

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. F/S O-14-2

ORDINANCE

1
2 **AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO**
3 **COUNTY WATER UTILITY AUTHORITY (THE “WATER AUTHORITY”) SENIOR**
4 **LIEN JOINT WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS,**
5 **SERIES 2014A IN THE PRINCIPAL AMOUNT OF \$97,270,000 (THE “SERIES**
6 **2014A BONDS”) FOR THE PURPOSES OF REFUNDING (i) A PORTION OF THE**
7 **OUTSTANDING JOINT WATER AND SEWER SYSTEM NEW MEXICO FINANCE**
8 **AUTHORITY PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005)**
9 **AND (ii) A PORTION OF THE OUTSTANDING SERIES 2006A BONDS;**
10 **AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO**
11 **COUNTY WATER UTILITY AUTHORITY SUBORDINATE LIEN JOINT WATER**
12 **AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2014B IN THE**
13 **PRINCIPAL AMOUNT OF \$87,005,000 (THE "SERIES 2014B BONDS" AND**
14 **TOGETHER WITH THE SERIES 2014A BONDS, THE “BONDS”) FOR THE**
15 **PURPOSES OF REFUNDING (i) A PORTION OF THE OUTSTANDING SERIES**
16 **2005 BONDS AND (ii) THE OUTSTANDING 2001 NEW MEXICO ENVIRONMENT**
17 **DEPARTMENT LOAN; PROVIDING FOR THE DISPOSITION OF, AND OTHER**
18 **DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF THE**
19 **SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON SYSTEM**
20 **OBLIGATIONS; DETERMINING CERTAIN TERMS AND THE METHOD OF**
21 **DETERMINING OTHER TERMS CONCERNING THE BONDS; PROVIDING FOR**
22 **THE APPROVAL OF VARIOUS AGREEMENTS AND DISCLOSURE**
23 **DOCUMENTS RELATING TO THE BONDS; AMENDING THE WATER**
24 **AUTHORITY’S WATER AND SEWER RATE ORDINANCE NO. O-14-1 AND**
25 **ORDINANCE NO. F/S O-08-4; AND RATIFYING ACTION PREVIOUSLY TAKEN.**

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

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

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

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

11	Amount
12 <u>Series</u>	<u>Outstanding</u>
13 2005	\$100,535,000
14 2006A	\$103,445,000
15 2008A	\$ 56,630,000
16 2009	\$114,890,000
17 2013A&B	\$116,215,000
18 Drinking Water State Revolving Fund Loan Agreement (2003)	\$ 333,826
19 Public Project Revolving Fund Loan Agreement (2005)	\$16,395,000
20 Public Project Revolving Fund Loan Agreement (2007)	\$51,820,000
21 Drinking Water State Revolving Fund Loan (2009)	\$ 862,388
22 Public Project Revolving Fund Loan Agreement (2011)	\$46,025,000

23 and

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

28	Amount
29 <u>Obligation</u>	<u>Outstanding</u>
30 June 2001 EID Loan	\$5,987,789
31 2008 NMFA Drinking Water Loan	\$8,840,187

1 and

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

<u>Obligation</u>	<u>Amount Outstanding</u>
8 Water Trust Board Loan No. 51-WTB (2009)	\$38,524
9 Water Trust Board Loan No. 79-WTB (2009)	\$77,163
10 Water Trust Board Loan No. 177-WTB (2010)	\$160,795
11 Water Trust Board Loan No. 205-WTB (2011)	\$385,632
12 Water Trust Board Loan No. 206-WTB (2011)	\$546,028
13 Water Trust Board Loan No. 207-WTB (2011)	\$54,051

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

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

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

23 WHEREAS, the Board desires to clarify the Rate Covenant on its Outstanding
 24 Senior Obligations and to amend Ordinance No. F/S O-08-4 and the Water
 25 Authority's Water and Sewer Rate Ordinance No. O-14-1 and Debt Policy to provide
 26 consistent provisions across the respective lien levels for its Senior Obligations and
 27 Subordinate Obligations; and

28 WHEREAS, the Board desires to refund and refinance the Refunded
 29 Obligations to achieve debt service savings and to restructure its outstanding
 30 obligations;

1 WHEREAS, the Board hereby determines that (i) the Refunding Project may
2 be financed with proceeds of the Bonds, (ii) that it is necessary and in the best
3 interests of the Water Authority and the residents of the geographic area served by
4 the Water Authority that the Bonds be authorized pursuant to the Act and (iii) that the
5 Refunded Obligations be refunded; and

6 WHEREAS, the Board has determined that it may lawfully pledge the Net
7 Revenues for repayment of the Bonds; and

8 WHEREAS, the Water Authority intends to use the proceeds of the Series
9 2014A Bonds for the purpose of refunding the 2014A Refunded Obligations and to
10 pay the Expenses of issuing the Series 2014A Bonds; and

11 WHEREAS, the Water Authority intends to use the proceeds of the Series
12 2014B Bonds for the purpose of refunding the 2014B Refunded Obligations and to
13 pay the Expenses of issuing the Series 2014B Bonds; and

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

16 WHEREAS, there has been presented to the Board for approval the
17 Preliminary Official Statement, the proposed form of Official Statement, the form of
18 Continuing Disclosure Undertaking, the form of the Escrow Agreement, and the
19 Bond Purchase Agreement; and

20 WHEREAS, all required authorizations, consents or approvals of any
21 governmental body, agency or authority in connection with charging the current rates
22 for services of the System and for the authorization, execution and delivery of the
23 Bonds which are required to have been obtained by the date of this Bond Ordinance
24 or which will be required to be obtained prior to the date of issuance of the Bonds
25 have been or will have been obtained by such dates.

26 BE IT ORDAINED BY THE BOARD, THE GOVERNING BODY OF THE
27 WATER AUTHORITY:

28 Section 1. DEFINITIONS AND RULES OF CONSTRUCTION.

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

1 ACCRETED VALUE. Unless stated otherwise in an ordinance or
2 resolution of the Board, with respect to an Individual Capital Appreciation Bond, an
3 amount equal to the original principal amount of that Capital Appreciation Bond plus
4 the amount, assuming semiannual compounding of earnings, which would be
5 produced on the investment of such original principal amount, beginning on the
6 dated date of that Individual Capital Appreciation Bond and ending at the Accretion
7 Term Date thereof, at an interest rate which, if continued until the Accretion Term
8 Date, will produce the defined value of an Individual Capital Appreciation Bond at the
9 Accretion Term Date. As of any Valuation Date, the Accreted Value of any Capital
10 Appreciation Bond shall mean the amount set forth for such date in the applicable
11 resolution or ordinance. As of any date other than a Valuation Date, the Accreted
12 Value shall mean the sum of (1) the Accreted Value on the preceding Valuation Date
13 and (2) the product of (a) a fraction, the numerator of which is the number of days
14 having elapsed from the preceding Valuation Date and the denominator of which is
15 the number of days in a single compounding period, and (b) the difference between
16 the Accreted Values for the preceding Valuation Date and the next succeeding
17 Valuation Date.

18 ACCRETION TERM DATE. The maturity date of a Capital
19 Appreciation Bond or other date on which a Capital Appreciation Bond converts to a
20 Current Interest Bond.

21 ACT. Section 72-1-10 NMSA 1978, Sections 3-31-1 to 3-31-12 NMSA
22 1978, Sections 4-61-1 to 4-61-10 NMSA 1978, Sections 6-18-1 through 6-18-16
23 NMSA 1978, and enactments of the Board relating to the Bond Ordinance.

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

28 AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or
29 integral multiples of \$5,000.

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

4 BENEFICIAL OWNERS. Beneficial Owners as defined in Section
5 7.(C).

6 BOARD. The governing body in which is vested the legislative power
7 of the Water Authority.

8 BOND, BONDS OR SERIES 2014 BONDS. Collectively, the
9 Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
10 Sewer System Refunding Revenue Bonds, Series 2014A issued pursuant to the
11 Bond Legislation in the aggregate principal amount of \$97,270,000 and the
12 Albuquerque Bernalillo County Water Utility Authority Subordinate Lien Joint Water
13 and Sewer System Refunding Revenue Bonds, Series 2014B, issued pursuant to
14 the Bond Legislation, in the principal amount of \$87,005,000.

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

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

21 BOND LEGISLATION. The Bond Ordinance and the Confirming
22 Resolution.

23 BOND ORDINANCE. This ordinance, as amended or supplemented
24 from time to time.

25 BOND PURCHASE AGREEMENT. The Bond Purchase Agreement
26 between the Water Authority and the Purchaser of the Bonds.

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

30 CAPITAL APPRECIATION BONDS. System Obligations on which the
31 first scheduled date for payment of principal and/or interest is the Accretion Term

1 Date. For the purposes of (1) receiving payment of the redemption price if a Capital
2 Appreciation Bond is redeemed prior to maturity or (2) determining the principal
3 amount of System Obligations held by the owner of a Capital Appreciation Bond in
4 giving any notice, consent, request, or demand pursuant to an ordinance or
5 resolution of the Board or related document for any purpose whatsoever, the
6 principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted
7 Value.

8 CHAIR. The duly elected Chair of the Board or the Vice Chair of the
9 Board acting in the absence of the Chair.

10 CITY. The City of Albuquerque, in the County of Bernalillo and State
11 of New Mexico.

12 CLOSING DATE. The date of delivery of the Bonds to the Purchaser
13 or its designee.

14 CODE. The Internal Revenue Code of 1986, as amended, the federal
15 income tax regulations of the Treasury Department (whether proposed, temporary or
16 final) and any amendments of, or successor provisions to, the foregoing and any
17 official rulings, announcements, notices, procedures and judicial determinations
18 regarding any of the foregoing, all as and to the extent applicable. Unless otherwise
19 indicated, reference to a Section of the Code in this Bond Ordinance means that
20 Section of the Code and such applicable regulations, rulings, announcements,
21 notices, procedures and determinations pertinent to that Section.

22 COMPLETION DATE. The date of completion of the Refunding
23 Project, or, for purposes of the Prospective Test Period, the date of completion of
24 the project for which the additional System Obligations are to be issued.

25 CONFIRMING RESOLUTION. A resolution adopted on the date of
26 adoption of this Bond Ordinance declaring the necessity of the issuance of the
27 Bonds and confirming the terms hereof for purposes of Section 72-1-10(M) NMSA
28 1978, as amended.

29 CONSULTING ENGINEER. Any registered or licensed professional
30 engineer or firm of engineers, entitled to practice and practicing as such under the

1 laws of the State, retained and compensated by the Water Authority but not in the
2 regular employ of the Water Authority, the City or the County.

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

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

11 COUNTY. Bernalillo County, New Mexico.

12 CREDIT FACILITY. A letter of credit, line of credit, Bond Insurance
13 Policy or Reserve Account Surety Bond, guaranty or similar agreement provided by
14 a Credit Source to provide support to pay the purchase price of, or the payment
15 when due of the principal of and interest on, System Obligations.

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

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

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

23 DEBT SERVICE REQUIREMENTS. With respect to System
24 Obligations and for any given period, the sum of: (1) the amount required to pay the
25 interest, or to make reimbursements for payments of interest, becoming due on
26 System Obligations during that period, plus (2) the amount required to pay the
27 principal or Accreted Value, or to make reimbursements for the payment of principal
28 or Accreted Value, becoming due on System Obligations during that period, whether
29 at maturity, an accretion term date or upon mandatory sinking fund redemption
30 dates, plus (3) the periodic payments required to be made by the Water Authority
31 pursuant to a Qualified Exchange Agreement minus (4) the periodic payments to be

1 received by the Water Authority pursuant to a Qualified Exchange Agreement. No
2 payments required for any System Obligations which may be tendered or otherwise
3 presented for payment at the option or demand of the owners of System Obligations,
4 or which may occur because of the exercise of an option by the Water Authority, or
5 which may otherwise become due by reason of any other circumstance or
6 contingency, including acceleration or early termination payments, which constitute
7 other than regularly scheduled payments of principal, Accreted Value, interest or
8 other regularly scheduled payments on System Obligations shall be included in any
9 computation of Debt Service Requirements for that period.

10 Unless, at the time of computation of Debt Service Requirements, payments
11 on System Obligations are owed to, or System Obligations are owned or held by, the
12 provider of a Credit Facility pursuant to the provisions of that Credit Facility, the
13 computation of interest for the purposes of this definition shall be made without
14 considering the interest rate payable pursuant to a Credit Facility.

15 In any computation of Debt Service Requirements relating to the issuance of
16 additional System Obligations, there shall be excluded from the computation of the
17 Debt Service Requirements amounts and investments which are irrevocably
18 committed to make designated payments on System Obligations during the
19 applicable period, including, without limitation, money on deposit in any Debt Service
20 Account and amounts on deposit in an escrow account irrevocably committed to
21 make designated payments on System Obligations during the applicable period and
22 earnings on such investments which are payable and committed to the payment of
23 such System Obligations during the applicable period. For the purpose of the
24 definition of Debt Service Requirements, the Accreted Value of Capital Appreciation
25 Bonds becoming due shall be included in the calculation of accrued and unpaid and
26 accruing interest and principal only from and after the date which is one year prior to
27 the date on which the Accreted Value becomes payable.

28 Unless otherwise required by a Water Authority ordinance or resolution
29 relating to a series of System Obligations, to determine Debt Service Requirements
30 of Variable Rate Obligations, the Water Authority shall use the procedures set forth

1 in the following paragraphs to determine the amount of interest or other payments to
2 be paid by the Water Authority on Variable Rate Obligations.

3 (1) During any historical period for which the actual variable
4 interest rate or rates are determinable, the actual variable interest rate shall be used.
5 During any historical period when the actual variable interest rate is not
6 determinable, the variable interest rate shall, for the purpose of determining Debt
7 Service Requirements, be deemed to be the higher of:

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

10 (b) a fixed annual rate equal to the prevailing rate on
11 the Variable Rate Obligations on the date of computation (which, for the purpose of
12 determining the Debt Service Requirements, shall be a date which is no more than
13 60 days prior to the date of issuance of the applicable System Obligations) as
14 certified by the Water Authority's financial advisor, the purchaser of the System
15 Obligations, an investment banker designated by the Water Authority from time to
16 time or a counterparty with respect to a Qualified Exchange Agreement.

