



# Albuquerque Bernalillo County Water Authority

Albuquerque/Bernalillo  
County  
Government Center  
One Civic Plaza  
Albuquerque, NM 87102

## Legislation Details (With Text)

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**Title:** F/S Authorizing the Issuance and Sale of Albuquerque Bernalillo County Water Utility Authority Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014 in the Principal Amount of \$183,425,000

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Preliminary Official Statment, 2. Bond Presentation, 3. FS O-14-2, 4. O-14-2, 5. FS O-14-2 (2)

Date	Ver.	Action By	Action	Result
8/20/2014	1	Albuquerque Bernalillo County Water Utility Authority	Substituted	Pass
8/20/2014	1	Albuquerque Bernalillo County Water Utility Authority	Passed as Substituted	Pass
6/18/2014	1	Albuquerque Bernalillo County Water Utility Authority	Introduced	

## ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**BILL NO.**    F/S O-14-2

### ORDINANCE

Authorizing the Issuance and Sale of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority") Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A in the Principal Amount of \$98,420,000 (the "SERIES 2014A BONDS") for the Purpose of Refunding (i) A Portion of the Outstanding Joint Water and Sewer System New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2005) and (ii) a Portion of the Outstanding Series 2006A Bonds; Authorizing the Issuance and Sale of Albuquerque Bernalillo County Water Utility Authority Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B in the Principal Amount of \$88,585,000 (the "SERIES 2014B BONDS" and Together with the Series 2014A Bonds, the "Bonds") for the Purposes of Refunding (i) a Portion of the Outstanding Series 2005 Bonds

**and (ii) the Outstanding 2001 New Mexico Environment Department Loan; Providing For the Disposition of, and Other Details Relating to, the Revenues From The Operation of the System Including the Payment of Debt Service On System Obligations; Determining Certain Terms and the Method of Determining Other Terms Concerning the Bonds; Providing for the Approval of Various Agreements and Disclosure Documents Relating to the Bonds; Amending the Water Authority's Water and Sewer Rate Ordinance No. O-14-1 and Ordinance No. F/S O-08 -4; and Ratifying Action Previously Taken.**

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

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

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

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

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

WHEREAS, the Water Authority is obligated on the following Subordinate Obligations payable from Net Revenues with a lien on the Net Revenues subordinated to the Senior Obligations

Outstanding on the date of the adoption of this Bond Ordinance in the following principal amounts:

	Amount
<u>Obligation</u>	<u>Outstanding</u>
June 2001 EID Loan	\$5,987,789
2008 NMFA Drinking Water Loan	\$8,840,000
and	

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

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

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

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

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

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

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

WHEREAS, the Board hereby determines that (i) the Refunding Project may be financed with

proceeds of the Bonds, (ii) that it is necessary and in the best interests of the Water Authority and the residents of the geographic area served by the Water Authority that the Bonds be authorized pursuant to the Act and (iii) that the Refunded Obligations be refunded; and

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

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

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

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

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

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

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

Section 1. DEFINITIONS AND RULES OF CONSTRUCTION.

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

**ACCREDITED VALUE.** Unless stated otherwise in an ordinance or resolution of the Board, with respect to an Individual Capital Appreciation Bond, an amount equal to the original principal amount of that Capital Appreciation Bond plus the amount, assuming semiannual compounding of earnings, which would be produced on the investment of such original principal amount, beginning on the dated date of that Individual Capital Appreciation Bond and ending at the Accretion Term Date thereof, at an interest rate which, if continued until the Accretion Term Date, will produce the defined value of an Individual Capital Appreciation Bond at the Accretion Term Date. As

of any Valuation Date, the Accreted Value of any Capital Appreciation Bond shall mean the amount set forth for such date in the applicable resolution or ordinance. As of any date other than a Valuation Date, the Accreted Value shall mean the sum of (1) the Accreted Value on the preceding Valuation Date and (2) the product of (a) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days in a single compounding period, and (b) the difference between the Accreted Values for such Valuation Dates.

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

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

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

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

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

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

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

**BOND, BONDS OR SERIES 2014 BONDS.** Collectively, the Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A issued pursuant to the Bond Legislation in the aggregate principal amount of \$98,420,000 and the Albuquerque Bernalillo County Water Utility Authority Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B, issued pursuant to the Bond Legislation, in the principal amount of \$88,585,000.

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

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

**BOND LEGISLATION.** The Bond Ordinance and the Confirming Resolution.

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

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

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

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

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

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

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

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

**COMPLETION DATE.** The date of completion of the Refunding Project.

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

**CONSULTING ENGINEER.** Any registered or licensed professional engineer or firm of

engineers, entitled to practice and practicing as such under the laws of the State, retained and compensated by the Water Authority but not in the regular employ of the Water Authority, the City or the County; but, as to any construction drawings and specifications prepared for the System by Water Authority or City employees under the supervision of an engineer employed by the City or the Water Authority; this term may include such engineer.

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

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

COUNTY. Bernalillo County, New Mexico.

CREDIT FACILITY. A letter of credit, line of credit, Bond Insurance Policy or Reserve Account Surety Bond, guaranty or similar agreement provided by a Credit Source whose senior unsecured debt is rated no lower than the current rating on the applicable System Obligations and in any event no lower than "A" by Moody's, S&P and Fitch to the extent each such rating agency is then rating those System Obligations, to provide support to pay the purchase price of, or the payment when due of the principal of and interest on, System Obligations.

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

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

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

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

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

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

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

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

(1) During any historical period for which the actual variable interest rate or rates are determinable, the actual variable interest rate shall be used. During any historical period



when the actual variable interest rate is not determinable, the variable interest rate shall, for the purpose of determining Debt Service Requirements, be deemed to be the higher of:

(a) the actual variable interest rate, if any, at the time

of computation; or

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

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

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

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

#### DEFEASANCE OBLIGATIONS.

(1) Government Obligations; or

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

DEPOSITORIES. The following registered securities depository: The Depository Trust Company, 55 Water Street, 22<sup>nd</sup> Floor, New York, New York 11220, Fax (212) 855-8440; or in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as the Water Authority,

by an Authorized Officer, may designate in a certificate of the Water Authority.

