
Meeting Date: June 19, 2014
Staff Contact: Mark S. Sanchez, Executive Director

TITLE: O-14-2 – Authorizing the Issuance and Sale of Bond Ordinance Approving the Sale of Albuquerque Bernalillo County Water Utility Authority (“Water Authority”) Joint Water and Sewer System Improvement Revenue Bonds, Senior Lien Series 2014A and Subordinate Lien Series 2014B, in the Aggregate Principal Amount of \$183,425,000 (“BONDS”); Establishing Certain Details of the Bonds; Providing for the Payment of the Costs of Issuance of the Bonds; Approving Disclosure and Other Documents Relating to the Bonds; And Ratifying Action Previously Taken in Connection Therewith

ACTION: First Reading – June 18, 2014; Final Action – August 20, 2014

SUMMARY:

This legislation is the first reading of the Bond Ordinance for the proposed Joint Water and Sewer System Improvement Revenue Bonds, Senior Lien Series 2014A and Subordinate Lien Series 2014B. The Bond Ordinance establishes certain bond details; provides for the payment of the cost of issuing the bonds; approves disclosure and other documents relating to the bonds.

The purpose of the Bond Ordinance is to refinance all or a portion of the outstanding Joint Water and Sewer System Improvement Revenue Bonds, Series 2005, New Mexico Finance Authority Public Project Revolving Fund Loan (2005), Series 2006 Bonds and the Series 2001 New Mexico Environment Department Loan. A portion of the refunding, approximately 55%, will be issued as senior lien bonds and the remaining portion will be issued as subordinate lien bonds. The Water Authority is issuing a portion of the refunding bonds on a subordinate lien basis to provide the Water Authority rate covenant flexibility during revenue fluctuation years. The Water Authority’s current Senior Lien Bonds are rated Aa2/AA+/AA by Moody’s, Standard and Poor’s and Fitch Ratings respectively. The Water Authority’s new subordinate lien is not currently rated. It is anticipated the Water Authority’s subordinate lien will have ratings of one notch lower or Aa3/AA/AA- by Moody’s, Standard and Poor’s and Fitch Ratings respectively based on coverage requirements. Rating presentations will be schedule for late July / early August. The second reading and final approval of the Bond Ordinance is scheduled for the Water Authority’s August 20th Board meeting. The second reading and final approval of the Bond Ordinance will include the final terms, sale price, maximum interest rates, savings achieved and other matters with respect to the Bonds.

FISCAL IMPACT:

The Senior Lien Series 2014A and Subordinate Lien Series 2014B Bonds will be issued in two series, with an aggregate principal amount of approximately \$183,425,000, which will refund all or a portion of the Series 2005 Bonds, 2005 NMFA PPRF Loan, Series 2006 Bonds and 2001 NMED Loan. Based upon current market conditions the refunding will generate approximately \$15.7 million in present value savings or 7.81% of the par amount refunded. Annually the refunding is expected to generate approximately \$0.9 million in savings in FY 2015, \$1.3 million in savings in FY 2016 and approximately \$1.66 million from FY 2017 through FY 2025. Gross Revenues, all income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System less operation and maintenance expenses, are pledged as security for these bonds, similar to the Water Authority's prior debt issuances. The term of the debt will not be extended.

COMMENTS:

Approval of the Bond Ordinance is required for the issuance of the proposed refunding bonds. Final action is expected at the Water Authority's August Board meeting

Senior Lien Bond ratings for this issue are as follows: Standard and Poor's (AA+ Stable Outlook), Fitch (AA Stable Outlook) and Moody's (Aa2 Stable Outlook).

Subordinate Lien Bond ratings for this issue are expected as follows: Standard and Poor's (AA Stable Outlook), Fitch (AA- Stable Outlook) and Moody's (Aa3 Stable Outlook).

A floor substitute may be prepared by Bond Counsel which makes technical adjustments.

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

BILL NO. O-14-2

1 **ORDINANCE**

2 **AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO**
3 **COUNTY WATER UTILITY AUTHORITY ("WATER AUTHORITY")**
4 **SUBORDINATE LIEN JOINT WATER AND SEWER SYSTEM REFUNDING**
5 **REVENUE BONDS, SERIES 2014 IN THE PRINCIPAL AMOUNT OF \$183,425,000**
6 **("BONDS" OR THE "SERIES 2014 BONDS") FOR THE PURPOSES OF**
7 **REFUNDING (i) A PORTION OF THE OUTSTANDING JOINT WATER AND**
8 **SEWER SYSTEM NEW MEXICO FINANCE AUTHORITY PUBLIC PROJECT**
9 **REVOLVING FUND LOAN AGREEMENT (2005), (ii) A PORTION OF THE**
10 **OUTSTANDING SERIES 2005 BONDS, (iii) A PORTION OF THE OUTSTANDING**
11 **SERIES 2006A BONDS, AND (iv) THE OUTSTANDING 2001 NEW MEXICO**
12 **ENVIRONMENT DEPARTMENT LOAN; PROVIDING FOR THE DISPOSITION OF,**
13 **AND OTHER DETAILS RELATING TO, THE REVENUES FROM THE**
14 **OPERATION OF THE SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE**
15 **ON SYSTEM OBLIGATIONS; DETERMINING CERTAIN TERMS AND THE**
16 **METHOD OF DETERMINING OTHER TERMS CONCERNING THE BONDS;**
17 **PROVIDING FOR THE APPROVAL OF VARIOUS AGREEMENTS AND**
18 **DISCLOSURE DOCUMENTS RELATING TO THE BONDS; AMENDING AND**
19 **REPEALING CERTAIN PRIOR ORDINANCES; AND RATIFYING ACTION**
20 **PREVIOUSLY TAKEN.**

21 Capitalized terms used in the following preambles are defined in Section 1 of
22 this Bond Ordinance, unless the context requires otherwise.

23 WHEREAS, the Water Authority is a legally and regularly created,
24 established, organized and existing public body politic and corporate, separate and
25 apart from the City and the County, under the general laws of the State; and

1 WHEREAS, the Water Authority owns, operates and maintains the System as
2 a joint public utility water and sewer system; and

3 WHEREAS, the Water Authority is obligated on the following Senior
4 Obligations, payable from Net Revenues, Outstanding on the date of the adoption of
5 this Ordinance in the following principal amounts:

	Amount
<u>Series</u>	<u>Outstanding after July 1, 2014</u>
6	
7	
8 2005	\$100,535,000
9 2006A	\$103,445,000 2008A
10	\$ 55,630,000
11 2009	\$114,890,000
12 2013A&B	\$116,215,000
13 Drinking Water State Revolving Fund Loan Agreement (2003)	\$333,826
14 Public Project Revolving Fund Loan Agreement (2004)	_____
15 Public Project Revolving Fund Loan Agreement (2005)	\$16,395,000
16 Public Project Revolving Fund Loan Agreement (2007)	\$51,820,00
17 Drinking Water State Revolving Fund Loan (2009)	\$871,042
18 Public Project Revolving Fund Loan Agreement (2011)	\$46,025,000
19 and	

20 WHEREAS, the Water Authority is obligated on the following Subordinate
21 Obligations payable from Net Revenues with a lien on the Net Revenues
22 subordinated to the Senior Obligations Outstanding on the date of the adoption of
23 this Bond Ordinance in the following principal amounts:

	Amount
<u>Obligation</u>	<u>Outstanding</u>
24	
25	
26 June 2001 EID Loan	\$5,987,789
27 2008 NMFA Drinking Water Loan	\$8,820,000
28 2010 NMFA Drinking Water Loan	\$36,513
29 2010 NMFA Drinking Water Loan	\$49,452
30 2010 NMFA Drinking Water Loan	\$110,474
31 and	

1 WHEREAS, the Water Authority is obligated on the following Super
2 Subordinated Obligations with a lien on the Net Revenues subordinate to the Senior
3 Obligations and the Subordinate Obligations Outstanding on the date of the adoption
4 of this Bond Ordinance in the following principal amounts:

5	Amount
6 <u>Obligation</u>	<u>Outstanding</u>
7 Water Trust Board Loan (2009)	\$38,524
8 Water Trust Board Loan (2009)	\$77,163
9 Water Trust Board Loan (2010)	\$160,795
10 Water Trust Board Loan (2011)	\$385,632
11 Water Trust Board Loan (2011)	\$546,028
12 Water Trust Board Loan (2011)	\$54,051

13 WHEREAS, pursuant to the Act, the Water Authority is authorized to issue
14 revenue bonds and to use the Bond proceeds to refund previously issued System
15 Obligations; and

16 WHEREAS, except as stated in these preambles, the Net Revenues have not
17 been pledged or hypothecated to the payment of any Outstanding obligations and no
18 other obligations are payable from the Net Revenues on the date of this Bond
19 Ordinance; and

20 WHEREAS, there are no obligations which have a lien on the Net Revenues
21 superior to the lien thereon of Senior Obligations; and

22 WHEREAS, the Board desires to refund and refinance the Refunded
23 Obligations to achieve debt service savings and to restructure its outstanding
24 obligations;

25 WHEREAS, the Board hereby determines that (i) the Refunding Project may
26 be financed with proceeds of the Series 2014 Bonds, (ii) that it is necessary and in
27 the best interests of the Water Authority and the residents of the geographic area
28 served by the Water Authority that the Bonds be authorized pursuant to the Act and
29 (iii) that the Refunded Obligations be refunded; and

30 WHEREAS, the Board has determined that it may lawfully pledge the Net
31 Revenues for repayment of the Series 2014 Bonds; and

1 WHEREAS, the Water Authority intends to use the proceeds of the Series
2 2014 Bonds for the purpose of refunding the Refunded Obligations and to pay the
3 Expenses of issuing the Series 2014 Bonds; and

4 WHEREAS, the Escrow Agent is a commercial bank having full trust powers
5 and is a member of the Federal Deposit Insurance Corporation; and

6 WHEREAS, prior to delivery of the Bonds, there will be presented to the
7 Board for approval the Preliminary Official Statement, the proposed form of Official
8 Statement, the form of Continuing Disclosure Undertaking, and the Bond Purchase
9 Agreement; and

10 WHEREAS, all required authorizations, consents or approvals of any
11 governmental body, agency or authority in connection with charging the current rates
12 for services of the System and for the authorization, execution and delivery of the
13 Bonds which are required to have been obtained by the date of this Bond Ordinance
14 or which will be required to be obtained prior to the date of issuance of the Series
15 2014 Bonds have been or will have been obtained by such dates.

16 NOW, THEREFORE, BE IT ORDAINED BY THE BOARD, THE GOVERNING
17 BODY OF THE WATER AUTHORITY:

18 Section 1. DEFINITIONS AND RULES OF CONSTRUCTION.

19 (A) DEFINITIONS. As used in this Bond Ordinance, the following
20 terms have the meanings specified, unless the context clearly requires otherwise:

21 ACCREDITED VALUE. Unless stated otherwise in an ordinance or
22 resolution of the Board, with respect to an Individual Capital Appreciation Bond, an
23 amount equal to the original principal amount of that Capital Appreciation Bond plus
24 the amount, assuming semiannual compounding of earnings, which would be
25 produced on the investment of such original principal amount, beginning on the
26 dated date of that Individual Capital Appreciation Bond and ending at the Accretion
27 Term Date thereof, at an interest rate which, if continued until the Accretion Term
28 Date, will produce the defined value of an Individual Capital Appreciation Bond at the
29 Accretion Term Date. As of any Valuation Date, the Accreted Value of any Capital
30 Appreciation Bond shall mean the amount set forth for such date in the applicable
31 resolution or ordinance. As of any date other than a Valuation Date, the Accreted

1 Value shall mean the sum of (1) the Accreted Value on the preceding Valuation Date
2 and (2) the product of (a) a fraction, the numerator of which is the number of days
3 having elapsed from the preceding Valuation Date and the denominator of which is
4 the number of days in a single compounding period, and (b) the difference between
5 the Accreted Values for such Valuation Dates.

6 ACCRETION TERM DATE. The maturity date of a Capital
7 Appreciation Bond or other date on which a Capital Appreciation Bond converts to a
8 Current Interest Bond.

9 ACT. Section 72-1-10 NMSA 1978, Sections 3-31-1 to 3-31-12 NMSA
10 1978, Sections 4-61-1 to 4-61-10 NMSA 1978, Sections 6-18-1 through 6-18-16
11 NMSA 1978, and enactments of the Board relating to the Bond Ordinance.

12 AUTHENTICATING AGENT. The Registrar or any trust company,
13 national or state banking association or financial institution qualified to act and
14 appointed as the authenticating agent for the Bonds by an Authorized Officer from
15 time to time.

16 AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or
17 integral multiples of \$5,000.

18 AUTHORIZED OFFICER. The Chair, the Executive Director, or other
19 officer or employee of the Water Authority when designated by a certificate signed
20 by the Chair from time to time.

21 BENEFICIAL OWNERS. Beneficial Owners as defined in Section 7
22 (C).

23 BOARD. The governing body in which is vested the legislative power
24 of the Water Authority.

25 BOND, BONDS OR SERIES 2014 BONDS. The Albuquerque
26 Bernalillo County Water Utility Authority Subordinate Lien Joint Water and Sewer
27 System Refunding Revenue Bonds, Series 2014, issued pursuant to the Bond
28 Legislation, in the principal amount of \$[183,425,000].

29 BOND COUNSEL. An attorney at law or a firm of attorneys,
30 designated by the Water Authority, of nationally recognized standing in matters
31 pertaining to the issuance of bonds issued by states and their political subdivisions.

1 BOND INSURANCE POLICY. A municipal bond insurance policy
2 issued by a Credit Source insuring the payment when due of the principal of and
3 interest on Insured Obligations.

4 BOND LEGISLATION. The Bond Ordinance and the Confirming
5 Resolution.

6 BOND ORDINANCE. This ordinance, as amended or supplemented
7 from time to time.

8 BOND PURCHASE AGREEMENT. The Bond Purchase Agreement
9 between the Water Authority and the Purchaser for the Bonds.

10 BUSINESS DAY. Any day during which any Credit Source, the Paying
11 Agent or the Registrar, the offices of the Water Authority and the New York Stock
12 Exchange are all open for business during normal business hours.

13 CAPITAL APPRECIATION BONDS. System Obligations on which the
14 first scheduled date for payment of principal and/or interest is the Accretion Term
15 Date. For the purposes of (1) receiving payment of the redemption price if a Capital
16 Appreciation Bond is redeemed prior to maturity or (2) determining the principal
17 amount of System Obligations held by the owner of a Capital Appreciation Bond in
18 giving any notice, consent, request, or demand pursuant to an ordinance or
19 resolution of the Board or related document for any purpose whatsoever, the
20 principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted
21 Value.

22 CHAIR. The duly elected Chair of the Board or the Vice Chair of the
23 Board acting in the absence of the Chair.

24 CITY. The City of Albuquerque, in the County of Bernalillo and State
25 of New Mexico.

26 CLOSING DATE. The date of delivery of the Bonds to the Purchaser
27 or its designee.

28 CODE. The Internal Revenue Code of 1986, as amended, the federal
29 income tax regulations of the Treasury Department (whether proposed, temporary or
30 final) and any amendments of, or successor provisions to, the foregoing and any
31 official rulings, announcements, notices, procedures and judicial determinations

1 regarding any of the foregoing, all as and to the extent applicable. Unless otherwise
2 indicated, reference to a Section of the Code in this Bond Ordinance means that
3 Section of the Code and such applicable regulations, rulings, announcements,
4 notices, procedures and determinations pertinent to that Section.

5 COMPLETION DATE. The date of completion of the Refunding
6 Project.

7 CONFIRMING RESOLUTION. A resolution adopted on the date of
8 adoption of this Bond Ordinance declaring the necessity of the issuance of the
9 Series 2014 Bonds and confirming the terms hereof for purposes of Section 72-1-
10 10(M) NMSA 1978, as amended.

11 CONSULTING ENGINEER. Any registered or licensed professional
12 engineer or firm of engineers, entitled to practice and practicing as such under the
13 laws of the State, retained and compensated by the Water Authority but not in the
14 regular employ of the Water Authority, the City or the County; but, as to any
15 construction drawings and specifications prepared for the System by Water Authority
16 or City employees under the supervision of an engineer employed by the City or the
17 Water Authority; this term may include such engineer.

18 CONTINUING DISCLOSURE UNDERTAKING. The undertaking of
19 the Water Authority for the benefit of Owners pursuant to which the Water Authority
20 will agree for the benefit of Owners that, while the Bonds are Outstanding, the Water
21 Authority will annually provide certain financial information and operating data and
22 audited financial statements and will provide notice of certain events in accordance
23 with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

24 COUNSEL. An attorney at law (who may be counsel to the Water
25 Authority).

26 COUNTY. Bernalillo County, New Mexico.

27 CREDIT FACILITY. A letter of credit, line of credit, Bond Insurance
28 Policy or Reserve Account Surety Bond, guaranty or similar agreement provided by
29 a Credit Source whose senior unsecured debt is rated no lower than the current
30 rating on the applicable System Obligations and in any event no lower than "A" by
31 Moody's, S&P and Fitch to the extent each such rating agency is then rating those

1 System Obligations, to provide support to pay the purchase price of, or the payment
2 when due of the principal of and interest on, System Obligations.

3 CREDIT SOURCE. Any bank, insurance company or other financial
4 institution which provides a Credit Facility for a series of System Obligations.

5 DEBT SERVICE ACCOUNT. An account of the Debt Service Fund for
6 the deposit of Net Revenues and proceeds of a series of System Obligations for the
7 payment of Debt Service Requirements on that series of System Obligations.

8 DEBT SERVICE FUND. The Debt Service Fund previously established
9 by the Water Authority and continued by this Bond Ordinance.

10 DEBT SERVICE REQUIREMENTS. With respect to System
11 Obligations and for any given period, the sum of: (1) the amount required to pay the
12 interest, or to make reimbursements for payments of interest, becoming due on
13 System Obligations during that period, plus (2) the amount required to pay the
14 principal or Accreted Value, or to make reimbursements for the payment of principal
15 or Accreted Value, becoming due on System Obligations during that period, whether
16 at maturity, an accretion term date or upon mandatory sinking fund redemption
17 dates, plus (3) the periodic payments required to be made by the Water Authority
18 pursuant to a Qualified Exchange Agreement minus (4) the periodic payments to be
19 received by the Water Authority pursuant to a Qualified Exchange Agreement. No
20 payments required for any System Obligations which may be tendered or otherwise
21 presented for payment at the option or demand of the owners of System Obligations,
22 or which may occur because of the exercise of an option by the Water Authority, or
23 which may otherwise become due by reason of any other circumstance or
24 contingency, including acceleration or early termination payments, which constitute
25 other than regularly scheduled payments of principal, Accreted Value, interest or
26 other regularly scheduled payments on System Obligations shall be included in any
27 computation of Debt Service Requirements for that period.

28 Unless, at the time of computation of Debt Service Requirements, payments
29 on System Obligations are owed to, or System Obligations are owned or held by, the
30 provider of a Credit Facility pursuant to the provisions of that Credit Facility, the

1 computation of interest for the purposes of this definition shall be made without
2 considering the interest rate payable pursuant to a Credit Facility.

3 In any computation of Debt Service Requirements relating to the issuance of
4 additional Subordinate Obligations, there shall be excluded from the computation of
5 the Debt Service Requirements amounts and investments which are irrevocably
6 committed to make designated payments on System Obligations during the
7 applicable period, including, without limitation, money on deposit in any Debt Service
8 Account and amounts on deposit in an escrow account irrevocably committed to
9 make designated payments on System Obligations during the applicable period and
10 earnings on such investments which are payable and committed to the payment of
11 such System Obligations during the applicable period. For the purpose of the
12 definition of Debt Service Requirements, the Accreted Value of Capital Appreciation
13 Bonds becoming due shall be included in the calculation of accrued and unpaid and
14 accruing interest and principal only from and after the date which is one year prior to
15 the date on which the Accreted Value becomes payable.

16 Unless otherwise required by a Water Authority ordinance or resolution
17 relating to a series of System Obligations, to determine Debt Service Requirements
18 of Variable Rate Obligations, the Water Authority shall use the procedures set forth
19 in the following paragraphs to determine the amount of interest or other payments to
20 be paid by the Water Authority on Variable Rate Obligations and the amount of
21 credit against Debt Service Requirements for payments to be received by the Water
22 Authority based upon Variable Rate Obligations to be made by a counterparty
23 pursuant to a Qualified Exchange Agreement.

24 (1) During any historical period for which the actual variable
25 interest rate or rates are determinable, the actual variable interest rate shall be used.
26 During any historical period when the actual variable interest rate is not
27 determinable, the variable interest rate shall, for the purpose of determining Debt
28 Service Requirements, be deemed to be the higher of:

29 (a) the actual variable interest rate, if any, at the time
30 of computation; or

31 (b) a fixed annual rate equal to the prevailing rate on

1 the Variable Rate Obligations on the date of computation (which, for the purpose of
2 determining the debt service reserve requirement, shall be the date of initial
3 issuance of the applicable System Obligations) as certified by the Water Authority's
4 financial advisor, the purchaser of the System Obligations, an investment banker
5 designated by the Water Authority from time to time or a counterparty with respect to
6 a Qualified Exchange Agreement.

