

ESCROW AGREEMENT

This Escrow Agreement (the "Agreement") is made this 1st day of November, 2001, among the United States Department of the Interior ("Interior") and the San Juan Water Commission, New Mexico (the "Commission") (jointly known as the "Depositors"), and the County Treasurer of the County of San Juan, New Mexico (the "Treasurer"),

WHEREAS, the Depositors wish to place in escrow certain funds, bonds, and/or securities, and the Treasurer is willing to hold and distribute such funds, bonds, and/or securities for payment on the Commission's capital costs on the Animas-La Plata Project. In accordance with the instructions of the Depositors, the Treasurer and the Depositors agree as follows:

1. **Escrow Deposit:** The Commission will deposit with the Treasurer the sum of \$6,916,722 in cash and securities depending on market conditions at the time of deposit (collectively referred to as the "Escrowed Property").

2. **Deposit Constitutes Payment:** The Depositors acknowledge and agree that the Commission's deposit of the Escrowed Property with the Treasurer shall constitute the full up-front payment of the Commission's capital obligation as authorized under Public Law 106-554, notwithstanding the fact that the Amendatory Funding Agreement and Repayment Contract Between the United States and the San Juan Water Commission, New Mexico ("Contract") may not have been fully executed. The Depositors acknowledge that they are subject to a final cost allocation as well as the procedures provided in Section 302(a)(3)(B) of P.L. 106-554. The Depositors and the Treasurer acknowledge that no monies may be disbursed except in accordance with the instructions in the attached Schedule A.

3. **Instructions:** The Treasurer shall hold and disburse the Escrowed Property in accordance with the instructions set forth in the attached Schedule A, which is incorporated into and made a part of this Agreement. To assist the Treasurer in performing this function, the Commission will provide to the Treasurer prior to the beginning of each fiscal year an estimate of the maximum allowable draw by Interior on the account during that fiscal year. For purposes of this Agreement, the fiscal year shall be October 1 through September 30. Such estimates may be changed from time to time. The Treasurer will be informed of such changes.

4. **Investment of Funds:** The Escrowed Property shall be invested by the Treasurer pursuant to NMSA 1978 §§ 6-10-8 and 6-10-10. Such investments may be in any one or more of the following: (a) cash; (b) bonds or other interest-bearing obligations of the United States Government; (c) bonds that are a direct obligation of the State of New Mexico; (d) bank certificates of deposits, money market accounts, overnight accounts, or other cash-equivalent instruments or investments; and/or (e) such other investments as the Treasurer may determine. The Treasurer will provide the Depositors a monthly statement of the account showing cash on deposit and investments. The statement will be issued on the regular schedule for such statements of the Treasurer's Office.

5. **Late Payment or Performance:** Subject to Schedule A, which shall control in case of conflict, the Treasurer may accept any payment or performance called for under this Agreement after the date such payment or performance is due, unless subsequent to such date, but prior to the actual date of payment

or performance, the Treasurer is instructed in writing by a Depositor not to accept such payment or performance.

6. **Waivers:** The failure of any party to the Agreement at any time or times to require performance of any provision under this Agreement shall in no manner affect the right at a later time to enforce the same performance. A waiver by any party to the Agreement of any such condition or breach of any term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall neither be construed as a further or continuing waiver of any such condition or breach nor a waiver of any other condition or breach of any other term, covenant, representation or warranty contained in this Agreement.

7. **Termination:** Termination shall be in accordance with Schedule A. In addition to and notwithstanding the provisions of Schedule A, the parties hereby agree that the Treasurer shall, upon receipt of certification by the County Attorney of the County of San Juan, New Mexico, and a resolution duly passed by the Commissioners of the San Juan Water Commission, delivered by certified mail to the Treasurer with copies to the Depositors, that the Agreement and Instructions for Administering Escrow Account Between the United States Department of the Interior and the San Juan Water Commission, Animas-La Plata Project, Colorado/New Mexico (Schedule A), is terminated, return all remaining Escrowed Property to the Commission or its successor or assign.

8. **Extension of Benefits:** All of the terms of this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the respective successors and assigns of all of the parties of this Agreement.

9. **Counterparts:** This Agreement may be executed in several counterparts, each of which when executed shall be deemed to be an original, and all of which counterparts shall together constitute one and the same instrument.

10. **Amendment:** This Agreement may be amended, modified, superseded or rescinded only by a written instrument executed by the Depositors and the Treasurer. The Treasurer shall not unreasonably withhold consent to amendments requested by the Depositors.

11. **Governing Law:** This Agreement shall be construed and enforced in accordance with the laws of the State of New Mexico and the United States.

12. **Notices:** All notices, requests, demands and other communications required under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered or mailed by certified mail with return receipt requested and postage prepaid. If any notice is mailed, it shall be deemed given on the date such notice is delivered. If any notice is personally delivered, it shall be deemed given upon the date of such delivery. If notice is given to the Depositors, it shall be addressed to:

Executive Director
San Juan Water Commission

800 Municipal Drive
Farmington, New Mexico 87401

Regional Director
Department of the Interior
Bureau of Reclamation
125 South State Street, Room 6107
Salt Lake City, Utah 84138-1102

If notice is given to the Treasurer, it shall be addressed to:

County Treasurer of the County of San Juan, New Mexico
100 S. Oliver Drive
Aztec, New Mexico 87410-2432

Any change in the foregoing addresses shall be made in writing and delivered to the other parties to this Agreement.

13. **Entire Agreement:** This Agreement and the attached Schedule A set forth the entire agreement and understanding of the parties to the Agreement.

IN WITNESS WHEREOF, the parties to this Agreement have each caused this Agreement to be duly executed as of the day and year first above written.

SAN JUAN WATER COMMISSION	UNITED STATES DEPARTMENT OF THE INTERIOR
By: Executive Director	By: Regional Director, Bureau of Reclamation
ATTEST:	ATTEST:
By: Attorney, San Juan County	Solicitor's Office
COUNTY TREASURER, COUNTY OF SAN JUAN, NEW MEXICO	

By:

Attorney, San Juan County