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

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

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

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

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

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

EMMA. The Municipal Securities Rulemaking Bonds Electronic Municipal Market Access System located on its website at [emma.msrb.org](http://emma.msrb.org).

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

ESCROW AGREEMENT. The escrow agreement relating to the refunding of the

Refunded Obligations between the Water Authority and the Escrow Agent.

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

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

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

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

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

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

GROSS REVENUES. All income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System, or any part of the System, and includes,

without limitation, all revenues received by the Water Authority, or any municipal corporation or agency succeeding to the rights of the Water Authority, from the System and from the sale and use of water, water services or facilities, sewer service or facilities or any other service, commodity or facility or any combination thereof furnished to the inhabitants of the geographic area served by the Water Authority by means of the System as the same may at any time exist to serve customers outside the Water Authority's geographical limits as well as customers within the Water Authority's geographical limits. Such term also includes:

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

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

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

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

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

Gross Revenues do not include:

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

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

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

**INDEPENDENT ACCOUNTANT.** Any certified public accountant, registered

accountant, or firm of accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the Water Authority who (a) is, in fact, independent and not under the domination of the Water Authority, the City or the County, (b) does not have any substantial interest, direct or indirect, with the Water Authority, the City or the County, and (c) is not connected with the Water Authority as an officer or employee of the Water Authority, but who may be regularly retained to make annual or similar audits of the books or records of the Water Authority, the City or the County.

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

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

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

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

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

NMFA. The New Mexico Finance Authority.

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

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

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

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

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

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

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

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

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

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

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

(8) franchise tax payments to the City, County or any other local government. Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the Water Authority as a result of its negligence or other misconduct in the operation of the System or any charges for the accumulation of reserves for capital replacements. Operation and Maintenance Expenses do not include any payment of or reimbursement for the payment of Debt Service Requirements or premiums on the Bonds or liabilities incurred by the Water Authority as the result of negligence in the operation of the System.

OUTSTANDING. When used in reference to System Obligations, on any particular date, the aggregate of all System Obligations issued and delivered under the applicable Water Authority or City ordinance authorizing the issuance of, System Obligations except:

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

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

Outstanding;

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

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

(5) those in lieu of or in exchange or substitution for which other System Obligations shall have been delivered, unless proof satisfactory to the Water Authority or the City and the Paying Agent for the applicable System Obligations is presented that any System Obligation for which a new System Obligation was issued or exchanged is held by a bona fide holder in due course. OWNER. The registered owner or owners of any Bond as shown on the registration books maintained by the Registrar.

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

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

(1) Government Obligations, but not including: General Services Administration -- participation certificates; Government National Mortgage Association (GNMA) -- GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates; U.S. Department of Housing & Urban Development -- local authority bonds; and U.S. Export-Import Bank;

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

(3) Certificates of deposit, time deposits and banker's acceptances of any

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

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

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

(6) Money market instruments and other securities of commercial banks, broker-dealers or recognized financial investors, which securities or institutions are rated in the highest Rating Category by S&P, Fitch and Moody's, if then rating the Bonds, or which securities are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by S&P, Fitch and Moody's, if then rating the Bonds, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Sections 80(a)-1 et. seq., which invest only in, or whose securities are secured only by, obligations of the type set forth in paragraphs (1), (2) and (8) of this definition;

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

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

(9) Repurchase agreements involving the purchase and sale of, and guaranteed investment contracts, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in parts (1), (2) and (8) of this definition, which collateral is held by the Water Authority, or for the benefit of the Water Authority, by a party other than the provider of the guaranteed investment contract or repurchase agreement, with a collateralized value of at least 102% of the par value of



such repurchase agreement or guaranteed investment contract or 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest;

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

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

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

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

PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005). The loan agreement dated October 28, 2005 between the NMFA and the Water Authority in the principal amount of \$20,000,000 and approved by Ordinance No. O-05-3 constituting a senior lien on the Net Revenues. Proceeds from the Series 2014A Bonds shall be applied to the advance refunding of the Public Project Revolving Fund Loan Agreement (2005) maturing on and after May 1, 2016 on the first optional redemption date of May 1, 2015.

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

PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2011). The loan

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

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

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

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

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

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

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

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

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

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

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

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

RESERVE ACCOUNT SURETY BOND. Any policy of insurance or surety bond or other Credit Facility issued to the Water Authority to be deposited in a Reserve Account, the proceeds of which shall be used to prevent deficiencies in the payment of the principal of or interest on a series

of System Obligations, written by an insurer whose policies of insurance, or issued by a Credit Source whose Credit Facility, would not adversely affect the rating of the System Obligations by either Moody's, S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch. At the time of the issuance of such policy, such insurer or the component insurance companies thereof or the obligations thereof shall have received the highest policy claims rating accorded insurers by the A. M. Best Company or any comparable service and either of the two highest rating categories of Moody's, S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch.

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

SENIOR OBLIGATIONS. The Drinking Water State Revolving Fund Loan Agreement (2003), the Series 2005 Bonds, the Public Project Revolving Fund Loan Agreement (2005), the Series 2006A Bonds, the Public Project Revolving Fund Loan Agreement (2007), the Series 2008A Bonds, the Series 2009 Bonds, the Drinking Water State Revolving Fund Loan Agreement (2009), the Public Project Revolving Fund Loan (2011), the Series 2013A&B Bonds, the Series 2014A Bonds, and obligations related thereto designated as Senior Obligations, in any ordinance or resolution of the Water Authority relating to those bonds, and any other System Obligations issued with a lien on the Net Revenues on a parity with the lien of the Outstanding Senior Obligations on Net Revenues.

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

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

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

SERIES 2009 BONDS. The System Obligations designated as “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1” in the original principal amount of \$135,990,000, authorized and issued pursuant to Ordinance No. O-09-1 and Resolution No. R-09-7 constituting a senior lien on the Net Revenues.