7 (2) Prospective computations of interest payable on Variable
8 Rate Obligations, including those relating to the issuance of additional Subordinate
9 Obligations required by Section 27 or required by the Rate Covenant, shall be made
10 on the assumption that such obligations bear interest at a fixed annual rate equal to:

11 (a) the average of the daily rates of such System
12 Obligations during the 365 consecutive days (or any lesser period such System
13 Obligations have been Outstanding) next preceding a date which is no more than 60
14 days prior to the date of the issuance of the additional Subordinate Obligations; or

15 (b) with respect to System Obligations initially issued
16 or incurred as or being converted to Variable Rate Obligations, the estimated initial
17 rate of interest of such System Obligations upon the date of issuance, exchange or
18 conversion as certified by the Water Authority's financial advisor, another investment
19 banker, as designated by the Water Authority from time to time, or a counterparty
20 with respect to a Qualified Exchange Agreement.

21 **DEFEASANCE OBLIGATIONS.**

22 (1) Government Obligations; or

23 (2) if permitted by law, other obligations which would result in
24 the defeased Bonds receiving the same rating from any national rating agency then
25 rating such series of bonds as would have been received if the obligations described
26 in clause (1) of this definition had been used.

27 **DEPOSITORIES.** The following registered securities depository: The
28 Depository Trust Company, 55 Water Street, 22nd Floor, New York, New York
29 11220, Fax (212) 855-8440; or in accordance with then-current guidelines of the
30 Securities and Exchange Commission, to such other addresses and/or such other

1 securities depositories, or no such depositories, as the Water Authority, by an
2 Authorized Officer, may designate in a certificate of the Water Authority.

3 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
4 (2003). The loan agreement dated April 11, 2003 between the NMFA and the City in
5 the original principal amount of \$3,600,000 and approved by City Ordinance
6 Enactment No. 10-2002 and Resolution Enactment No. 19-2003.

7 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
8 (2008). The loan agreement dated November 7, 2008 between the NMFA and the
9 Water Authority in the original principal amount of \$12,000,000 and approved by
10 Water Authority Ordinance Enactment No. F/S O-08-4 and Resolution Enactment
11 No. F/S R-08-13.

12 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
13 (2009). The loan agreement between the NMFA and the Water Authority in the
14 original principal amount of \$1,010,000.

15 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
16 (2010-1). The loan agreement between the NMFA and the Water Authority in the
17 original principal amount of \$47,518.

18 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
19 (2010-2). The loan agreement between the NMFA and the Water Authority in the
20 original principal amount of \$60,600.

21 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
22 (2010-3). The loan agreement between the NMFA and the Water Authority in the
23 original principal amount of \$125,453.

24 EID. The New Mexico Environment Department, formerly the New
25 Mexico Environmental Improvement Division of the Health and Environment
26 Department of the State.

27 EID LOAN. As of the date of adoption of the Bond Ordinance: The
28 loan made to the City by EID, evidenced by a Loan Agreement dated June 18, 2002,
29 authorized by City Ordinance No. 58–2001 in the original principal amount of
30 \$15,000,000.

1 ELECTRONIC MEANS. Telephone, telecopy, telegraph, email,
2 facsimile transmission or any other similar means of electronic communication. Any
3 communication by telephone as an Electronic Means shall promptly be confirmed in
4 writing, which may be by one of the other means of electronic communication listed
5 in this definition.

6 EMMA. The Municipal Securities Rulemaking Bonds Electronic
7 Municipal Market Access System located on its website at emma.msrb.org.

8 ESCROW AGENT. BOKF, N.A. dba Bank of Albuquerque, a
9 commercial bank and a member of the Federal Deposit Insurance Corporation
10 having full and complete trust powers, or its duly authorized successor.

11 ESCROW AGREEMENT. The escrow agreement relating to the
12 refunding of the Refunded Obligations between the Water Authority and the Escrow
13 Agent.

14 ESCROW FUNDS. The escrow funds for the Refunded Obligations
15 created in Section 20 to be maintained by the Escrow Agent.

16 EXPENSE ACCOUNT. That account established for the purpose of
17 appropriating for the annual budget that part of the Operation and Maintenance
18 Expenses which are reasonably necessary for the administration of the Debt Service
19 Fund and which is a separate account of the Debt Service Fund.

20 EXPENSES. The reasonable and necessary fees, costs and
21 expenses incurred by the Water Authority with respect to the issuance of, including
22 disclosure matters pertaining to, the Bonds, including, without limitation, attorneys'
23 fees, premiums and costs for any Credit Facility, costs of advertising and publication,
24 underwriter's discounts, cost of printing bonds and disclosure documents, fees and
25 costs of the Escrow Agent, legal fees and expenses, costs relating to the initial
26 purchase of securities for deposit with the Escrow Agent, including any costs
27 associated with any verification agent, and expenses of any Independent Accountant
28 and all reasonable and necessary fees and administrative costs of the Water
29 Authority relating to the foregoing.

1 FISCAL YEAR. The twelve-month period beginning on the first day of
2 July of each year and ending on the last day of June of the next succeeding year, or
3 any other twelve-month period, which the Water Authority designates.

4 FITCH. Fitch Ratings, its successors and assigns, and, if such entity is
5 dissolved or liquidated or no longer performs the functions of a securities ratings
6 agency, "Fitch" shall be deemed to refer to any other nationally recognized securities
7 rating agency designated by the Water Authority.

8 GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations
9 the principal of and interest on which are unconditionally guaranteed by, the United
10 States of America, or certificates or receipts established by the United States
11 Government or its agencies or instrumentalities representing direct ownership of
12 future interests or principal payments on direct obligations of, or obligations fully
13 guaranteed by, the United States of America or any of its agencies or
14 instrumentalities the obligations of which are backed by the full faith and credit of the
15 United States, which obligations are held by a custodian in safekeeping on behalf of
16 the holders of such receipts, and rated or assessed in its highest Rating Category by
17 S&P, if then rating the Bonds, by Fitch, if then rating the Bonds, and by Moody's, if
18 then rating the Bonds.

19 GROSS REVENUES. All income and revenues directly or indirectly
20 derived by the Water Authority from the operation and use of the System, or any part
21 of the System, and includes, without limitation, all revenues received by the Water
22 Authority, or any municipal corporation or agency succeeding to the rights of the
23 Water Authority, from the System and from the sale and use of water, water services
24 or facilities, sewer service or facilities or any other service, commodity or facility or
25 any combination thereof furnished to the inhabitants of the geographic area served
26 by the Water Authority by means of the System as the same may at any time exist to
27 serve customers outside the Water Authority's geographical limits as well as
28 customers within the Water Authority's geographical limits. Such term also includes:

29 (1) All income derived from the investment of any money in
30 the Acquisition Fund, Joint Water and Sewer Fund, Debt Service Fund and Rate
31 Stabilization Fund and income derived from surplus Net Revenues;

1 (2) Money released from the Rebate Fund to the Water
2 Authority;

3 (3) Money released from the Rate Stabilization Fund to the
4 Water Authority to the extent that the amount released is used to pay Operation and
5 Maintenance Expenses or Debt Service Requirements on System Obligations in the
6 year released; provided that withdrawals from the Rate Stabilization Fund shall not
7 be included in Gross Revenues for the purposes of the Rate Covenant in any two
8 consecutive calendar years;

9 (4) Property insurance proceeds which are not necessary to
10 restore or replace the property lost or damaged and the proceeds of the sale or
11 other disposition of any part of the System; and.

12 (5) On and after July 1, 2006, funds received from users of
13 the System as a reimbursement of, or otherwise in connection with, franchise fees to
14 be paid by the Water Authority.

15 Gross Revenues do not include:

16 (1) any money received as grants or gifts from the United
17 States of America, the State or other sources, or the proceeds of any charge or tax
18 intended as a replacement therefor or other capital contributions from any source
19 which are restricted as to use; and

20 (2) condemnation proceeds or the proceeds of any
21 insurance policy, except any property insurance proceeds described above in clause
22 (4) of this definition or in Section 29.(L) or derived in respect of loss of use or
23 business interruption.

24 HISTORIC TEST PERIOD. Any period of 12 consecutive months out
25 of the 24 calendar months next preceding the delivery of additional Subordinate
26 Obligations pursuant to Section 27.(B).

27 INDEPENDENT ACCOUNTANT. Any certified public accountant,
28 registered accountant, or firm of accountants duly licensed to practice and practicing
29 as such under the laws of the State, appointed and paid by the Water Authority who
30 (a) is, in fact, independent and not under the domination of the Water Authority, the
31 City or the County, (b) does not have any substantial interest, direct or indirect, with

1 the Water Authority, the City or the County, and (c) is not connected with the Water
2 Authority as an officer or employee of the Water Authority, but who may be regularly
3 retained to make annual or similar audits of the books or records of the Water
4 Authority, the City or the County.

5 INSURED BANK. A bank insured by an agency of the United States.

6 INSURED OBLIGATIONS. System Obligations insured by a Bond
7 Insurance Policy or payable with the proceeds of another Credit Facility.

8 INTEREST PAYMENT DATE. January 1 and July 1 of each year (or if
9 such day is not a Business Day, then the next succeeding Business Day) beginning
10 on the date set forth in the Confirming Resolution.

11 JOINT WATER AND SEWER FUND. The “City of Albuquerque, New
12 Mexico, Joint Water and Sewer Fund” originally established in Section 16 of
13 Ordinance No. 18-1984 and continued by this Ordinance as the “Albuquerque
14 Bernalillo County Water Utility Authority Joint Water and Sewer Fund.”

15 MOODY’S. Moody’s Investors Service, Inc., a corporation organized
16 and existing under the laws of the State of Delaware, its successors and their
17 assigns, and, if such corporation does not provide a rating for the Bonds, “Moody’s”
18 shall be deemed to refer to any other nationally recognized securities rating agency
19 rating the Bonds.

20 NMFA. The New Mexico Finance Authority.

21 NMSA 1978. New Mexico Statutes Annotated, 1978 Compilation, as
22 amended and supplemented.

23 NET REVENUES. The Gross Revenues after deducting Operation
24 and Maintenance Expenses.

25 OFFICIAL STATEMENT. The final disclosure document relating to the
26 offer and sale of the Bonds (including the cover page and all summary statement
27 appendices and other materials included or incorporated by reference or attached
28 thereto), as amended or supplemented.

29 OPERATION AND MAINTENANCE EXPENSES. All reasonable and
30 necessary current expenses of the System, paid or accrued, related to operating,

1 maintaining and repairing the System including, without limiting the generality of the
2 foregoing:

3 (1) legal and overhead expenses directly related and
4 reasonably allocable to the administration of the System;

5 (2) insurance premiums for the System, including, without
6 limitation, premiums for property insurance, public liability insurance and workmen's
7 compensation insurance, whether or not self-funded;

8 (3) premiums, expenses and other costs (other than required
9 reimbursements of insurance proceeds and other amounts advanced to pay Debt
10 Service Requirements on System Obligations) for Credit Facilities;

11 (4) Expenses other than expenses paid from the proceeds of
12 System Obligations;

13 (5) the costs of audits of the books and accounts of the
14 Water Authority and the System;

15 (6) amounts required to be deposited in the Rebate Fund or
16 otherwise required to make rebate payments to the United States Government;

17 (7) salaries, administrative expenses, labor costs, surety
18 bonds and the cost of materials and supplies used for or in connection with the
19 current operation of the System; and

20 (8) franchise tax payments to the City, County or any other
21 local government.

22 Operation and Maintenance Expenses do not include any allowance for
23 depreciation, payments in lieu of taxes, liabilities incurred by the Water Authority as
24 a result of its negligence or other misconduct in the operation of the System or any
25 charges for the accumulation of reserves for capital replacements. Operation and
26 Maintenance Expenses do not include any payment of or reimbursement for the
27 payment of Debt Service Requirements or premiums on the Bonds or liabilities
28 incurred by the Water Authority as the result of negligence in the operation of the
29 System.

30 **OUTSTANDING.** When used in reference to System Obligations, on
31 any particular date, the aggregate of all System Obligations issued and delivered

1 under the applicable Water Authority or City ordinance authorizing the issuance of,
2 System Obligations except:

3 (1) those canceled at or prior to such date or delivered to or
4 acquired by the Water Authority or the City at or prior to such date for cancellation;

5 (2) those which have been paid or are deemed to be paid in
6 accordance with the Water Authority or City ordinance or resolution authorizing the
7 issuance of the applicable System Obligations or otherwise relating thereto, provided
8 that the payment of Insured Obligations with the proceeds of a Bond Insurance
9 Policy shall not result in those Insured Obligations ceasing to be Outstanding;

10 (3) in the case of Variable Rate Obligations, System
11 Obligations deemed tendered but not yet presented for payment;

12 (4) those Bonds which have been refunded in accordance
13 with this Bond Ordinance or other ordinance of the Water Authority authorizing the
14 defeasance of the applicable bonds; and

15 (5) those in lieu of or in exchange or substitution for which
16 other System Obligations shall have been delivered, unless proof satisfactory to the
17 Water Authority or the City and the Paying Agent for the applicable System
18 Obligations is presented that any System Obligation for which a new System
19 Obligation was issued or exchanged is held by a bona fide holder in due course.

20 OWNER. The registered owner or owners of any Bond as shown on
21 the registration books maintained by the Registrar.

22 PAYING AGENT. The chief financial officer or successor in function of
23 the Water Authority or any trust company, national or state banking association or
24 financial institution qualified to act, appointed as the paying agent for the Bonds by
25 an Authorized Officer from time to time.

26 PERMITTED INVESTMENTS. Any of the following which at the time
27 of the investment are legal investments for the Water Authority for the money to be
28 invested and any other investments, subject to approval by S&P, Fitch and Moody's,
29 if then rating the Bonds, which at the time of investment are legal investments of the
30 Water Authority for the money to be invested:

31 (1) Government Obligations, but not including: General

1 Services Administration -- participation certificates; Government National Mortgage
2 Association (GNMA) -- GNMA guaranteed mortgage-backed securities and GNMA
3 guaranteed participation certificates; U.S. Department of Housing & Urban
4 Development -- local authority bonds; and U.S. Export-Import Bank;

5 (2) Obligations of the following government-sponsored
6 agencies: Federal Home Loan Mortgage Corporation -- participation certificates and
7 senior debt obligations; Farm Credit System (formerly: Federal Land Banks and
8 Banks for Cooperatives) – consolidated system-wide bonds and notes; Federal
9 Home Loan Banks -- consolidated debt obligations; Federal National Mortgage
10 Association -- senior debt obligations and mortgage-backed securities (excluding
11 stripped mortgage securities which are valued greater than par on the portion of
12 unpaid principal); letter of credit backed issues; Financing Corporation -- debt
13 obligations; and Resolution Funding Corporation -- debt obligations;

14 (3) Certificates of deposit, time deposits and banker's
15 acceptances of any bank or savings and loan association, the short-term obligations
16 of which are rated in the highest Rating Category by S&P, Fitch and Moody's, if then
17 rating the Bonds, provided that such deposits must be fully secured by securities
18 designated in paragraphs (1), (2) and (8) of this definition and held in safe-keeping
19 for, or on behalf of, or held in book-entry form in the name of, the Water Authority;

20 (4) Accounts with banks, savings and loan associations, and
21 credit unions located in Bernalillo County, provided that the banks, savings and loan
22 associations and credit unions, and the collateral securing the investments permitted
23 by this paragraph, satisfy the requirements of applicable State law;

24 (5) Obligations, the interest on which is excluded from gross
25 income of the recipient for federal income tax purposes, which are rated in the
26 highest Rating Category by S&P, Fitch and Moody's, if then rating the Bonds;

27 (6) Money market instruments and other securities of
28 commercial banks, broker-dealers or recognized financial investors, which securities
29 or institutions are rated in the highest Rating Category by S&P, Fitch and Moody's, if
30 then rating the Bonds, or which securities are guaranteed by a person or entity
31 whose long-term debt obligations are rated in the highest Rating Category by S&P,

1 Fitch and Moody's, if then rating the Bonds, including, without limitation, securities
2 of, or other interests in, any open-end or closed-end management type investment
3 company or investment trust registered under the provisions of 15 U.S.C. Sections
4 80(a)-1 et. seq., which invest only in, or whose securities are secured only by,
5 obligations of the type set forth in paragraphs (1), (2) and (8) of this definition;

6 (7) The "participating government investment fund"
7 described in Section 6-10-10.1 NMSA. 1978 or other similar pooled fund maintained
8 by the State for the investment of public funds of local public bodies of the State;

9 (8) Stripped Securities: (i) U.S. Treasury STRIPS and (ii)
10 REFCORP STRIPS (stripped by Federal Reserve Bank of New York);

11 (9) Repurchase agreements involving the purchase and sale
12 of, and guaranteed investment contracts, the par value of which is collateralized by a
13 perfected first pledge of, or security interest in, or the payments of which are
14 unconditionally guaranteed by, securities described in parts (1), (2) and (8) of this
15 definition, which collateral is held by the Water Authority, or for the benefit of the
16 Water Authority, by a party other than the provider of the guaranteed investment
17 contract or repurchase agreement, with a collateralized value of at least 102% of the
18 par value of such repurchase agreement or guaranteed investment contract or 102%
19 of the market value thereof, valued at intervals of no less than monthly and which
20 collateral is not subject to any other pledge or security interest;

21 (10) Deposits insured at all times by the Federal Deposit
22 Insurance Corporation or otherwise collateralized with Government Obligations; and

23 (11) Agreements which permit the Water Authority to require a
24 commercial bank, broker-dealer or recognized financial institution to purchase from
25 the Water Authority at a fixed price obligations described in paragraphs (1), (2) and
26 (8) of this definition; provided that, if required by law, the contract relating to such
27 agreement is approved by resolution of the Board and all other requirements of law
28 relating to any such investment are satisfied and provided further that such
29 institution, or the guarantor of such institution or agreement, shall be rated in one of
30 the top two Rating Categories by S&P, Fitch and Moody's, if then rating the Bonds.

1 PRELIMINARY OFFICIAL STATEMENT. The initial disclosure
2 document relating to the offer and sale of the Bonds (including the cover page and
3 all summary statements, appendices and other materials included or incorporated by
4 reference or attached thereto), as amended or supplemented.

5 PROSPECTIVE TEST PERIOD. The 12-month period commencing
6 on the first day of the month following the estimated Completion Date of the project
7 for which additional Subordinate Obligations are proposed to be issued pursuant to
8 Section 27.(B) or the first day of the thirty-sixth month following the delivery of such
9 Subordinate Obligations, whichever is earlier.

10 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2004).
11 The loan agreement dated October 13, 2004 between the NMFA and the Water
12 Authority in the principal amount of \$118,215,000 and approved by Ordinance No.
13 O-04-2.

14 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005).
15 The loan agreement dated October 28, 2005 between the NMFA and the Water
16 Authority in the principal amount of \$20,000,000 and approved by Ordinance No. O-
17 05-3.

18 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2007).
19 The loan agreement dated September 26, 2007 between the NMFA and the Water
20 Authority in the principal amount of \$77,005,000 and approved by Ordinance No. O-
21 07-6 and Resolution No. R-07-26.

22 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2011).
23 The loan agreement dated December 15, 2011 between the NMFA and the City in
24 the principal amount of \$49,100,000 and approved by Ordinance No. 0-11-5 and
25 Resolution No. R-11-17.

26 PURCHASER. J.P. Morgan Securities LLC, Robert W. Baird & Co.,
27 Incorporated, and Stifel, collectively, as the original purchasers of the Bonds.

28 QUALIFIED EXCHANGE AGREEMENT. Any financial arrangement
29 between the Water Authority and a counterparty which, when entered into by the
30 Water Authority, satisfies the requirements of Section 6-18-8.1 NMSA 1978.

1 RATE COVENANT. The covenant in Section 29.(C) relating to
2 charging rates for use of the System to pay Debt Service Requirements.

3 RATE STABILIZATION FUND. The Rate Stabilization Fund for
4 System Obligations previously established by the Water Authority and continued by
5 this Bond Ordinance.

6 RATING CATEGORY. A generic securities rating category, without
7 regard, in the case of a long-term rating category, to any refinement or gradation of
8 such long-term rating category by a numerical modifier or otherwise.

9 REBATE FUND. The Rebate Fund for System Obligations previously
10 established by the Water Authority and continued by this Bond Ordinance.

11 RECORD DATE. The fifteenth day of the calendar month preceding
12 each Interest Payment Date.

13 REFUNDED OBLIGATIONS. Collectively, (i) the Public Project
14 Revolving Fund Loan Agreement (2005) maturing on and after May 1, ____ (ii) the
15 Series 2005 Bonds maturing on and after July 1, ____, (iii) the Series 2006A Bonds
16 maturing on an after July 1, ____, and (iv) all of the outstanding EID Loan.

17 REFUNDING PROJECT. Collectively, (i) the advance refunding of the
18 Public Project Revolving Fund Loan Agreement (2005) maturing on and after May 1,
19 ____, (ii) the advance refunding of the Series 2005 Bonds maturing on and after July
20 1, ____, (iii) the advance refunding of the Series 2006A Bonds maturing on and after
21 July 1, ____, and (iv) the current refunding of the EID Loan with proceeds of the
22 Series 2014 Bonds and other money of the Water Authority legally available for the
23 purpose.