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

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

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

31 DEFEASANCE OBLIGATIONS.

- 1 (1) Government Obligations; or
2 (2) if permitted by law, other obligations which would result in
3 the defeased Bonds receiving the same rating from any national rating agency then
4 rating such series of bonds as would have been received if the obligations described
5 in clause (1) of this definition had been used.

6 DEPOSITORIES. The following registered securities depository: The
7 Depository Trust Company, 570 Washington Boulevard, Jersey City, New Jersey
8 07310, <http://www.dtcc.com>; or in accordance with then-current guidelines of the
9 Securities and Exchange Commission, to such other addresses and/or such other
10 securities depositories, or no such depositories, as an Authorized Officer may
11 designate in a certificate of the Water Authority.

12 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
13 (2003). The loan agreement dated April 11, 2003 between the NMFA and the City in
14 the original principal amount of \$3,600,000, authorized and approved by City
15 Ordinance Enactment No. 10-2002 and Resolution Enactment No. 19-2003
16 constituting a senior lien on the Net Revenues.

17 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
18 (2008). The loan agreement dated November 7, 2008 between the NMFA and the
19 Water Authority in the original principal amount of \$12,000,000, authorized and
20 approved by Water Authority Ordinance Enactment No. F/S O-08-4 and Resolution
21 Enactment No. F/S R-08-13 as amended by this Bond Ordinance and the
22 Amendment to the Loan Agreement dated July 24, 2014 constituting a subordinate
23 lien on the Net Revenues.

24 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
25 (2009). The loan agreement between the NMFA and the Water Authority in the
26 original principal amount of \$1,010,000, authorized and approved by Water Authority
27 Ordinance Enactment No. O-09-9 and Resolution Enactment No. R-09-24
28 constituting a senior lien on the Net Revenues.

29 EID. The New Mexico Environment Department, formerly the New
30 Mexico Environmental Improvement Division of the Health and Environment
31 Department of the State.

1 EID LOAN. As of the date of adoption of the Bond Ordinance: The
2 loan made to the City by EID, evidenced by a Loan Agreement dated June 18, 2002,
3 authorized by City Ordinance No. 58–2001 in the original principal amount of
4 \$15,000,000 constituting a subordinate lien on the Net Revenues and to be refunded
5 in whole with the proceeds of the Series 2014B Bonds on the Closing Date.

6 ELECTRONIC MEANS. Telephone, telecopy, telegraph, email,
7 facsimile transmission or any other similar means of electronic communication. Any
8 communication by telephone as an Electronic Means shall promptly be confirmed in
9 writing, which may be by one of the other means of electronic communication listed
10 in this definition.

11 EMMA. The Municipal Securities Rulemaking Board’s Electronic
12 Municipal Market Access System located on its website at emma.msrb.org.

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

16 ESCROW AGREEMENT. The escrow agreement relating to the
17 refunding of the Refunded Obligations between the Water Authority and the Escrow
18 Agent.

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

21 EXPENSE ACCOUNT. That account established for the purpose of
22 paying Expenses and which is a separate account of the Debt Service Fund.

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

1 and all reasonable and necessary fees and administrative costs of the Water
2 Authority relating to the foregoing.

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

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

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

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

31 (1) All income derived from the investment of any money in

1 the Acquisition Fund, Joint Water and Sewer Fund, Debt Service Fund and Rate
2 Stabilization Fund and income derived from surplus Net Revenues;

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

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

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

14 (5) Funds received from users of the System as a
15 reimbursement of, or otherwise in connection with, franchise fees to be paid by the
16 Water Authority.

17 Gross Revenues do not include:

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

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

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

30 INDEPENDENT ACCOUNTANT. Any certified public accountant,
31 registered accountant, or firm of accountants duly licensed to practice and practicing

1 as such under the laws of the State, appointed and paid by the Water Authority who
2 (a) is, in fact, independent and not under the domination of the Water Authority, the
3 City or the County, (b) does not have any substantial interest, direct or indirect, with
4 the Water Authority, the City or the County, and (c) is not connected with the Water
5 Authority as an officer or employee of the Water Authority, but who may be regularly
6 retained to make annual or similar audits of the books or records of the Water
7 Authority, the City or the County.

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

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

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

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

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

23 NMFA. The New Mexico Finance Authority.

24 NMSA 1978. New Mexico Statutes Annotated, 1978 Compilation, as
25 amended and supplemented.

26 NET REVENUES. The Gross Revenues after deducting Operation
27 and Maintenance Expenses.

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

1 OPERATION AND MAINTENANCE EXPENSES. All reasonable and
2 necessary current expenses of the System, paid or accrued, related to operating,
3 maintaining and repairing the System including, without limiting the generality of the
4 foregoing:

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

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

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

13 (4) Expenses other than expenses paid from the proceeds of
14 System Obligations;

15 (5) the costs of audits of the books and accounts of the
16 Water Authority and the System;

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

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

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

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

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) United States Government Obligations: Securities

1 backed by the full faith and credit of the U.S. Government including direct obligations
2 of the U.S. Treasury, such as U.S. treasury notes and bills and “Ginnie Mae”
3 mortgage-backed certificates issued by the Government National Mortgage
4 Association;

5 (2) United States Government Obligations: Securities issued
6 or guaranteed by U.S. Government agencies, instrumentalities or sponsored
7 enterprises, but which are not backed by the full faith and credit of the U.S.
8 Government. These securities include Federal Farm Credit Bank “FFCB”, Federal
9 Home Loan Bank “FHLB”, Federal Home Loan Mortgage Corporation “FHLMC” and
10 Federal National Mortgage Association “FNMA” and other entities that qualify as
11 instrumentalities of the U.S. government. Additionally, mortgage-backed certificates,
12 and debentures issued by “Freddie Mac” (Federal Home Loan Mortgage
13 Corporation) and “Fannie Mae” (Federal National Mortgage Association) are
14 allowable;

15 (3) Bank, Savings and Loan Associations or Credit Unions:
16 Deposits in certified and designated New Mexico financial institutions, per the
17 requirement in the New Mexico Constitution Article VIII, Section 4, whose deposits
18 are insured by an agency of the United States. All deposits will comply with State
19 law of the Board related to interest rate and collateral requirements. CD deposits
20 shall not be made with custodial banks of the Water Authority. A deposit in any
21 credit union shall be limited to the amount insured by an agency of the United
22 States;

23 (4) Municipal Securities: Obligations, the interest on which is
24 excluded from gross income of the recipient for federal income tax purposes, which
25 comply with State law and the policies of the Board;

26 (5) Money market instruments and other securities of
27 commercial banks, broker-dealers or recognized financial investors, which securities
28 or institutions are rated in the highest Rating Category by S&P, Fitch or Moody’s, if
29 then rating the Bonds, or which securities are guaranteed by a person or entity
30 whose long-term debt obligations are rated in the highest Rating Category by S&P,
31 Fitch and Moody’s, if then rating the Bonds, including, without limitation, securities

1 of, or other interests in, any open-end or closed-end management type investment
2 company or investment trust registered under the provisions of 15 U.S.C. Sections
3 80(a)-1 et. seq., which invest only in, or whose securities are secured only by,
4 obligations of the type set forth in paragraphs (1) and (2) of this definition;

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

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

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

23 PROSPECTIVE TEST PERIOD. The 12-month period commencing
24 on the first day of the month following the estimated Completion Date of the project
25 for which additional Senior Obligations or Subordinate Obligations are proposed to
26 be issued pursuant to Section 27.(B) or Section 27.(C), respectively, or the first day
27 of the thirty-sixth month following the delivery of such Senior Obligations or
28 Subordinate Obligations, whichever is earlier.

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

1 05-3 constituting a senior lien on the Net Revenues. Proceeds from the Series
2 2014A Bonds shall be applied to the advance refunding of the Public Project
3 Revolving Fund Loan Agreement (2005) maturing on and after May 1, 2016 on the
4 first optional redemption date of May 1, 2015.

5 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2007).

6 The loan agreement dated September 26, 2007 between the NMFA and the Water
7 Authority in the principal amount of \$77,005,000 and approved by Ordinance No. O-
8 07-6 and Resolution No. R-07-26 constituting a senior lien on the Net Revenues.

9 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2011).

10 The loan agreement dated December 15, 2011 between the NMFA and the Water
11 Authority in the principal amount of \$49,100,000 and approved by Ordinance No. O-
12 11-5 and Resolution No. R-11-17 constituting a senior lien on the Net Revenues.

13 PURCHASER. J.P. Morgan Securities LLC, Robert W. Baird & Co.,
14 Incorporated, Stifel, Nicolaus & Company, Incorporated, and Piper Jaffray & Co.
15 collectively, as the original purchasers of the Bonds.

16 QUALIFIED EXCHANGE AGREEMENT. Any interest rate exchange
17 between the Water Authority and a counterparty which, when entered into by the
18 Water Authority, satisfies the requirements of Section 6-18-8.1 NMSA 1978.

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

21 RATE STABILIZATION FUND. The Rate Stabilization Fund for
22 System Obligations previously established by the Water Authority and continued by
23 this Bond Ordinance.

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

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

29 RECORD DATE. The fifteenth day of the calendar month preceding
30 each Interest Payment Date.

1 REFUNDED OBLIGATIONS. Collectively, the Series 2014A Refunded
2 Obligations and the Series 2014B Refunded Obligations.

3 REFUNDING PROJECT. Collectively, the Series 2014A Refunding
4 Project and the Series 2014B Refunding Project.

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

9 RESERVE ACCOUNT. The accounts of the Debt Service Fund to be
10 established for Senior Obligations or Subordinate Obligations with a reserve
11 requirement.

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

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

28 SENIOR OBLIGATIONS. The Drinking Water State Revolving Fund
29 Loan Agreement (2003), the Series 2005 Bonds, the Public Project Revolving Fund
30 Loan Agreement (2005), the Series 2006A Bonds, the Public Project Revolving Fund
31 Loan Agreement (2007), the Series 2008A Bonds, the Series 2009 Bonds, the

1 Drinking Water State Revolving Fund Loan Agreement (2009), the Public Project
2 Revolving Fund Loan (2011), the Series 2013A&B Bonds, the Series 2014A Bonds,
3 and obligations related thereto designated as Senior Obligations, in any ordinance or
4 resolution of the Water Authority relating to those bonds, and any other System
5 Obligations issued with a lien on the Net Revenues on a parity with the lien of the
6 Outstanding Senior Obligations on Net Revenues.

7 **SERIES 2005 BONDS.** The Outstanding System Obligations
8 designated as “Albuquerque Bernalillo County Water Utility Authority Joint Water
9 and Sewer System Improvement Revenue Bonds, Series 2005,” in the original
10 principal amount of \$132,985,000 authorized and issued pursuant to Ordinance
11 Enactment No. O-05-2 constituting a senior lien on the Net Revenues. Proceeds of
12 the Series 2014B Bonds shall be used to advance refund the Series 2005 Bonds
13 maturing on and after July 1, 2016 on their first optional redemption date of July 1,
14 2015.

15 **SERIES 2006A BONDS.** The System Obligations designated as
16 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
17 System Improvement Revenue Bonds, Series 2006A” in the original principal
18 amount of \$133,390,000, authorized and issued pursuant to Ordinance No. O-06-2
19 and R-06-6 constituting a senior lien on the Net Revenues. Proceeds from the
20 Series 2014A Bonds shall be used to advance refund the Series 2006A Bonds
21 maturing on and after July 1, 2017 on their first optional redemption date of July 1,
22 2016.

23 **SERIES 2008A BONDS.** The System Obligations designated as
24 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
25 System Improvement Revenue Bonds, Series 2008A” in the original principal
26 amount of \$55,630,000, authorized and issued pursuant to Ordinance No. O-08-2,
27 and Resolution No. R-08-5 constituting a senior lien on the Net Revenues.

28 **SERIES 2009 BONDS.** The System Obligations designated as
29 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
30 System Improvement Revenue Bonds, Series 2009A-1” in the original principal

1 amount of \$135,990,000, authorized and issued pursuant to Ordinance No. O-09-1
2 and Resolution No. R-09-7 constituting a senior lien on the Net Revenues.

3 **SERIES 2013A&B BONDS.** The System Obligations designated as
4 the “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
5 System Improvement Revenue Bonds, Series 2013A” and the “Albuquerque
6 Bernalillo County Water Utility Authority Joint Water and Sewer System Refunding
7 Revenue Bonds, Series 2013B” in the combined original principal amount of
8 \$118,215,000, authorized and issued pursuant to Ordinance No. O-13-2 and
9 Resolution R-13-13 constituting a senior lien on the Net Revenues.

10 **SERIES 2014A BONDS.** The Senior System Obligations designated
11 as the “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water
12 and Sewer System Refunding Revenue Bonds, Series 2014A” in the original
13 principal amount of \$97,270,000, authorized and issued pursuant to the Bond
14 Legislation constituting a senior lien on the Net Revenues.

15 **SERIES 2014B BONDS.** The Subordinate System Obligations
16 designated as the “Albuquerque Bernalillo County Water Utility Authority
17 Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series
18 2014B” in the original principal amount of \$87,005,000, authorized and issued
19 pursuant to the Bond Legislation constituting a subordinate lien on the Net
20 Revenues.

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

24 **SERIES 2014B BONDS DEBT SERVICE ACCOUNT.** An account of
25 the Debt Service Fund established for the deposit of amounts necessary to pay the
26 Debt Service Requirements on the Series 2014B Bonds.

27 **SERIES 2014A REFUNDED OBLIGATIONS.** The Public Project
28 Revolving Fund Loan Agreement (2005) maturing on and after May 1, 2016 and the
29 Series 2006A Bonds maturing on and after July 1, 2017.

30 **SERIES 2014B REFUNDED OBLIGATIONS.** The Series 2005 Bonds
31 maturing on and after July 1, 2016 and all of the outstanding EID Loan.

1 **SERIES 2014A REFUNDING PROJECT.** The advance refunding of
2 the Series 2014A Refunded Obligations and the payment of Expenses related to the
3 issuance of the Series 2014A Bonds.

4 **SERIES 2014B REFUNDING PROJECT.** The advance refunding of
5 the Series 2005 Bonds maturing on and after July 1, 2016, the current refunding of
6 all of the outstanding EID Loan on the date of issuance of the Series 2014B Bonds,
7 and the payment of Expenses related to the issuance of the Series 2014B Bonds.