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

SERIES 2014A BONDS. The Senior System Obligations designated as the “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A” in the original principal amount of \$98,420,000, authorized and issued pursuant to the Bond Legislation constituting a senior lien on the Net Revenues.

SERIES 2014B BONDS. The Subordinate System Obligations designated as the “Albuquerque Bernalillo County Water Utility Authority Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B” in the original principal amount of \$88,585,000, authorized and issued pursuant to the Bond Legislation constituting a subordinate lien on the Net Revenues.

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

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

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

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

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

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

STATE. The State of New Mexico.

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

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

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

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

Obligations and the Super Subordinated Obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3. FINDINGS.

(A) The Water Authority declares that it has considered all relevant information and data and finds that the issuance of the Series 2014A Bonds in the principal amount of \$98,420,000 and the Series 2014B Bonds in the principal amount of \$88,585,000 under the Act to provide funds to finance the Refunding Project is necessary and in the interest of the public health, safety and welfare of the residents of the geographic area served by the Water Authority.

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

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

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

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

Section 6. AUTHORIZATION OF REFUNDING PROJECT; EXPENSES.

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

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

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

(D) ADVANCE REFUNDINGS AND CURRENT REFUNDING. The Public Project Revolving Fund Loan Agreement (2005) maturing on and after May 1, 2016, the Series 2005 Bonds

maturing on and after July 1, 2016, and the Series 2006A Bonds maturing on and after July 1, 2017 will be advance refunded by depositing funds with the Escrow Agent on the Closing Date to prepay on the respective first optional redemption date for the Public Project Revolving Fund Loan Agreement (2005), the Series 2005 Bonds, and the Series 2006A Bonds, those amounts due at a redemption price of 100% of the principal amount thereof plus interest to the redemption date. The EID Loan shall be currently refunded on the Closing Date at a prepayment price of 100% of the principal amount outstanding on the EID Loan plus interest to the prepayment date.

#### Section 7. THE BONDS.

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

The Series 2014A Bonds shall be issued in the principal amount of \$98,420,000, to be used, with other available moneys of the Water Authority, to finance the Series 2014A Refunding Project including the payment of Expenses. The Series 2014B Bonds shall be issued in the principal amount of \$88,585,000 to be used, with other available moneys of the Water Authority, to finance the Series 2014B Refunding Project.

#### (B) DETAILS OF THE BONDS.

(1) General. The Bonds shall be issued as fully registered bonds in one or more series and shall be issued to provide funds, together with other available funds of the Water Authority, if any, to finance the Refunding Project and to pay Expenses relating to the issuance of the Bonds. The Bonds will have such principal amounts, maturity dates and bear interest payable on the Interest Payment Dates, as set forth in the Confirming Resolution. The Bonds shall bear interest from the most recent date to which interest has been paid or provided for or if no interest has been paid or provided for from the date of the Bonds until maturity or until redeemed if called for redemption prior to maturity. Interest on Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. If, upon presentation at maturity or for prior redemption,



payment of the principal amount of any Bond is not made as required by this Bond Ordinance, interest on the unpaid principal amount of such Bond shall continue to accrue at the interest rate stated or described in that Bond until the principal amount of that Bond is paid in full. The maximum interest rate and maximum net effective interest rate on the Bonds does not exceed 12% per annum, which are the maximum rates prescribed by the laws of the State.

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

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

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

Beneficial Owners of the substitute Depository or the issuance of bond certificates to Beneficial Owners or their nominees, as applicable.

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

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

(D) PAYMENT OF THE BONDS. The principal of and premium, if any, on the Bonds shall be payable upon presentation and surrender of the Bonds at the principal office of the Paying Agent at or after their maturity or prior redemption dates. Interest on the Bonds shall be payable by check or draft mailed to the owners (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). The Owner shall be deemed to be that person or entity shown on the registration books for the Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. Interest which is not timely paid or provided for shall cease to be payable to the Owner of the applicable Bonds (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the Owners of those Bonds (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date shall be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date shall be given to the Owners of the Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Bond presented for payment remains unpaid at maturity, the unpaid principal shall bear interest at the rate designated in that Bond. Payments of Bonds shall be made without deduction for exchange or collection charges.

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

of money of the Water Authority legally available to pay principal and interest on the Bonds when due.

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

Section 9. REDEMPTION OF BONDS.

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

(B) REDEMPTION CONDITIONAL. Unless money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed at the option of the Water Authority is received by the Paying Agent prior to the giving of notice of redemption in accordance with Section 9. (E), that notice shall state that the redemption is conditional upon the receipt of that money by the Paying Agent by 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Bonds called for redemption is not received by that time (i) the Paying Agent shall redeem only those Bonds for which the redemption price was received and the Bonds to be redeemed shall be selected in the manner set forth in Section 9.(D) and (ii) the redemption notice shall have no effect with respect to those Bonds for which the redemption price was not received and those Bonds shall not be redeemed. The Registrar shall give notice to the Owners of the Bonds which will not be redeemed in the manner in which the notice of redemption was given, identifying the Bonds which will not be redeemed, stating that the redemption did not take place with respect to those Bonds, and the Registrar shall promptly return those Bonds to the Owners thereof as shown on the Bonds register.

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

fund redemption date, and the principal amount of Bonds to be redeemed by operation of such sinking fund on such date shall be reduced by that principal amount.

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

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

Notices shall specify the numbers, CUSIP numbers and maturity date or dates of the Bonds to be redeemed (if less than all Bonds are to be redeemed), the date of or principal amounts of any Bonds to be redeemed in part, the date fixed for redemption, and shall further state that, subject to the terms of Section 9.(B), if applicable, on such redemption date there will become and be due and payable upon each Bond or part thereof to be redeemed at the office of the Paying Agent the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date and the stipulated premium, if any, and that from and after such date, interest will cease to accrue on those Bonds. In addition to the foregoing notice, the notice of redemption given by the Registrar shall

include such additional information, and the Registrar shall comply with any other terms regarding redemption, as are required by any applicable agreement with a Depository.