24 REGISTRAR. The chief financial officer or successor in function of the
25 Water Authority or any trust company, national or state banking association or
26 financial institution qualified to act and appointed as the registrar for the Bonds by an
27 Authorized Officer from time to time.

28 REPLACEMENT FUND. The Replacement Fund previously
29 established by the Water Authority and continued by this Bond Ordinance.

30 RESERVE ACCOUNT. The accounts of the Debt Service Fund to be
31 established for Subordinate Obligations with a reserve requirement.

1 RESERVE ACCOUNT SURETY BOND. Any policy of insurance or
2 surety bond or other Credit Facility issued to the Water Authority to be deposited in a
3 Reserve Account, the proceeds of which shall be used to prevent deficiencies in the
4 payment of the principal of or interest on a series of System Obligations, written by
5 an insurer whose policies of insurance, or issued by a Credit Source whose Credit
6 Facility, would not adversely affect the rating of the System Obligations by either
7 Moody's, S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch. At the
8 time of the issuance of such policy, such insurer or the component insurance
9 companies thereof or the obligations thereof shall have received the highest policy
10 claims rating accorded insurers by the A. M. Best Company or any comparable
11 service and either of the two highest rating categories of Moody's, S&P or Fitch if the
12 Bonds are then rated by Moody's, S&P or Fitch.

13 S&P. Standard & Poor's Ratings Services, a division of the McGraw-
14 Hill Companies, Inc., its successors and their assigns, and, if such corporation does
15 not provide a rating for the Bonds, "S&P" shall be deemed to refer to any other
16 nationally recognized securities agency rating the Bonds.

17 SENIOR OBLIGATIONS. The Series 2005 Bonds, the Series 2006A
18 Bonds, the Drinking Water State Revolving Fund Loan Agreement (2003), the Public
19 Project Revolving Fund Loan Agreement (2004), the Public Project Revolving Fund
20 Loan Agreement (2005), the Public Project Revolving Fund Loan Agreement (2007),
21 the Series 2008A Bonds, the Series 2009 Bonds, the Drinking Water State
22 Revolving Fund Loan Agreement (2009), the Public Project Revolving Fund Loan
23 (2011), the Series 2013A&B Bonds, and obligations related thereto designated as
24 Senior Obligations, in any ordinance or resolution of the Water Authority relating to
25 those bonds, and any other System Obligations issued with a lien on the Net
26 Revenues on a parity with the lien of the Outstanding Senior Obligations on Net
27 Revenues.

28 SERIES 2005 BONDS. The Outstanding System Obligations
29 designated as "Albuquerque Bernalillo County Water Utility Authority Joint Water
30 and Sewer System Improvement Revenue Bonds, Series 2005," in the original
31 principal amount of \$132,985,000 authorized and issued by the Water Authority.

1 SERIES 2006A BONDS. The System Obligations designated as
2 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
3 System Improvement Revenue Bonds, Series 2006A” in the original principal
4 amount of \$133,390,000, issued pursuant to Ordinance No. 0-06-2.

5 SERIES 2008A BONDS. The System Obligations designated as
6 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
7 System Improvement Revenue Bonds, Series 2008A” in the original principal
8 amount of \$55,630,000, issued pursuant to Ordinance No. O-08-2, as supplemented
9 by Resolution No. R-08-5.

10 SERIES 2009 BONDS. The System Obligations designated as
11 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
12 System Improvement Revenue Bonds, Series 2009” in the original principal amount
13 of \$135,990,000 issued pursuant to Ordinance No. O-09-1.

14 SERIES 2013A&B BONDS. The System Obligations designated as
15 the “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
16 System Improvement Revenue Bonds, Series 2013A” and the “Albuquerque
17 Bernalillo County Water Utility Authority Joint Water and Sewer System Refunding
18 Revenue Bonds, Series 2013B” in the combined original principal amount of
19 \$118,215,000 issued pursuant to Ordinance No. O-13-2.

20 SERIES 2014 BONDS DEBT SERVICE ACCOUNT. An account of the
21 Debt Service Fund established for the deposit of amounts necessary to pay Debt
22 Service Requirements on the Bonds.

23 STATE. The State of New Mexico.

24 SUBORDINATE OBLIGATIONS. The EID Loan, the Drinking Water
25 State Revolving Fund Loan Agreement (2008), the Drinking Water State Revolving
26 Fund Loan Agreement (2010-1), the Drinking Water State Revolving Fund Loan
27 Agreement (2010-2), the Drinking Water State Revolving Fund Loan Agreement
28 (2010-3), and all other bonds and other obligations of the Water Authority (including
29 those previously issued by the City) now or hereafter issued with a lien on the Net
30 Revenues subordinated to the liens of Senior Obligations and superior to the liens of
31 the Super Subordinated Obligations on Net Revenues.

1 SUPER SUBORDINATED OBLIGATIONS. The Water Trust Board
2 Loans, and all other bonds and other obligations of the Water Authority now or
3 hereafter issues with a lien on the Net Revenues subordinated to the liens of Senior
4 Obligations and Subordinate Obligations on Net Revenues.

5 SYSTEM. The public utility owned by the Water Authority and
6 designated as the Water Authority's water system and sanitary sewer system
7 (continued as a joint utility system in Section 4) consisting of all properties, real,
8 personal, mixed or otherwise, now owned or hereafter acquired by the Water
9 Authority, through purchase, construction or otherwise, including all extensions,
10 enlargements and improvements of or to the water and sanitary sewer system and
11 used in connection therewith or relating thereto, and any other related activity or
12 enterprise of the Water Authority designated by the Board as part of the water and
13 sanitary sewer system, whether situated within or without the geographical limits of
14 the Water Authority.

15 SYSTEM OBLIGATIONS. All bonds and other similar indebtedness
16 payable solely or primarily from Net Revenues, including, without limitation, the
17 Senior Obligations, the Subordinate Obligations and the Super Subordinated
18 Obligations.

19 VALUATION DATE. Unless stated otherwise in an ordinance or
20 resolution of the Board, each January 1 and July 1 while Capital Appreciation Bonds
21 are Outstanding, being the dates on which the Accreted Value of Capital
22 Appreciation Bonds are listed in the applicable ordinance or resolution.

23 VARIABLE RATE OBLIGATIONS. System Obligations, including
24 reimbursement obligations pursuant to a Credit Facility, the interest rate on which is
25 subject to change from time to time.

26 WATER AUTHORITY. The Albuquerque Bernalillo County Water
27 Utility Authority created by Section 72-1-10 NMSA 1978 as a joint agency of the City
28 and the County and operating under the name Albuquerque Bernalillo County Water
29 Utility Authority.

30 WATER TRUST BOARD. The board created by Section 72-4A-4
31 NMSA 1978.

1 WATER TRUST BOARD LOANS. As of the date of adoption of the
2 Bond Ordinance: (i) the 2009 loan made to the Water Authority by the Water Trust
3 Board, evidenced by that loan agreement in the amount of \$50,000; (ii) the 2009
4 loan made to the Water Authority by the Water Trust Board, evidenced by that loan
5 agreement in the amount of \$100,000; (iii) the 2010 loan made to the Water
6 Authority by the Water Trust Board, evidenced by the loan agreement in the amount
7 of \$190,235; (iv) the 2011 loan made to the Water Authority by the Water Trust
8 Board, evidenced by that loan agreement in the amount of \$452,000; (v) the 2011
9 loan made to the Water Authority by the Water Trust Board, evidenced by that loan
10 agreement in the amount of \$640,000; and (vi) the 2011 loan made to the Water
11 Authority by the Water Trust Board, evidenced by that loan agreement in the amount
12 of \$63,354.

13 RULES OF CONSTRUCTION. For purposes of this Bond Ordinance,
14 unless otherwise expressly provided or unless the context requires otherwise:

15 (1) Unless otherwise stated in this Bond Ordinance, all
16 references in this Bond Ordinance to designated Sections and other subdivisions are
17 to the designated Section and other subdivisions of this Bond Ordinance.

18 (2) The words "herein", "hereof", "hereunder", and "herewith"
19 and other words of similar import in this Bond Ordinance refer to this Bond
20 Ordinance, as a whole, and not to any particular Section or other subdivision.

21 (3) All accounting terms not otherwise defined in this Bond
22 Ordinance have the meanings assigned to them in accordance with generally
23 accepted accounting principles.

24 (4) Words of the masculine gender shall be deemed and
25 construed to include correlative words of the feminine and neuter genders.

26 (5) The headings used in this Bond Ordinance are for
27 convenience of reference only and shall not define or limit the provisions of this
28 Bond Ordinance.

29 (6) Terms in the singular include the plural and vice versa.

30 Section 2. RATIFICATION. All actions previously taken (not inconsistent
31 with the provisions of this Bond Ordinance) by the Board and the officers of the

1 Water Authority, directed toward the authorization, pledge, collection and distribution
2 of the Net Revenues, the Project, and the authorization, issuance and sale of the
3 Bonds are ratified, approved and confirmed.

4 Section 3. FINDINGS.

5 (A) The Water Authority declares that it has considered all relevant
6 information and data and finds that the issuance of the Bonds in the maximum
7 principal amount of \$[183,425,000] under the Act to provide funds to finance the
8 Project is necessary and in the interest of the public health, safety and welfare of the
9 residents of the geographic area served by the Water Authority.

10 (B) The Water Authority will finance the Refunding Project with the
11 proceeds of the Bonds, together with other funds of the Water Authority, if
12 necessary.

13 (C) It is economically feasible to accomplish the Refunding Project
14 by the issuance of the Bonds.

15 Section 4. JOINT UTILITY. The System shall continue to be operated and
16 maintained as a joint public utility.

17 Section 5. LIABILITY FOR OUTSTANDING SYSTEM OBLIGATIONS.

18 The Water Authority hereby confirms that, in accordance with Section 72-1-10
19 NMSA 1978, the Water Authority has assumed all of the outstanding obligations that
20 were entered into by the City prior to the Water Authority's acquisition of the System.

21 Section 6. AUTHORIZATION OF PROJECT; EXPENSES.

22 (A) REFUNDING PROJECT. The Refunding Project is hereby
23 authorized and approved.

24 (B) EXPENSES. The payment of Expenses is authorized and
25 approved.

26 (C) PROCEEDS. The net proceeds of the Bonds will be used
27 exclusively to finance the Refunding Project and to pay the Expenses.

28 (D) ADVANCE REFUNDING AND CURRENT REFUNDING. The
29 Public Project Revolving Fund Loan Agreement (2005) maturing on and after May 1,
30 ____, the Series 2005 Bonds maturing on and after July 1, ____, and the Series
31 2006A Bonds maturing on and after July 1, ____ will be advance refunded by

1 depositing funds with the Escrow Agent on the Closing Date to prepay on the
2 respective first optional redemption date for the Public Project Revolving Fund Loan
3 Agreement (2005), the Series 2005 Bonds, and the Series 2006A Bonds, those
4 amounts due at a redemption price of 100% of the principal amount thereof plus
5 interest to the redemption date. The EID Loan shall be currently refunded on the
6 Closing Date at a prepayment price of 100% of the principal amount outstanding on
7 the EID Loan plus interest to the prepayment date.

8 Section 7. THE BONDS.

9 (A) AUTHORIZATIONS. This Bond Ordinance has been adopted
10 by the affirmative vote of at least a majority of all of the members of the Board. For
11 the purpose of protecting the public health, conserving the property, protecting the
12 general welfare and prosperity of the citizens of the geographic area served by the
13 Water Authority, and completing the Refunding Project, it is necessary that the
14 Water Authority issue, and the Water Authority is hereby authorized to issue,
15 pursuant to the Act, its negotiable, fully registered bonds designated as
16 "Albuquerque Bernalillo County Water Utility Authority Subordinate Lien Joint Water
17 and Sewer System Refunding Revenue Bonds, Series 2014" (the "Series 2014
18 Bonds").

19 The Bonds shall be issued in the principal amount of \$[183,425,000], with
20 Bond proceeds to be used to finance the Refunding Project and to pay related
21 Expenses.

22 (B) DETAILS OF THE BONDS.

23 (1) General. The Bonds shall be issued as fully registered
24 bonds in one or more series in the aggregate principal amount of \$[183,425,000],
25 shall be designated the Albuquerque Bernalillo County Water Utility Authority
26 Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series
27 2014 (the "Series 2014 Bonds"), and shall be issued to provide funds, together with
28 other available funds of the Water Authority, if any, to finance the Refunding Project
29 and to pay Expenses relating to the issuance of the Series 2014 Bonds. The Bonds
30 will have such principal amounts, maturity dates and bear interest payable on the
31 Interest Payment Dates, as set forth in the Confirming Resolution. The Bonds shall

1 bear interest from the most recent date to which interest has been paid or provided
2 for or if no interest has been paid or provided for from the date of the Bonds until
3 maturity or until redeemed if called for redemption prior to maturity. Interest on
4 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day
5 months. If, upon presentation at maturity or for prior redemption, payment of the
6 principal amount of any Bond is not made as required by this Bond Ordinance,
7 interest on the unpaid principal amount of such Bond shall continue to accrue at the
8 interest rate stated or described in that Bond until the principal amount of that Bond
9 is paid in full. The maximum interest rate and maximum net effective interest rate on
10 the Bonds does not exceed 12% per annum, which are the maximum rates
11 prescribed by the laws of the State.

12 (2) Priority of Lien on the Net Revenues. The Bonds shall be
13 issued with a lien on the Net Revenues on a parity with the lien of the Subordinate
14 Obligations on the Net Revenues, subordinate to the Senior Obligations, and
15 superior to the Super Subordinated Obligations.

16 (C) BOOK-ENTRY. The Bonds shall be issued or registered in
17 book entry form with no physical distribution of bond certificates made to the public,
18 with a Depository acting as securities depository for the Bonds. A single certificate
19 for each maturity of the Bonds will be delivered to the Depository and immobilized in
20 its custody. The book-entry system will evidence ownership of the Bonds in
21 Authorized Denominations, with transfer of ownership effected on the books of the
22 Depository and its participants ("Participants"). As a condition to delivery of the
23 Bonds, the Purchasers will, immediately after acceptance of delivery thereof,
24 deposit, or cause to be deposited, Bond certificates with the Depository, registered
25 in the name of the Depository or its nominee. Principal of, premium, if any, and
26 interest on the Bonds will be paid to the Depository or its nominee as the registered
27 Owner of the Bonds. The transfer of principal and interest payments to Participants
28 will be the responsibility of the Depository; the transfer of principal and interest
29 payments to the beneficial owners of the Bonds (the "Beneficial Owners") will be the
30 responsibility of such Participants and other nominees of Beneficial Owners
31 maintaining a relationship with Participants (the "Indirect Participants"). The Water

1 Authority will not be responsible or liable for maintaining, supervising or reviewing
2 the records maintained by the Depository, Participants or Indirect Participants.

3 If (i) the Bonds are not eligible for the services of the Depository, (ii) the
4 Depository determines to discontinue providing its services or (iii) the Water
5 Authority determines that a continuation of the system of book-entry transfers
6 through the Depository ceases to be beneficial to the Water Authority or the
7 Beneficial Owners, the Water Authority will either identify another Depository or
8 certificates will be delivered to Beneficial Owners or their nominees and the
9 Beneficial Owners or their nominees, upon authentication of Bonds and registration
10 of the Bonds in the Beneficial Owners' or nominees' names, will become the Owners
11 for all purposes. In either such event, the Water Authority shall mail an appropriate
12 notice to the Depository for notification to Participants, Indirect Participants and
13 Beneficial Owners of the substitute Depository or the issuance of bond certificates to
14 Beneficial Owners or their nominees, as applicable.

15 Authorized Officers are authorized to sign agreements with Depositories
16 relating to the matters set forth in this Section.

17 Notwithstanding any other provision of the Bond Legislation to the contrary,
18 so long as all the Bonds are registered in the name of the Depository or its nominee,
19 all payments with respect to principal of, redemption premium, if any, and interest on
20 the Bonds, and all notices, shall be made and given by the Paying Agent or the
21 Water Authority to the Depository as provided in the Bond Legislation and by the
22 Depository to its Participants and by the Participants or Indirect Participants to the
23 Beneficial Owners.

24 (D) PAYMENT OF THE BONDS. The principal of and premium, if
25 any, on the Bonds shall be payable upon presentation and surrender of the Bonds at
26 the principal office of the Paying Agent at or after their maturity or prior redemption
27 dates. Interest on the Bonds shall be payable by check or draft mailed to the owners
28 (or by such other arrangement as may be mutually agreed to by the Paying Agent
29 and an Owner). The Owner shall be deemed to be that person or entity shown on
30 the registration books for the Bonds maintained by the Registrar at the address
31 appearing in the registration books at the close of business on the applicable Record

1 Date. Interest which is not timely paid or provided for shall cease to be payable to
2 the Owner of the applicable Bonds (or of one or more predecessor Bonds) as of the
3 Record Date, but shall be payable to the Owners of those Bonds (or of one or more
4 predecessor Bonds) at the close of business on a special record date for the
5 payment of the overdue interest. The special record date shall be fixed by the
6 Paying Agent and Registrar whenever money becomes available for payment of the
7 overdue interest and notice of the special record date shall be given to the Owners
8 of the Bonds not less than ten days prior to that date. Payment shall be made in the
9 coin or currency of the United States of America that is at the time of payment legal
10 tender for the payment of public and private debts. If the principal amount of any
11 Bond presented for payment remains unpaid at maturity, the unpaid principal shall
12 bear interest at the rate designated in that Bond. Payments of Bonds shall be made
13 without deduction for exchange or collection charges.

14 The Water Authority shall transfer, or cause to be transferred, funds to the
15 Paying Agent on a timely basis so that the Paying Agent may make payments of the
16 principal of, premium, if any, and interest on the Bonds, when due, to the Owners
17 and comply with the requirements of any Credit Source. The Water Authority shall
18 notify the Paying Agent if there is or will be an insufficient amount of money of the
19 Water Authority legally available to pay principal and interest on the Bonds when
20 due.

21 Section 8. APPOINTMENT OF PAYING AGENT AND REGISTRAR. The
22 chief financial officer of the Water Authority is appointed as the initial Paying Agent
23 and Registrar. The Paying Agent, Authenticating Agent and Registrar shall be the
24 same person.

25 Section 9. REDEMPTION OF BONDS.

26 (A) GENERAL. The Bonds may be subject to optional and
27 mandatory sinking fund redemption, in whole or in part, upon the conditions, on the
28 dates and upon payment of the redemption prices set forth in the Confirming
29 Resolution.

30 (B) REDEMPTION CONDITIONAL. Unless money sufficient to pay
31 the principal of and premium, if any, and interest on the Bonds to be redeemed at

1 the option of the Water Authority is received by the Paying Agent prior to the giving
2 of notice of redemption in accordance with Section 9.(E), that notice shall state that
3 the redemption is conditional upon the receipt of that money by the Paying Agent by
4 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Bonds called
5 for redemption is not received by that time (i) the Paying Agent shall redeem only
6 those Bonds for which the redemption price was received and the Bonds to be
7 redeemed shall be selected in the manner set forth in Section 9.(D) and (ii) the
8 redemption notice shall have no effect with respect to those Bonds for which the
9 redemption price was not received and those Bonds shall not be redeemed. The
10 Registrar shall give notice to the Owners of the Bonds which will not be redeemed in
11 the manner in which the notice of redemption was given, identifying the Bonds which
12 will not be redeemed, stating that the redemption did not take place with respect to
13 those Bonds, and the Registrar shall promptly return those Bonds to the Owners
14 thereof as shown on the Bonds register.

15 (C) CANCELLATION AND CREDIT. At its option, to be exercised
16 on or before the 45th day next preceding any mandatory sinking fund redemption
17 date, the Water Authority may irrevocably elect to (a) deliver to the Paying Agent for
18 cancellation Bonds of the same series, interest rate and maturity in any aggregate
19 principal amount and/or (b) receive a credit in respect of its sinking fund redemption
20 obligation for any Bonds of the same series, interest rate and maturity which, prior to
21 said date, have been redeemed (otherwise than through the operation of the sinking
22 fund) and canceled by the Paying Agent and not theretofore applied as a credit
23 against any sinking fund redemption obligation. Each Bond delivered or previously
24 redeemed shall be credited by the Paying Agent as directed by the Water Authority
25 at the principal amount thereof in Authorized Denominations against the amounts
26 required to be paid by the Water Authority on the designated mandatory sinking fund
27 redemption date, and the principal amount of Bonds to be redeemed by operation of
28 such sinking fund on such date shall be reduced by that principal amount.

29 (D) PARTIAL REDEMPTION. If less than all of the Bonds subject
30 to redemption are to be redeemed at any one time, the Bonds to be redeemed shall
31 be selected by the Registrar in the manner and from the maturities designated by

1 the Water Authority. If less than all of the Bonds of a given maturity are redeemed,
2 the Bonds to be redeemed within that maturity shall be selected by lot in such
3 manner as determined by the Registrar. Part of a Bond may be redeemed in an
4 Authorized Denomination if the amount of that Bond which remains outstanding is
5 also in an Authorized Denomination.