8 **STATE.** The State of New Mexico.

9 **SUBORDINATE OBLIGATIONS.** The EID Loan, the Drinking Water
10 State Revolving Fund Loan Agreement (2008), the Series 2014B Bonds, and all
11 other bonds and other obligations of the Water Authority (including those previously
12 issued by the City) now or hereafter issued with a lien on the Net Revenues
13 subordinate to the lien of Senior Obligations and superior to the lien of the Super
14 Subordinated Obligations on the Net Revenues.

15 **SUPER SUBORDINATED OBLIGATIONS.** The Water Trust Board
16 Loans, and all other bonds and other obligations of the Water Authority now or
17 hereafter issued with a lien on the Net Revenues subordinate to the liens of the
18 Senior Obligations and the Subordinate Obligations on the Net Revenues.

19 **SYSTEM.** The public utility owned by the Water Authority and
20 designated as the Water Authority's water system and sanitary sewer system
21 (continued as a joint utility system in Section 4) consisting of all properties, real,
22 personal, mixed or otherwise, now owned or hereafter acquired by the Water
23 Authority, through purchase, construction or otherwise, including all extensions,
24 enlargements and improvements of or to the water and sanitary sewer system and
25 used in connection therewith or relating thereto, and any other related activity or
26 enterprise of the Water Authority designated by the Board as part of the water and
27 sanitary sewer system, whether situated within or without the geographical limits of
28 the Water Authority.

29 **SYSTEM OBLIGATIONS.** All bonds and other similar indebtedness
30 payable solely or primarily from Net Revenues, including, without limitation, the

1 Senior Obligations, the Subordinate Obligations and the Super Subordinated
2 Obligations.

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

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

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

14 WATER TRUST BOARD. The board created by Section 72-4A-4
15 NMSA 1978.

16 WATER TRUST BOARD LOANS. As of the date of adoption of the
17 Bond Ordinance: (i) the 2009 loan made to the Water Authority by the Water Trust
18 Board, evidenced by that loan agreement # 51-WTB in the amount of \$50,000; (ii)
19 the 2009 loan made to the Water Authority by the Water Trust Board, evidenced by
20 that loan agreement # 79-WTB in the amount of \$100,000; (iii) the 2010 loan made
21 to the Water Authority by the Water Trust Board, evidenced by the loan agreement #
22 177-WTB in the amount of \$190,235; (iv) the 2011 loan made to the Water Authority
23 by the Water Trust Board, evidenced by that loan agreement # 205-WTB in the
24 amount of \$452,000; (v) the 2011 loan made to the Water Authority by the Water
25 Trust Board, evidenced by that loan agreement # 206-WTB in the amount of
26 \$640,000; and (vi) the 2011 loan made to the Water Authority by the Water Trust
27 Board, evidenced by that loan agreement # 207-WTB in the amount of \$63,354.

28 (B) RULES OF CONSTRUCTION. For purposes of this Bond
29 Ordinance, unless otherwise expressly provided or unless the context requires
30 otherwise:

31 (1) Unless otherwise stated in this Bond Ordinance, all

1 references in this Bond Ordinance to designated Sections and other subdivisions are
2 to the designated Section and other subdivisions of this Bond Ordinance.

3 (2) The words “herein”, “hereof”, “hereunder”, and “herewith”
4 and other words of similar import in this Bond Ordinance refer to this Bond
5 Ordinance, as a whole, and not to any particular Section or other subdivision.

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

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

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

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

15 Section 2. RATIFICATION. All actions previously taken (not inconsistent
16 with the provisions of this Bond Ordinance) by the Board and the officers of the
17 Water Authority, directed toward the authorization, pledge, collection and distribution
18 of the Net Revenues, the Refunding Project, and the authorization, issuance and
19 sale of the Bonds are ratified, approved and confirmed.

20 Section 3. FINDINGS.

21 (A) The Water Authority declares that it has considered all relevant
22 information and data and finds that the issuance of the Series 2014A Bonds in the
23 principal amount of \$97,270,000 and the Series 2014B Bonds in the principal
24 amount of \$87,005,000 under the Act to provide funds to finance the Refunding
25 Project is necessary and in the interest of the public health, safety and welfare of the
26 residents of the geographic area served by the Water Authority.

27 (B) The Water Authority will finance the Series 2014A Refunding
28 Project with the proceeds of the Series 2014A Bonds, together with other funds of
29 the Water Authority, if necessary. The Water Authority will finance the Series 2014B
30 Refunding Project with the proceeds of the Series 2014B Bonds, together with other
31 funds of the Water Authority, if necessary.

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

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

5 Section 5. LIABILITY FOR OUTSTANDING SYSTEM OBLIGATIONS.
6 The Water Authority hereby confirms that, in accordance with Section 72-1-10
7 NMSA 1978, the Water Authority has assumed all of the outstanding obligations that
8 were entered into by the City prior to the Water Authority's acquisition of the System.

9 Section 6. AUTHORIZATION OF REFUNDING PROJECT; EXPENSES.

10 (A) REFUNDING PROJECT. The Refunding Project is hereby
11 authorized and approved.

12 (B) EXPENSES. The payment of Expenses is authorized and
13 approved.

14 (C) PROCEEDS. The net proceeds of the Bonds will be used
15 exclusively to finance the Refunding Project including the payment of Expenses.

16 (D) ADVANCE REFUNDINGS AND CURRENT REFUNDING. The
17 Public Project Revolving Fund Loan Agreement (2005) maturing on and after May 1,
18 2016, the Series 2005 Bonds maturing on and after July 1, 2016, and the Series
19 2006A Bonds maturing on and after July 1, 2017 will be advance refunded by
20 depositing funds with the Escrow Agent on the Closing Date to prepay on the
21 respective first optional redemption date for the Public Project Revolving Fund Loan
22 Agreement (2005), the Series 2005 Bonds, and the Series 2006A Bonds, those
23 amounts due at a redemption price of 100% of the principal amount thereof plus
24 interest to the redemption date. The EID Loan shall be currently refunded on the
25 Closing Date at a prepayment price of 100% of the principal amount outstanding on
26 the EID Loan plus interest to the prepayment date.

27 Section 7. THE BONDS.

28 (A) AUTHORIZATIONS. This Bond Ordinance has been adopted
29 by the affirmative vote of at least a majority of all of the members of the Board. For
30 the purpose of protecting the public health, conserving the property, protecting the
31 general welfare and prosperity of the citizens of the geographic area served by the

1 Water Authority, and completing the Refunding Project, it is necessary that the
2 Water Authority issue, and the Water Authority is hereby authorized to issue,
3 pursuant to the Act, its negotiable, fully registered bonds designated as the
4 “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
5 Sewer System Refunding Revenue Bonds, Series 2014A” and the “Albuquerque
6 Bernalillo County Water Utility Authority Subordinate Lien Joint Water and Sewer
7 System Refunding Revenue Bonds, Series 2014B.”

8 The Series 2014A Bonds shall be issued in the principal amount of
9 \$97,270,000, to be used, with other available moneys of the Water Authority, to
10 finance the Series 2014A Refunding Project including the payment of Expenses.
11 The Series 2014B Bonds shall be issued in the principal amount of \$87,005,000 to
12 be used, with other available moneys of the Water Authority, to finance the Series
13 2014B Refunding Project.

14 (B) DETAILS OF THE BONDS.

15 (1) General. The Bonds shall be issued as fully registered
16 bonds in one or more series and shall be issued to provide funds, together with other
17 available funds of the Water Authority, if any, to finance the Refunding Project and to
18 pay Expenses relating to the issuance of the Bonds. The Bonds will have such
19 principal amounts, maturity dates and bear interest payable on the Interest Payment
20 Dates, as set forth in the Confirming Resolution. The Bonds shall bear interest from
21 the most recent date to which interest has been paid or provided for or if no interest
22 has been paid or provided for from the date of the Bonds until maturity or until
23 redeemed if called for redemption prior to maturity. Interest on Bonds will be
24 computed on the basis of a 360-day year consisting of twelve 30-day months. If,
25 upon presentation at maturity or for prior redemption, payment of the principal
26 amount of any Bond is not made as required by this Bond Ordinance, interest on the
27 unpaid principal amount of such Bond shall continue to accrue at the interest rate
28 stated or described in that Bond until the principal amount of that Bond is paid in full.
29 The maximum interest rate and maximum net effective interest rate on the Bonds
30 does not exceed 12% per annum, which are the maximum rates prescribed by the
31 laws of the State.

1 (2) Priority of Lien on the Net Revenues. The Series 2014A
2 Bonds shall be issued with a lien on the Net Revenues on a parity with the lien of the
3 Senior Obligations on the Net Revenues. The Series 2014B Bonds shall be issued
4 with a lien on the Net Revenues on a parity with the lien of the Subordinate
5 Obligations on the Net Revenues.

6 (C) BOOK-ENTRY. The Bonds shall be issued or registered in
7 book entry form with no physical distribution of bond certificates made to the public,
8 with a Depository acting as securities depository for the Bonds. A single certificate
9 for each maturity of the Bonds will be delivered to the Depository and immobilized in
10 its custody. The book-entry system will evidence ownership of the Bonds in
11 Authorized Denominations, with transfer of ownership effected on the books of the
12 Depository and its participants (“Participants”). As a condition to delivery of the
13 Bonds, the Purchasers will, immediately after acceptance of delivery thereof,
14 deposit, or cause to be deposited, Bond certificates with the Depository, registered
15 in the name of the Depository or its nominee. Principal of, premium, if any, and
16 interest on the Bonds will be paid to the Depository or its nominee as the registered
17 Owner of the Bonds. The transfer of principal and interest payments to Participants
18 will be the responsibility of the Depository; the transfer of principal and interest
19 payments to the beneficial owners of the Bonds (the “Beneficial Owners”) will be the
20 responsibility of such Participants and other nominees of Beneficial Owners
21 maintaining a relationship with Participants (the “Indirect Participants”). The Water
22 Authority will not be responsible or liable for maintaining, supervising or reviewing
23 the records maintained by the Depository, Participants or Indirect Participants.

24 If (i) the Bonds are not eligible for the services of the Depository, (ii) the
25 Depository determines to discontinue providing its services or (iii) the Water
26 Authority determines that a continuation of the system of book-entry transfers
27 through the Depository ceases to be beneficial to the Water Authority or the
28 Beneficial Owners, the Water Authority will either identify another Depository or
29 certificates will be delivered to Beneficial Owners or their nominees and the
30 Beneficial Owners or their nominees, upon authentication of Bonds and registration
31 of the Bonds in the Beneficial Owners’ or nominees’ names, will become the Owners

1 for all purposes. In either such event, the Water Authority shall mail an appropriate
2 notice to the Depository for notification to Participants, Indirect Participants and
3 Beneficial Owners of the substitute Depository or the issuance of bond certificates to
4 Beneficial Owners or their nominees, as applicable.

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

7 Notwithstanding any other provision of the Bond Legislation to the contrary,
8 so long as all the Bonds are registered in the name of the Depository or its nominee,
9 all payments with respect to principal of, redemption premium, if any, and interest on
10 the Bonds, and all notices, shall be made and given by the Paying Agent or the
11 Water Authority to the Depository as provided in the Bond Legislation and by the
12 Depository to its Participants and by the Participants or Indirect Participants to the
13 Beneficial Owners.

14 (D) PAYMENT OF THE BONDS. The principal of and premium, if
15 any, on the Bonds shall be payable upon presentation and surrender of the Bonds at
16 the principal office of the Paying Agent at or after their maturity or prior redemption
17 dates. Interest on the Bonds shall be payable by check or draft mailed to the owners
18 (or by such other arrangement as may be mutually agreed to by the Paying Agent
19 and an Owner). The Owner shall be deemed to be that person or entity shown on
20 the registration books for the Bonds maintained by the Registrar at the address
21 appearing in the registration books at the close of business on the applicable Record
22 Date. Interest which is not timely paid or provided for shall cease to be payable to
23 the Owner of the applicable Bonds (or of one or more predecessor Bonds) as of the
24 Record Date, but shall be payable to the Owners of those Bonds (or of one or more
25 predecessor Bonds) at the close of business on a special record date for the
26 payment of the overdue interest. The special record date shall be fixed by the
27 Paying Agent and Registrar whenever money becomes available for payment of the
28 overdue interest and notice of the special record date shall be given to the Owners
29 of the Bonds not less than ten days prior to that date. Payment shall be made in the
30 coin or currency of the United States of America that is at the time of payment legal
31 tender for the payment of public and private debts. If the principal amount of any

1 Bond presented for payment remains unpaid at maturity, the unpaid principal shall
2 bear interest at the rate designated in that Bond. Payments of Bonds shall be made
3 without deduction for exchange or collection charges.

4 The Water Authority shall transfer, or cause to be transferred, funds to the
5 Paying Agent on a timely basis so that the Paying Agent may make payments of the
6 principal of, premium, if any, and interest on the Bonds, when due, to the Owners
7 and comply with the requirements of any Credit Source. The Water Authority shall
8 notify the Paying Agent if there is or will be an insufficient amount of money of the
9 Water Authority legally available to pay principal and interest on the Bonds when
10 due.

11 Section 8. APPOINTMENT OF PAYING AGENT AND REGISTRAR. The
12 chief financial officer of the Water Authority is appointed as the initial Paying Agent
13 and Registrar. The Paying Agent, Authenticating Agent and Registrar shall be the
14 same person.

15 Section 9. REDEMPTION OF BONDS.

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

20 (B) REDEMPTION CONDITIONAL. Unless money sufficient to pay
21 the principal of and premium, if any, and interest on the Bonds to be redeemed at
22 the option of the Water Authority is received by the Paying Agent prior to the giving
23 of notice of redemption in accordance with Section 9.(E), that notice shall state that
24 the redemption is conditional upon the receipt of that money by the Paying Agent by
25 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Bonds called
26 for redemption is not received by that time (i) the Paying Agent shall redeem only
27 those Bonds for which the redemption price was received and the Bonds to be
28 redeemed shall be selected in the manner set forth in Section 9.(D) and (ii) the
29 redemption notice shall have no effect with respect to those Bonds for which the
30 redemption price was not received and those Bonds shall not be redeemed. The
31 Registrar shall give notice to the Owners of the Bonds which will not be redeemed in

1 the manner in which the notice of redemption was given, identifying the Bonds which
2 will not be redeemed, stating that the redemption did not take place with respect to
3 those Bonds, and the Registrar shall promptly return those Bonds to the Owners
4 thereof as shown on the Bonds register.