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

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

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

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

#### Section 10. REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP OF BONDS.

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

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

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

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

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

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

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

#### Section 12. EXECUTION AND CUSTODY OF BONDS.

(A) EXECUTION. The Bonds shall be signed with the facsimile of the signature, or the manual signature, of the Chair and the manual or facsimile signature of the Secretary of the Water Authority. There shall be placed on each Bond the printed, engraved, stamped or otherwise placed facsimile or imprint of the Water Authority's corporate seal. Bonds when authenticated and bearing the manual or facsimile signatures of the officers in office at the time of their signing shall be valid and binding obligations of the Water Authority, notwithstanding that before delivery of those Bonds, any or all of the persons who executed those Bonds shall have ceased to fill their respective offices. The Chair, Vice Chair, Executive Director and Board Secretary, at the time of the execution of the Bonds and the signature certificate, each may adopt as and for his or her own facsimile

signature, the facsimile signature of his or her predecessor in office if such facsimile signature appears upon any of the Bonds or certificates pertaining to the Bonds. No manual or facsimile signature of an officer of the Water Authority or an Authenticating Agent shall be required if the Bonds are issued in book-entry form without the delivery of any physical securities.

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

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

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

Section 14. SPECIAL LIMITED OBLIGATIONS. All of the Bonds and all payments of principal of, premium, if any, and interest on Bonds, and the fees, costs, expenses and other obligations of the Water Authority under the Bond Legislation, the Continuing Disclosure Undertaking, the Escrow Agreement or any Credit Facility, together with the interest accruing thereon, shall be special limited obligations of the Water Authority and shall be payable, collectible or reimbursable solely from the Net Revenues, Bond proceeds, the earnings thereon and, if a Bond Insurance Policy is issued for the payment of the Bonds, from the proceeds of the policy. The Owners, any Credit Source and obligees under the Bond Legislation or any Credit Facility may not look to any general or other municipal fund for the payment of the principal of, premium, if any, or interest on such obligations or such fees, costs and expenses, except the designated special funds specifically pledged for the Bonds as set forth in or permitted by this Section. Neither the Bonds, the Bond Legislation, the Continuing Disclosure Undertaking, the Escrow Agreement or any Credit Facility nor

such costs, fees and expenses of the Water Authority shall constitute an indebtedness of the Water Authority within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the Water Authority, and each Bond shall recite that it is payable and collectible solely from the Net Revenues, the proceeds of the Bonds, and, if a Bond Insurance Policy is issued for the payment of the Bonds, from the proceeds of that policy and that the Owners may not look to any general funds of the Water Authority or any City or County fund for the payment of the principal of, premium, if any, or interest on the Bonds.

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

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

**[Form of Bond]**

**UNITED STATES OF AMERICA**

**STATE OF NEW MEXICO**

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

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



REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**[SENIOR LIEN][SUBORDINATE LIEN] JOINT WATER AND SEWER SYSTEM**  
**REFUNDING REVENUE BONDS**  
**[SERIES 2014A][SERIES 2014B]**

<b>Bond No. R-___</b>			<b>\$ _____</b>
<b>INTEREST RATE</b>	<b>MATURITY DATE</b>	<b>DATE OF BOND</b>	<b>CUSIP</b>
_____% per annum	_____, 20__	_____, 20__	_____

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

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

This bond is one of a duly authorized issue of fully registered bonds of the Water Authority in the principal amount of \$[98,420,000][88,585,000], issued in denominations of \$5,000 or integral multiples thereof, designated as Albuquerque Bernalillo County Water Utility Authority [Senior] [Subordinate] Lien Joint Water and Sewer System Refunding Revenue Bonds, Series [2014A] [2014B] (the "Bonds"), issued under and pursuant to Ordinance No. O-14-2 adopted August 20, 2014, Resolution No. R-014-10 adopted August 20, 2014 (collectively, the "Bond Legislation").

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

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

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

Maturity Date	Principal
<u>Year</u>	<u>Amount</u>
	*

\*Final Maturity

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

and after such date, the redemption amount having been deposited and notice having been given, interest will cease to accrue.

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

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

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

This bond does not constitute an indebtedness of the Water Authority within the meaning of

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

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

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

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

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

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

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

**ALBUQUERQUE BERNALILLO COUNTY  
WATER UTILITY AUTHORITY**

By: \_\_\_\_\_

Chair

[SEAL]

ATTEST:

By: \_\_\_\_\_

Secretary

**[FORM OF CERTIFICATE OF AUTHENTICATION]**

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

**CHIEF FINANCIAL OFFICER, ALBUQUERQUE**

**BERNALILLO COUNTY**

**WATER UTILITY AUTHORITY, AS  
REGISTRAR**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Authorized Signature

**[FORM OF ASSIGNMENT]**

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

\_\_\_\_\_  
(Social Security or Federal Taxpayer Identification Number)

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

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

Dated: \_\_\_\_\_

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

Signature guaranteed by:

\_\_\_\_\_  
NOTICE: Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Registrar.

**[END OF FORM OF BOND]**

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

Section 18. USE OF PROCEEDS; PURCHASER NOT RESPONSIBLE.

(A) USE OF PROCEEDS.

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

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

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

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

the EID Loan.

(d) The remaining proceeds of the Series 2014A Bonds will be deposited to the Escrow Fund created herein and administered under the Escrow Agreement for the advance refunding of the Series 2014A Refunded Obligations. The remaining proceeds of the Series 2014B Bonds will be deposited to the Escrow Fund created herein and administered under the Escrow Agreement for the advance refunding of the Series 2005 Bonds.