6 (E) NOTICE OF REDEMPTION. Notice of redemption of Bonds
7 shall be given by the Registrar by sending a copy of such notice by Electronic
8 Means or by first-class, postage prepaid mail not less than 30 days prior to the
9 redemption date to the Owner of each Bond, or portion thereof, to be redeemed at
10 the address shown as of the fifth day prior to the mailing of notice on the registration
11 books kept by the Registrar and to the Credit Source for the Bonds, if any. The
12 Water Authority shall give the Registrar notice of Bonds to be called for optional
13 redemption at least fifteen (15) days prior to the date that the Registrar is required to
14 give Owners notice of redemption specifying the Bonds or the principal amount
15 thereof to be called for redemption and the applicable redemption date. If the Water
16 Authority has not designated the Bonds to be called for redemption on the dates
17 specified above, the Registrar shall select the Bonds to be redeemed by lot. Neither
18 the Water Authority's failure to give such notice, the Registrar's failure to give such
19 notice to the registered Owner of any Bonds or to any Credit Source, or any defect
20 thereon, nor the failure of the Depository to notify a Participant or any Participant or
21 Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect
22 the validity of the proceedings for the redemption of any Bonds for which proper
23 notice was given.

24 Notices shall specify the numbers, CUSIP numbers and maturity date or
25 dates of the Bonds to be redeemed (if less than all Bonds are to be redeemed), the
26 date of or principal amounts of any Bonds to be redeemed in part, the date fixed for
27 redemption, and shall further state that, subject to the terms of Section 9.(B), if
28 applicable, on such redemption date there will become and be due and payable
29 upon each Bond or part thereof to be redeemed at the office of the Paying Agent the
30 principal amount thereof to be redeemed plus accrued interest, if any, to the
31 redemption date and the stipulated premium, if any, and that from and after such

1 date, interest will cease to accrue on those Bonds. In addition to the foregoing
2 notice, the notice of redemption given by the Registrar shall include such additional
3 information, and the Registrar shall comply with any other terms regarding
4 redemption, as are required by any applicable agreement with a Depository.

5 Notice having been given in the manner provided above, subject to the terms
6 of Section 9.(B), the Bonds or part thereof called for redemption shall become due
7 and payable on the redemption date designated and the Bonds or part thereof to be
8 redeemed, for which there was sufficient money on deposit with the Paying Agent,
9 shall not be deemed to be Outstanding and shall cease to bear or accrue interest
10 from and after such redemption date. Upon presentation of a Bond to be redeemed
11 at the office of the Paying Agent on or after the redemption date or, so long as the
12 book-entry system is used for determining beneficial ownership of Bonds, upon
13 satisfaction of the terms of any other arrangement between the Paying Agent and
14 the Depository, the Paying Agent will pay such Bond, or portion thereof called for
15 redemption.

16 The Registrar shall also send a copy of the notice of redemption by Electronic
17 Means, first class mail or overnight delivery to each Depository. Failure to provide
18 notice to any Depository shall not affect the validity of proceedings for the
19 redemption of Bonds.

20 The Water Authority is not required to notify the Registrar of mandatory
21 sinking fund redemption of Bonds.

22 (F) CANCELLATION. All Bonds which have been redeemed or
23 received for transfer shall be canceled and destroyed by the Paying Agent and shall
24 not be reissued and a counterpart of the certificate of destruction shall be furnished
25 by the Paying Agent to the Water Authority.

26 Section 10. REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP
27 OF BONDS.

28 (A) REGISTRATION AND EXCHANGE. The Water Authority shall
29 cause books for registration, transfer and exchange of the Bonds to be kept at the
30 principal office of the Registrar. Upon surrender for transfer or exchange of any
31 Bonds at the principal office of the Registrar duly endorsed by the Owner or his

1 attorney duly authorized in writing, or accompanied by a written instrument or
2 instruments of transfer or exchange in form satisfactory to the Registrar and properly
3 executed, the Water Authority shall execute and the Registrar shall authenticate and
4 deliver in the name of the transferee or Owner replacement Bonds of the same
5 maturity, interest rate and aggregate principal amount in Authorized Denominations.

6 (B) OWNERS OF BONDS. The person in whose name any Bond is
7 registered shall be deemed and regarded as its absolute Owner for all purposes,
8 except as may otherwise be provided with respect to the payment of overdue
9 interest on the Bonds in Section 7.(D). Payment of either the principal of or interest
10 on any Bond shall be made only to or upon the order of its Owner or his legal
11 representative. All such payments shall be valid and effectual to satisfy and
12 discharge the liability on Bonds to the extent of the amount paid.

13 (C) LOST BONDS. If any Bond is lost, stolen, destroyed or
14 mutilated, the Registrar shall, upon receipt of that certificate, if mutilated, and the
15 evidence, information or indemnity which the Registrar may reasonably require, if
16 lost, stolen, or destroyed, authenticate and deliver a replacement Bond of the same
17 aggregate principal amount, maturity and interest rate, bearing a number or numbers
18 not then outstanding. If any lost, stolen, destroyed or mutilated Bond has matured or
19 been called for redemption, the Registrar may direct the Paying Agent to pay that
20 Bond in lieu of replacement.

21 (D) CHARGES TO OWNERS. Exchanges and transfers of Bonds
22 shall be made without charge to the Owner or any transferee except that the
23 Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or
24 other governmental charge required to be paid with respect to that transfer or
25 exchange.

26 (E) LIMITATIONS ON TRANSFER. Except for any Bond which
27 may be and is tendered for purchase, the Registrar shall not be required to transfer
28 or exchange (a) any Bond during the five-day period preceding the mailing of notice
29 calling Bonds, as applicable, for redemption and (b) any Bond called for redemption.

30 Section 11. FILING OF SIGNATURES. Prior to the execution of any Bond
31 pursuant to Sections 6-9-1 to 6-9-6 NMSA 1978, as amended, the Chair, the Vice

1 Chair, the Executive Director and the Secretary of the Water Authority shall each file
2 with the New Mexico Secretary of State his or her manual signature certified by him
3 or her under oath; provided that filing shall not be necessary for any officer where
4 any previous filing may have legal application to the Bonds.

5 Section 12. EXECUTION AND CUSTODY OF BONDS.

6 (A) EXECUTION. The Bonds shall be signed with the facsimile of
7 the signature, or the manual signature, of the Chair and the manual or facsimile
8 signature of the Secretary of the Water Authority. There shall be placed on each
9 Bond the printed, engraved, stamped or otherwise placed facsimile or imprint of the
10 Water Authority's corporate seal. Bonds when authenticated and bearing the
11 manual or facsimile signatures of the officers in office at the time of their signing
12 shall be valid and binding obligations of the Water Authority, notwithstanding that
13 before delivery of those Bonds, any or all of the persons who executed those Bonds
14 shall have ceased to fill their respective offices. The Chair, Vice Chair, Executive
15 Director and Board Secretary, at the time of the execution of the Bonds and the
16 signature certificate, each may adopt as and for his or her own facsimile signature,
17 the facsimile signature of his or her predecessor in office if such facsimile signature
18 appears upon any of the Bonds or certificates pertaining to the Bonds. No manual
19 or facsimile signature of an officer of the Water Authority or an Authenticating Agent
20 shall be required if the Bonds are issued in book-entry form without the delivery of
21 any physical securities.

22 (B) CUSTODY. The Authenticating Agent or its designee shall hold
23 in custody all Bonds signed and attested by the Chair, Vice Chair and Executive
24 Director or Board Secretary until ready for delivery to the Purchaser, transferee or
25 Owner. The Water Authority shall, from time to time, at the written request of the
26 Authenticating Agent, provide the Authenticating Agent an adequate supply of
27 Bonds.

28 (C) AUTHENTICATION. No Bond shall be valid or obligatory for
29 any purpose unless the certificate of authentication has been duly executed by the
30 Authenticating Agent. The Authenticating Agent's certificate of authentication shall
31 be deemed to have been duly executed if manually signed by an Authorized Officer

1 of the Authenticating Agent, but it shall not be necessary that the same officer sign
2 the certificate of authentication on all Bonds.

3 Section 13. NEGOTIABILITY; PREFERENCE. Except as otherwise stated
4 in this Bond Ordinance, Bonds shall be fully negotiable and shall have all the
5 qualities of negotiable paper and the Owners shall possess all rights enjoyed by the
6 holders of negotiable instruments under the provisions of the State's Uniform
7 Commercial Code -- Investment Securities. All Bonds shall in all respects, as to
8 each other, be equally and ratably secure, without preference, priority or distinction
9 on account of the dates or the actual times of their issuance or maturities.

10 Section 14. SPECIAL LIMITED OBLIGATIONS. All of the Bonds and all
11 payments of principal of, premium, if any, and interest on Bonds, and the fees, costs,
12 expenses and other obligations of the Water Authority under the Bond Legislation,
13 the Continuing Disclosure Undertaking or any Credit Facility, together with the
14 interest accruing thereon, shall be special limited obligations of the Water Authority
15 and shall be payable, collectible or reimbursable solely from the Net Revenues,
16 Bond proceeds, the earnings thereon and, if a Bond Insurance Policy is issued for
17 the payment of the Bonds, from the proceeds of the policy. The Owners, any Credit
18 Source and obligees under the Bond Legislation or any Credit Facility may not look
19 to any general or other municipal fund for the payment of the principal of, premium, if
20 any, or interest on such obligations or such fees, costs and expenses, except the
21 designated special funds specifically pledged for the Bonds as set forth in or
22 permitted by this Section. Neither the Bonds, the Bond Legislation, Continuing
23 Disclosure Undertaking or any Credit Facility nor such costs, fees and expenses of
24 the Water Authority shall constitute an indebtedness of the Water Authority within
25 the meaning of any constitutional, charter or statutory provision or limitation, nor
26 shall they be considered or held to be general obligations of the Water Authority, and
27 each Bond shall recite that it is payable and collectible solely from the Net
28 Revenues, the proceeds of the Bonds, and, if a Bond Insurance Policy is issued for
29 the payment of the Bonds, from the proceeds of that policy and that the Owners may
30 not look to any general funds of the Water Authority or any City or County fund for
31 the payment of the principal of, premium, if any, or interest on the Bonds.

1 Section 15. SALE OF BONDS. The Bonds shall be sold in accordance with
2 the Bond Purchase Agreement in a negotiated sale to the Purchaser. The Bonds
3 shall be sold at an underwriter's discount, including expenses and fees of the
4 Purchaser, not to exceed 0.75% of the total original principal amount of the Bonds
5 as set forth in the Bond Purchase Agreement. After the Bonds have been duly
6 executed and authenticated and upon receipt of the purchase price therefor, the
7 Bonds shall be delivered to the Purchaser by an Authorized Officer in accordance
8 with the Bond Purchase Agreement.

9 Section 16. FORM OF BONDS. The form of the Bonds shall be
10 substantially as set forth herein, with such terms and provisions as are not
11 inconsistent with the Bond Legislation.

12 **[Form of Bond]**

13 **UNITED STATES OF AMERICA**

STATE OF NEW MEXICO

14 AS PROVIDED IN THE BOND ORDINANCE REFERRED TO HEREIN, UNTIL THE
15 TERMINATION OF REGISTERED OWNERSHIP OF ALL OF THE BONDS
16 THROUGH THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY
17 SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE
18 RESOLUTION, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF
19 THE BOND ORDINANCE TO THE CONTRARY, THE PRINCIPAL AMOUNT
20 OUTSTANDING UNDER THIS BOND MAY BE PAID OR REDEEMED WITHOUT
21 SURRENDER HEREOF TO THE REGISTRAR. DTC OR A TRANSFEREE OR
22 ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL
23 AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF
24 OUTSTANDING AND TO BE PAID. THE PRINCIPAL AMOUNT OUTSTANDING
25 AND TO BE PAID ON THIS BOND SHALL FOR ALL PURPOSES BE THE
26 AMOUNT INDICATED ON THE BOOKS OF THE REGISTRAR.

27 UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE
28 OF DTC TO THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE
29 OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF
30 CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED
31 REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO.,

1 ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR
2 OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE
3 REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

4 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**
5 **SUBORDINATE LIEN JOINT WATER AND SEWER SYSTEM**
6 **REFUNDING REVENUE BONDS**
7 **SERIES 2014**

8 **Bond No. R-**____ **\$** _____
9 **INTEREST RATE** **MATURITY DATE** **DATE OF BOND** **CUSIP**
10 ____% per annum _____, 20____ _____, 20____ _____
11

12 The Albuquerque Bernalillo County Water Utility Authority (the “Water
13 Authority”), a legally and regularly created, established, organized and existing
14 municipal utility under the general laws of the State, for value received, hereby
15 promises to pay, solely from the special funds available for the purpose as
16 hereinafter set forth, to Cede & Co. or registered assigns, no later than the Maturity
17 Date stated above (unless this bond is called for prior redemption, in which case on
18 such redemption date), upon presentation and surrender hereof at the principal
19 office of the chief financial officer of the Water Authority as paying agent, or any
20 successor paying agent (the “Paying Agent”), the sum of _____ DOLLARS
21 (\$_____) and to pay from said sources interest on the unpaid principal amount at
22 the Interest Rate stated above on _____, _____, and on January 1 and
23 July 1 of each year (each an “Interest Payment Date”) thereafter to its maturity, or
24 until redeemed if called for redemption prior to maturity. This bond will bear interest
25 from the most recent date to which interest has been paid or provided for or, if no
26 interest has been paid or provided for, from its date. Interest on this bond is payable
27 by check mailed to the registered owner hereof (or by such other arrangement as
28 may be mutually agreed to by the Paying Agent and the registered owner) as shown
29 on the registration books for this issue maintained by the chief financial officer of the
30 Water Authority as registrar, or any successor registrar (the “Registrar”) at the
31 address appearing therein at the close of business on the fifteenth day of the

1 calendar month next preceding the Interest Payment Date (the "Record Date"). Any
2 interest which is not timely paid or duly provided for shall cease to be payable to the
3 owner hereof as of the Record Date but shall be payable to the owner hereof at the
4 close of business on a special record date to be fixed by the Paying Agent for the
5 payment of interest. The special record date shall be fixed by the Paying Agent
6 whenever moneys become available for payment of the overdue interest, and notice
7 of the special record date shall be given to owner of the Bonds (defined below) as
8 then shown on the Registrar's registration books not less than ten days prior to the
9 special record date. If, upon presentation at maturity or redemption, payment of this
10 bond is not made as herein provided, interest hereon shall continue at the Interest
11 Rate stated above until the principal hereof is paid in full. The principal, premium, if
12 any, and interest on this bond are payable in lawful money of the United States of
13 America, without deduction for the services of the Paying Agent or the Registrar.

14 This bond is one of a duly authorized issue of fully registered bonds of the
15 Water Authority in the principal amount of \$[183,425,000], issued in denominations
16 of \$5,000 or integral multiples thereof, designated as Albuquerque Bernalillo County
17 Water Utility Authority Subordinate Lien Joint Water and Sewer System Refunding
18 Revenue Bonds, Series 2014 (the "Bonds"), issued under and pursuant to
19 Ordinance No. O-14-2 adopted August 20, 2014, Resolution No. R-014-10 adopted
20 August 20, 2014 (collectively, the "Bond Legislation").

21 The Bonds are subject to prior redemption as more particularly described
22 below:

23 Optional Redemption. Bonds maturing on and after July 1, ___ are subject to
24 redemption, in whole or in part, at the option of the Water Authority, prior to their
25 respective maturities on or after July 1, _____ at a price equal to the unpaid principal
26 balance of the Bonds redeemed, plus accrued interest to the date of redemption.

27 Mandatory Sinking Fund Redemption. Term Bonds maturing July 1, _____ are
28 subject to mandatory redemption on _____ in the years and in the amounts set forth
29 below:

30	Maturity Date	Principal
31	<u>Year</u>	<u>Amount</u>

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*Final Maturity

Notice of redemption of this bond, or any portion of this bond, will be given by providing at least 30 days prior written notice by Electronic Means or by first-class mail, postage prepaid, to the owner hereof at the address shown on the registration book as of the fifth day prior to the mailing of notice as provided in the Bond Legislation. Notice of redemption will specify the amount being redeemed, and shall further state that on such redemption date there will become and be due and payable upon each Bond to be redeemed at the office of the Paying Agent the principal amount thereof plus accrued interest to the redemption date and the stipulated premium, if any, and that from and after such date, the redemption amount having been deposited and notice having been given, interest will cease to accrue.

Books for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender for transfer or exchange of this bond at the principal office of the Registrar, duly endorsed or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar shall authenticate and deliver, not more than three (3) business days after receipt of the Bond or Bonds to be transferred, in the name of the transferee or owner a new Bond or Bonds in fully registered form of the same aggregate principal amount, maturity and interest rate. Exchanges and transfers of the Bonds shall be without charge to the owner or any transferee, but the Registrar may require the payment by the owner of any Bonds of any tax or other similar governmental charge required to be paid with respect to such exchange or transfer. The Registrar shall not be required (i) to transfer or exchange any Bond during the period of five days next preceding the mailing of notice calling any Bond for redemption, or (ii) to transfer or exchange any Bond or part thereof called for redemption. The Registrar will close books for change of registered owners' addresses on each Record Date; transfers will be permitted within the period from each Record Date to each interest

1 payment date, but such transfers shall not include a transfer of accrued interest
2 payable.

3 The person in whose name any Bond is registered on the registration books
4 kept by the Registrar shall be deemed and regarded as the absolute owner thereof
5 for the purpose of making payment thereof and for all other purposes except as may
6 otherwise be provided with respect to payment of overdue interest in the Bond
7 Legislation; and payment of or on account of either principal or interest on any Bond
8 shall be made only to or upon the written order of the registered owner thereof or his
9 legal representative. All such payments shall be valid and effectual to discharge the
10 liability upon such Bond to the extent of the sum or sums so paid.

11 If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar will,
12 upon receipt of such Bond, if mutilated, and such evidence, information or indemnity
13 relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed,
14 authenticate and deliver a replacement Bond or Bonds of a like aggregate principal
15 amount and of the same maturity and interest rate, bearing a number or numbers
16 not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated
17 Bond shall have matured or have been called for redemption, the Registrar may
18 direct the Paying Agent to pay such Bond in lieu of replacement.

19 This bond does not constitute an indebtedness of the Water Authority within
20 the meaning of any constitutional or statutory provision or limitation, shall not be
21 considered or held to be a general obligation of the Water Authority, and is payable
22 and collectible solely from the Net Revenues (as defined in the Bond Legislation),
23 and the bondholders may not look to any general or other Water Authority fund other
24 than those described above for the payment of the interest and principal of this
25 bond. Additional bonds may be issued and made payable from the Net Revenues
26 upon satisfaction of the conditions set forth in the Bond Legislation, having a lien
27 thereon either on a parity with, or superior to, or junior to, the lien on the Net
28 Revenues.

29 The Bonds are issued to provide funds for the acquisition of certain assets to
30 be incorporated into the System, for (i) the advance refunding a portion of the Public
31 Project Revolving Fund Loan Agreement (2005) (ii) the advance refunding of a

1 portion of the Series 2005 Bonds, (iii) the advance refunding of a portion of the
2 Series 2006A Bonds, (iv) the current refunding of the EID Loan and (v) the payment
3 of Expenses relating to the issuance of the Bonds.

4 The Water Authority covenants and agrees with the owner of this bond and
5 with each and every person who may become the owner hereof that it will keep and
6 perform all of the covenants of the Bond Legislation.

7 This bond is subject to the condition, and every owner hereof by accepting
8 the same agrees with the obligor and every subsequent owner hereof, that the
9 principal of and interest on this bond shall be paid, and this bond is transferable, free
10 from and without regard to any equities, set-offs or crossclaims between the obligor
11 and the original or any other owner hereof.

12 It is hereby certified that all acts and conditions necessary to be done or
13 performed by the Water Authority or to have happened precedent to and in the
14 issuance of the Bonds to make them legal, valid and binding special obligations of
15 the Water Authority, have been performed and have happened as required by law,
16 and that the Bonds do not exceed or violate any constitutional or statutory limitation
17 of or pertaining to the Water Authority.

18 This bond shall not be valid or obligatory for any purpose until the
19 Authenticating Agent shall have manually signed the Certificate of Authentication of
20 this bond.

21 **IN WITNESS WHEREOF**, the Water Authority has caused this bond to be
22 signed and executed on the Water Authority's behalf with the manual or facsimile
23 signature of the Chair of the Board, to be countersigned with the manual or facsimile
24 signature of the Secretary and has caused a facsimile of the corporate seal of the
25 Water Authority to be affixed hereon, all as of the Date of Bond.

26 **ALBUQUERQUE BERNALILLO COUNTY**
27 **WATER UTILITY AUTHORITY**

28
29 **By:** _____
30 **Chair**

31

1 [SEAL]

2

3

4 **ATTEST:**

5 **By:** _____

6 **Secretary**

7

8 **[FORM OF CERTIFICATE OF AUTHENTICATION]**

9

10 This is one of the Bonds described in the Bond Legislation, and this bond has
11 been registered on the registration books kept by the undersigned as Registrar for
12 the Bonds.