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

19 (D) PARTIAL REDEMPTION. If less than all of the Bonds subject
20 to redemption are to be redeemed at any one time, the Bonds to be redeemed shall
21 be selected by the Registrar in the manner and from the maturities designated by
22 the Water Authority. If less than all of the Bonds of a given maturity are redeemed,
23 the Bonds to be redeemed within that maturity shall be selected by lot in such
24 manner as determined by the Registrar. Part of a Bond may be redeemed in an
25 Authorized Denomination if the amount of that Bond which remains outstanding is
26 also in an Authorized Denomination.

27 (E) NOTICE OF REDEMPTION. Notice of redemption of Bonds
28 shall be given by the Registrar by sending a copy of such notice by Electronic
29 Means or by first-class, postage prepaid mail not less than 30 days prior to the
30 redemption date to the Owner of each Bond, or portion thereof, to be redeemed at
31 the address shown as of the fifth day prior to the mailing of notice on the registration

1 books kept by the Registrar and to the Credit Source for the Bonds, if any. The
2 Water Authority shall give the Registrar notice of Bonds to be called for optional
3 redemption at least fifteen (15) days prior to the date that the Registrar is required to
4 give Owners notice of redemption specifying the Bonds or the principal amount
5 thereof to be called for redemption and the applicable redemption date. If the Water
6 Authority has not designated the Bonds to be called for redemption on the dates
7 specified above, the Registrar shall select the Bonds to be redeemed by lot. Neither
8 the Water Authority's failure to give such notice, the Registrar's failure to give such
9 notice to the registered Owner of any Bonds or to any Credit Source, or any defect
10 thereon, nor the failure of the Depository to notify a Participant or any Participant or
11 Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect
12 the validity of the proceedings for the redemption of any Bonds for which proper
13 notice was given.

14 Notices shall specify the CUSIP numbers and maturity date or dates of the
15 Bonds to be redeemed (if less than all Bonds are to be redeemed), the date of or
16 principal amounts of any Bonds to be redeemed in part, the date fixed for
17 redemption, and shall further state that, subject to the terms of Section 9.(B), if
18 applicable, on such redemption date there will become and be due and payable
19 upon each Bond or part thereof to be redeemed at the office of the Paying Agent the
20 principal amount thereof to be redeemed plus accrued interest, if any, to the
21 redemption date and the stipulated premium, if any, and that from and after such
22 date, interest will cease to accrue on those Bonds. In addition to the foregoing
23 notice, the notice of redemption given by the Registrar shall include such additional
24 information, and the Registrar shall comply with any other terms regarding
25 redemption, as are required by any applicable agreement with a Depository.

26 Notice having been given in the manner provided above, subject to the terms
27 of Section 9.(B), the Bonds or part thereof called for redemption shall become due
28 and payable on the redemption date designated and the Bonds or part thereof to be
29 redeemed, for which there was sufficient money on deposit with the Paying Agent,
30 shall not be deemed to be Outstanding and shall cease to bear or accrue interest
31 from and after such redemption date. Upon presentation of a Bond to be redeemed

1 at the office of the Paying Agent on or after the redemption date or, so long as the
2 book-entry system is used for determining beneficial ownership of Bonds, upon
3 satisfaction of the terms of any other arrangement between the Paying Agent and
4 the Depository, the Paying Agent will pay such Bond, or portion thereof called for
5 redemption.

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

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

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

16 Section 10. REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP
17 OF BONDS.

18 (A) REGISTRATION AND EXCHANGE. The Water Authority shall
19 cause books for registration, transfer and exchange of the Bonds to be kept at the
20 principal office of the Registrar. Upon surrender for transfer or exchange of any
21 Bonds at the principal office of the Registrar duly endorsed by the Owner or his
22 attorney duly authorized in writing, or accompanied by a written instrument or
23 instruments of transfer or exchange in form satisfactory to the Registrar and properly
24 executed, the Water Authority shall execute and the Registrar shall authenticate and
25 deliver in the name of the transferee or Owner replacement Bonds of the same
26 maturity, interest rate and aggregate principal amount in Authorized Denominations.

27 (B) OWNERS OF BONDS. The person in whose name any Bond is
28 registered shall be deemed and regarded as its absolute Owner for all purposes,
29 except as may otherwise be provided with respect to the payment of overdue
30 interest on the Bonds in Section 7.(D). Payment of either the principal of or interest
31 on any Bond shall be made only to or upon the order of its Owner or his legal

1 representative. All such payments shall be valid and effectual to satisfy and
2 discharge the liability on Bonds to the extent of the amount paid.

3 (C) LOST BONDS. If any Bond is lost, stolen, destroyed or
4 mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and the
5 evidence, information or indemnity which the Registrar may reasonably require, if
6 lost, stolen, or destroyed, authenticate and deliver a replacement Bond of the same
7 aggregate principal amount, maturity and interest rate, bearing a number or numbers
8 not then outstanding. If any lost, stolen, destroyed or mutilated Bond has matured or
9 been called for redemption, the Registrar may direct the Paying Agent to pay that
10 Bond in lieu of replacement.

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

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

20 Section 11. FILING OF SIGNATURES. Prior to the execution of any Bond
21 pursuant to Sections 6-9-1 to 6-9-6 NMSA 1978, as amended, the Chair, the Vice
22 Chair, the Executive Director and the Secretary of the Water Authority shall each file
23 with the New Mexico Secretary of State his or her manual signature certified by him
24 or her under oath; provided that filing shall not be necessary for any officer where
25 any previous filing may have legal application to the Bonds.

26 Section 12. EXECUTION AND CUSTODY OF BONDS.

27 (A) EXECUTION. The Bonds shall be signed with the facsimile of
28 the signature, or the manual signature, of the Chair and the manual or facsimile
29 signature of the Secretary of the Water Authority. There shall be placed on each
30 Bond the printed, engraved, stamped or otherwise placed facsimile or imprint of the
31 Water Authority's corporate seal, if any. Bonds when authenticated and bearing the

1 manual or facsimile signatures of the officers in office at the time of their signing
2 shall be valid and binding obligations of the Water Authority, notwithstanding that
3 before delivery of those Bonds, any or all of the persons who executed those Bonds
4 shall have ceased to fill their respective offices. The Chair, Vice Chair, Executive
5 Director and Board Secretary, at the time of the execution of the Bonds and the
6 signature certificate, each may adopt as and for his or her own facsimile signature,
7 the facsimile signature of his or her predecessor in office if such facsimile signature
8 appears upon any of the Bonds or certificates pertaining to the Bonds. No manual
9 or facsimile signature of an officer of the Water Authority or an Authenticating Agent
10 shall be required if the Bonds are issued in book-entry form without the delivery of
11 any physical securities.

12 (B) CUSTODY. The Authenticating Agent or its designee shall hold
13 in custody all Bonds signed and attested by the Chair, Vice Chair and Executive
14 Director or Secretary until ready for delivery to the Purchaser, transferee or Owner.
15 The Water Authority shall, from time to time, at the written request of the
16 Authenticating Agent, provide the Authenticating Agent an adequate supply of
17 Bonds.

18 (C) AUTHENTICATION. No Bond shall be valid or obligatory for
19 any purpose unless the certificate of authentication has been duly executed by the
20 Authenticating Agent. The Authenticating Agent's certificate of authentication shall
21 be deemed to have been duly executed if manually signed by an Authorized Officer
22 of the Authenticating Agent, but it shall not be necessary that the same officer sign
23 the certificate of authentication on all Bonds.

24 Section 13. NEGOTIABILITY; PREFERENCE. Except as otherwise stated
25 in this Bond Ordinance, Bonds shall be fully negotiable and shall have all the
26 qualities of negotiable paper and the Owners shall possess all rights enjoyed by the
27 holders of negotiable instruments under the provisions of the State's Uniform
28 Commercial Code -- Investment Securities. All Series 2014A Bonds shall in all
29 respects, as to each other, be equally and ratably secured, without preference,
30 priority or distinction on account of the dates or the actual times of their issuance or
31 maturities. All Series 2014B Bonds shall in all respects, as to each other, be equally

1 and ratably secured, without preference, priority or distinction on account of the date
2 or actual times of their issuance or maturities.

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

26 Section 15. SALE OF BONDS. The Bonds shall be sold in accordance with
27 the Bond Purchase Agreement in a negotiated sale to the Purchaser. The Bonds
28 shall be sold at an underwriter's discount, including expenses and fees of the
29 Purchaser, not to exceed 0.75% of the total original principal amount of the Bonds
30 as set forth in the Bond Purchase Agreement. After the Bonds have been duly
31 executed and authenticated and upon receipt of the purchase price therefor, the

1 Bonds shall be delivered to the Purchaser by an Authorized Officer in accordance
 2 with the Bond Purchase Agreement.

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

6 **[Form of Bond]**

7 **UNITED STATES OF AMERICA**

STATE OF NEW MEXICO

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

21 UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE
 22 OF DTC TO THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE
 23 OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF
 24 CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED
 25 REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO.,
 26 ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR
 27 OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE
 28 REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

29 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**
 30 **[SENIOR LIEN][SUBORDINATE LIEN] JOINT WATER AND SEWER SYSTEM**
 31 **REFUNDING REVENUE BONDS**

[SERIES 2014A][SERIES 2014B]

1
 2 **Bond No. R-_____** **\$_____**
 3 **INTEREST RATE MATURITY DATE DATE OF BOND CUSIP**
 4 _____% per annum _____, 20_____, _____, 20_____, _____

5
 6 The Albuquerque Bernalillo County Water Utility Authority (the "Water
 7 Authority"), a legally and regularly created, established, organized and existing
 8 municipal utility under the general laws of the State, for value received, hereby
 9 promises to pay, solely from the special funds available for the purpose as
 10 hereinafter set forth, to Cede & Co. or registered assigns, no later than the Maturity
 11 Date stated above (unless this bond is called for prior redemption, in which case on
 12 such redemption date), upon presentation and surrender hereof at the principal
 13 office of the chief financial officer of the Water Authority as paying agent, or any
 14 successor paying agent (the "Paying Agent"), the sum of _____ DOLLARS
 15 (\$_____) and to pay from said sources interest on the unpaid principal amount at
 16 the Interest Rate stated above on January 1, 2015, and on July 1 and January 1 of
 17 each year (each an "Interest Payment Date") thereafter to its maturity, or until
 18 redeemed if called for redemption prior to maturity. This bond will bear interest from
 19 the most recent date to which interest has been paid or provided for or, if no interest
 20 has been paid or provided for, from its date. Interest on this bond is payable by
 21 check mailed to the registered owner hereof (or by such other arrangement as may
 22 be mutually agreed to by the Paying Agent and the registered owner) as shown on
 23 the registration books for this issue maintained by the chief financial officer of the
 24 Water Authority as registrar, or any successor registrar (the "Registrar") at the
 25 address appearing therein at the close of business on the fifteenth day of the
 26 calendar month next preceding the Interest Payment Date (the "Record Date"). Any
 27 interest which is not timely paid or duly provided for shall cease to be payable to the
 28 owner hereof as of the Record Date but shall be payable to the owner hereof at the
 29 close of business on a special record date to be fixed by the Paying Agent for the
 30 payment of interest. The special record date shall be fixed by the Paying Agent
 31 whenever moneys become available for payment of the overdue interest, and notice

1 of the special record date shall be given to owner of the Bonds (defined below) as
2 then shown on the Registrar's registration books not less than ten days prior to the
3 special record date. If, upon presentation at maturity or redemption, payment of this
4 bond is not made as herein provided, interest hereon shall continue at the Interest
5 Rate stated above until the principal hereof is paid in full. The principal, premium, if
6 any, and interest on this bond are payable in lawful money of the United States of
7 America, without deduction for the services of the Paying Agent or the Registrar.

8 This bond is one of a duly authorized issue of fully registered bonds of the
9 Water Authority in the principal amount of \$[97,270,000][87,005,000], issued in
10 denominations of \$5,000 or integral multiples thereof, designated as Albuquerque
11 Bernalillo County Water Utility Authority [Senior][Subordinate] Lien Joint Water and
12 Sewer System Refunding Revenue Bonds, Series [2014A][2014B] (the "Bonds"),
13 issued under and pursuant to Ordinance No. F/S O-14-2 adopted August 20, 2014,
14 Resolution No. F/S R-014-10 adopted August 20, 2014 (collectively, the "Bond
15 Legislation").

16 The Bonds are subject to prior redemption as more particularly described
17 below:

18 Optional Redemption. Bonds maturing on and after July 1, 2025 are subject
19 to redemption on any date, in whole or in part, at the option of the Water Authority,
20 prior to their respective maturities on or after July 1, 2024 at a price equal to the
21 unpaid principal balance of the Bonds redeemed, plus accrued interest to the date of
22 redemption.

23
24 Notice of redemption of this bond, or any portion of this bond, will be given by
25 providing at least 30 days prior written notice by Electronic Means or by first-class
26 mail, postage prepaid, to the owner hereof at the address shown on the registration
27 book as of the fifth day prior to the mailing of notice as provided in the Bond
28 Legislation. Notice of redemption will specify the amount being redeemed, and shall
29 further state that on such redemption date there will become and be due and
30 payable upon each Bond to be redeemed at the office of the Paying Agent the
31 principal amount thereof plus accrued interest to the redemption date and the

1 stipulated premium, if any, and that from and after such date, the redemption
2 amount having been deposited and notice having been given, interest will cease to
3 accrue.

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

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

30 If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar will,
31 upon receipt of such Bond, if mutilated, and such evidence, information or indemnity

1 relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed,
2 authenticate and deliver a replacement Bond or Bonds of a like aggregate principal
3 amount and of the same maturity and interest rate, bearing a number or numbers
4 not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated
5 Bond shall have matured or have been called for redemption, the Registrar may
6 direct the Paying Agent to pay such Bond in lieu of replacement.