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

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

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

#### Section 19. APPROVAL OF DOCUMENTS AND USE OF DISCLOSURE DOCUMENTS.

(A) APPROVAL OF DOCUMENTS. Following approval of the Confirming Resolution, the Chair or other Authorized Officer is authorized to execute, and the Board Secretary is authorized and directed to affix the seal of the Water Authority to and attest, as applicable, the Preliminary Official Statement, the Official Statement, the Bond Purchase Agreement, the Escrow Agreement, and the Continuing Disclosure Undertaking in substantially the forms presented or described to the Board with the Confirming Resolution, with such changes as are not inconsistent with the terms of the Bond Legislation and as are approved by the Chair or other Authorized Officer, his execution or acceptance of delivery thereof to constitute conclusive evidence of his approval of any and all changes or revisions from the form of any document now or hereafter before the Board. Any changes in any such documents inconsistent with the terms of the Bond Legislation shall be approved by the Board by subsequent ordinance or resolution of the Board. The officers, agents and employees of the Water Authority are authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the

provisions of the Preliminary Official Statement, the Official Statement, the Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Undertaking.

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

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

#### Section 20. FUNDS AND ACCOUNTS.

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

(B) DEBT SERVICE FUND AND ACCOUNTS. The Water Authority shall continue the Debt Service Fund as a separate, distinct and segregated fund for the deposit of Net Revenues for the payment of System Obligations. The Water Authority shall continue the Expense Account as part of the Debt Service Fund. Money on deposit or credited to the Expense Account shall be used for the purpose of payment of that part of Operation and Maintenance Expenses that are reasonably necessary for the administration of the Debt Service Fund. The Water Authority shall establish the Series 2014A Bonds Debt Service Account as a separate account of the Debt Service Fund. The Water Authority shall establish the Series 2014B Bonds Debt Service Account as a separate account of the Debt Service Fund.

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

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



Section 21. ADMINISTRATION OF JOINT WATER AND SEWER FUND.

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

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

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

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

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

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

pay to the Credit Source interest accrued and owed on amounts advanced pursuant to the Reserve Account Surety Bond.

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

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

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

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

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

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

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

If in the month immediately preceding any payment date for the Series 2014A Bonds, the Water Authority determines that there are not sufficient funds accumulated in the Series 2014A

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

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

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

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

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

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

shall begin in the first full month following the date of issuance of the Series 2014B Bonds in order to make the first payment of principal on the Series 2014B Bonds when due at maturity. If in the month immediately preceding any payment date for the Series 2014B Bonds, the Water Authority determines that there are not sufficient funds accumulated in the Series 2014B Bonds Debt Service Account to pay the amount becoming due on that payment date, the Water Authority shall promptly deposit any available Net Revenues in the Series 2014B Bonds Debt Service Account in an amount equal to the deficiency. If, prior to any payment date for the Series 2014B Bonds, there has accumulated in the Series 2014B Bonds Debt Service Account the entire amount necessary to pay the amount becoming due on the Series 2014B Bonds payable from such account on that payment date, no additional Net Revenues need be deposited in the Series 2014B Bonds Debt Service Account prior to that payment date. In making the determinations permitted by this paragraph, the Water Authority may take into account the amount on deposit in any other fund or account or escrow relating to the Series 2014B Bonds irrevocably set aside for the next payment of the Series 2014B Bonds.

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

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

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

No payments need be made into the Series 2014B Bonds Debt Service Account if the amount

in the Series 2014B Bonds Debt Service Account is no less than the Debt Service Requirements due and to become due on and before the final maturity date of the Series 2014B Bonds, both accrued and not accrued, and all proceeds paid under any Credit Facility for the Series 2014B Bonds have been reimbursed. The money retained in that account shall be used only to pay the Debt Service Requirements on the Series 2014B Bonds when due except that any money on deposit in the Series 2014B Bonds Debt Service Account which is not necessary to pay such Debt Service Requirements shall be used as surplus Net Revenues.

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

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

With respect to each applicable series of System Obligations, reimbursements owed to a Credit Source for amounts used to pay Debt Service Requirements on those System Obligations shall be paid on the same pro rata basis and with the same priority as are amounts to be deposited in the Debt Service Account or Reserve Account, as applicable, for those System Obligations; provided that such reimbursements for payments of Debt Service Requirements made pursuant to a Credit Facility pursuant to Sections 21.(C) and (D) shall be made with the priorities set forth in those paragraphs.

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

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

(A) TRANSFER TO PAYING AGENT. The Water Authority shall transfer the funds

set aside pursuant to Section 21 for the payments of principal of, premium, if any, and interest on the Bonds to the Paying Agent on or before the date on which each such payment is due.

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

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

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

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

(C) VALUATION OF INVESTMENTS. In the computation of the amount in any account or fund for any purpose under this Bond Ordinance, except as otherwise expressly provided in this Bond Ordinance, Permitted Investments shall be valued at the cost thereof (including any

amount paid as accrued interest) or the principal amount thereof, whichever is less; except that Permitted Investments purchased at a premium may initially may be valued at the cost thereof, but in each year after such purchase shall be valued at a lesser amount determined by ratably amortizing the premium over the remaining term. Bank deposits shall be valued at the amount deposited, exclusive of any accrued interest or any other gain to the Water Authority until such gain is realized by the receipt of an interest-earned notice, or otherwise. The valuation of Permitted Investments and bank deposits in any account shall be made not less frequently than annually. Unless otherwise required by accounting standards applicable to the Water Authority, no loss or profit on Permitted Investments shall be deemed to take place as a result of fluctuation in the market quotations prior to the sale or maturity thereof.

Section 24. CREDIT FACILITY.

(A) CREDIT FACILITY FOR PAYMENT OF THE BONDS. Payments of all or any part of the principal of and interest on the Bonds may be guaranteed by a Credit Source as and to the extent set forth in the Confirming Resolution.

(B) CHANGES TO INSURANCE TERMS. Terms and provisions with respect to any Credit Facility for the Bonds, in addition to those set forth in the Bond Legislation, shall be as set forth in the Credit Facility.

(C) CONSENT OF CREDIT SOURCE. Any provision of this Bond Ordinance expressly recognizing or granting rights in or to a Credit Source may not be amended in any manner which affects the rights of the Credit Source without the prior written consent of that Credit Source.

(D) ADVERSE EFFECT ON OWNERS. In determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Bond Ordinance, the Water Authority shall consider the effect on the Owners as if there were no Bond Insurance Policy or Reserve Account Surety Bond in effect.