13

**CHIEF FINANCIAL OFFICER,
ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY, AS
REGISTRAR**

14

15

16

17

18 **Dated:** _____

By: _____

19

Authorized Signature

20

21 **[FORM OF ASSIGNMENT]**

22

23 FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers
24 unto

25 _____

(Social Security or Federal Taxpayer Identification Number)

27

28 _____

29 (Please print or typewrite Name and Address, including Zip Code, of Assignee)

30

1 the within bond and all rights thereunder, and hereby irrevocably constitutes and
2 appoints the Registrar under the Bond Legislation as Attorney to register the transfer
3 of the within bond on the books kept for registration thereof, with full power of
4 substitution in the premises.

5 Dated: _____

6 NOTICE: The signature of the
7 registered owner to this assignment
8 must correspond with the name as it
9 appears on the face of the within
10 bond in every particular, without
11 alteration or enlargement or any
12 change whatsoever.

13 Signature guaranteed by:

14 _____

15 NOTICE: Signature guarantee
16 should be made by a guarantor
17 institution participating in the
18 Securities Transfer Agents Medallion
19 Program or in such other guarantee
20 program acceptable to the Registrar.

21 **[END OF FORM OF BOND]**

22 Section 17. PERIOD OF PRIOR PROJECTS' USEFULNESS. The period of
23 usefulness of the projects financed with the Refunded Obligations will be in excess
24 of the final maturity date of the Bonds.

25 Section 18. USE OF PROCEEDS; PROJECT COMPLETION;
26 PURCHASER NOT RESPONSIBLE.

27 (A) PROCEEDS; PROJECT COMPLETION.

28 (1) Proceeds from the sale of the Bonds shall be deposited
29 as follows and as more specifically described in the Confirming Resolution:

30 (a) The proceeds of the Bonds designated for
31 payment of the premium with respect any Credit Facility with respect to the Bonds

1 shall be paid to the Credit Source with respect thereto.

2 (b) Proceeds of the Bonds may be used to pay
3 Expenses.

4 (c) Proceeds of the Bonds designated for the
5 payment of interest will be deposited into the Series 2014 Bonds Debt Service
6 Account.

7 (d) Proceeds of the Bonds designated to prepay the
8 EID Loan shall be transferred to the Environment Department on the Closing Date
9 for the prepayment of the EID Loan.

10 (e) The remaining proceeds of the Bonds will be
11 deposited to the Escrow Funds created herein and administered under the Escrow
12 Agreement for the advance refunding of the Refunded Obligations.

13 (f) Any amounts remaining in the Escrow Funds after
14 the completion of the Refunding Project shall be transferred from the Escrow Agent
15 to the Water Authority and used by the Water Authority for the payment of the
16 principal of or interest next coming due on the Series 2014 Bonds.

17 (B) APPROPRIATIONS. The proceeds from the sale of the Bonds
18 and other money available to finance the Refunding Project shall be appropriated as
19 set forth in the Confirming Resolution.

20 (C) PURCHASER NOT RESPONSIBLE. The Purchaser shall not
21 be responsible for the application or use by the Water Authority of the proceeds of
22 Bonds.

23 Section 19. APPROVAL AND USE OF DOCUMENTS.

24 (A) APPROVAL OF DOCUMENTS. Following approval of the
25 Confirming Resolution, the Chair or other Authorized Officer is authorized to
26 execute, and the Board Secretary is authorized and directed to affix the seal of the
27 Water Authority to and attest, as applicable, the Preliminary Official Statement, the
28 Official Statement, the Bond Purchase Agreement, the Escrow Agreement, and the
29 Continuing Disclosure Undertaking in substantially the forms presented or described
30 to the Board with the Confirming Resolution, with such changes as are not
31 inconsistent with the terms of the Bond Legislation and as are approved by the Chair

1 or other Authorized Officer, his execution or acceptance of delivery thereof to
2 constitute conclusive evidence of his approval of any and all changes or revisions
3 from the form of any document now or hereafter before the Board. Any changes in
4 any such documents inconsistent with the terms of the Bond Legislation shall be
5 approved by the Board by subsequent ordinance or resolution of the Board. The
6 officers, agents and employees of the Water Authority are authorized, empowered
7 and directed to do all such acts and things and to execute all such documents as
8 may be necessary to carry out and comply with the provisions of the Official
9 Statement, the Bond Purchase Agreement, the Escrow Agreement and the
10 Continuing Disclosure Undertaking.

11 (B) DISCLOSURE DOCUMENT. The use and distribution of the
12 Preliminary Official Statement and the Official Statement (with terms which are not
13 inconsistent with the Bond Legislation) by the Purchaser in connection with the sale
14 and issuance of the Bonds are hereby authorized.

15 (C) FURTHER ACTS. The officers, agents and employees of the
16 Water Authority are hereby authorized and empowered to do all acts and things and
17 to execute all documents, including separate agreements with the Paying Agent and
18 Registrar, if necessary, to carry out and comply with the provisions of the Bond
19 Legislation and the related documents.

20 Section 20. FUNDS AND ACCOUNTS.

21 (A) JOINT WATER AND SEWER FUND. The Water Authority shall
22 continue the Joint Water and Sewer Fund as a separate, distinct and segregated
23 fund. As long as the Bonds are outstanding, all Gross Revenues shall continue to be
24 set aside and credited to the Joint Water and Sewer Fund.

25 (B) DEBT SERVICE FUND. The Water Authority shall continue the
26 Debt Service Fund as a separate, distinct and segregated fund for the deposit of Net
27 Revenues for the payment of System Obligations. The City established and the
28 Water Authority shall continue the Expense Account as part of the Debt Service
29 Fund. Money on deposit or credited to the Expense Account shall be used for the
30 purpose of payment of that part of Operation and Maintenance Expenses that are
31 reasonably necessary for the administration of the Debt Service Fund. The Water

1 Authority shall establish the Series 2014 Bonds Debt Service Account as a separate
2 account of the Debt Service Fund.

3 (C) REPLACEMENT FUND. The Water Authority shall continue the
4 Replacement Fund as a separate, distinct and segregated fund for the purposes
5 described in Section 21.(G).

6 (D) RATE STABILIZATION FUND. The Water Authority shall
7 continue the Rate Stabilization Fund as a separate, distinct and segregated fund for
8 the purposes described in Section 21.(H).

9 (E) ESCROW FUNDS. The Water Authority hereby creates three
10 separate escrow funds for the advance refunding of a portion of the Public Project
11 Revolving Fund Loan Agreement (2005), a portion of the Series 2005 Bonds, and a
12 portion of the Series 2006A Bonds to be maintained by the Escrow Agent pursuant
13 to the Escrow Agreement.

14 Section 21. ADMINISTRATION OF JOINT WATER AND SEWER FUND.

15 (A) USE OF GROSS REVENUES. As long as any Bonds are
16 outstanding, all Gross Revenues shall continue to be deposited in the Joint Water
17 and Sewer Fund and transferred from that fund to the following funds and accounts
18 or for payment of the following amounts in the order listed:

19 (1) Operation And Maintenance Expenses. A sufficient
20 amount of Gross Revenues shall be set aside each month to be used to pay the
21 current Operation and Maintenance Expenses as they become due.

22 (2) Debt Service Accounts and Reserve Accounts for Senior
23 Obligations. Net Revenues shall be used to pay Debt Service Requirements on
24 Senior Obligations and to fund any Reserve Requirement for Senior Obligations.

25 (3) Debt Service Accounts For Subordinate Obligations. Net
26 Revenues shall be transferred to the Debt Service Accounts established for
27 Subordinate Obligations to pay Debt Service Requirements on Subordinate
28 Obligations, as they become due, including amounts owed to any Credit Source to
29 reimburse that Credit Source for the payments of Debt Service Requirements on
30 Subordinate Obligations.

31 (4) Reserve Account. Net Revenues shall be transferred to

1 a Reserve Account, if any, to the extent that amounts on deposit in that Reserve
2 Account are less than the amount (including coverage available under any
3 applicable Reserve Account Surety Bond) required to be on deposit therein. The
4 Net Revenues deposited shall be used first to reimburse the Credit Source for the
5 proceeds of a Reserve Account Surety Bond used to pay Debt Service
6 Requirements, second to replace money drawn from the Reserve Account and third
7 to pay to the Credit Source interest accrued and owed on amounts advanced
8 pursuant to the Reserve Account Surety Bond.

9 (5) Super Subordinated Obligations. Net Revenues shall be
10 used to pay Debt Service Requirements on Super Subordinated Obligations, and to
11 fund any Reserve Requirement for Super Subordinated Obligations.

12 (6) Replacement Fund. At the option of the Water Authority,
13 Net Revenues may be transferred to the Replacement Fund to be used for the
14 purposes stated in Section 21.(G).

15 (7) Rate Stabilization Fund. At the option of the Water
16 Authority, Net Revenues may be transferred to the Rate Stabilization Fund to be
17 used for the purposes stated in Section 21.(H).

18 (8) Surplus Net Revenues. Surplus Net Revenues shall be
19 retained in the Joint Water and Sewer Fund or used for any other lawful System
20 purpose including, but not limited to, redeeming or purchasing System Obligations or
21 paying costs and expenses of the Water Authority relating to the administration of
22 System Obligations.

23 (9) Accumulation Of Revenues. Net Revenues need not be
24 retained for any use or in any fund or account described in this paragraph A in
25 excess of the Net Revenues required for any current use or deposit. For the
26 purposes of this subparagraph, the term current shall mean the month during which
27 the Net Revenues are being distributed and the immediately following month.

28 (B) SERIES 2014 BONDS DEBT SERVICE ACCOUNT. Net
29 Revenues shall be transferred to the Series 2014 Bonds Debt Service Account
30 sufficient to pay when due the Debt Service Requirements on the Series 2014
31 Bonds.

1 (1) Except as stated in this Section 21.(B) and in Section
2 21.(D), substantially equal monthly deposits of Net Revenues shall be made to the
3 Series 2014 Bonds Debt Service Account beginning six months before each Interest
4 Payment Date in order to make the next payment of interest on the Bonds when
5 due. However, if the first Interest Payment Date for the Bonds is less than six
6 months after the date of the original issuance of the Bonds, substantially equal
7 monthly deposits of Net Revenues before the first Interest Payment Date shall begin
8 in the first full month following the date of issuance of the Bonds in order to make the
9 first payment of interest on the Bonds when due.

10 (2) Except as stated in this Section 21.(B) and in Section
11 21.(D), substantially equal monthly deposits of Net Revenues shall be made to the
12 Series 2014 Bonds Debt Service Account beginning 12 months before each principal
13 payment date for the Series 2014 Bonds payable from such account in order to
14 make the next scheduled payment of principal on the Series 2014 Bonds when due
15 at maturity. However, if the first principal payment date for the Series 2014 Bonds is
16 less than thirteen months after the date of the original issuance of the Series 2014
17 Bonds, substantially equal monthly deposits of Net Revenues before the first
18 principal payment date shall begin in the first full month following the date of
19 issuance of the Series 2014 Bonds in order to make the first payment of principal on
20 the Series 2014 Bonds when due at maturity.

21 If in the month immediately preceding any payment date for the Bonds, the
22 Water Authority determines that there are not sufficient funds accumulated in the
23 Series 2014 Bonds Debt Service Account to pay the amount becoming due on that
24 payment date, the Water Authority shall promptly deposit any available Net
25 Revenues in the Series 2014 Bonds Debt Service Account in an amount equal to the
26 deficiency. If, prior to any payment date for the Series 2014 Bonds, there has
27 accumulated in the Series 2014 Bonds Debt Service Account the entire amount
28 necessary to pay the amount becoming due on the Series 2014 Bonds payable from
29 such account on that payment date, no additional Net Revenues need be deposited
30 in the Series 2014 Bonds Debt Service Account prior to that payment date. In
31 making the determinations permitted by this paragraph, the Water Authority may

1 take into account the amount on deposit in any other fund or account or escrow
2 relating to the Series 2014 Bonds irrevocably set aside for the next payment of the
3 Series 2014 Bonds.

4 Amounts on deposit in the Series 2014 Bonds Debt Service Account shall be
5 applied first to the payment of interest and then to pay or satisfy any payment of
6 principal. Except as provided in Section 21.(D), money in the Series 2014 Bonds
7 Debt Service Account shall be used only to pay the Debt Service Requirements on
8 the Series 2014 Bonds. Transfers of amounts equal to the periodic Debt Service
9 Requirements on the Series 2014 Bonds shall be made by the Water Authority on a
10 timely basis to the Paying Agent.

11 (C) RESERVE ACCOUNT. The Water Authority may establish a
12 Reserve Account and administer such account as provided in the Confirming
13 Resolution.

14 (D) TERMINATION UPON DEPOSITS RELATING TO THE BONDS
15 TO MATURITY. No payments need be made into the Series 2014 Bonds Debt
16 Service Account if the amount in the Series 2014 Bonds Debt Service Account is no
17 less than the Debt Service Requirements due and to become due on and before the
18 final maturity date of the Series 2014 Bonds, both accrued and not accrued, and all
19 proceeds paid under any Credit Facility for the Series 2014 Bonds have been
20 reimbursed. The money retained in that account shall be used only to pay the Debt
21 Service Requirements on the Series 2014 Bonds when due except that any money
22 on deposit in the Series 2014 Bonds Debt Service Account which is not necessary to
23 pay such Debt Service Requirements shall be used as surplus Net Revenues.

24 (E) SENIOR OBLIGATIONS. Net Revenues shall be used as
25 required by the applicable ordinances or resolutions of the Board authorizing the
26 issuance of Senior Obligations, the funding of reserves for Senior Obligations and
27 for the payment of related Expenses. Senior Obligations shall have the order of
28 priority with respect to other Senior Obligations as set forth in the City ordinances
29 and the Water Authority ordinances authorizing the issuance of Senior Obligations.

30 (F) SUPER SUBORDINATED OBLIGATIONS. Net Revenues shall
31 be used as required by the applicable ordinances or resolutions of the Board

1 authorizing the issuance of Super Subordinated Obligations, the funding of reserves
2 for Super Subordinated Obligations and for the payment of related expenses. Super
3 Subordinated Obligations shall have the order of priority with respect to other Super
4 Subordinated Obligations as set forth in the ordinances authorizing the issuance of
5 Super Subordinated Obligation.

6 (G) REPLACEMENT FUND. In addition to Net Revenues, the
7 Water Authority shall deposit in the Replacement Fund all money released from a
8 Reserve Account for System Obligations in excess of the reserve requirement for
9 those System Obligations except for any such excess which it designated for
10 another System purpose by resolution or ordinance of the Board.

11 While any System Obligations are outstanding, money on deposit in the
12 Replacement Fund shall be used only (i) for replacement costs and capital
13 improvements to the System, (ii) for extraordinary charges relating to the financing
14 or refinancing of the System and (iii) to purchase or otherwise defease, or provide
15 for the defeasance of, Outstanding System Obligations.

16 (H) RATE STABILIZATION FUND. Money on deposit in the Rate
17 Stabilization Fund may be withdrawn at any time and used for any purpose for which
18 Gross Revenues may be used.

19 (I) PRO RATA DEPOSITS. If the amount of Net Revenues
20 available for deposit in the Debt Service Fund is not sufficient to pay the entire
21 amount required to be deposited in the Debt Service Accounts and/or Reserve
22 Accounts for System Obligations, the Net Revenues available shall be deposited in
23 the Debt Service Accounts and Reserve Accounts pro rata based upon the amount
24 required to be deposited in each account to the total Net Revenues available for
25 deposit but with the priorities established in Section 21.(A).

26 With respect to each applicable series of System Obligations,
27 reimbursements owed to a Credit Source for amounts used to pay Debt Service
28 Requirements on those System Obligations shall be paid on the same pro rata basis
29 and with the same priority as are amounts to be deposited in the Debt Service
30 Account or Reserve Account, as applicable, for those System Obligations; provided
31 that such reimbursements for payments of Debt Service Requirements made

1 pursuant to a Credit Facility pursuant to Sections 21.(C) and (D) shall be made with
2 the priorities set forth in those paragraphs.

3 (J) VARIABLE RATE OBLIGATIONS. In making computations
4 required by this Section, interest on Variable Rate Obligations which cannot be
5 computed exactly shall be deemed to bear the interest rate required by the definition
6 of Debt Service Requirements in this Bond Ordinance. To determine the amount
7 required to be on deposit in any Debt Service Account for the payment of interest,
8 computations of the interest rate on Variable Rate Obligations shall be made
9 whenever there is a change in the interest rate on the applicable Variable Rate
10 Obligations except that the computation need not be made more often than once in
11 any month.

12 Section 22. TRANSFERS TO PAY PRINCIPAL OF, PREMIUM, IF ANY,
13 AND INTEREST ON THE BONDS, PAYMENT OF EXPENSES.

14 (A) TRANSFER TO PAYING AGENT. The Water Authority shall
15 transfer the funds set aside pursuant to Section 21 for the payments of principal of,
16 premium, if any, and interest on the Bonds to the Paying Agent on or before the date
17 on which each such payment is due.

18 (B) EXPENSES. The Water Authority or its designee shall pay, or
19 cause to be paid, all Expenses directly to the party entitled thereto.

20 Section 23. GENERAL ADMINISTRATION OF FUNDS. The funds and
21 accounts designated in Sections 20 and 21 shall be administered as follows:

22 (A) INVESTMENT OF MONEY. To the extent practicable, any
23 money in any such fund or account shall be invested in Permitted Investments,
24 provided however that money in the Escrow Funds shall be invested only as
25 provided in the Escrow Agreement. Obligations purchased as an investment of
26 money in any fund or account shall be deemed at all times to be part of that fund or
27 account, and the interest accruing and any profit realized on those Investments shall
28 be credited to that fund or account, unless otherwise stated in the Bond Legislation
29 or related document (subject to withdrawal at any time for the uses directed and
30 permitted for such money by the Bond Legislation and related documents), and any
31 loss resulting from such investment shall be charged to that fund or account. The

1 custodian for any such fund or account shall present for redemption or sale on the
2 prevailing market any Permitted Investment in a fund or account when necessary to
3 provide money to meet a required payment or when required to be transferred from
4 that fund or account.

5 (B) DEPOSITS OF FUNDS. The money and investments which are
6 part of the funds and accounts designated in Sections 20 and 21 shall be maintained
7 and kept in an Insured Bank or Banks, or otherwise in Permitted Investments or may
8 be held in book-entry form in the name of the Water Authority by an agent or
9 custodian of or for the Water Authority for the benefit of the Water Authority, as
10 permitted by State law and the money and investments deposited in the Escrow
11 Funds shall be held by the Escrow Agent. Each payment or deposit shall be made
12 into and credited to the proper fund or account at the designated time, except that
13 when the designated time is not a Business Day, then the payment shall be made on
14 the next succeeding Business Day unless otherwise required in this Bond Ordinance
15 or related documents. The Water Authority may establish one or more accounts in
16 Insured Banks for all of the funds and accounts or combine such funds and accounts
17 with any other Insured Bank account or accounts for other funds and accounts of the
18 Water Authority.

19 (C) VALUATION OF INVESTMENTS. In the computation of the
20 amount in any account or fund for any purpose under this Bond Ordinance, except
21 as otherwise expressly provided in this Bond Ordinance, Permitted Investments
22 shall be valued at the cost thereof (including any amount paid as accrued interest) or
23 the principal amount thereof, whichever is less; except that Permitted Investments
24 purchased at a premium may initially may be valued at the cost thereof, but in each
25 year after such purchase shall be valued at a lesser amount determined by ratably
26 amortizing the premium over the remaining term. Bank deposits shall be valued at
27 the amount deposited, exclusive of any accrued interest or any other gain to the
28 Water Authority until such gain is realized by the receipt of an interest-earned notice,
29 or otherwise. The valuation of Permitted Investments and bank deposits in any
30 account shall be made not less frequently than annually. Unless otherwise required
31 by accounting standards applicable to the Water Authority, no loss or profit on

1 Permitted Investments shall be deemed to take place as a result of fluctuation in the
2 market quotations prior to the sale or maturity thereof.

3 Section 24. CREDIT FACILITY.

4 (A) CREDIT FACILITY FOR PAYMENT OF THE BONDS.

5 Payments of all or any part of the principal of and interest on the Bonds may be
6 guaranteed by a Credit Source as and to the extent set forth in the Confirming
7 Resolution.

8 (B) CHANGES TO INSURANCE TERMS. Terms and provisions

9 with respect to any Credit Facility for the Bonds, in addition to those set forth in the
10 Bond Legislation, shall be as set forth in the Credit Facility.

11 (C) CONSENT OF CREDIT SOURCE. Any provision of this Bond

12 Ordinance expressly recognizing or granting rights in or to a Credit Source may not
13 be amended in any manner which affects the rights of the Credit Source without the
14 prior written consent of that Credit Source.