7 This bond does not constitute an indebtedness of the Water Authority within
8 the meaning of any constitutional or statutory provision or limitation, shall not be
9 considered or held to be a general obligation of the Water Authority, and is payable
10 and collectible solely from the Net Revenues (as defined in the Bond Legislation),
11 and the bondholders may not look to any general or other Water Authority fund other
12 than those described above for the payment of the interest and principal of this
13 bond. Additional bonds may be issued and made payable from the Net Revenues
14 upon satisfaction of the conditions set forth in the Bond Legislation, having a lien
15 thereon either on a parity with[, or superior to,] [or junior to,] the lien on the Net
16 Revenues.

17 The Bonds are issued to provide funds for [(i) the advance refunding of a
18 portion of the Public Project Revolving Fund Loan Agreement (2005), (ii) the
19 advance refunding of a portion of the outstanding Series 2006A Bonds and (iii) the
20 payment of Expenses relating to the issuance of the Bonds.][(i) the advance
21 refunding of a portion of the Series 2005 Bonds, (ii) the current refunding of the EID
22 Loan and (iii) the payment of Expenses relating to the issuance of the Bonds.]

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

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

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

7 This bond shall not be valid or obligatory for any purpose until the
8 Authenticating Agent shall have manually signed the Certificate of Authentication of
9 this bond.

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

15 **ALBUQUERQUE BERNALILLO COUNTY**
16 **WATER UTILITY AUTHORITY**

17
18 **By:** _____
19 **Chair**

20
21 **[SEAL]**

22
23
24 **ATTEST:**

25 **By:** _____
26 **Secretary**

27
28 **[FORM OF CERTIFICATE OF AUTHENTICATION]**
29

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

4 CHIEF FINANCIAL OFFICER,
5 ALBUQUERQUE BERNALILLO COUNTY
6 WATER UTILITY AUTHORITY, AS
7 REGISTRAR

8
9 Dated: _____ By: _____

10 Authorized Signature

11
12 [FORM OF ASSIGNMENT]

13
14 FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers
15 unto

16 _____
17 (Social Security or Federal Taxpayer Identification Number)

18
19 _____
20 (Please print or typewrite Name and Address, including Zip Code, of Assignee)

21
22 the within bond and all rights thereunder, and hereby irrevocably constitutes and
23 appoints the Registrar under the Bond Legislation as Attorney to register the transfer
24 of the within bond on the books kept for registration thereof, with full power of
25 substitution in the premises.

26 Dated: _____

27 NOTICE: The signature of the
28 registered owner to this assignment
29 must correspond with the name as it
30 appears on the face of the within
31 bond in every particular, without

1 alteration or enlargement or any
2 change whatsoever.

3 Signature guaranteed by:
4 _____

5 NOTICE: Signature guarantee
6 should be made by a guarantor
7 institution participating in the
8 Securities Transfer Agents Medallion
9 Program or in such other guarantee
10 program acceptable to the Registrar.

11 **[END OF FORM OF BOND]**

12 Section 17. PERIOD OF PRIOR PROJECTS' USEFULNESS. The
13 remaining period of usefulness of the projects financed with the Refunded
14 Obligations exceeds the final maturity date of the Bonds.

15 Section 18. USE OF PROCEEDS; PURCHASER NOT RESPONSIBLE.

16 (A) USE OF PROCEEDS.

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

19 (a) Proceeds of the Series 2014A Bonds may be used
20 to pay Expenses related to the issuance of the Series 2014A Bonds. Proceeds of the
21 Series 2014B Bonds may be used to pay Expenses related to the issuance of the
22 Series 2014B Bonds.

23 (b) Proceeds of the Series 2014A Bonds designated
24 for the payment of interest will be deposited into the Series 2014A Bonds Debt
25 Service Account. Proceeds of the Series 2014B Bonds designated for the payment
26 of interest will be deposited into the Series 2014B Bonds Debt Service Account.

27 (c) Proceeds of the Series 2014B Bonds designated
28 to prepay the EID Loan shall be transferred to the Environment Department on the
29 Closing Date for the prepayment of the EID Loan.

30 (d) Proceeds of the Series 2014A Bonds will be
31 deposited to the Escrow Fund created herein and administered under the Escrow

1 Agreement for the advance refunding of the Series 2014A Refunded Obligations.
2 Proceeds of the Series 2014B Bonds will be deposited to the Escrow Fund created
3 herein and administered under the Escrow Agreement for the advance refunding of
4 the Series 2005 Bonds.

5 (e) Any amounts remaining in the Escrow Funds for
6 the Series 2014A Refunded Obligations after the completion of the Series 2014A
7 Refunding Project shall be transferred by the Escrow Agent to the Water Authority
8 and used by the Water Authority for the payment of the principal of or interest next
9 coming due on the Series 2014A Bonds. Any amounts remaining in the Escrow
10 Fund for the Series 2005 Bonds after the completion of the Series 2014B Refunding
11 Project shall be transferred from the Escrow Agent to the Water Authority and used
12 by the Water Authority for the payment of the principal of or interest next coming due
13 on the Series 2014B Bonds.

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

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

20 Section 19. APPROVAL OF DOCUMENTS AND USE OF DISCLOSURE
21 DOCUMENTS.

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

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

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

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

18 Section 20. FUNDS AND ACCOUNTS.

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

23 (B) DEBT SERVICE FUND AND ACCOUNTS. The Water Authority
24 shall continue the Debt Service Fund as a separate, distinct and segregated fund for
25 the deposit of Net Revenues for the payment of System Obligations. The Water
26 Authority shall continue the Expense Account as part of the Debt Service Fund.
27 Money on deposit or credited to the Expense Account shall be used for the purpose
28 of payment of Expenses. The Water Authority shall establish the Series 2014A
29 Bonds Debt Service Account as a separate account of the Debt Service Fund. The
30 Water Authority shall establish the Series 2014B Bonds Debt Service Account as a
31 separate account of the Debt Service Fund.

1 (C) RATE STABILIZATION FUND. The Water Authority shall
2 continue the Rate Stabilization Fund as a separate, distinct and segregated fund for
3 the purposes described in Section 21.(G).

4 (D) ESCROW FUNDS. The Water Authority hereby creates escrow
5 funds for the advance refunding of (i) the Public Project Revolving Fund Loan
6 Agreement (2005) maturing on and after May 1, 2016, (ii) the Series 2005 Bonds
7 maturing on and after July 1, 2016, and (iii) the Series 2006A Bonds maturing on
8 and after July 1, 2017 to be maintained by the Escrow Agent pursuant to the Escrow
9 Agreement.

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

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

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

18 (2) Debt Service Accounts for Senior Obligations. Net
19 Revenues shall be transferred to the Debt Service Accounts established for Senior
20 Obligations to pay Debt Service Requirements on Senior Obligations, as they
21 become due, including amounts owed to any Credit Source to reimburse that Credit
22 Source for the payments of Debt Service Requirements on Senior Obligations.

23 (3) Reserve Accounts for Senior Obligations. Net Revenues
24 shall be transferred to a Reserve Account, if any, to the extent that amounts on
25 deposit in that Reserve Account are less than the amount (including coverage
26 available under any applicable Reserve Account Surety Bond) required to be on
27 deposit therein. The Net Revenues deposited shall be used first to reimburse the
28 Credit Source for the proceeds of a Reserve Account Surety Bond used to pay Debt
29 Service Requirements, second to replace money drawn from the Reserve Account
30 and third to pay the Credit Source interest accrued and owed on amounts advanced
31 pursuant to the Reserve Account Surety Bond.

1 (4) Debt Service Accounts For Subordinate Obligations. Net
2 Revenues shall be transferred to the Debt Service Accounts established for
3 Subordinate Obligations to pay Debt Service Requirements on Subordinate
4 Obligations, as they become due, including amounts owed to any Credit Source to
5 reimburse that Credit Source for the payments of Debt Service Requirements on
6 Subordinate Obligations.

7 (5) Reserve Accounts for Subordinate Obligations. Net
8 Revenues shall be transferred to a Reserve Account, if any, to the extent that
9 amounts on deposit in that Reserve Account are less than the amount (including
10 coverage available under any applicable Reserve Account Surety Bond) required to
11 be on deposit therein. The Net Revenues deposited shall be used first to reimburse
12 the Credit Source for the proceeds of a Reserve Account Surety Bond used to pay
13 Debt Service Requirements, second to replace money drawn from the Reserve
14 Account and third to pay to the Credit Source interest accrued and owed on amounts
15 advanced pursuant to the Reserve Account Surety Bond.

16 (6) Super Subordinated Obligations. Net Revenues shall be
17 used to pay Debt Service Requirements on Super Subordinated Obligations, and to
18 fund any Reserve Requirement for Super Subordinated Obligations.

19 (7) Rate Stabilization Fund. At the option of the Water
20 Authority, Net Revenues may be transferred to the Rate Stabilization Fund to be
21 used for the purposes stated in Section 21.(G).

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

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

1 (B) SERIES 2014A BONDS DEBT SERVICE ACCOUNT. Net
2 Revenues shall be transferred to the Series 2014A Bonds Debt Service Account
3 sufficient to pay when due the Debt Service Requirements on the Series 2014A
4 Bonds.

5 (1) Except as stated in this Section 21.(B)(1) and in Section
6 21.(F), substantially equal monthly deposits of Net Revenues shall be made to the
7 Series 2014A Bonds Debt Service Account beginning six months before each
8 Interest Payment Date in order to make the next payment of interest on the Series
9 2014A Bonds when due. However, if the first Interest Payment Date for the Series
10 2014A Bonds is less than six months after the date of the original issuance of the
11 Series 2014A Bonds, substantially equal monthly deposits of Net Revenues before
12 the first Interest Payment Date shall begin in the first full month following the date of
13 issuance of the Series 2014A Bonds in order to make the first payment of interest on
14 the Series 2014A Bonds when due.

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

26 If in the month immediately preceding any payment date for the Series 2014A
27 Bonds, the Water Authority determines that there are not sufficient funds
28 accumulated in the Series 2014A Bonds Debt Service Account to pay the amount
29 becoming due on that payment date, the Water Authority shall promptly deposit any
30 available Net Revenues in the Series 2014A Bonds Debt Service Account in an
31 amount equal to the deficiency. If, prior to any payment date for the Series 2014A

1 Bonds, there has accumulated in the Series 2014A Bonds Debt Service Account the
2 entire amount necessary to pay the amount becoming due on the Series 2014A
3 Bonds payable from such account on that payment date, no additional Net
4 Revenues need be deposited in the Series 2014A Bonds Debt Service Account prior
5 to that payment date. In making the determinations permitted by this paragraph, the
6 Water Authority may take into account the amount on deposit in any other fund or
7 account or escrow relating to the Series 2014A Bonds irrevocably set aside for the
8 next payment of the Series 2014A Bonds.

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

16 (C) RESERVE ACCOUNT FOR SERIES 2014A BONDS. The
17 Water Authority may establish a Reserve Account for the Series 2014A Bonds and
18 administer such account as provided in the Confirming Resolution.

19 (D) SERIES 2014B BONDS DEBT SERVICE ACCOUNT. Net
20 Revenues shall be transferred to the Series 2014B Bonds Debt Service Account
21 sufficient to pay when due the Debt Service Requirements on the Series 2014B
22 Bonds.

23 (1) Except as stated in this Section 21.(D)(1) and in Section
24 21.(F), substantially equal monthly deposits of Net Revenues shall be made to the
25 Series 2014B Bonds Debt Service Account beginning six months before each
26 Interest Payment Date in order to make the next payment of interest on the Series
27 2014B Bonds when due. However, if the first Interest Payment Date for the Series
28 2014B Bonds is less than six months after the date of the original issuance of the
29 Series 2014B Bonds, substantially equal monthly deposits of Net Revenues before
30 the first Interest Payment Date shall begin in the first full month following the date of
31 issuance of the Series 2014B Bonds in order to make the first payment of interest on

1 the Series 2014B Bonds when due.

2 (2) Except as stated in this Section 21.(D)(2) and in Section 21.(F),
3 substantially equal monthly deposits of Net Revenues shall be made to the Series
4 2014B Bonds Debt Service Account beginning 12 months before each principal
5 payment date for the Series 2014B Bonds payable from such account in order to
6 make the next scheduled payment of principal on the Series 2014B Bonds when due
7 at maturity. However, if the first principal payment date for the Series 2014B Bonds
8 is less than thirteen months after the date of the original issuance of the Series
9 2014B Bonds, substantially equal monthly deposits of Net Revenues before the first
10 principal payment date shall begin in the first full month following the date of
11 issuance of the Series 2014B Bonds in order to make the first payment of principal
12 on the Series 2014B Bonds when due at maturity.

13 If in the month immediately preceding any payment date for the Series 2014B
14 Bonds, the Water Authority determines that there are not sufficient funds
15 accumulated in the Series 2014B Bonds Debt Service Account to pay the amount
16 becoming due on that payment date, the Water Authority shall promptly deposit any
17 available Net Revenues in the Series 2014B Bonds Debt Service Account in an
18 amount equal to the deficiency. If, prior to any payment date for the Series 2014B
19 Bonds, there has accumulated in the Series 2014B Bonds Debt Service Account the
20 entire amount necessary to pay the amount becoming due on the Series 2014B
21 Bonds payable from such account on that payment date, no additional Net
22 Revenues need be deposited in the Series 2014B Bonds Debt Service Account prior
23 to that payment date. In making the determinations permitted by this paragraph, the
24 Water Authority may take into account the amount on deposit in any other fund or
25 account or escrow relating to the Series 2014B Bonds irrevocably set aside for the
26 next payment of the Series 2014B Bonds.

27 (3) Amounts on deposit in the Series 2014B Bonds
28 Debt Service Account shall be applied first to the payment of interest and then to pay
29 or satisfy any payment of principal. Except as provided in Section 21.(F), money in
30 the Series 2014B Bonds Debt Service Account shall be used only to pay the Debt
31 Service Requirements on the Series 2014B Bonds. Transfers of amounts equal to

1 the periodic Debt Service Requirements on the Series 2014B Bonds shall be made
2 by the Water Authority on a timely basis to the Paying Agent.

3 (E) RESERVE ACCOUNT FOR 2014B BONDS. The Water
4 Authority may establish a Reserve Account for the Series 2014B Bonds and
5 administer such account as provided in the Confirming Resolution.

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

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

26 (G) RATE STABILIZATION FUND. Money on deposit in the Rate
27 Stabilization Fund may be withdrawn at any time and used for any purpose for which
28 Gross Revenues may be used.