(E) CREDIT FACILITY. The rights and obligations of any Credit Source under any Credit Facility shall be as set forth in the Bond Legislation or the Credit Facility but shall not exceed any of the limitations included in the Bond Legislation. The Water Authority shall promptly notify any rating agency then rating the Bonds of changes to the terms of a Credit Facility.

Section 25. PLEDGE OF NET REVENUES AND LIEN OF THE BONDS. The Net Revenues are hereby pledged for the payment of the Series 2014A Bonds, the reimbursement of obligations of the Water Authority for the proceeds of any Credit Facility used to pay Debt Service Requirements on the Series 2014A Bonds and for the other payment obligations of the Water Authority set forth in the

Bond Legislation, and such payments and obligations of the Water Authority shall continue to have an irrevocable senior lien (but not an exclusive senior lien) upon the Net Revenues, on a parity with the Outstanding Senior Obligations until paid. Net Revenues shall be applied to the payment of such payments and obligations with the priorities set forth in Section 21.(A).

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

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

Section 27. ADDITIONAL SYSTEM OBLIGATIONS.

(A) LIMITATIONS UPON ISSUANCE OF SYSTEM OBLIGATIONS.

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

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

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

(2) (a) Using the fees and rates for use of the System on the date of computation, or assuming that any new schedule of fees and rates approved by the Water Authority



during or after the Historic Test Period was in effect during the entire Historic Test Period, the Net Revenues which were or would have been received during that Historic Test Period shall have been sufficient to pay an amount representing at least 133% of the maximum combined annual Debt Service Requirement on the Outstanding Senior Obligations and the Senior Obligations proposed to be issued; or

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

(C) ADDITIONAL PARITY SUBORDINATE OBLIGATIONS. The tests required in this Section 27.(C) shall be performed without adjustment for payments to or withdrawals from the Rate Stabilization Fund or interest accrued in the Acquisition Fund. So long as the 2005 Bonds, 2006A Bonds, 2008A Bonds, 2009 Bonds, 2013A&B Bonds, Drinking Water State Revolving Fund Loan Agreement (2003), Public Project Revolving Fund Loan Agreement (2005), Public Project Revolving Fund Loan Agreement (2007 ), Drinking Water State Revolving Fund Loan (2009), and Public Project Revolving Fund Loan Agreement (2011) are Outstanding, the Water Authority shall be required to meet all three tests established in this paragraph; after those Senior Obligations listed are no longer Outstanding, the Water Authority shall be required to only meet the tests set forth in (i) and (iii) of the following sentence, and the test set forth in (ii) of the following sentence shall have no further force or effect. Except as permitted by Section 28, prior to the issuance of additional Subordinate Obligations, the Water Authority (i) shall be current in making all deposits required by Section 21, (ii) shall satisfy the test set forth in paragraph (B) of this Section 27 related to the issuance of additional Senior Obligations, and (iii) shall satisfy the following test:

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

(2) (a) Using the fees and rates for use of the System on the date of computation, or assuming that any new schedule of fees and rates approved by the Water Authority during or after the Historic Test Period was in effect during the entire Historic Test Period, the Net

Revenues which were or would have been received during that Historic Test Period shall have been sufficient to pay an amount representing at least 120% of the maximum combined annual Debt Service Requirement on the Outstanding Senior Obligations and Outstanding Subordinate Obligations and the Subordinate Obligations proposed to be issued; or

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

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

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

(F) VARIABLE RATE OBLIGATIONS. In making the computations required by this Section to determine if additional System Obligations may be issued, Variable Rate Obligations shall

be deemed to bear rate of interest as required in the definition of Debt Service Requirements.

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

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

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

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

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

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

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

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

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

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

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

Ordinance.

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

(C) RATE COVENANTS.

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

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

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

(4) Quarterly, the Water Authority shall determine that the Net Revenues are sufficient to satisfy the Rate Covenants. If the Net Revenues are not sufficient to satisfy the Rate Covenant upon the approval of the annual audit for a Fiscal Year, the Water Authority will either: (i) promptly increase the rates for use of the Services of the System in order to generate sufficient Net Revenues to satisfy the Rate Covenants or (ii) employ a consultant or manager for the System who shall have a favorable national reputation for skill and experience in the management, operation and financial affairs of water and sanitary sewer systems and who is not an employee or officer of the Water Authority. The Water Authority will request that consultant or manager to make its recommendations, if any, as to revisions of the Water Authority's rate structure and other charges for use of the System, its Operation and Maintenance Expenses and the method of operation of the

System in order to satisfy the Rate Covenants as soon as practicable. Copies of any such requests and recommendations of the consultant or manager shall be filed with the Board. So long as the Water Authority substantially complies with the recommendations of the consultant or manager on a timely basis, the Water Authority will not be deemed to have defaulted in satisfying the Rate Covenants even if the resulting Net Revenues are not sufficient to be in compliance with the Rate Covenants, if there is no other default under this Bond Ordinance.

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

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

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

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

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

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

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

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

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

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

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

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

(K) CHARGES AND LIENS UPON SYSTEM. The Water Authority will pay when due from Gross Revenues or other legally available funds all taxes and assessments or other municipal or governmental charges, lawfully levied or assessed upon the System and will observe and comply with all valid requirements of any municipal or governmental authority relating to the System. The Water Authority will not create or permit any lien or charge upon the System or the Gross Revenues or Net Revenues except as permitted by this Bond Ordinance, or it will make adequate provisions to satisfy and discharge within 60 days after the same accrue, all lawful claims and demands for labor, materials, supplies or other objects, which, if unpaid, might by law become a lien upon the System, the Gross Revenues or the Net Revenues. However, the Water Authority shall not be required to pay

or cause to be discharged, or make provision for any tax assessment, lien or charge before the time when payment becomes due or so long as the validity thereof is contested in good faith by appropriate legal proceedings and there is no adverse effect on Owners.

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

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

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

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

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

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

Revenues or Net Revenues.