15 (D) ADVERSE EFFECT ON OWNERS. In determining whether the

16 rights of the Owners will be adversely affected by any action taken pursuant to the
17 terms and provisions of this Bond Ordinance, the Water Authority shall consider the
18 effect on the Owners as if there were no Bond Insurance Policy or Reserve Account
19 Surety Bond in effect.

20 (E) CREDIT FACILITY. The rights and obligations of any Credit

21 Source under any Credit Facility shall be as set forth in the Bond Legislation or the
22 Credit Facility but shall not exceed any of the limitations included in the Bond
23 Legislation. The Water Authority shall promptly notify any rating agency then rating
24 the Bonds of changes to the terms of a Credit Facility.

25 Section 25. PLEDGE OF NET REVENUES AND LIEN OF THE BONDS.

26 The Net Revenues are hereby pledged for the payment of the Bonds, the
27 reimbursement of obligations of the Water Authority for the proceeds of any Credit
28 Facility used to pay Debt Service Requirements on the Bonds and for the other
29 payment obligations of the Water Authority set forth in the Bond Legislation, and
30 such payments and obligations of the Water Authority shall continue to have an
31 irrevocable subordinate lien (but not an exclusive subordinate lien) upon the Net

1 Revenues until paid. Net Revenues shall be applied to the payment of such
2 payments and obligations with the priorities set forth in Section 21.(A).

3 Section 26. ESTABLISHMENT OF PRIORITIES OF THE BONDS. Except
4 as set forth in the Bond Legislation, the Bonds from time to time Outstanding shall
5 not be entitled to any priority one over the other in the application of the Net
6 Revenues, regardless of the time or times of their issuance.

7 Section 27. ADDITIONAL SYSTEM OBLIGATIONS.

8 (A) LIMITATIONS UPON ISSUANCE OF SYSTEM OBLIGATIONS.

9 Subject to the limitations of this Section and Section 28, nothing in this Bond
10 Ordinance shall be construed to prevent the issuance by the Water Authority of
11 additional System Obligations.

12 (B) ADDITIONAL PARITY SUBORDINATE OBLIGATIONS. The

13 tests required in this Section 27.(B) shall be performed without adjustment for
14 payments to or withdrawals from the Rate Stabilization Fund or interest accrued in
15 the Acquisition Fund. Except as permitted by Section 28, prior to the issuance of
16 additional Subordinate Obligations, the Water Authority shall be current in making all
17 deposits required by Section 21 and the following test shall be satisfied:

18 (1) The Net Revenues for the Historic Test Period shall have
19 been sufficient to pay an amount representing at least 120% of the maximum
20 combined annual Debt Service Requirements of only the Outstanding Senior
21 Obligations and the Outstanding Subordinate Obligations and the terms of either
22 subparagraph 2(a) or 2(b) shall be satisfied.

23 (2) (a) Using the fees and rates for use of the System on
24 the date of computation, or assuming that any new schedule of fees and rates
25 approved by the Water Authority during or after the Historic Test Period was in effect
26 during the entire Historic Test Period, the Net Revenues which were or would have
27 been received during that Historic Test Period shall have been sufficient to pay an
28 amount representing at least 120% of the maximum combined annual Debt Service
29 Requirement on the Outstanding Senior Obligations and Subordinate Obligations
30 and the Subordinate Obligations proposed to be issued; or

31 (b) The projected Net Revenues for the Prospective

1 Test Period shall be sufficient to pay an amount representing at least 120% of the
2 maximum combined annual Debt Service Requirements on the Outstanding Senior
3 Obligations and Subordinate Obligations and the Subordinate Obligations proposed
4 to be issued. To determine if the annual Net Revenues are sufficient for the
5 purposes of the preceding sentence, the Net Revenues projected for the applicable
6 Prospective Test Period shall be determined by applying the rates for use of the
7 System approved by the Board at the time of computation to be in effect during the
8 Prospective Test Period to the proposed number of connections to the System after
9 giving effect to the purchase, expansion or improvement of the System or the
10 acquisition of an existing water and sanitary sewer system.

11 (C) CERTIFICATES. In determining whether additional Subordinate
12 Obligations may be issued pursuant to Section 27.(B), a written certificate or opinion
13 of an Independent Accountant that states in substance that the Net Revenues are
14 sufficient to pay the amounts required shall be conclusively presumed to be accurate
15 in determining the right of the Water Authority to authorize, issue, sell and deliver
16 Additional Subordinate Obligations. Notwithstanding the foregoing, if all Senior
17 Obligations issued prior to August 18, 2004 are no longer Outstanding, then such a
18 certificate or opinion from an Authorized Officer will satisfy the foregoing
19 requirement. Also, an opinion of a Consulting Engineer as to the estimated
20 completion date of the Project to be financed by the proposed Subordinate
21 Obligations and the estimated Net Revenues for the Prospective Test Period
22 referred to in Section 27.(B)(2)(b) shall be conclusively presumed to be accurate,
23 and the Independent Accountant or Authorized Officer, as the case may be, may
24 conclusively rely upon the written opinion of the Consulting Engineer in making the
25 determinations required by Section 27.(B).

26 (D) SENIOR OBLIGATIONS AND SUPER SUBORDINATED
27 OBLIGATIONS PERMITTED. Nothing contemplated in this Bond Ordinance shall
28 be construed to prevent the Water Authority from issuing bonds or other obligations
29 with a lien on Net Revenues superior to the lien of the Subordinate Obligations so
30 long as the additional bonds tests set forth in the ordinances authorizing the
31 issuance of the outstanding Senior Obligations are met on the date of issuance of

1 such additional Senior Obligations. Additionally, no provision of this Bond Ordinance
2 shall be construed to prevent the Water Authority from issuing additional Super
3 Subordinated Obligations with a lien on Net Revenues subordinate to the lien of the
4 Subordinate Obligations and the Senior Obligations.

5 (E) VARIABLE RATE OBLIGATIONS. In making the computations
6 required by this Section to determine if additional System Obligations may be
7 issued, Variable Rate Obligations shall be deemed to bear rate of interest as
8 required in the definition of Debt Service Requirements.

9 Section 28. REFUNDING OBLIGATIONS. The provisions of Section 27 of
10 this Bond Ordinance are subject to the following exceptions:

11 (A) PRIVILEGE OF ISSUING REFUNDING OBLIGATIONS. If at
12 any time while System Obligations remain Outstanding, the Water Authority desires
13 to refund any Outstanding System Obligations or other obligations payable from Net
14 Revenues, those System Obligations or other obligations, or any part thereof, may
15 be refunded regardless of whether the priority of the lien for the payment of the
16 refunding System Obligations on the Net Revenues is changed (except as provided
17 in paragraphs E and F of Section 27 and in paragraphs B and C of this Section).

18 (B) LIMITATIONS UPON ISSUANCE OF REFUNDING
19 SUBORDINATE OBLIGATIONS. No refunding bonds or other refunding obligations
20 shall be issued as Subordinate Obligations unless:

21 (1) The refunding does not increase the maximum combined
22 annual Debt Service Requirements of the Subordinate Obligations, or

23 (2) The refunding Subordinate Obligations are issued in
24 compliance with Section 27.(B).

25 (C) LIMITATIONS UPON ISSUANCE OF ANY REFUNDING
26 SYSTEM OBLIGATIONS. Any refunding System Obligations shall be issued with
27 such details as the Board may provide by appropriate proceedings but without
28 impairment of any contractual obligation imposed upon the Water Authority by any
29 proceedings authorizing the issuance of any unrefunded portion of the series of
30 System Obligations to which the refunding was applicable.

31 Section 29. PROTECTIVE COVENANTS. The Water Authority hereby

1 covenants and agrees with the Owners:

2 (A) USE OF THE BOND PROCEEDS. The Water Authority will
3 promptly apply the proceeds of the Bonds to the Refunding Project and for the other
4 purposes permitted by this Bond Ordinance.

5 (B) PAYMENT OF THE BONDS. The Water Authority will promptly
6 pay the Debt Service Requirements on the Bonds at the place, on the dates and in
7 the manner specified in this Bond Ordinance and the Bonds.

8 (C) RATE COVENANT.

9 (1) The Water Authority will charge all purchasers of services
10 of the System, including the Water Authority, the City and the County, such
11 reasonable and just rates as are sufficient to produce Net Revenues annually to pay
12 120% of the annual Debt Service Requirements on all System Obligations
13 (excluding accumulation of any reserves therefor).

14 (2) Quarterly, the Water Authority shall determine that the
15 Net Revenues are sufficient to satisfy the Rate Covenant. If the Net Revenues are
16 not sufficient to satisfy the Rate Covenant upon the approval of the annual audit for
17 a Fiscal Year, the Water Authority will either: (i) promptly increase the rates for use
18 of the Services of the System in order to generate sufficient Net Revenues to satisfy
19 the Rate Covenant or (ii) employ a consultant or manager for the System who shall
20 have a favorable national reputation for skill and experience in the management,
21 operation and financial affairs of water and sanitary sewer systems and who is not
22 an employee or officer of the Water Authority. The Water Authority will request that
23 consultant or manager to make its recommendations, if any, as to revisions of the
24 Water Authority's rate structure and other charges for use of the System, its
25 Operation and Maintenance Expenses and the method of operation of the System in
26 order to satisfy the Rate Covenant as soon as practicable. Copies of any such
27 requests and recommendations of the consultant or manager shall be filed with the
28 Board. So long as the Water Authority substantially complies with the
29 recommendations of the consultant or manager on a timely basis, the Water
30 Authority will not be deemed to have defaulted in satisfying the Rate Covenant even
31 if the resulting Net Revenues are not sufficient to be in compliance with the Rate

1 Covenant, if there is no other default under this Bond Ordinance.

2 (3) No free service, facilities or commodities shall be
3 furnished by the System. If the Water Authority, the City or the County elects to use
4 water supplied by, or the sanitary sewer facilities of, the System or in any other
5 manner use the System, such use of the System by such entity shall be paid from
6 lawfully available money of such entity at the reasonable value of the use made,
7 service rendered or facility or commodity supplied as is charged to other similar
8 users of the System.

9 (4) Nothing contained in this paragraph C shall be
10 interpreted to require the Water Authority to take any action in violation of any
11 applicable requirement imposed by law.

12 (D) LIEN ON LANDS SERVICED BY SYSTEM. To the extent
13 permitted by law, the Water Authority will cause a lien to be perfected upon each lot
14 or parcel of land for delinquent charges imposed for water and sanitary sewer
15 services supplied by the System to the owner of such lot or parcel. The Water
16 Authority will take all necessary steps to enforce the lien against any parcel of
17 property the owner of which is delinquent for more than six months in the payment of
18 charges imposed by the Water Authority.

19 (E) LEVY OF CHARGES. The Water Authority will promptly fix,
20 establish and levy the rates and charges which are required by Section 29.(C). No
21 reduction in any initial or existing rate schedule for the System may be made unless:

22 (1) the Water Authority has fully complied with the provisions
23 of Section 21 of this Bond Ordinance for any 12 consecutive months out of the 16
24 calendar months immediately preceding the reduction of the rate schedule, and

25 (2) the audit required by Section 29.(I) or a separate
26 certificate by an Independent Accountant for or relating to any 12 consecutive
27 months out of the 16 calendar months immediately preceding any reduction
28 discloses that the estimated Net Revenues resulting from the proposed reduced rate
29 schedule would have been sufficient to meet the Rate Covenant during the
30 applicable 12-month period.

31 (F) EFFICIENT OPERATION. The Water Authority will maintain the

1 System in efficient operating condition and make such improvements, extensions,
2 enlargements, repairs and betterments to the System as may be necessary or
3 advisable for its economical and efficient operation at all times and to supply
4 reasonable public and private demands for System services within the area served
5 by the Water Authority.

6 (G) RECORDS. So long as the Bonds remain Outstanding, the
7 Water Authority will keep, or cause to be kept, proper books of record and account,
8 separate from all other records and accounts, showing complete and correct entries
9 of all transactions relating to the System.

10 (H) RIGHT TO INSPECT. Owners, or their duly authorized agents,
11 shall have the right to inspect at all reasonable times all records, accounts and data
12 relating to the System; however, pursuant to Section 6-14-10(E) NMSA 1978,
13 records with regard to the ownership or pledge of the Bonds are not subject to
14 inspection or copying.

15 (I) AUDITS. So long as the Bonds are Outstanding, within 270
16 days following the close of each Fiscal Year, the Water Authority will cause an audit
17 of the books and accounts of the System to be made by an Independent Accountant.
18 Each audit of the System shall include those matters determined to be proper by the
19 Independent Accountant.

20 (J) BILLING PROCEDURE. Bills for water, water services or
21 facilities, sanitary sewer service or facilities, or any combination thereof, furnished by
22 or through the System shall be provided to customers on a regular basis each month
23 following the month in which the service was rendered and shall be due as required
24 by Water Authority ordinance. If permitted by law, if a bill is not paid within the
25 period of time required by Water Authority ordinance, water and sanitary sewer
26 services shall be discontinued as required by Water Authority ordinance, and the
27 rates and charges due shall be collected in a lawful manner, including but not limited
28 to the cost of disconnection and reconnection.

29 (K) CHARGES AND LIENS UPON SYSTEM. The Water Authority
30 will pay when due from Gross Revenues or other legally available funds all taxes
31 and assessments or other municipal or governmental charges, lawfully levied or

1 assessed upon the System and will observe and comply with all valid requirements
2 of any municipal or governmental authority relating to the System. The Water
3 Authority will not create or permit any lien or charge upon the System or the Gross
4 Revenues or Net Revenues except as permitted by this Bond Ordinance, or it will
5 make adequate provisions to satisfy and discharge within 60 days after the same
6 accrue, all lawful claims and demands for labor, materials, supplies or other objects,
7 which, if unpaid, might by law become a lien upon the System, the Gross Revenues
8 or the Net Revenues. However, the Water Authority shall not be required to pay or
9 cause to be discharged, or make provision for any tax assessment, lien or charge
10 before the time when payment becomes due or so long as the validity thereof is
11 contested in good faith by appropriate legal proceedings and there is no adverse
12 effect on Owners.

13 (L) INSURANCE. In its operation of the System, the Water
14 Authority will carry fire and extended coverage insurance. As required by law, the
15 Water Authority will acquire insurance or maintain a self-insurance fund to cover
16 workmen's compensation insurance and public liability insurance. In the event of
17 property loss or damage to the System, insurance proceeds shall be used first for
18 the purpose of restoring or replacing the property lost or damaged and any
19 remainder shall be treated as Gross Revenues.

20 (M) ALIENATING SYSTEM. Except as permitted in this Bond
21 Ordinance, while any Bonds are Outstanding, the Water Authority will not sell, lease,
22 mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise
23 alienate, any part of the System, except that the Water Authority may sell any
24 portion of the property of the System which is replaced by other property of at least
25 equal value, or which ceases to be necessary for the efficient operation of the
26 System. In the event of any sale of System property, the proceeds of such sale
27 which are not used to purchase other System property shall be distributed as Gross
28 Revenues.

29 (N) EXTENDING INTEREST PAYMENTS. To prevent any
30 accumulation of claims for interest after maturity, except as permitted by this Bond
31 Ordinance, the Water Authority will not directly or indirectly extend or assent to the

1 extension of the time for the payment of any claim for interest on the Bonds. If the
2 time for payment of interest is extended contrary to the provisions of this Section, the
3 installments of interest extended shall not be entitled, in case of an event of default
4 under this Bond Ordinance, to the benefit or security of this Bond Ordinance until the
5 prior payment in full of the principal of and interest on all other Bonds then
6 Outstanding.

7 (O) COMPETENT MANAGEMENT. The Water Authority shall
8 employ experienced and competent personnel to manage the System.

9 (P) PERFORMING DUTIES. The Water Authority will faithfully and
10 punctually perform all duties with respect to the System required by State, City and
11 County laws including, but not limited to, making and collecting reasonable and
12 sufficient rates and charges for services rendered or furnished by the System as
13 required by this Section and the proper segregation and application of the Gross
14 Revenues.

15 (Q) OTHER LIENS. Other than as stated in or provided by the
16 Bond Legislation, there are no liens or encumbrances of any nature whatsoever on
17 or against the System or Gross Revenues or Net Revenues.

18 (R) WATER AUTHORITY'S EXISTENCE. The Water Authority will
19 maintain its corporate identity and existence as long as the Bonds remain
20 outstanding.

21 (S) TAX COMPLIANCE. The Water Authority covenants that it will
22 use, and will restrict the use and investment of, the proceeds of the Bonds in such
23 manner and to such extent as may be necessary so that (a) the Bonds will not (i)
24 constitute private activity bonds, arbitrage bonds or hedge bonds under Sections
25 141, 148 or 149 of the Code or (ii) be treated other than as bonds to which Section
26 103(a) of the Code applies, and (b) the interest thereon will not be treated as a
27 preference item under Section 57 of the Code.

28 The Water Authority further covenants (a) that it will take or cause to be taken
29 such actions that may be required of it for the interest on the Bonds to be and to
30 remain excluded from gross income for federal income tax purposes, (b) that it will
31 not take or authorize to be taken any actions that would adversely affect that

1 exclusion, and (c) that it, or persons acting for it, will, among other acts of
2 compliance, (i) apply the proceeds of the Bonds to the governmental purposes of the
3 borrowings, (ii) restrict the yield on investment property, (iii) make timely and
4 adequate rebate payments or payments of alternative amounts in lieu of rebate to
5 the federal government, (iv) maintain books and records and make calculations and
6 reports, and (v) refrain from certain uses of those proceeds and, as applicable, of
7 property financed with such proceeds, all in such manner to the extent necessary to
8 assure such exclusion of that interest under the Code.

9 Authorized Officers are hereby authorized (a) to make or effect any election,
10 selection, designation, choice, consent, approval, or waiver on behalf of the Water
11 Authority as the Water Authority is permitted or required to make or give under the
12 federal income tax laws including, without limitation thereto, any of the elections
13 provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the
14 Code, for the purpose of assuring, enhancing or protecting favorable tax treatment
15 or status of the Bonds or interest thereon or assisting in the compliance with
16 requirements for that purpose, reducing the burden or expense of such compliance,
17 reducing the rebate amount or payments of penalties, or making payments of special
18 amounts in lieu of making computations to determine, or paying, excess earnings as
19 rebate, or obviating those amounts or payments, as determined by that officer, which
20 action shall be in writing and signed by the Authorized Officer, (b) to take any and all
21 other actions, make or obtain calculations, make payments, and make or give
22 reports, covenants and certifications of and on behalf of the Water Authority, as may
23 be appropriate to assure the exclusion of interest from gross income and the
24 intended tax status of the Bonds, and (c) to give one or more appropriate certificates
25 of the Water Authority, for inclusion in the transcripts of the proceedings for the
26 Bonds, setting forth the reasonable expectations of the Water Authority regarding
27 the amount and use of all the proceeds of the Bonds, the facts, circumstances and
28 estimates on which they are based, and other facts and circumstances relevant to
29 the tax treatment of the interest on and the tax status of the Bonds.

30 Section 30. REBATE FUND. A separate account of the Rebate Fund shall
31 not be required for the Bonds provided that the Water Authority shall comply with the

1 provisions of Section 29.(S).

2 Section 31. EVENTS OF DEFAULT. Each of the following events is
3 declared an “event of default” under this Bond Ordinance:

4 (A) NONPAYMENT OF PRINCIPAL OR ACCRETED VALUE.
5 Failure to pay the principal or Accreted Value of the Bonds or any Subordinate
6 Obligations when due and payable, either at maturity or otherwise.

7 (B) NONPAYMENT OF INTEREST. Failure to pay any installment
8 of interest on the Bonds or Subordinate Obligations when due and payable.

9 (C) INCAPABLE OF PERFORMING. For any reason, the Water
10 Authority becomes incapable of fulfilling its obligations under this Bond Ordinance.

11 (D) DEFAULTS OF ANY OTHER PROVISION. Default by the
12 Water Authority in the due and punctual performance of its covenants, conditions,
13 agreements and provisions contained in System Obligations or in the Water
14 Authority ordinance authorizing those System Obligations and the continuance of
15 such default (other than a default set forth in paragraphs A, B and C of this Section)
16 for 60 days after written notice specifying such default and requiring the same to be
17 remedied has been given to the Water Authority by any Credit Source or the Owners
18 of 25% in principal amount and Accreted Value of the System Obligations then
19 Outstanding.

20 Section 32. REMEDIES UPON DEFAULT. Upon the happening and
21 continuance of any of the events of default stated in Section 31:

22 (1) any applicable Credit Source may proceed with any
23 available remedies under any Credit Facility; and

24 (2) the Owners of not less than 66% in principal amount and
25 Accreted Value of the System Obligations then Outstanding, including but not limited
26 to a trustee or trustees therefor, with the consent of the Credit Source with respect to
27 Insured Obligations, may proceed against the Water Authority or the Board or both
28 to:

29 (a) protect and enforce the rights of the Owners by
30 mandamus or other suit, action or special proceedings in equity or at law, in any
31 court of competent jurisdiction, either for the appointment of a receiver or for the

1 specific performance of any covenant or agreement contained in this Bond
2 Ordinance or for the enforcement of any proper legal or equitable remedy as those
3 Owners may deem necessary or desirable to protect and enforce their rights,

4 (b) to enjoin any act or thing which may be unlawful or
5 in violation of any right of any Owner,

6 (c) to require the Board to act as if it were the trustee
7 of an express trust, or

8 (d) any combination of those remedies.