29 (H) PRO RATA DEPOSITS. If the amount of Net Revenues
30 available for deposit in the Debt Service Fund is not sufficient to pay the entire
31 amount required to be deposited in the Debt Service Accounts and/or Reserve

1 Accounts for System Obligations, the Net Revenues available shall be deposited in
 2 the Debt Service Accounts and Reserve Accounts pro rata based upon the amount
 3 required to be deposited in each account to the total Net Revenues available for
 4 deposit but with the priorities established in Section 21.(A).

5 With respect to each applicable series of System Obligations,
 6 reimbursements owed to a Credit Source for amounts used to pay Debt Service
 7 Requirements on those System Obligations shall be paid on the same pro rata basis
 8 and with the same priority as are amounts to be deposited in the Debt Service
 9 Account or Reserve Account, as applicable, for those System Obligations; provided
 10 that such reimbursements for payments of Debt Service Requirements made
 11 pursuant to a Credit Facility shall be made with the priorities established in Section
 12 21.(A).

13 (I) VARIABLE RATE OBLIGATIONS. In making computations
 14 required by this Section, interest on Variable Rate Obligations which cannot be
 15 computed exactly shall be deemed to bear the interest rate required by the definition
 16 of Debt Service Requirements in the Bond Legislation. To determine the amount
 17 required to be on deposit in any Debt Service Account for the payment of interest,
 18 computations of the interest rate on Variable Rate Obligations shall be made
 19 whenever there is a change in the interest rate on the applicable Variable Rate
 20 Obligations except that the computation need not be made more often than once in
 21 any month.

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

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

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

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

1 (A) INVESTMENT OF MONEY. To the extent practicable, any
2 money in any such fund or account shall be invested in Permitted Investments,
3 provided however that money in the Escrow Funds shall be invested only as
4 provided in the Escrow Agreement. Obligations purchased as an investment of
5 money in any fund or account shall be deemed at all times to be part of that fund or
6 account, and the interest accruing and any profit realized on those Investments shall
7 be credited to that fund or account, unless otherwise stated in the Bond Legislation
8 or related document (subject to withdrawal at any time for the uses directed and
9 permitted for such money by the Bond Legislation and related documents), and any
10 loss resulting from such investment shall be charged to that fund or account. The
11 custodian for any such fund or account shall present for redemption or sale on the
12 prevailing market any Permitted Investment in a fund or account when necessary to
13 provide money to meet a required payment or when required to be transferred from
14 that fund or account.

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

29 (C) VALUATION OF INVESTMENTS. In the computation of the
30 amount in any account or fund for any purpose under the Bond Legislation, except
31 as otherwise expressly provided in the Bond Legislation, Permitted Investments

1 shall be valued according to the accounting standards applicable to the Water
2 Authority and the Board's investment policy.

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 the Bond

12 Legislation 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 the Bond Legislation, 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 Series 2014A Bonds,
27 the reimbursement of obligations of the Water Authority for the proceeds of any
28 Credit Facility used to pay Debt Service Requirements on the Series 2014A Bonds
29 and for the other payment obligations of the Water Authority set forth in the Bond
30 Legislation, and such payments and obligations of the Water Authority shall continue
31 to have an irrevocable senior lien (but not an exclusive senior lien) upon the Net

1 Revenues, on a parity with the Outstanding Senior Obligations until paid. Net
2 Revenues shall be applied to the payment of such payments and obligations with the
3 priorities set forth in Section 21.(A).

4 The Net Revenues are hereby pledged for the payment of the Series 2014B
5 Bonds, the reimbursement of obligations of the Water Authority for the proceeds of
6 any Credit Facility used to pay Debt Service Requirements on the Series 2014B
7 Bonds and for the other payment obligations of the Water Authority set forth in the
8 Bond Legislation, and such payments and obligations of the Water Authority shall
9 continue to have an irrevocable subordinate lien (but not an exclusive subordinate
10 lien) upon the Net Revenues, on a parity with the Outstanding Subordinate
11 Obligations until paid. Net Revenues shall be applied to the payment of such
12 payments and obligations with the priorities set forth in Section 21.(A).

13 Section 26. ESTABLISHMENT OF PRIORITIES OF THE BONDS. Except
14 as set forth in the Bond Legislation, the Series 2014A Bonds from time to time
15 Outstanding shall not be entitled to any priority one over the other in the application
16 of the Net Revenues, regardless of the time or times of their issuance. Except as
17 set forth in the Bond Legislation, the Series 2014B Bonds from time to time
18 Outstanding shall not be entitled to any priority one over the other in the application
19 of the Net Revenues, regardless of the time or times of their issuance.

20 Section 27. ADDITIONAL SYSTEM OBLIGATIONS.

21 (A) LIMITATIONS UPON ISSUANCE OF SYSTEM OBLIGATIONS.

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

25 (B) ADDITIONAL PARITY SENIOR OBLIGATIONS. The tests
26 required in this Section 27.(B) shall be performed without adjustment for payments
27 to or withdrawals from the Rate Stabilization Fund or interest accrued in an
28 acquisition fund for any Outstanding System Obligations. Except as permitted by
29 Section 28, prior to the issuance of additional Senior Obligations, the Water
30 Authority shall be current in making all deposits required by Section 21 and the
31 following test shall be satisfied:

1 (1) The Net Revenues for the Historic Test Period shall have
2 been sufficient to pay an amount representing at least 133% of the maximum
3 combined annual Debt Service Requirements of only the Outstanding Senior
4 Obligations and the terms of either subparagraph 2(a) or 2(b) shall be satisfied.

5 (2) (a) Using the fees and rates for use of the System on
6 the date of computation, or assuming that any new schedule of fees and rates
7 approved by the Water Authority during or after the Historic Test Period was in effect
8 during the entire Historic Test Period, the Net Revenues which were or would have
9 been received during that Historic Test Period shall have been sufficient to pay an
10 amount representing at least 133% of the maximum combined annual Debt Service
11 Requirement on the Outstanding Senior Obligations and the Senior Obligations
12 proposed to be issued; or

13 (b) The projected Net Revenues for the Prospective
14 Test Period shall be sufficient to pay an amount representing at least 133% of the
15 maximum combined annual Debt Service Requirements on the Outstanding Senior
16 Obligations and Senior Obligations proposed to be issued. To determine if the
17 annual Net Revenues are sufficient for the purposes of the preceding sentence, the
18 Net Revenues projected for the applicable Prospective Test Period shall be
19 determined by applying the rates for use of the System approved by the Board at the
20 time of computation to be in effect during the Prospective Test Period to the
21 proposed number of connections to the System after giving effect to the purchase,
22 expansion or improvement of the System or the acquisition of an existing water and
23 sanitary sewer system.

24 (C) ADDITIONAL PARITY SUBORDINATE OBLIGATIONS. The
25 tests required in this Section 27.(C) shall be performed without adjustment for
26 payments to or withdrawals from the Rate Stabilization Fund or interest accrued in
27 an acquisition fund for Outstanding System Obligations. So long as the 2005 Bonds,
28 2006A Bonds, 2008A Bonds, 2009 Bonds, 2013A&B Bonds, Drinking Water State
29 Revolving Fund Loan Agreement (2003), Public Project Revolving Fund Loan
30 Agreement (2005), Public Project Revolving Fund Loan Agreement (2007), Drinking
31 Water State Revolving Fund Loan (2009), and Public Project Revolving Fund Loan

1 Agreement (2011) are Outstanding, the Water Authority shall be required to meet all
2 three tests established in this paragraph; after those Senior Obligations listed are no
3 longer Outstanding, the Water Authority shall be required to only meet the tests set
4 forth in (i) and (iii) of the following sentence, and the test set forth in (ii) of the
5 following sentence shall have no further force or effect when additional Subordinate
6 Obligations are issued by the Water Authority. Except as permitted by Section 28,
7 prior to the issuance of additional Subordinate Obligations, the Water Authority (i)
8 shall be current in making all deposits required by Section 21, (ii) shall satisfy the
9 test set forth in paragraph (B) of this Section 27 related to the issuance of additional
10 Senior Obligations, and (iii) shall satisfy the following test:

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

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

24 (b) The projected Net Revenues for the Prospective
25 Test Period shall be sufficient to pay an amount representing at least 120% of the
26 maximum combined annual Debt Service Requirements on the Outstanding Senior
27 Obligations and Outstanding Subordinate Obligations and the Subordinate
28 Obligations proposed to be issued. To determine if the annual Net Revenues are
29 sufficient for the purposes of the preceding sentence, the Net Revenues projected
30 for the applicable Prospective Test Period shall be determined by applying the rates
31 for use of the System approved by the Board at the time of computation to be in

1 effect during the Prospective Test Period to the proposed number of connections to
2 the System after giving effect to the purchase, expansion or improvement of the
3 System or the acquisition of an existing water and sanitary sewer system.

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

21 (E) SUPER SUBORDINATED OBLIGATIONS PERMITTED. No
22 provision of the Bond Legislation shall be construed to prevent the Water Authority
23 from issuing additional Super Subordinated Obligations with a lien on Net Revenues
24 subordinate to the lien of the Subordinate Obligations and the Senior Obligations.

25 (F) VARIABLE RATE OBLIGATIONS. In making the computations
26 required by this Section to determine if additional System Obligations may be
27 issued, Variable Rate Obligations shall be deemed to bear rate of interest as
28 required in the definition of Debt Service Requirements.

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

31 (A) PRIVILEGE OF ISSUING REFUNDING OBLIGATIONS. If at

1 any time while System Obligations remain Outstanding, the Water Authority desires
2 to refund any Outstanding System Obligations or other obligations payable from Net
3 Revenues, those System Obligations or other obligations, or any part thereof, may
4 be refunded regardless of whether the priority of the lien for the payment of the
5 refunding System Obligations on the Net Revenues is changed (except as provided
6 in paragraphs B and C of this Section).

7 (B) LIMITATIONS UPON ISSUANCE OF REFUNDING SENIOR
8 OBLIGATIONS. No senior refunding bonds or other senior refunding obligations
9 shall be issued as Senior Obligations unless:

10 (1) The refunding does not increase the maximum combined
11 annual Debt Service Requirements of the Senior Obligations, or

12 (2) The refunding Senior Obligations are issued in
13 compliance with Section 27.(B).

14 (C) LIMITATIONS UPON ISSUANCE OF REFUNDING
15 SUBORDINATE OBLIGATIONS. No subordinate refunding bonds or other
16 subordinate refunding obligations shall be issued as Subordinate Obligations unless:

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

19 (2) The refunding Subordinate Obligations are issued in
20 compliance with Section 27.(C).

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

27 Section 29. PROTECTIVE COVENANTS. The Water Authority hereby
28 covenants and agrees with the Owners:

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

1 (B) PAYMENT OF THE BONDS. The Water Authority will promptly
2 pay the Debt Service Requirements on the Bonds at the place, on the dates and in
3 the manner specified in the Bond Legislation and the Bonds.

4 (C) RATE COVENANTS.

5 (1) Rate Covenant for Series 2014A Bonds. The Water
6 Authority will charge all purchasers of services of the System, including the Water
7 Authority, the City and the County, such reasonable and just rates as are sufficient
8 to produce Net Revenues annually to pay 133% of the annual Debt Service
9 Requirements on the Outstanding Senior Obligations (excluding accumulation of any
10 reserves therefor).

11 (2) Clarification of Rate Covenants for Outstanding Senior
12 Obligations. The Rate Covenants contained in the legislation authorizing the
13 issuance of the Outstanding Senior Obligations are hereby clarified to provide that
14 the Water Authority will charge all purchasers of services of the System, including
15 the Water Authority, the City and the County, such reasonable and just rates as are
16 sufficient to produce Net Revenues annually to pay 133% of the annual Debt Service
17 Requirements on the Outstanding Senior Obligations (excluding accumulation of any
18 reserves therefor).

19 (3) Rate Covenant for Series 2014B Bonds. The Water
20 Authority will charge all purchasers of services of the System, including the Water
21 Authority, the City and the County, such reasonable and just rates as are sufficient
22 to produce Net Revenues annually to pay 120% of the annual Debt Service
23 Requirements on the Outstanding Senior Obligations and the Outstanding
24 Subordinate Obligations (excluding accumulation of any reserves therefor).

25 (4) Quarterly, the Water Authority shall determine that the
26 Net Revenues are sufficient to satisfy the Rate Covenants. If the Net Revenues are
27 not sufficient to satisfy the Rate Covenant upon the approval of the annual audit for
28 a Fiscal Year, the Water Authority will either: (i) promptly increase the rates for use
29 of the Services of the System in order to generate sufficient Net Revenues to satisfy
30 the Rate Covenants or (ii) employ a consultant or manager for the System who shall
31 have a favorable national reputation for skill and experience in the management,

1 operation and financial affairs of water and sanitary sewer systems and who is not
2 an employee or officer of the Water Authority. The Water Authority will request that
3 consultant or manager to make its recommendations, if any, as to revisions of the
4 Water Authority's rate structure and other charges for use of the System, its
5 Operation and Maintenance Expenses and the method of operation of the System in
6 order to satisfy the Rate Covenants as soon as practicable. Copies of any such
7 requests and recommendations of the consultant or manager shall be filed with the
8 Board. So long as the Water Authority substantially complies with the
9 recommendations of the consultant or manager on a timely basis, the Water
10 Authority will not be deemed to have defaulted in satisfying the Rate Covenants
11 even if the resulting Net Revenues are not sufficient to be in compliance with the
12 Rate Covenants, if there is no other default under the Bond Legislation.

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

20 (6) Nothing contained in this paragraph C shall be
21 interpreted to require the Water Authority to take any action in violation of any
22 applicable requirement imposed by law.

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

30 (E) LEVY OF CHARGES. The Water Authority will promptly fix,
31 establish and levy the rates and charges which are required by Section 29.(C). No

1 reduction in any initial or existing rate schedule for the System may be made unless:

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

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

11 (F) EFFICIENT OPERATION. The Water Authority will maintain the
 12 System in efficient operating condition and make such improvements, extensions,
 13 enlargements, repairs and betterments to the System as may be necessary or
 14 advisable for its economical and efficient operation at all times and to supply
 15 reasonable public and private demands for System services within the area served
 16 by the Water Authority.

