered in connection with that certain Water Resource Exchange Agreement dated _____, 2015 (“Exchange Agreement”).

As a material inducement to TMWA to enter into this Agreement, Owner represents and warrants that: (i) Owner has all requisite power and authority necessary, has taken all requisite action and Owner and the persons executing this Agreement on behalf of Owner are duly authorized to consummate the transactions contemplated in this Agreement; and (ii) Owner is the owner of all beneficial right, title and interest in the Water Rights.

Pursuant the Exchange Agreement and in accordance with Authority Rules, TMWA hereby accepts the Water Rights for banking and shall apply the Water Rights only to satisfy the estimated water demand of will-serve commitment(s) for new or expanded water service within TMWA’s Truckee Meadows Resource Area as requested by Owner from TMWA subject to the following additional terms and conditions:

- a. TMWA or its successors and assigns will hold the Water Rights for the benefit of Owner on the terms set forth below. Owner, and its successors and assigns, shall retain all beneficial right, title and interest to the use of the Water Rights.
- b. Any request by Owner for issuance of a will-serve commitment for new or expanded water service seeking to utilize the Water Rights shall be in writing to TMWA.

- c. TMWA's issuance of a will-serve commitment is subject to, and Owner shall comply with, all applicable TMWA rules and policies relating to a request for water service, including those related to dedication of water rights and issuance of a will-serve commitment, in effect at the time Owner requests TMWA issue a will-serve commitment against the banked Water Rights.
- d. Owner retains the right to terminate this Banking Agreement and request a return of some or all of the Water Rights.
- e. If the Owner chooses to revoke some portion or all of this Agreement, all costs incurred by TMWA after the effective date of this Agreement to maintain any portion of the Water Rights returned to the University in permit status (if applicable) shall be paid by Owner, or its successor or assigns, to TMWA.
- f. Notwithstanding anything to the contrary contained in this Agreement or the then existing TMWA rules and policies relating to a request for water service, should Owner elect to terminate this Agreement, TMWA shall immediately reconvey to Owner legal title to all that portion of the Water Rights which remains uncommitted as of the date of Owner's revocation.
- g. Owner may file a request for notice with the State Engineer for matters related to the Water Rights.

This Agreement contains the sole and only agreement between TMWA and Owner relating to the banking of the Water Rights. Any prior agreements, promises, negotiations or representations, whether written or otherwise, not expressly set forth in this Agreement are superseded, replaced and of no force and effect, and TMWA has not assumed and shall have absolutely no liability, obligation or responsibility under or in connection with any prior agreements between Grantor and Washoe County in connection with the Water Rights. No provision of this Agreement may be amended or modified except by an agreement, in writing, signed by the parties or their respective successor-in-interest and expressly stating that it is an amendment of this Agreement.

Except as expressly provided for herein, this Agreement may not be assigned to any person without TMWA's consent, in TMWA's sole discretion. Notwithstanding the forgoing, Owner may transfer at any time, by written notice to TMWA, any portion of its beneficial use of the Water Rights, to a third party(s).

All correspondence to TMWA regarding this Agreement should be directed to:

Truckee Meadows Water Authority
Attn.: Water Resource Dept.
P O Box 30013
Reno, NV 89520-3013

This instrument was acknowledged before me on _____, 2015,
by **Daniel J. Klaich** as **Chancellor** of the **Board of Regents of the Nevada System of Higher
Education on behalf of the University of Nevada, Reno**, as therein named.

Notary Public

Exhibit “1” to Water Resource Banking Agreement

A portion of the water and water rights described in Water Right Permit No. 77718, issued by the Division of Water Resources, State of Nevada, such being **200.32 acre feet annually**, more or less, reserving unto Truckee Meadows Water Authority all other water rights under Permit 77718.