9 All proceedings shall be instituted and maintained for the equal benefit of all
10 Owners of System Obligations then Outstanding, subject to the provisions of Section
11 21 of this Bond Ordinance, with respect to the use of Gross Revenues. The Owners
12 by purchasing System Obligations consent to the appointment of a receiver to
13 protect the rights of the Owners. The receiver may enter and take possession of
14 and operate and maintain the System and shall prescribe rates, fees or charges and
15 collect, receive and apply all Gross Revenues as required by this Bond Ordinance.
16 The failure of any Owner to exercise any right granted by this Section shall not
17 relieve the Water Authority of any obligation to perform any duty. Each right or
18 privilege of any Owner (or trustee or receiver therefor) is in addition and cumulative
19 to any other right or privilege and the exercise of any right or privilege by or on
20 behalf of any Owner shall not be deemed a waiver of any other right or privilege of
21 any Owner.

22 Notwithstanding any other provision in this Bond Ordinance, no recourse shall
23 be had for the payment of any Bond or for any claim based on any other obligation,
24 covenant or agreement contained in this Bond Ordinance against any past, present
25 or future officer, employee or agent of the Water Authority or member of the Board,
26 and all such liability of any such officers, employees, agents or member (as such) is
27 released as a condition of and consideration for the adoption of the Bond
28 Legislation, execution of the Continuing Disclosure Undertaking and the issuance of
29 the Bonds.

30 Upon the occurrence and continuance of an Event of Default, so long as the
31 Credit Source, if any, is not in default in its payment obligations under the Bond

1 Insurance Policy, the Credit Source shall be entitled to control and direct the
2 enforcement of all rights and remedies granted to the Owners with respect to
3 Insured Obligations and such Credit Source shall also be entitled to direct and
4 approve all waivers of Events of Default with respect to Insured Obligations.

5 Section 33. DUTIES UPON DEFAULT. Upon the happening of any of the
6 events of default listed in Section 31, the Water Authority will do and perform all
7 proper acts on behalf of and for the Owners necessary to protect and preserve the
8 security created for the payment of the System Obligations and for the payment of
9 the Debt Service Requirements on the System Obligations promptly as the same
10 become due. As long as any of the System Obligations are Outstanding, all Gross
11 Revenues shall be distributed and used for the purpose and with the priorities set
12 forth in Section 21. If the Water Authority fails or refuses to proceed as provided in
13 this Section, the Owners of not less than 66% in principal amount and Accreted
14 Value of the System Obligations then Outstanding, after demand in writing, may
15 proceed to protect and enforce the rights of the Owners as provided in the Bond
16 Legislation.

17 Section 34. DEFEASANCE. When all principal, interest and prior
18 redemption premiums, if any, in connection with all or any part of the Bonds have
19 been paid or provided for (including amounts owed to the Credit Source, if any,
20 under any Bond Insurance Policy), the pledge and lien and all obligations under this
21 Bond Legislation with respect to those Bonds and any Bond Insurance Policy shall
22 be discharged and those Bonds shall no longer be deemed to be Outstanding within
23 the meaning of the Bond Legislation.

24 Without limiting the preceding paragraph, there shall be deemed to be such
25 payment when: (i) the Board has caused to be placed in escrow and in trust with an
26 escrow agent located within or without the State and exercising trust powers, an
27 amount sufficient (including the known minimum yield from Defeasance Obligations
28 in which such amount may be initially invested) to pay all requirements of principal,
29 interest and prior redemption premium, if any, on the Bonds to be defeased as the
30 same become due to the final maturities or upon designated prior redemption dates,
31 and (ii) any Bonds to be redeemed prior to maturity shall have been duly called for

1 redemption or irrevocable instructions to call such Bonds for redemption have been
2 given to the Registrar. The escrow agent shall have received evidence satisfactory
3 to it that the cash and Defeasance Obligations delivered will be sufficient to provide
4 for the payment of the Bonds to be defeased as stated above. Neither the
5 Defeasance Obligations nor money deposited with the escrow agent shall be
6 withdrawn or used for any purpose other than as provided in the escrow agreement
7 and the Defeasance Obligations and money shall be segregated and held in trust for
8 the payment of the principal and premium, if any, and interest on the Bonds with
9 respect to which such deposit has been made. The Defeasance Obligations shall
10 become due prior to the respective times at which the proceeds are needed in
11 accordance with a schedule established and agreed upon between the Board and
12 the escrow agent at the time of the creation of the escrow, or the Defeasance
13 Obligations shall be subject to redemption but only at the option of the holders or
14 owners thereof to assure the availability of the proceeds as needed to meet the
15 schedule.

16 Until reimbursement is made by the Water Authority to the applicable Credit
17 Source, if the principal and/or interest due on Insured Obligations is paid by a Credit
18 Source pursuant to a Credit Facility, the applicable Insured Obligations shall remain
19 Outstanding, shall not be defeased or otherwise satisfied and shall not be
20 considered to be paid by the Water Authority. In such case, the assignment and
21 pledge of the Net Revenues for the payment of the Insured Obligations paid by the
22 Credit Source and all covenants, agreements and other obligations of the Water
23 Authority to the Owners of those Insured Obligations shall continue to exist and shall
24 run to the benefit of that Credit Source and that Credit Source shall be subrogated to
25 the rights of the owners of those Insured Obligations, until all obligations of the
26 Water Authority to that Credit Source have been paid.

27 If any Bonds are deemed to be paid and discharged pursuant to this Section,
28 within 15 days after the date of defeasance, the Water Authority shall cause written
29 notice to be given to each Owner of the Bonds deemed paid and discharged at the
30 address shown on the Bond register on the date on which those Bonds are deemed
31 paid and discharged. The notice shall state the numbers of the Bonds deemed paid

1 and discharged (if less than all the Bonds are deemed paid and discharged),
2 describe the Defeasance Obligations and specify any date or dates on which the
3 Bonds defeased are to be called for redemption pursuant to notice of redemption
4 given or irrevocable provisions made for that notice pursuant to this Section.

5 Notwithstanding the foregoing, any provisions of the Bond Legislation which
6 relate to indemnification and the payment of fees and expenses, the payment of the
7 principal of and premium of Bonds at maturity or on a prior redemption date, interest
8 payments and dates thereof, exchange, registration of transfer and registration of
9 Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping
10 and cancellation of Bonds, non-presentment of Bonds, the holding of money in trust,
11 the obligations set forth in this Bond Ordinance regarding rebate, and the duties of
12 the Registrar, Authenticating Agent and Paying Agent in connection with all of the
13 foregoing shall remain in effect and be binding upon the Owners, the Registrar,
14 Authenticating Agent and Paying Agent notwithstanding the release and discharge
15 of the Bond Legislation. The provisions of this Section shall survive the release,
16 discharge and satisfaction of the Bond Legislation.

17 Section 35. BONDS NOT PRESENTED WHEN DUE. If any Bonds are not
18 duly presented for payment when due at maturity or on any prior redemption date,
19 and if money sufficient for the payment of those Bonds is on deposit with the Paying
20 Agent, and, in the case of the Bonds to be redeemed, if notice of redemption has
21 been given as provided in the Bond Legislation, all liability of the Water Authority to
22 the Owners of those Bonds shall be discharged, those Bonds shall no longer be
23 Outstanding and it shall be the duty of the Paying Agent to segregate and to hold
24 such money in trust, without liability for interest thereon, for the benefit of the
25 Owners of those Bonds.

26 Section 36. DELEGATED POWERS. The officers of the Water Authority
27 are authorized and directed to take all action from time to time which is necessary or
28 appropriate to effectuate the provisions of the Bond Legislation and the Bonds,
29 including, without limitation, the execution of any credit facility, any liquidity
30 agreement, any remarketing agreement, any qualified exchange agreement, the
31 delivery of a "deemed final" certificate relating to the disclosure document for the

1 Bonds, the publication of a summary of this Bond Ordinance substantially in the form
2 set out in Section 45, the distribution of material related to the Bonds, the printing of
3 the Bonds and the execution of related documents and certificates pertaining to the
4 System, the Bonds, and the delivery of and security for the Bonds, as may be
5 reasonably required by the Purchaser. The officers of the Water Authority are
6 authorized and directed to take all action from time to time which is desirable or
7 necessary for the Water Authority with respect to arbitrage rebate requirements
8 under Section 148(f) of the Code.

9 The Executive Director of the Water Authority, or his successor in interest, is
10 hereby authorized and directed to make such changes or corrections to the
11 procedures established in the Bond Legislation relating to the times of day or the
12 days on which actions are required to be taken, or the persons responsible for
13 particular actions, the form of notice of the occurrence of events, the types and
14 forms of actions required and other similar administrative matters which, in his
15 judgment, are necessary and appropriate to accomplish the purposes of the Bond
16 Legislation and to provide for the efficient administration of the System and the
17 Bonds. Notice of any such changes or corrections shall be given to all persons
18 affected thereby and to Bond Counsel for the Water Authority and a certificate of
19 such changes and correction shall be filed with the Board.

20 Section 37. AMENDMENT OF BOND ORDINANCE.

21 (A) LIMITATIONS UPON AMENDMENTS. This Bond Ordinance
22 may be amended by ordinance or resolution of the Board without the consent of
23 Owners but with the consent of any Credit Source providing a Credit Facility which is
24 in effect and which pertains to the Bonds and is affected by the amendment if the
25 Credit Source is not in default in its obligations under the Credit Facility:

26 (1) To cure any ambiguity, or to cure, correct or supplement
27 any defect or inconsistent provision contained in this Bond Ordinance;

28 (2) To grant to the Owners any additional rights, remedies,
29 powers or authority that may lawfully be granted to them;

30 (3) To obtain or maintain a rating on the Bonds from any
31 rating agency if the amendment, in the judgment of Bond Counsel, does not

1 materially adversely affect the Owners of the Bonds;

2 (4) To achieve compliance with federal securities or tax
3 laws; and

4 (5) To make any other changes in this Bond Ordinance or
5 the Confirming Resolution which, in the opinion of Bond Counsel, are not materially
6 adverse to the Owners.

7 (B) ADDITIONAL AMENDMENTS. Except as provided above or in
8 the Confirming Resolution, the Bond Ordinance may only be amended or
9 supplemented by ordinance or resolution adopted by the Board in accordance with
10 the laws of the State, without receipt by the Water Authority of any additional
11 consideration, but with the written consent of the Owners of a majority of the
12 principal amount of the Bonds then Outstanding which are affected by the
13 amendment or supplement (not including the Bonds which are then owned by or for
14 the account of the Water Authority) and of any Credit Source providing a Credit
15 Facility which is in effect affected by the amendment or supplement, if the Credit
16 Source is not in default in its obligations under the Credit Facility; provided, however,
17 that no such ordinances or resolutions shall have the effect of permitting:

18 (1) An extension of the maturity of any Bond; or

19 (2) A reduction in the principal amount of, premium, if any, or
20 interest rate on any Bond; or

21 (3) The creation of a lien on or a pledge of Net Revenues
22 ranking prior to the lien or pledge of Subordinate Obligations on Net Revenues
23 unless issued in compliance with the ordinances authorizing the issuance of the
24 Outstanding Senior Obligations; or

25 (4) A reduction of the principal amount of the Bonds required
26 for consent to such amendment or supplement.

27 (C) PROOF OF INSTRUMENTS. The fact and date of the
28 execution of any instrument under the provisions of this Section may be proved by
29 the certificate of any officer in any jurisdiction who by the laws of that jurisdiction is
30 authorized to take acknowledgments of deeds within that jurisdiction that the person
31 signing the instrument acknowledged before him the execution of that instrument, or

1 may be proved by an affidavit of a witness to the execution sworn to before such
2 officer.

3 Section 38. LIMITATION OF RIGHTS. Nothing in the Bond Legislation
4 expressed or implied is intended or shall be construed to give to any Person other
5 than the Owners, the Water Authority and the parties to which such right, remedy or
6 claim is expressly granted by the Bond Legislation any legal or equitable right,
7 remedy or claim under or in respect to the Bond Legislation or any covenant,
8 condition or stipulation of the Bond Legislation, and all covenants, stipulations,
9 promises and agreements in the Bond Legislation shall be for the sole and exclusive
10 benefit of the Water Authority, the Paying Agent, the Registrar and the Owners.

11 Section 39. NOTICES. Except as otherwise specifically required in this
12 Bond Ordinance, notice with respect to the Bonds shall be effective when received
13 and it shall be sufficient service of any notice, request, demand or other paper if the
14 same is given: (i) orally, or (ii) by mail, or (iii) by Electronic Means, or (iv) hand
15 delivered; provided that any notice given orally, including notice by telephone, must
16 be confirmed by notice in writing as set forth in clause (ii), (iii) (except by telephone)
17 or (iv) above initiated within one Business Day after oral Notice is given. Notice shall
18 be given as follows:

19 (A) If to the Water Authority:
20 Albuquerque Bernalillo County Water Utility Authority
21 One Civic Plaza, N.W., Room 5012
22 Albuquerque, NM 87102
23 Attention: Executive Director
24 (505) 768-2500
25 (505) 768-2580 (Fax)

26

1 (B) If to the Initial Paying Agent:
2 Albuquerque Bernalillo County Water Authority
3 One Civic Plaza NW, Room 5012
4 Albuquerque, NM 87102
5 Attention: Chief Financial Officer
6 (505) 768-3695
7

8 Any such party may, by notice as set forth above to other parties, designate
9 any further or different address to which subsequent notices, certificates or other
10 communication shall be sent. All notices sent pursuant to this Bond Ordinance to
11 any Owner shall also be sent to the Credit Source, if any, of the Bonds.

12 When this Bond Ordinance provides for notice to the Owners of Bonds of any
13 event, such notice shall be sufficiently given (unless otherwise expressly provided in
14 this Bond Ordinance) if in writing and given in accordance with this Section to each
15 Owner of Bonds affected by such event, at his address as it appears on the register
16 for the Bonds. In any case where notice to an Owner of Bonds is given by Electronic
17 Means or by mail, neither the failure to send such notice nor any defect in any notice
18 sent to any particular Owner of Bonds shall affect the sufficiency of such notice with
19 respect to any other Owner, and any notice which is sent in the manner provided in
20 this paragraph shall conclusively be presumed to have been duly given.

21 Where this Bond Ordinance provides for notice upon the occurrence of any
22 event, that notice may be waived by the person entitled to receive that notice, either
23 before or after the event, and such waiver shall be the equivalent of notice.

24 The Paying Agent shall provide Moody's, S&P, and Fitch if the Bonds are
25 then rated by Moody's, S&P, and Fitch as applicable, with prior written notice of any
26 amendments to this Bond Ordinance and the optional redemption of Bonds pursuant
27 to Section 8.(A) or defeasance pursuant to Section 34. Such notice shall be sent (a)
28 to Moody's at: Moody's Investors Service, Public Finance Department – Structured
29 Finance Group, 99 Church Street, New York, New York 10007, (b) to S&P at:
30 Standard & Poor's Corporation, Attention: Municipal Finance Department –

1 Structured Finance Group, 25 Broadway, 20th Floor, New York, New York 10004,
2 and (c) to Fitch at: Fitch Ratings, One State Street Plaza, New York, NY 10004.

3 Section 40. BOND ORDINANCE IRREPEALABLE AS TO THE BONDS.
4 After any of the Bonds are issued, this Bond Ordinance shall be and remain
5 irrevocable until the Debt Service Requirements on all the Bonds are fully paid and
6 discharged and the Bonds are canceled, as provided in this Bond Ordinance, or
7 there has been defeasance of all the Bonds as provided in this Bond Ordinance.

8 Section 41. SEVERABILITY CLAUSE. If any section, paragraph, clause or
9 provision of this Bond Ordinance shall for any reason be held to be invalid or
10 unenforceable, the invalidity or unenforceability of that section, paragraph, clause or
11 provision shall not affect any of the remaining provisions of this Bond Ordinance.

12 Section 42. REPEALER CLAUSE. All bylaws, orders, resolutions and
13 ordinances, or parts thereof, inconsistent with this Bond Ordinance are repealed to
14 the extent only of such inconsistency. This repealer shall not be construed to revive
15 any bylaw, order, resolution or Ordinance, or part thereof, previously repealed.

16 Section 43. GENERAL SUMMARY FOR PUBLICATION. The title and a
17 general summary of the subject matter contained in the Ordinance shall be
18 published in substantially the following form:

19 **(Form of Summary of Ordinance for Publication)**

20 **Albuquerque Bernalillo County Water Utility Authority**

21 **Notice of Adoption of Ordinance**

22 NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 6-14-6
23 NMSA 1978, that on August 20, 2014, the Board of Albuquerque Bernalillo County
24 Water Utility Authority (the "Water Authority") adopted Water Authority Ordinance
25 No. O-14-2 (the "Bond Ordinance"), an ordinance which authorizes the issuance of
26 the Water Authority's Subordinate Lien Joint Water and Sewer System Refunding
27 Revenue Bonds, in the aggregate principal amount of \$[183,425,000] to refund a
28 portion certain outstanding System Obligations of the Water Authority's joint water
29 and sewer system (the "System").

30 The title of the Bond Ordinance is:

31 **ORDINANCE**

1 AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO
2 COUNTY WATER UTILITY AUTHORITY (THE "WATER AUTHORITY")
3 SUBORDINATE LIEN JOINT WATER AND SEWER SYSTEM REFUNDING
4 REVENUE BONDS, SERIES 2014 IN THE PRINCIPAL AMOUNT OF
5 \$[183,425,000] (THE "BONDS" OR THE "SERIES 2014 BONDS") FOR THE
6 PURPOSES OF REFUNDING (i) A PORTION OF THE OUTSTANDING JOINT
7 WATER AND SEWER SYSTEM NEW MEXICO FINANCE AUTHORITY PUBLIC
8 PROJECT REVOLVING FUND LOAN AGREEMENT (2005), (ii) A PORTION OF
9 THE OUTSTANDING SERIES 2005 BONDS, (iii) A PORTION OF THE
10 OUTSTANDING SERIES 2006A BONDS, AND (iv) THE OUTSTANDING 2001
11 NEW MEXICO ENVIRONMENT DEPARTMENT LOAN; PROVIDING FOR THE
12 DISPOSITION OF, AND OTHER DETAILS RELATING TO, THE REVENUES
13 FROM THE OPERATION OF THE SYSTEM INCLUDING THE PAYMENT OF
14 DEBT SERVICE ON SYSTEM OBLIGATIONS; DETERMINING CERTAIN TERMS
15 AND THE METHOD OF DETERMINING OTHER TERMS CONCERNING THE
16 BONDS; PROVIDING FOR THE APPROVAL OF VARIOUS AGREEMENTS AND
17 DISCLOSURE DOCUMENTS RELATING TO THE BONDS; AMENDING AND
18 REPEALING CERTAIN PRIOR ORDINANCES; AND RATIFYING ACTION
19 PREVIOUSLY TAKEN.