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

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

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

31 (J) BILLING PROCEDURE. Bills for water, water services or

1 facilities, sanitary sewer service or facilities, or any combination thereof, furnished by
2 or through the System shall be provided to customers on a regular basis each month
3 following the month in which the service was rendered and shall be due as required
4 by Water Authority ordinance. If permitted by law, if a bill is not paid within the
5 period of time required by Water Authority ordinance, water and sanitary sewer
6 services shall be discontinued as required by Water Authority ordinance, and the
7 rates and charges due shall be collected in a lawful manner, including but not limited
8 to the cost of disconnection and reconnection.

9 (K) CHARGES AND LIENS UPON SYSTEM. The Water Authority
10 will pay when due from Gross Revenues or other legally available funds all taxes
11 and assessments or other municipal or governmental charges, lawfully levied or
12 assessed upon the System and will observe and comply with all valid requirements
13 of any municipal or governmental authority relating to the System. The Water
14 Authority will not create or permit any lien or charge upon the System or the Gross
15 Revenues or Net Revenues except as permitted by this Bond Ordinance, or it will
16 make adequate provisions to satisfy and discharge within 60 days after the same
17 accrue, all lawful claims and demands for labor, materials, supplies or other objects,
18 which, if unpaid, might by law become a lien upon the System, the Gross Revenues
19 or the Net Revenues. However, the Water Authority shall not be required to pay or
20 cause to be discharged, or make provision for any tax assessment, lien or charge
21 before the time when payment becomes due or so long as the validity thereof is
22 contested in good faith by appropriate legal proceedings and there is no adverse
23 effect on Owners.

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

31 (M) ALIENATING SYSTEM. Except as permitted in this Bond

1 Ordinance, while any Bonds are Outstanding, the Water Authority will not sell, lease,
2 mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise
3 alienate, any part of the System, except that the Water Authority may sell any
4 portion of the property of the System which is replaced by other property of at least
5 equal value, or which ceases to be necessary for the efficient operation of the
6 System. In the event of any sale of System property, the proceeds of such sale
7 which are not used to purchase other System property shall be distributed as Gross
8 Revenues.

9 (N) EXTENDING INTEREST PAYMENTS. To prevent any
10 accumulation of claims for interest after maturity, except as permitted by the Bond
11 Legislation, the Water Authority will not directly or indirectly extend or assent to the
12 extension of the time for the payment of any claim for interest on the Bonds. If the
13 time for payment of interest is extended contrary to the provisions of this Section, the
14 installments of interest extended shall not be entitled, in case of an event of default
15 under the Bond Legislation, to the benefit or security of the Bond Legislation until the
16 prior payment in full of the principal of and interest on all other Bonds then
17 Outstanding.

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

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

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

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

1 (S) **TAX COMPLIANCE.** The Water Authority covenants that it will
2 use, and will restrict the use and investment of, the proceeds of the Bonds in such
3 manner and to such extent as may be necessary so that (a) the Bonds will not (i)
4 constitute private activity bonds, arbitrage bonds or hedge bonds under Sections
5 141, 148 or 149 of the Code or (ii) be treated other than as bonds to which Section
6 103(a) of the Code applies, and (b) the interest thereon will not be treated as a
7 preference item under Section 57 of the Code.

8 The Water Authority further covenants (a) that it will take or cause to be taken
9 such actions that may be required of it for the interest on the Bonds to be and to
10 remain excluded from gross income for federal income tax purposes, (b) that it will
11 not take or authorize to be taken any actions that would adversely affect that
12 exclusion, and (c) that it, or persons acting for it, will, among other acts of
13 compliance, (i) apply the proceeds of the Bonds to the governmental purposes of the
14 borrowings, (ii) restrict the yield on investment property, (iii) make timely and
15 adequate rebate payments or payments of alternative amounts in lieu of rebate to
16 the federal government, (iv) maintain books and records and make calculations and
17 reports, and (v) refrain from certain uses of those proceeds and, as applicable, of
18 property financed with such proceeds, all in such manner to the extent necessary to
19 assure such exclusion of that interest under the Code.

20 Authorized Officers are hereby authorized (a) to make or effect any election,
21 selection, designation, choice, consent, approval, or waiver on behalf of the Water
22 Authority as the Water Authority is permitted or required to make or give under the
23 federal income tax laws including, without limitation thereto, any of the elections
24 provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the
25 Code, for the purpose of assuring, enhancing or protecting favorable tax treatment
26 or status of the Bonds or interest thereon or assisting in the compliance with
27 requirements for that purpose, reducing the burden or expense of such compliance,
28 reducing the rebate amount or payments of penalties, or making payments of special
29 amounts in lieu of making computations to determine, or paying, excess earnings as
30 rebate, or obviating those amounts or payments, as determined by that officer, which
31 action shall be in writing and signed by the Authorized Officer, (b) to take any and all

1 other actions, make or obtain calculations, make payments, and make or give
 2 reports, covenants and certifications of and on behalf of the Water Authority, as may
 3 be appropriate to assure the exclusion of interest from gross income and the
 4 intended tax status of the Bonds, and (c) to give one or more appropriate certificates
 5 of the Water Authority, for inclusion in the transcripts of the proceedings for the
 6 Bonds, setting forth the reasonable expectations of the Water Authority regarding
 7 the amount and use of all the proceeds of the Bonds, the facts, circumstances and
 8 estimates on which they are based, and other facts and circumstances relevant to
 9 the tax treatment of the interest on and the tax status of the Bonds.

10 Section 30. REBATE FUND. A separate account of the Rebate Fund shall
 11 not be required for the Bonds provided that the Water Authority shall comply with the
 12 provisions of Section 29.(S).

13 Section 31. EVENTS OF DEFAULT. Each of the following events is
 14 declared an “event of default” under the Bond Legislation:

15 (A) NONPAYMENT OF PRINCIPAL OR ACCRETED VALUE.
 16 Failure to pay the principal or Accreted Value of the Bonds when due and payable,
 17 either at maturity or otherwise.

18 (B) NONPAYMENT OF INTEREST. Failure to pay any installment
 19 of interest on the Bonds when due and payable.

20 (C) INCAPABLE OF PERFORMING. For any reason, the Water
 21 Authority becomes incapable of fulfilling its obligations under the Bond Legislation.

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

31 Section 32. REMEDIES UPON DEFAULT. Upon the happening and

1 continuance of any of the events of default stated in Section 31:

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

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

9 (a) protect and enforce the rights of the Owners by
10 mandamus or other suit, action or special proceedings in equity or at law, in any
11 court of competent jurisdiction, either for the appointment of a receiver or for the
12 specific performance of any covenant or agreement contained in the Bond
13 Legislation or for the enforcement of any proper legal or equitable remedy as those
14 Owners may deem necessary or desirable to protect and enforce their rights,

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

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

19 (d) any combination of those remedies.

20 All proceedings shall be instituted and maintained for the equal benefit of all
21 Owners of System Obligations then Outstanding, subject to the provisions of Section
22 21 of this Bond Ordinance, with respect to the use of Gross Revenues. The Owners
23 by purchasing System Obligations consent to the appointment of a receiver to
24 protect the rights of the Owners. The receiver may enter and take possession of
25 and operate and maintain the System and shall prescribe rates, fees or charges and
26 collect, receive and apply all Gross Revenues as required by this Bond Ordinance.
27 The failure of any Owner to exercise any right granted by this Section shall not
28 relieve the Water Authority of any obligation to perform any duty. Each right or
29 privilege of any Owner (or trustee or receiver therefor) is in addition and cumulative
30 to any other right or privilege and the exercise of any right or privilege by or on

1 behalf of any Owner shall not be deemed a waiver of any other right or privilege of
2 any Owner.

3 Notwithstanding any other provision in the Bond Legislation, no recourse shall
4 be had for the payment of any Bond or for any claim based on any other obligation,
5 covenant or agreement contained in the Bond Legislation against any past, present
6 or future officer, employee or agent of the Water Authority or member of the Board,
7 and all such liability of any such officers, employees, agents or member (as such) is
8 released as a condition of and consideration for the adoption of the Bond Legislation
9 and the issuance of the Bonds.

10 Upon the occurrence and continuance of an Event of Default, so long as the
11 Credit Source, if any, is not in default in its payment obligations under the Bond
12 Insurance Policy, the Credit Source shall be entitled to control and direct the
13 enforcement of all rights and remedies granted to the Owners with respect to
14 Insured Obligations and such Credit Source shall also be entitled to direct and
15 approve all waivers of Events of Default with respect to Insured Obligations.

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

28 Section 34. DEFEASANCE. When all principal, interest and prior
29 redemption premiums, if any, in connection with all or any part of the Bonds have
30 been paid or provided for (including amounts owed to the Credit Source, if any,
31 under any Bond Insurance Policy), the pledge and lien and all obligations under the

1 Bond Legislation with respect to those Bonds and any Bond Insurance Policy shall
2 be discharged and those Bonds shall no longer be deemed to be Outstanding within
3 the meaning of the Bond Legislation.

4 Without limiting the preceding paragraph, there shall be deemed to be such
5 payment when: (i) the Board has caused to be placed in escrow and in trust with an
6 escrow agent located within or without the State and exercising trust powers, an
7 amount sufficient (including the known minimum yield from Defeasance Obligations
8 in which such amount may be initially invested) to pay all requirements of principal,
9 interest and prior redemption premium, if any, on the Bonds to be defeased as the
10 same become due to the final maturities or upon designated prior redemption dates,
11 and (ii) any Bonds to be redeemed prior to maturity shall have been duly called for
12 redemption or irrevocable instructions to call such Bonds for redemption have been
13 given to the Registrar. The escrow agent shall have received evidence satisfactory
14 to it that the cash and Defeasance Obligations delivered will be sufficient to provide
15 for the payment of the Bonds to be defeased as stated above. Neither the
16 Defeasance Obligations nor money deposited with the escrow agent shall be
17 withdrawn or used for any purpose other than as provided in the escrow agreement
18 and the Defeasance Obligations and money shall be segregated and held in trust for
19 the payment of the principal and premium, if any, and interest on the Bonds with
20 respect to which such deposit has been made. The Defeasance Obligations shall
21 become due prior to the respective times at which the proceeds are needed in
22 accordance with a schedule established and agreed upon between the Board and
23 the escrow agent at the time of the creation of the escrow, or the Defeasance
24 Obligations shall be subject to redemption but only at the option of the holders or
25 owners thereof to assure the availability of the proceeds as needed to meet the
26 schedule.

27 Until reimbursement is made by the Water Authority to the applicable Credit
28 Source, if the principal and/or interest due on Insured Obligations is paid by a Credit
29 Source pursuant to a Credit Facility, the applicable Insured Obligations shall remain
30 Outstanding, shall not be defeased or otherwise satisfied and shall not be
31 considered to be paid by the Water Authority. In such case, the assignment and

1 pledge of the Net Revenues for the payment of the Insured Obligations paid by the
2 Credit Source and all covenants, agreements and other obligations of the Water
3 Authority to the Owners of those Insured Obligations shall continue to exist and shall
4 run to the benefit of that Credit Source and that Credit Source shall be subrogated to
5 the rights of the owners of those Insured Obligations, until all obligations of the
6 Water Authority to that Credit Source have been paid.

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

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

28 Section 36. DELEGATED POWERS. The officers of the Water Authority
29 are authorized and directed to take all action from time to time which is necessary or
30 appropriate to effectuate the provisions of the Bond Legislation and the Bonds,
31 including, without limitation, the execution of any credit facility, any liquidity

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

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

21 Section 37. AMENDMENT OF BOND ORDINANCE.

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

27 (1) To cure any ambiguity, or to cure, correct or supplement
 28 any defect or inconsistent provision contained in the Bond Legislation;

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

31 (3) To obtain or maintain a rating on the Bonds from any

1 rating agency if the amendment, in the judgment of Bond Counsel, does not
 2 materially adversely affect the Owners of the Bonds;

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

5 (5) To make any other changes in the Bond Legislation
 6 which, in the opinion of Bond Counsel, are not materially adverse to the Owners.

7 (B) ADDITIONAL AMENDMENTS. Except as provided above or in
 8 the Confirming Resolution, the Bond Legislation 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 Senior Obligations on Net Revenues; or

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

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

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

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

17 (A) If to the Water Authority:

18 Albuquerque Bernalillo County Water Utility Authority

19 One Civic Plaza, N.W., Room 5012

20 Albuquerque, NM 87102

21 Attention: Executive Director

22 (505) 768-2500

23 (505) 768-2580 (Fax)

24
25 (B) If to the Initial Paying Agent:

26 Albuquerque Bernalillo County Water Authority

27 One Civic Plaza NW, Room 5012

28 Albuquerque, NM 87102

29 Attention: Chief Financial Officer

30 (505) 768-3695

31

1 Any such party may, by notice as set forth above to other parties, designate
2 any further or different address to which subsequent notices, certificates or other
3 communication shall be sent. All notices sent pursuant to the Bond Legislation to
4 any Owner shall also be sent to the Credit Source, if any, of the Bonds.

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

14 Where the Bond Legislation provides for notice upon the occurrence of any
15 event, that notice may be waived by the person entitled to receive that notice, either
16 before or after the event, and such waiver shall be the equivalent of notice.

17 The Paying Agent shall provide Moody's, S&P, and Fitch if the Bonds are
18 then rated by Moody's, S&P, and Fitch as applicable, with prior written notice of any
19 amendments to the Bond Legislation and the optional redemption of Bonds pursuant
20 to Section 9.(A) or defeasance pursuant to Section 34. Such notice shall be sent (a)
21 to Moody's at: Moody's Investors Service, Public Finance Department – Structured
22 Finance Group, 99 Church Street, New York, New York 10007, (b) to S&P at:
23 Standard & Poor's Corporation, Attention: Municipal Finance Department –
24 Structured Finance Group, 25 Broadway, 20th Floor, New York, New York 10004,
25 and (c) to Fitch at: Fitch Ratings, One State Street Plaza, New York, NY 10004.

26 Section 40. AMENDING ORDINANCE NO. F/S O-08-4. To provide
27 consistent provisions on the Water Authority's Outstanding Subordinate Obligations,
28 and to codify the amendment to the loan agreement (the "Amendment") for the
29 Drinking Water State Revolving Fund Loan Agreement (2008) which is hereby
30 approved, Ordinance No. F/S O-08-4 is hereby amended as follows:

31 (A). The definition of Ordinance shall be amended in its entirety to read as

1 follows:

2 “ORDINANCE. This Ordinance as amended by Ordinance No. O-14-2, and
3 as further amended or supplemented from time to time.”