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

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

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

Authorized Officers are hereby authorized (a) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Water Authority as the Water Authority is permitted or required to make or give under the federal income tax laws including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Bonds or interest thereon or assisting in the compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by the Authorized Officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Water Authority, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Bonds, and



(c) to give one or more appropriate certificates of the Water Authority, for inclusion in the transcripts of the proceedings for the Bonds, setting forth the reasonable expectations of the Water Authority regarding the amount and use of all the proceeds of the Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Bonds.

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

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

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

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

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

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

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

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

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

(a) protect and enforce the rights of the Owners by mandamus or other

suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in this Bond Ordinance or for the enforcement of any proper legal or equitable remedy as those Owners may deem necessary or desirable to protect and enforce their rights,

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

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

(d) any combination of those remedies.

All proceedings shall be instituted and maintained for the equal benefit of all Owners of System Obligations then Outstanding, subject to the provisions of Section 21 of this Bond Ordinance, with respect to the use of Gross Revenues. The Owners by purchasing System Obligations consent to the appointment of a receiver to protect the rights of the Owners. The receiver may enter and take possession of and operate and maintain the System and shall prescribe rates, fees or charges and collect, receive and apply all Gross Revenues as required by this Bond Ordinance. The failure of any Owner to exercise any right granted by this Section shall not relieve the Water Authority of any obligation to perform any duty. Each right or privilege of any Owner (or trustee or receiver therefor) is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege of any Owner. Notwithstanding any other provision in this Bond Ordinance, no recourse shall be had for the payment of any Bond or for any claim based on any other obligation, covenant or agreement contained in this Bond Ordinance against any past, present or future officer, employee or agent of the Water Authority or member of the Board, and all such liability of any such officers, employees, agents or member (as such) is released as a condition of and consideration for the adoption of the Bond Legislation, execution of the Continuing Disclosure Undertaking and the issuance of the Bonds.

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

Section 33. DUTIES UPON DEFAULT. Upon the happening of any of the events of default listed in Section 31, the Water Authority will do and perform all proper acts on behalf of and for the

Owners necessary to protect and preserve the security created for the payment of the System Obligations and for the payment of the Debt Service Requirements on the System Obligations promptly as the same become due. As long as any of the System Obligations are Outstanding, all Gross Revenues shall be distributed and used for the purpose and with the priorities set forth in Section 21. If the Water Authority fails or refuses to proceed as provided in this Section, the Owners of not less than 66% in principal amount and Accreted Value of the System Obligations then Outstanding, after demand in writing, may proceed to protect and enforce the rights of the Owners as provided in the Bond Legislation.

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

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

proceeds as needed to meet the schedule.

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

If any Bonds are deemed to be paid and discharged pursuant to this Section, within 15 days after the date of defeasance, the Water Authority shall cause written notice to be given to each Owner of the Bonds deemed paid and discharged at the address shown on the Bond register on the date on which those Bonds are deemed paid and discharged. The notice shall state the numbers of the Bonds deemed paid and discharged (if less than all the Bonds are deemed paid and discharged), describe the Defeasance Obligations and specify any date or dates on which the Bonds defeased are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for that notice pursuant to this Section.

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

Section 35. BONDS NOT PRESENTED WHEN DUE. If any Bonds are not duly presented for payment when due at maturity or on any prior redemption date, and if money sufficient for the payment of those Bonds is on deposit with the Paying Agent, and, in the case of the Bonds to be redeemed, if notice of redemption has been given as provided in the Bond Legislation, all liability of

the Water Authority to the Owners of those Bonds shall be discharged, those Bonds shall no longer be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold such money in trust, without liability for interest thereon, for the benefit of the Owners of those Bonds.

Section 36. DELEGATED POWERS. The officers of the Water Authority are authorized and directed to take all action from time to time which is necessary or appropriate to effectuate the provisions of the Bond Legislation and the Bonds, including, without limitation, the execution of any credit facility, any liquidity agreement, any remarketing agreement, any qualified exchange agreement, the delivery of a “deemed final” certificate relating to the disclosure document for the Bonds, the publication of a summary of this Bond Ordinance substantially in the form set out in Section 45, the distribution of material related to the Bonds, the printing of the Bonds and the execution of related documents and certificates pertaining to the System, the Bonds, and the delivery of and security for the Bonds, as may be reasonably required by the Purchaser. The officers of the Water Authority are authorized and directed to take all action from time to time which is desirable or necessary for the Water Authority with respect to arbitrage rebate requirements under Section 148(f) of the Code.

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

Section 37. AMENDMENT OF BOND ORDINANCE.

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

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

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

(3) To obtain or maintain a rating on the Bonds from any rating agency if the amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners of the Bonds;

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

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

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

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

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

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

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

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

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

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

(A) If to the Water Authority:

Albuquerque Bernalillo County Water Utility Authority

One Civic Plaza, N.W., Room 5012

Albuquerque, NM 87102

Attention: Executive Director

(505) 768-2500

(505) 768-2580 (Fax)

(B) If to the Initial Paying Agent:

Albuquerque Bernalillo County Water Authority

One Civic Plaza NW, Room 5012

Albuquerque, NM 87102

Attention: Chief Financial Officer

(505) 768-3695

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

When this Bond Ordinance provides for notice to the Owners of Bonds of any event, such

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

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

The Paying Agent shall provide Moody's, S&P, and Fitch if the Bonds are then rated by Moody's, S&P, and Fitch as applicable, with prior written notice of any amendments to this Bond Ordinance and the optional redemption of Bonds pursuant to Section 8.(A) or defeasance pursuant to Section 34. Such notice shall be sent (a) to Moody's at: Moody's Investors Service, Public Finance Department - Structured Finance Group, 99 Church Street, New York, New York 10007, (b) to S&P at: Standard & Poor's Corporation, Attention: Municipal Finance Department - Structured Finance Group, 25 Broadway, 20th Floor, New York, New York 10004, and (c) to Fitch at: Fitch Ratings, One State Street Plaza, New York, NY 10004.