20 The title contains a general summary of the subject matter contained in the
21 Bond Ordinance.

22 WITNESS my hand and the seal of the Water Authority as of August 20,
23 2014.

24
25
26 _____
27 Executive Director

28 (End of Summary of Ordinance for Publication)
29
30
31

1 PASSED AND ADOPTED THIS 20TH DAY OF AUGUST, 2014.
2 BY A VOTE OF ___ FOR AND ___ AGAINST.

3

4

5

Chair

6 ATTEST:

7

8

Secretary

9

10

11 Y:\dox\client\84294\0010\GENERAL\W2199145.DOC

12

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Albuquerque Bernalillo County Water Utility Authority

Finance Plan Presentation

June 18, 2014



RBC Capital Markets®

Outstanding Debt

Issue	Bond Type	Lien	Original Amount	Amount Outstanding	Callable Amount Outstanding	Call Date	Tax Risk	Advance Refundable	Remaining Average Life	Swap in Place	Coupons	Final Maturity
2003 NMFA DWRFL	Fixed Rate	Senior	\$ 3,600,000	\$ 661,090	\$ 661,090	Callable Anytime	No	N/A	1.66	No	1.750%	2015
2005 NMFA PPRF	Fixed Rate	Senior	20,000,000	16,395,000	15,385,000	10/28/2015 @ 100%	No	Yes	7.44	No	3.30% - 4.26%	2025
Series 2005	Fixed Rate	Senior	132,985,000	110,200,000	90,180,000	7/1/2015 @ 100%	No	Yes	6.79	No	3.50% - 5.00%	2025
Series 2006A	Fixed Rate	Senior	133,390,000	109,730,000	77,593,000	7/1/2016 @ 100%	No	Yes	8.34	No	4.250% - 5.250%	2026
2007 NMFA PPRF	Fixed Rate	Senior	77,005,000	56,305,000	37,625,000	7/1/2017 @ 100%	No	Yes	7.91	No	4.250% - 5.250%	2025
Series 2008A	Fixed Rate	Senior	55,630,000	55,630,000	55,630,000	7/1/2018 @ 100%	No	Yes	16.67	No	5.000%	2033
Series 2009A-1	Fixed Rate	Senior	135,990,000	121,675,000	76,475,000	7/1/2019 @ 100%	No	Yes	12.45	No	3.00% - 5.25%	2034
2009 NMFA DWRFL	Fixed Rate	Senior	1,010,000	917,824	917,824	Callable Anytime	No	N/A	9.71	No	0.250%	2030
2011 NMFA PPRF	Fixed Rate	Senior	53,400,000	46,025,000	19,755,000	6/1/2021 @ 100%	No	N/A	8.90	No	3.00% - 5.00%	2036
Series 2013A&B	Fixed Rate	Senior	118,215,000	118,215,000	25,270,000	7/1/2023 @ 100%	No	Yes	5.49	No	3.00% - 5.00%	2038
2001 NMED Loan	Fixed Rate	Subordinate	15,000,000	6,441,683	6,441,683	Callable Anytime	No	N/A	6.80	No	3.000%	2025
2004 NMFA DWRFL	Fixed Rate	Subordinate	12,000,000	9,295,000	9,295,000	Callable Anytime	No	N/A	9.36	No	2.000%	2031
2009 WTB Loan - 51	Fixed Rate	Subordinate	50,000	41,041	41,041	Callable Anytime	No	N/A	8.50	No	0.250%	2030
2009 WTB Loan - 79	Fixed Rate	Subordinate	100,000	82,205	82,205	Callable Anytime	No	N/A	8.50	No	0.250%	2030
2010 DWRFL - 2379-ADW	Fixed Rate	Subordinate	47,518	38,758	38,758	Callable Anytime	No	N/A	8.66	No	1.000%	2031
2010 DWRFL - 2380-ADW	Fixed Rate	Subordinate	57,648	52,289	52,289	Callable Anytime	No	N/A	9.18	No	1.000%	2031
2010 DWRFL - 2381-ADW	Fixed Rate	Subordinate	125,453	116,409	116,409	Callable Anytime	No	N/A	9.71	No	1.000%	2031
2010 DWRFL - 2382-ADW	Fixed Rate	Subordinate	190,235	170,633	170,633	Callable Anytime	No	N/A	9.01	No	0.750%	2031
2011 DWRFL - 205-ADW	Fixed Rate	Subordinate	452,000	407,810	407,810	Callable Anytime	No	N/A	9.51	No	0.250%	2031
2011 DWRFL - 206-ADW	Fixed Rate	Subordinate	640,000	577,430	577,430	Callable Anytime	No	N/A	9.51	No	0.250%	2031
2011 DWRFL - 207-ADW	Fixed Rate	Subordinate	63,354	57,160	57,160	Callable Anytime	No	N/A	9.51	No	0.250%	2031
TOTAL			\$ 759,951,208	\$ 653,034,332	\$ 416,772,332							

Refunding Opportunities – Potential Refunding Candidates

Series 2005 Bonds

- Original par amount of \$132,985,000
- \$110,200,000 outstanding with an average rate of 4.67% and a final maturity of July 1, 2025
- Callable on July 1, 2015 without premium

2005 NMFA Loan

- Original par amount of \$20,000,000
- \$16,395,000 outstanding with an average rate of 4.05% and final maturity May 1, 2025
- Callable on October 28, 2015 without premium

Series 2006A Bonds

- Original par amount of \$133,390,000
- \$109,730,000 outstanding with an average rate of 4.79% and final maturity of July 1, 2026
- Callable on July 1, 2016 without premium

Series 2001 New Mexico Environment Department (“NMED”) Loan

- Original par amount of \$15,000,000
- \$6,441,683 outstanding with an average rate of 3.00% and final maturity of July 1, 2025
- Callable at anytime without premium

Lien Structure

- Currently all of the Authority’s Bond issues have a senior lien on Pledged Revenues
- Loans with the NMED and Water Trust Board have a subordinate lien and junior lien to Pledged Revenues respectively.
- The Authority has several Drinking Water Loan through the NMFA which some have a senior lien and several have a subordinate lien on pledged revenues
- A portion of the refunding will be issued on a subordinate lien, approximately 45%, to provide the Authority with rate covenant flexibility during large revenue fluctuation years
- The Authority’s remaining outstanding debt will stay at its current lien level

Refunding Analysis

- Under current market conditions refunding the callable portion of the 2005, 2005A, 2006 and 2001 NMED Loan would generate aggregate present value savings of approximately \$15.6 million or 7.74% and provide approximately \$0.9 million in annual cash flow savings in 2015, \$1.3 million in 2016 and \$1.6 million in years 2017 through 2025.

Refunding Opportunities – Savings Comparison

Senior & Sub. Lien

Advance Refund

Series 2005 Bonds, 2005 NMFA Loan

Series 2006 Bonds and 2001 NMED Loan

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value Savings
07/01/2015	\$ 9,711,241	\$ 8,780,650	\$ 930,591	\$ 918,476
07/01/2016	20,086,242	18,747,750	1,338,492	1,292,191
07/01/2017	28,911,730	27,251,650	1,660,080	1,562,683
07/01/2018	25,737,629	24,076,100	1,661,529	1,527,150
07/01/2019	25,439,675	23,782,700	1,656,975	1,488,023
07/01/2020	25,128,294	23,474,500	1,653,794	1,450,801
07/01/2021	24,716,931	23,068,250	1,648,681	1,414,030
07/01/2022	24,587,711	22,934,000	1,653,711	1,386,650
07/01/2023	24,226,412	22,567,000	1,659,412	1,360,129
07/01/2024	23,864,297	22,207,000	1,657,297	1,328,021
07/01/2025	23,430,635	21,782,250	1,648,385	1,291,152
07/01/2026	11,550,000	10,804,500	745,500	567,905
	<u>\$ 267,390,798</u>	<u>\$ 249,476,350</u>	<u>\$ 17,914,448</u>	<u>\$ 15,587,212</u>

Savings Summary

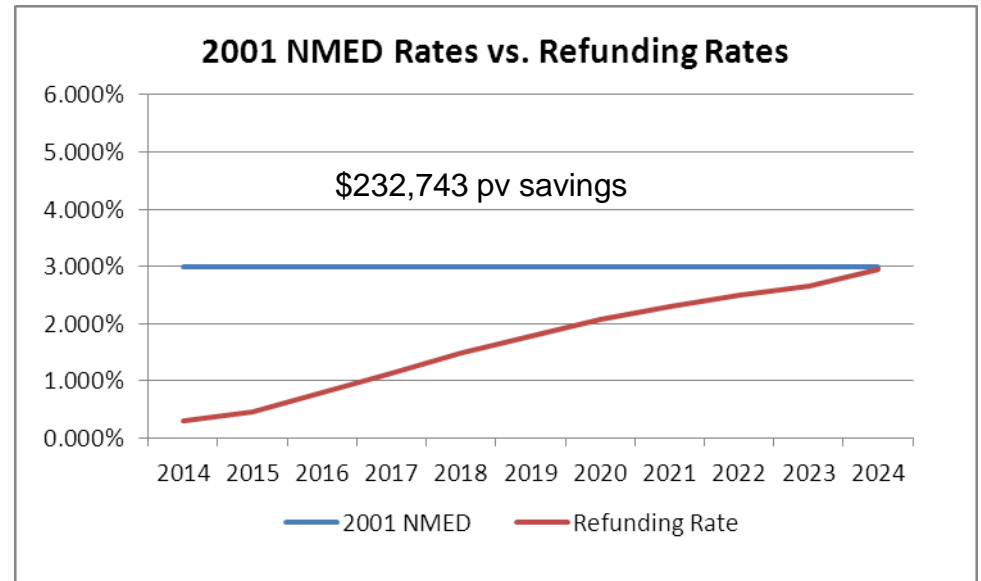
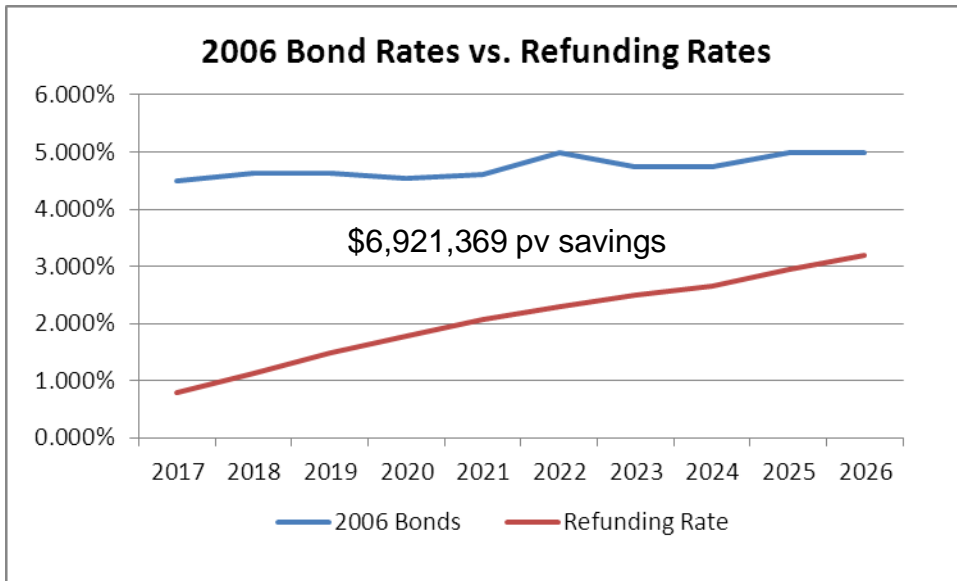
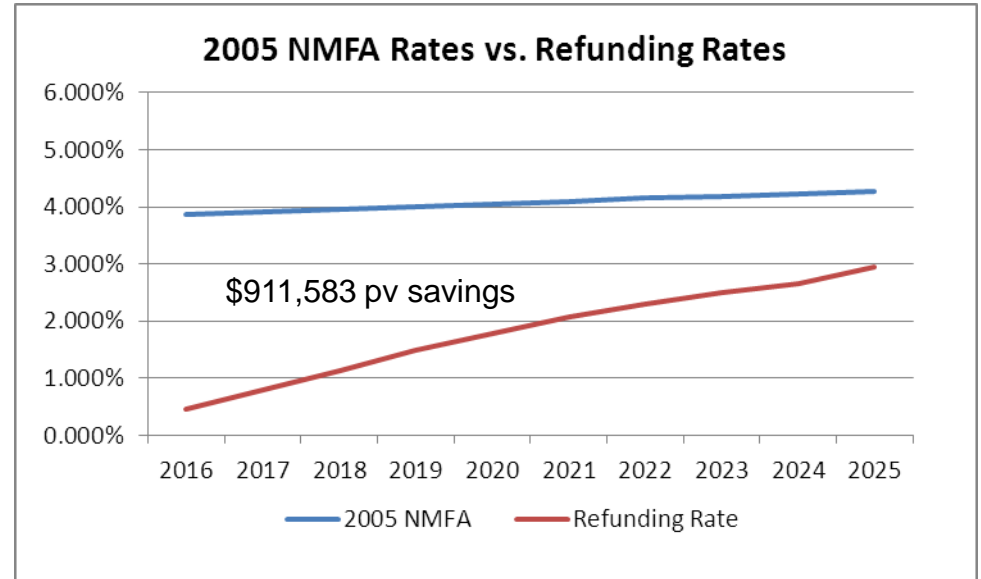
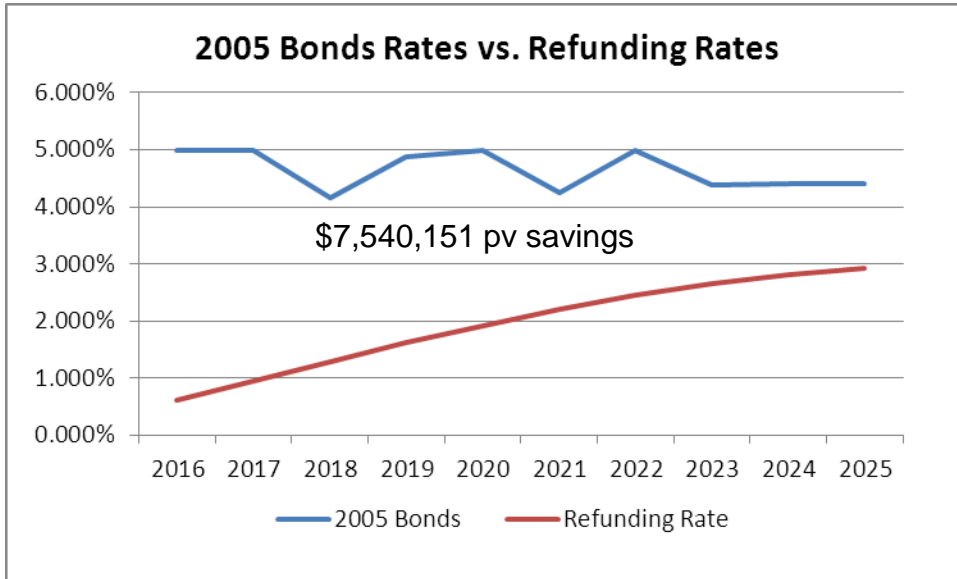
PV of savings from cash flow	\$ 15,587,212
Plus: Refunding funds on hand	18,635
Net PV Savings	\$ 15,605,847
Net PV Savings (%)	7.745%

Overview of Bond Refunded

Bond	Maturity Date	Interest Rate	Par Amount	Present Value Savings (\$)	Present Value Savings (%)
2005 BONDS	07/01/2016	5.000%	\$ 9,115,000	\$ 288,922	3.170%
	07/01/2017	5.000%	11,080,000	703,478	6.349%
	07/01/2018	4.150%	8,410,000	532,695	6.334%
	07/01/2019	4.750%	4,230,000	418,951	9.904%
	07/01/2019	5.000%	4,300,000	467,609	10.875%
	07/01/2020	4.250%	8,680,000	726,789	8.373%
	07/01/2021	5.000%	8,655,000	1,098,778	12.695%
	07/01/2022	4.375%	8,875,000	822,609	9.269%
	07/01/2023	4.400%	8,915,000	837,228	9.391%
	07/01/2024	4.400%	8,945,000	844,302	9.439%
	07/01/2025	4.500%	8,975,000	798,789	8.900%
			<u>\$ 90,180,000</u>	<u>\$ 7,540,151</u>	<u>8.361%</u>
2005 NMFA	05/01/2016	3.870%	\$ 1,260,000	\$ 11,079	0.879%
	05/01/2017	3.910%	1,360,000	42,285	3.109%
	05/01/2018	3.950%	1,460,000	70,801	4.849%
	05/01/2019	4.000%	1,450,000	85,920	5.925%
	05/01/2020	4.050%	1,460,000	98,957	6.778%
	05/01/2021	4.100%	1,500,000	106,180	7.079%
	05/01/2022	4.150%	1,645,000	120,659	7.335%
	05/01/2023	4.190%	1,700,000	127,316	7.489%
	05/01/2024	4.230%	1,775,000	136,719	7.702%
	05/01/2025	4.260%	1,775,000	111,667	6.291%
			<u>\$ 15,385,000</u>	<u>\$ 911,583</u>	<u>5.925%</u>
2006 BONDS	07/01/2017	4.500%	\$ 7,265,000	\$ 140,123	1.929%
	07/01/2018	4.625%	7,595,000	327,270	4.309%
	07/01/2019	4.625%	7,945,000	466,033	5.866%
	07/01/2020	4.550%	8,315,000	566,467	6.813%
	07/01/2021	4.600%	8,695,000	655,184	7.535%
	07/01/2022	5.000%	9,095,000	914,508	10.055%
	07/01/2023	4.750%	9,550,000	861,334	9.019%
	07/01/2024	4.750%	10,000,000	942,049	9.420%
	07/01/2025	5.000%	10,480,000	1,056,888	10.085%
	07/01/2026	5.000%	11,000,000	991,513	9.014%
			<u>\$ 89,940,000</u>	<u>\$ 6,921,369</u>	<u>7.696%</u>
2001 NMED	05/20/2015	3.000%	\$ 467,511	\$ 8,684	1.857%
	05/20/2016	3.000%	481,537	18,865	3.918%
	05/20/2017	3.000%	495,983	26,088	5.260%
	05/20/2018	3.000%	510,862	31,025	6.073%
	05/20/2019	3.000%	526,188	32,504	6.177%
	05/20/2020	3.000%	541,974	32,444	5.986%
	05/20/2021	3.000%	558,233	29,004	5.196%
	05/20/2022	3.000%	574,980	24,414	4.246%
	05/20/2023	3.000%	592,229	18,973	3.204%
	05/20/2024	3.000%	609,996	13,263	2.174%
	05/20/2025	3.000%	628,296	(2,520)	-0.401%
			<u>\$ 5,987,789</u>	<u>\$ 232,743</u>	<u>3.887%</u>
			<u>\$ 201,492,789</u>	<u>\$ 15,605,847</u>	<u>7.745%</u>



Comparison of Existing Rate to Refunding Rates



Senior / Subordinate Lien Analysis

Historical and Projected Pledged Revenues and Coverage (FY2012-2017)

	Historical		Projected			
	2012	2013	2014	2015	2016	2017
1 Operating Revenues	\$170,541,065	\$175,677,625	\$179,677,625	\$188,661,506	\$198,094,582	\$202,056,473
2 Interest	148,000	42,009	42,009	42,009	42,009	42,009
3 Expansion Charges	8,035,123	8,197,016	8,200,000	9,000,000	9,000,000	9,000,000
4 Other	1,547,000	1,685,449	1,685,449	1,685,449	1,685,449	1,685,449
5 Total Adjusted Revenues	\$180,271,188	\$185,602,099	\$189,605,083	\$199,388,964	\$208,822,040	\$212,783,931
6 Total Operating Expenses	\$185,893,000	\$195,436,545	\$188,823,480	\$196,813,000	\$200,749,260	\$204,764,245
Less:						
7 Franchise Fee	\$ (6,524,000)	\$ (6,629,318)	\$ (7,027,077)	\$ (7,027,076)	\$ (7,448,701)	\$ (7,523,188)
8 Depreciation	(84,850,000)	(86,644,314)	(88,377,200)	(90,144,744)	(91,947,639)	(92,867,116)
9 Amortization	(434,000)	(434,000)	(434,000)	(434,000)	(434,000)	(434,000)
Total Adjusted Operating						
10 Expenses	\$ 94,085,000	\$101,728,913	\$ 92,985,203	\$ 99,207,180	\$100,918,920	\$103,939,942
11 Release from Rate Reserve	-	4,000,000	2,000,000	-	-	-
12 Net Revenues Available for DS	\$ 86,186,188	\$ 87,873,186	\$ 98,619,880	\$100,181,785	\$107,903,119	\$108,843,989
13 Total Combined Senior DS	\$ 61,574,823	\$ 63,505,724	\$ 71,966,392	\$ 69,235,250	\$ 59,095,532	\$ 60,783,220
14 Senior DS Coverage (x)	1.40	1.38	1.37	1.45	1.83	1.79
15 Subordinate DS Requirements	3,403,355	1,956,276	1,375,326	4,952,318	13,746,019	15,251,594
16 Combined DS Requirements	\$ 64,978,178	\$ 65,462,000	\$ 73,341,718	\$ 74,187,568	\$ 72,841,551	76,034,814
17 All In Annual DS Coverage(x)	1.33	1.34	1.34	1.35	1.48	1.43
18 Rate Reserve Balance				2,000,000	4,000,000	6,000,000

Source: Albuquerque Bernalillo County Water Utility Authority

Note: Includes proposed debt service for 2016 bond issuance.

Time Schedule

Date	Activity	Responsibility
Mon. May 21	Determine Underwriting Team	WUA
Tue., May 27	First Draft of Bond Ordinance Distributed	WUA, BC
Mon., Jun. 2	Comments Due on Bond Ordinance	WUA, BC
Mon., Jun. 2	Draft Preliminary Official Statement Distributed	BC
Wed., Jun. 11	Bond Ordinance Included in Board packets	WUA, BC
Wed., Jun. 18	First Reading of Bond Ordinance	WUA
Week of July 28	Rating Presentations	WUA, FA
Thur. Aug. 7	Post Preliminary Official Statement	DC
Wed., Aug. 18/19	Pricing	WUA, FA, UW, VA
Wed., Aug. 20	WUA Governing Board adopts Bond Ordinance	WUA, BC, FA
Fri., Aug. 22	Notice of Adoption of Resolution Published	BC
Wed., Aug. 27	Final Official Statement Posted	WUA, DC
Thurs., Sep. 18	Pre-Closing	WUA, FA, UW, BC, DC, VA, ESC
Wed., Sep. 24	Bond Closing	WUA, FA,, UW, BC, DC, ESC

Working Group Key

<u>Code</u>	<u>Participant</u>	<u>Role</u>
WUA	ABCWUA	Issuer
BC	Modrall Sperling	Bond Counsel
FA	RBC Capital Markets, LLC	Financial Advisor
DC	Modrall Law Firm	Disclosure Counsel
UWC	Hogan Lovells	Underwriter's Counsel
UW	To Be Determined	Underwriting Team
ESC	To Be Determined	Escrow Agent
VA	To Be Determined	Verification Agent

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