4 (B) All references to “Parity Obligations” shall be substituted with the term
5 “Senior Obligations.”

6 (C) The term “Subordinated Obligations” shall be substituted with the term
7 “Subordinate Obligations” and defined as follows: “The Loan Agreement and
8 all other bonds and other obligations of the Water Authority now or hereafter
9 issued with a lien on the Net Revenues subordinate to the liens of the Senior
10 Obligations on the Net Revenues and superior to the lien of the Super
11 Subordinate Obligations on the Net Revenues.”

12 (D) There shall be added a definition of “Super Subordinate Obligations”
13 which shall be defined as “Bonds and other obligations of the Water Authority
14 now or hereafter issued with a lien on the Net Revenues subordinate to the
15 lien of the Senior Obligations and subordinate to lien of the Subordinate
16 Obligations on the Net Revenues.

17 (E) Section 19.(D) shall be replaced in its entirety with the following.

18 “(D) (Reserved).”

19 (F) Section 19.(F)(1) and (2)(a)(b) relating to the requirements for issuing
20 additional Subordinate Obligations shall require the Water Authority to satisfy
21 the test set forth in Section 19(B) related to the issuance of additional Senior
22 Obligations in addition to the test set forth in Section 19(F) prior to issuing
23 additional Subordinate Obligations. Additionally, Section 19.(F)(1) and
24 (2)(a)(b) shall be further amended to substitute references to 125% with
25 120%.

26 (G) Section 21.(C)(1) shall be replaced in its entirety as follows:

27 “(C) RATE COVENANT

28 (1) The Water Authority will charge all purchasers of
29 services of the System, including the Water Authority, the City and the County, such
30 reasonable and just rates as are sufficient to produce Net Revenues annually to pay
31 120% of the annual Debt Service Requirements on all Senior Obligations and

1 Subordinate Obligations (excluding the accumulation of any reserves therefor).”

2 (H) All other provisions of Ordinance No. F/S O-08-4 are hereby affirmed.

3 (I) The Amendment is hereby approved.

4 Section 41. AMENDMENTS TO WATER AND SEWER RATE ORDINANCE
5 NO. O-14-1 AND DEBT POLICY.

6 A. Section 1-1-2(A) shall be amended as follows:

7 1. The definition of “Current Debt Service Requirements”
8 shall be amended in its entirety to read as follows:

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

27 2. The following definitions shall be added:

28 NET REVENUES. The Revenues of the Utility less the
29 Expenses. For purposes of calculating compliance with Sections 1-1-2(B) and 1-1-
30 2(C) and the Additional Bonds Tests and Rate Covenants in the Debt Management
31 and Policy & Guidelines, Net Revenues shall be defined and calculated in

1 accordance with the definition of Net Revenues established in the applicable
2 ordinance authorizing the issuance of the relevant System Obligations.

3 SENIOR OBLIGATIONS. System Obligations now outstanding
4 or hereafter issued with a first lien, but not an exclusive first lien, on the Net
5 Revenues on a parity with the lien of the Outstanding Senior Obligations.

6 SUBORDINATE OBLIGATIONS. System Obligations now
7 outstanding or hereafter issued with a lien on the Net Revenues subordinate to the
8 lien thereon of the Senior Obligations but superior to the lien thereon of the Super
9 Subordinated Obligations.

10 SUPER SUBORDINATED OBLIGATIONS. System Obligations
11 now outstanding or hereafter issued with a lien on the Net Revenue subordinate to
12 the lien thereon of the Senior Obligations and subordinate to the lien thereon of the
13 Subordinate Obligations.

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

18 3. Section 1-1-2(C) shall be amended in its entirety as follows:

19 (C) Increasing Minimum Monthly Fixed Charges. So long as there are
20 Senior Obligations outstanding, if the determination of §1-1-2(B) above shows that
21 the Net Revenues are less than 133 percent of the Debt Service Requirements on
22 the outstanding Senior Obligations, the fixed monthly charge will be increased for
23 water and sewer accounts. So long as there are Subordinate Obligations
24 outstanding, if the determination of §1-1-2(B) above shows that the Net Revenues
25 are less than 120 percent of the Debt Service Requirements on the outstanding
26 Senior Obligations and outstanding Subordinate Obligations, the fixed monthly
27 charge will be increased for water and sewer accounts. The increase in the fixed
28 monthly charges will be a percentage of the established fixed monthly charges that
29 produce additional revenues so that if the adjusted charges had been effective the
30 previous quarter, the total Net Revenues would have been sufficient to meet the
31 requirements of this paragraph. as applicable. If the determination of §1-1-2(B)

1 above shows that the Net Revenues are insufficient to meet the requirements above,
2 it shall be determined if the revenue loss is due to efforts of Water Authority
3 Customers to conserve water by reviewing usage patterns. If the usage study
4 shows that the reduced revenues are due to conservation efforts, the Executive
5 Director shall analyze the Utility's operations for the purpose of determining whether
6 or not corresponding expense reductions can be effected and shall present any such
7 expense reduction proposals to the Water Authority.

8 4. Section V, paragraph (C) of the Debt Management Policy and
9 Guidelines is amended in its entirety to read as follows:

10 C. Additional Obligations Tests

11 (i) Additional Senior Parity Obligations. The Authority shall satisfy the
12 following test prior to issuance of any additional Senior Obligations payable from the
13 Net Revenues:

14 (1) The Net Revenues for the Historic Test Period shall
15 have been sufficient to pay an amount representing at least 133% of the maximum
16 combined annual Debt Service Requirements of only the Outstanding Senior
17 Obligations and the terms of either subparagraph 2(a) or 2(b) shall be satisfied.

18 (2) (a) Using the fees and rates for use of the System on
19 the date of computation, or assuming that any new schedule of fees and rates
20 approved by the Water Authority during or after the Historic Test Period was in effect
21 during the entire Historic Test Period, the Net Revenues which were or would have
22 been received during that Historic Test Period shall have been sufficient to pay an
23 amount representing at least 133% of the maximum combined annual Debt Service
24 Requirement on the Outstanding Senior Obligations and the Senior Obligations
25 proposed to be issued; or

26 (b) The projected Net Revenues for the
27 Prospective Test Period shall be sufficient to pay an amount representing at least
28 133% of the maximum combined annual Debt Service Requirements on the
29 Outstanding Senior Obligations and Senior Obligations proposed to be issued. To
30 determine if the annual Net Revenues are sufficient for the purposes of the
31 preceding sentence, the Net Revenues projected for the applicable Prospective Test

1 Period shall be determined by applying the rates for use of the System approved by
2 the Board at the time of computation to be in effect during the Prospective Test
3 Period to the proposed number of connections to the System after giving effect to
4 the purchase, expansion or improvement of the System or the acquisition of an
5 existing water and sanitary sewer system.

6 (ii) Additional Subordinate Obligations. The Authority shall satisfy the
7 test set forth in subparagraph (C)(i) above related to the issuance of additional
8 Senior Obligations and shall satisfy the following test prior to issuance of any
9 additional Subordinate Obligations:

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

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

23 (b) The projected Net Revenues for the Prospective
24 Test Period shall be sufficient to pay an amount representing at least 120% of the
25 maximum combined annual Debt Service Requirements on the Outstanding Senior
26 Obligations and Outstanding Subordinate Obligations and the Subordinate
27 Obligations proposed to be issued. To determine if the annual Net Revenues are
28 sufficient for the purposes of the preceding sentence, the projected for the applicable
29 Prospective Test Period shall be determined by applying the rates for use of the
30 System approved by the Board at the time of computation to be in effect during the
31 Prospective Test Period to the proposed number of connections to the System after

1 giving effect to the purchase, expansion or improvement of the System or the
 2 acquisition of an existing water and sanitary sewer system.

3 (iii) Super Subordinated Obligations. No additional obligations test is
 4 established.

5 For purposes calculating compliance with the applicable Additional Bonds
 6 Test set forth in this Section, the following definitions shall apply:

7 “Historic Test Period.” Any period of 12 consecutive months out of the 24
 8 calendar months next preceding the delivery of additional System Obligations.

9 “Prospective Test Period.” The 12-month period commencing on the first day
 10 of the month following the estimated Completion Date of the project for which
 11 additional System Obligations are proposed to be issued or the first day of the
 12 thirty-sixth month following the delivery of such additional System Obligations,
 13 whichever is earlier.

14 4. Section V, paragraph (D), subsections (v) and (vi) of the Debt
 15 Management Policy and Guidelines is amended to read as follows:

16 (v) Subordinate Parity Obligations. Maintain a minimum debt service
 17 coverage on all Senior Obligations and Subordinate Obligations $\geq 1.20x$ Debt
 18 Service Requirements on Senior Obligations and Outstanding Subordinate
 19 Obligations.

20 (vi) Super Subordinated Obligations. No debt service coverage test
 21 established.

22
 23 Section 42. BOND ORDINANCE IRREPEALABLE AS TO THE BONDS.
 24 After any of the Bonds are issued, this Bond Ordinance shall be and remain
 25 irrevocable until the Debt Service Requirements on all the Bonds are fully paid and
 26 discharged and the Bonds are canceled, as provided in this Bond Ordinance, or
 27 there has been defeasance of all the Bonds as provided in this Bond Ordinance.

28 Section 43. SEVERABILITY CLAUSE. If any section, paragraph, clause or
 29 provision of this Bond Ordinance shall for any reason be held to be invalid or
 30 unenforceable, the invalidity or unenforceability of that section, paragraph, clause or
 31 provision shall not affect any of the remaining provisions of this Bond Ordinance.

1 Section 44. REPEALER CLAUSE. All bylaws, orders, resolutions and
2 ordinances, or parts thereof, inconsistent with this Bond Ordinance are repealed to
3 the extent only of such inconsistency. This repealer shall not be construed to revive
4 any bylaw, order, resolution or Ordinance, or part thereof, previously repealed.

5 Section 45. GENERAL SUMMARY FOR PUBLICATION. The title and a
6 general summary of the subject matter contained in the Ordinance shall be
7 published in substantially the following form:

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

9 **Albuquerque Bernalillo County Water Utility Authority**

10 **Notice of Adoption of Ordinance**

11 NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 6-14-6
12 NMSA 1978, that on August 20, 2014, the Board of Albuquerque Bernalillo County
13 Water Utility Authority (the “Water Authority”) adopted Water Authority Ordinance
14 No. O-14-2 (the “Bond Ordinance”), an ordinance which authorizes the issuance of
15 the Water Authority’s Senior Lien Joint Water and Sewer System Refunding
16 Revenue Bonds, Series 2014A in the aggregate principal amount of \$97,270,000 to
17 refund a portion of certain outstanding System Obligations of the Water Authority’s
18 joint water and sewer system (the “System”) and authorizes the issuance of the
19 Water Authority’s Subordinate Lien Joint Water and Sewer System Refunding
20 Revenue Bonds, Series 2014B in the aggregate principal amount of \$87,005,000 to
21 refund a portion certain outstanding System Obligations of the System.

22 The title of the Bond Ordinance is:

23 **ORDINANCE**

24 **AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO**
25 **COUNTY WATER UTILITY AUTHORITY (THE “WATER AUTHORITY”) SENIOR**
26 **LIEN JOINT WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS,**
27 **SERIES 2014A IN THE PRINCIPAL AMOUNT OF \$97,270,000 (THE “SERIES**
28 **2014A BONDS”) FOR THE PURPOSES OF REFUNDING (i) A PORTION OF THE**
29 **OUTSTANDING JOINT WATER AND SEWER SYSTEM NEW MEXICO FINANCE**
30 **AUTHORITY PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005)**
31 **AND (ii) A PORTION OF THE OUTSTANDING SERIES 2006A BONDS;**

1 AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO
2 COUNTY WATER UTILITY AUTHORITY SUBORDINATE LIEN JOINT WATER
3 AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2014B IN THE
4 PRINCIPAL AMOUNT OF \$87,005,000 (THE "SERIES 2014B BONDS" AND
5 TOGETHER WITH THE SERIES 2014A BONDS, THE "BONDS") FOR THE
6 PURPOSES OF REFUNDING (i) A PORTION OF THE OUTSTANDING SERIES
7 2005 BONDS AND (ii) THE OUTSTANDING 2001 NEW MEXICO ENVIRONMENT
8 DEPARTMENT LOAN; PROVIDING FOR THE DISPOSITION OF, AND OTHER
9 DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF THE
10 SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON SYSTEM
11 OBLIGATIONS; DETERMINING CERTAIN TERMS AND THE METHOD OF
12 DETERMINING OTHER TERMS CONCERNING THE BONDS; PROVIDING FOR
13 THE APPROVAL OF VARIOUS AGREEMENTS AND DISCLOSURE
14 DOCUMENTS RELATING TO THE BONDS; AMENDING THE WATER
15 AUTHORITY'S WATER AND SEWER RATE ORDINANCE NO. O-14-1 AND
16 ORDINANCE NO. F/S O-08-4; AND RATIFYING ACTION PREVIOUSLY TAKEN.

17 The title contains a general summary of the subject matter contained in the
18 Bond Ordinance.

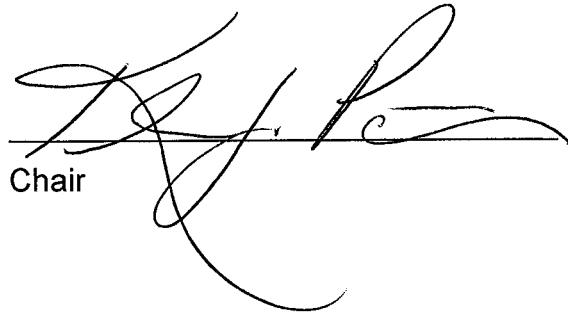
19 WITNESS my hand and the seal of the Water Authority as of August 20,
20 2014.

21 _____
22 Executive Director

23 (End of Summary of Ordinance for Publication)
24

1 PASSED AND ADOPTED THIS 20TH DAY OF AUGUST, 2014.
2 BY A VOTE OF 6 FOR AND 0 AGAINST.


3
4
5
6



Chair

7 ATTEST:

8
9
10



11 Secretary