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

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

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

(B) All references to "Parity Obligations" shall be substituted with the term "Senior Obligations."

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



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

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

“(D) (Reserved).”

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

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

“(C) RATE COVENANT

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

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

(I) The Amendment is hereby approved.

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

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

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

“Debt Service Requirements” With respect to System Obligations for any given period, the sum of: (1) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on System Obligations during that period, plus (2) the amount required to pay the principal or Accreted Value, becoming due on System Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (3) the periodic payments required to be made by the Water Authority pursuant to a Qualified Exchange Agreement minus (4) the periodic payments to be received

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

2. The following definitions shall be added:

**NET REVENUES.** The Revenues of the Utility less the Expenses. For purposes of calculating compliance with Sections 1-1-2(B) and 1-1-2(C) and the Additional Bonds Tests and Rate Covenants in the Debt Management and Policy & Guidelines, Net Revenues shall be defined and calculated in accordance with the definition of Net Revenues established in the applicable ordinance authorizing the issuance of the relevant System Obligations.

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

**SUBORDINATE OBLIGATIONS.** System Obligations now outstanding or hereafter issued with a lien on the Net Revenues subordinate to the lien thereon of the Senior Obligations but superior to the lien thereon of the Super Subordinate Obligations.

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

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

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

(C) Increasing Minimum Monthly Fixed Charges. So long as there are Senior Obligations outstanding, if the determination of §1-1-2(B) above shows that the Net Revenues are less than 133 percent of the Debt Service Requirements on the outstanding Senior Obligations, the fixed monthly charge will be increased for water and sewer accounts. So long as there are Subordinate Obligations outstanding, if the determination of §1-1-2(B) above shows that the Net

Revenues are less than 120 percent of the Debt Service Requirements on the outstanding Senior Obligations and outstanding Subordinate Obligations, the fixed monthly charge will be increased for water and sewer accounts. The increase in the fixed monthly charges will be a percentage of the established fixed monthly charges that produce additional revenues so that if the adjusted charges had been effective the previous quarter, the total Net Revenues would have been sufficient to meet the requirements of this paragraph. as applicable. If the determination of §1-1-2(B) above shows that the Net Revenues are insufficient to meet the requirements above, it shall be determined if the revenue loss is due to efforts of Water Authority Customers to conserve water by reviewing usage patterns. If the usage study shows that the reduced revenues are due to conservation efforts, the Executive Director shall analyze the Utility's operations for the purpose of determining whether or not corresponding expense reductions can be effected and shall resent any such expense reduction proposals to the Water Authority.

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

C. Additional Obligations Tests

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

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

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

(b) The projected Net Revenues for the Prospective Test Period shall be sufficient to pay an amount representing at least 133% of the maximum combined annual Debt Service Requirements on the Outstanding Senior Obligations and Senior Obligations proposed to be issued. To determine if the annual Net Revenues are sufficient for the purposes of the preceding sentence, the Net Revenues projected for the applicable Prospective Test Period shall be determined by applying the rates for use of the System approved by the Board at the time of computation to be in effect during the Prospective Test Period to the proposed number of connections to the System after

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

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

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

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

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

(iii) Super Subordinate Obligations. No additional obligations test is established.

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

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

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

4. Section V, paragraph (D), subsections (v) and (vi) of the Debt Management Policy

and Guidelines is amended to read as follows:

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

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

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

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

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

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

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

**Albuquerque Bernalillo County Water Utility Authority**

**Notice of Adoption of Ordinance**

NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 6-14-6 NMSA 1978, that on August 20, 2014, the Board of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority") adopted Water Authority Ordinance No. O-14-2 (the "Bond Ordinance"), an ordinance which authorizes the issuance of the Water Authority's Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A in the aggregate principal amount of \$98,420,000 to refund a portion of certain outstanding System Obligations of the Water Authority's joint water and sewer system (the "System") and authorizes the issuance of the Water Authority's Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B in the aggregate principal amount of \$88,585,000 to refund a portion certain outstanding System Obligations of the System.

The title of the Bond Ordinance is:

**ORDINANCE**

**AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE "WATER AUTHORITY") SENIOR LIEN JOINT WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2014A IN THE PRINCIPAL AMOUNT OF \$98,420,000 (THE "SERIES 2014A BONDS") FOR THE PURPOSE OF REFUNDING (i) A PORTION OF THE OUTSTANDING JOINT WATER AND SEWER SYSTEM NEW MEXICO FINANCE AUTHORITY PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005) AND (ii) A PORTION OF THE OUTSTANDING SERIES 2006A BONDS; AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY SUBORDINATE LIEN JOINT WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2014B IN THE PRINCIPAL AMOUNT OF \$88,585,000 (THE "SERIES 2014B BONDS" AND TOGETHER WITH THE SERIES 2014A BONDS, THE "BONDS") FOR THE PURPOSES OF REFUNDING (i) A PORTION OF THE OUTSTANDING SERIES 2005 BONDS AND (ii) THE OUTSTANDING 2001 NEW MEXICO ENVIRONMENT DEPARTMENT LOAN; PROVIDING FOR THE DISPOSITION OF, AND OTHER DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF THE SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON SYSTEM OBLIGATIONS; DETERMINING CERTAIN TERMS AND THE METHOD OF DETERMINING OTHER TERMS CONCERNING THE BONDS; PROVIDING FOR THE APPROVAL OF VARIOUS AGREEMENTS AND DISCLOSURE DOCUMENTS RELATING TO THE BONDS; AMENDING THE WATER AUTHORITY'S WATER AND SEWER RATE ORDINANCE NO. O-14-1 AND ORDINANCE NO. F/S O-08-4; AND RATIFYING ACTION PREVIOUSLY TAKEN.**

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

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

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Executive Director

(End of Summary of Ordinance for Publication)

PASSED AND ADOPTED THIS 20<sup>TH</sup> DAY OF AUGUST, 2014.

BY A VOTE OF \_\_\_\_ FOR AND \_\_\_\_ AGAINST.

Chair

ATTEST:

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Secretary

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